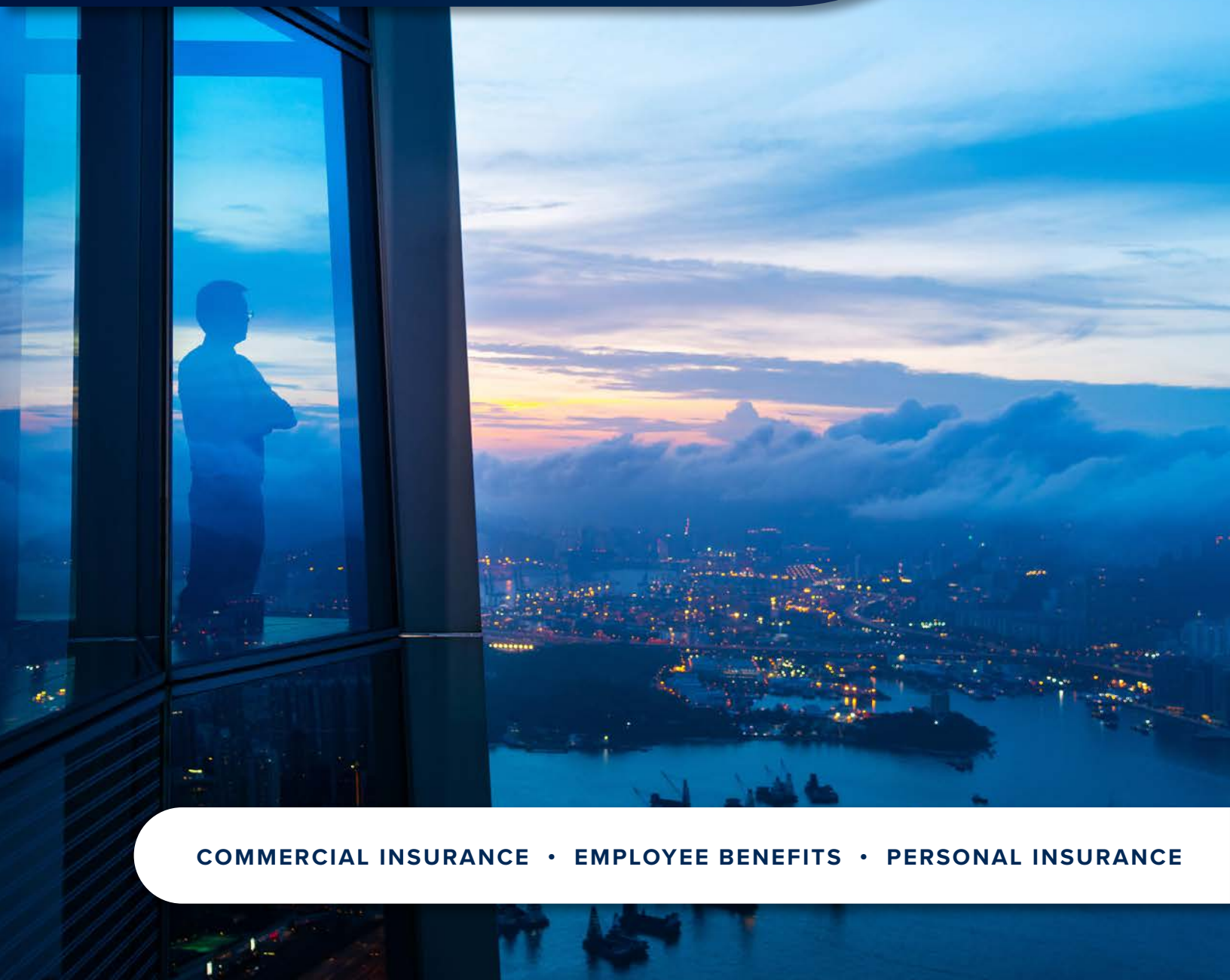




2026 OUTLOOK

Market Trends Report



COMMERCIAL INSURANCE • EMPLOYEE BENEFITS • PERSONAL INSURANCE

Executive Summary

The insurance landscape is undergoing a profound transformation, driven by shifting economic drivers and an increasingly complex risk environment. Our Market Trends Report offers a comprehensive analysis of these emerging shifts, providing strategic foresight into the critical developments redefining commercial coverage, employee benefits and personal insurance. As economic conditions fluctuate, regulations adjust and new risks emerge, understanding these shifts is key for informed decision-making and long-term security.

→ COMMERCIAL INSURANCE

In Commercial Insurance, heightened competition among carriers is creating new opportunities for those with strong risk management practices. At the same time, organizations face persistent challenges from large-scale loss events such as wildfires, cyber incidents and catastrophic claims. Industries like transportation and hospitality, and operations in risk-prone regions, must remain agile to secure effective coverage as market dynamics continue to shift.

→ EMPLOYEE BENEFITS

Employee Benefits are undergoing a pivotal shift as organizations work to control rising costs without compromising the quality or relevance of benefit programs. There is a stronger focus on deploying digital health tools, from virtual primary care to cost transparency platforms, ensuring value and improved employee well-being. While cost management is a top priority, fostering a culture that attracts and retains talented, engaged individuals remains essential.

→ PERSONAL INSURANCE

The Personal Insurance market continues to shift amid climate volatility, higher loss severity, regulatory change and evolving carrier strategies, requiring stronger preparation, clearer documentation and more deliberate risk management. While capacity is expanding and underwriting is stabilizing in select areas, catastrophe-exposed regions continue to face tighter requirements and sustained pricing pressure, particularly for properties exposed to wildfire, hurricane and severe convective storm activity.



Brown & Brown and Risk Strategies have joined together, uniting resources, knowledge and proven experience to deliver stronger insurance solutions. This collaboration expands capabilities and enables a broader perspective, underscoring a shared commitment to delivering support and innovative strategies in a rapidly changing market.

Moving Forward Together

The Brown & Brown Market Trends Report offers more than data and analysis — it provides meaningful perspective for your business, your employees and your future. Our team brings expanded resources and insight to address today's insurance challenges and anticipate tomorrow's needs. Working together, Brown & Brown can help deliver enhanced knowledge and broader solutions for a future defined by complexity and opportunity.

— *Brown & Brown Retail Senior Leadership Team*



Table of Contents

02

EXECUTIVE SUMMARY

04

COMMERCIAL INSURANCE

Business Solutions

Executive Summary	Multinational
Property	Surety
Casualty	Captives
Cyber	Risk Management
Executive Liability	

Industries

Agriculture	Environmental
Real Estate	Commercial Marine
Professional Liability	Private Equity & Transactional Risk
Healthcare	Logistics, Transportation & Relocation
Commercial Aviation	Financial Institutions
Entertainment	
Fine Art	

58

EMPLOYEE BENEFITS

Executive Summary	Absence & Leave
Population Health & Well-Being	Audits & Assessments
Financial Well-Being	Employee Benefits Technology
Pharmacy	Digital Health
International Benefits	Actuarial & Underwriting
Regulatory & Legislative Strategy	Provider Contracting/ Specialty
Medicare	Stop Loss & Alternative Funding
Student Health	Voluntary Benefits

104

PERSONAL INSURANCE

Executive Summary	Family Office & Ultra-High-Net-Worth
Regulatory Trends & Impacts	Boats & Luxury Yachts
Reinsurance	Personal Aviation
Catastrophic Events & Claims Trends	Fine Art Collections
Risk Mitigation	Equine
Home & Property	Farm & Ranch
Personal Auto Insurance	Excess & Surplus (E&S)
Umbrella & Excess Liability	Life Insurance & Legacy Planning



2026 MARKET TRENDS

Commercial Insurance

Business Solutions

- 5 | Executive Summary
- 6 | Property
- 9 | Casualty
- 11 | Cyber
- 13 | Executive Liability
- 16 | Multinational
- 18 | Surety
- 20 | Captives
- 22 | Risk Management

Industries

- 25 | Agriculture
- 27 | Real Estate
- 30 | Professional Liability
- 32 | Healthcare
- 38 | Commercial Aviation
- 40 | Entertainment
- 43 | Fine Art
- 46 | Environmental
- 48 | Commercial Marine
- 51 | Private Equity
& Transactional Risk
- 53 | Logistics, Transportation
& Relocation
- 56 | Financial Institutions



2026 MARKET TRENDS

Commercial Insurance

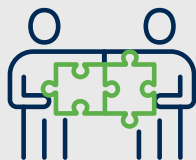
Executive Summary

The commercial insurance landscape is evolving rapidly, shaped by dynamic market conditions, emerging risks and innovative solutions. Across property, casualty, cyber and executive and specialty lines, organizations are navigating a favorable, yet complex environment, marked by mostly softening rates, abundant capacity and heightened competition among carriers. These conditions present opportunities for businesses to secure improved terms, broaden coverage, optimize renewal outcomes and explore additional coverages.

However, this favorable market is not without its challenges. Systemic risks, such as climate volatility, social inflation and the rise of AI-driven cyber threats, require proactive risk management and strategic planning. Businesses can adapt to an increasingly

interconnected risk landscape by leveraging advanced analytics, robust governance and alternative risk transfer solutions. Additionally, global regulatory complexities, including environmental, social and governance (ESG) considerations and data privacy requirements, are reshaping how organizations approach risk on an international scale.

Brown & Brown is positioned to help businesses navigate these evolving market trends. This report features insights from our combined team of specialists outlining market conditions, emerging trends and risk management considerations across our industries and insurance product lines. Through strategic planning and strong risk management, businesses can protect their operations, navigate uncertainty and build a foundation for long-term success.



Risk Strategies is now part of the Brown & Brown team, bringing together the strengths and perspectives of both organizations.

This combination enhances our ability to deliver scalable and forward-looking strategies no matter where an organization is on its growth journey. If you are a highly complex multinational company, a small business or an individual, our experienced teams can help every step of the way.

Property

→ KEY TAKEAWAYS

- Property insurance market conditions continue to soften, with widespread rate decreases and increased capacity available for most buyers
- Carriers are competing aggressively for new business, leading to favorable renewals and improved terms, though wildfire-exposed risks, habitational and frame construction risks remain challenging
- Organizations should document capital improvement plans and compile detailed data early to help maximize renewal outcomes in this favorable environment

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Rate decreases have become the norm for most insureds and are often accompanied by improved terms and conditions.”

Overview

Property market conditions continue to favor most buyers, as new capacity enters the market and established markets expand their offerings. Rate decreases have become the norm for most insureds and are often accompanied by improved terms and conditions. Underwriters are actively working to retain profitable accounts by offering favorable renewal indications, which helps keep these accounts out of the broader market. Increased competition is driving carriers to aggressively pursue new business, presenting opportunities for buyers to secure better coverage. However, while the overall market is softening, wildfire coverage remains a distinct challenge for accounts that are exposed to this risk.



Market Conditions

The property insurance marketplace is experiencing notable improvements, driven by shifts in capacity, competition and market dynamics. Increased participation from admitted carriers, Excess and Surplus (E&S) markets, coupled with stabilized reinsurance renewals, has created a more confident and competitive environment. Additionally, fewer catastrophic events in recent years have contributed to improved loss ratios, easing pricing pressures. As the market evolves, several key trends and factors are shaping the current landscape:

- More admitted carriers are entering or expanding within property lines, along with continued interest from E&S markets, as stabilized reinsurance renewals enable carriers to deploy capacity with greater confidence.
- Carriers, especially in wholesale and E&S segments, are aggressively competing by cutting rates to compete for market share, with current decreases reflecting a normalization of 2020–2022 rate inflation rather than long-term softening.
- Strong investment returns and a favorable interest rate environment enable carriers to tolerate lower underwriting margins while maintaining profitability beyond underwriting results.
- Improved risk modeling and mitigation measures, such as wildfire prevention and flood controls, combined with data-driven underwriting that enables more precise pricing, are reducing perceived exposure and further supporting the softening trend.
- Capitalization and underwriting discipline remain critical drivers in the market, with carriers emphasizing insurance to value by aligning valuations with construction indexes instead of enforcing immediate corrections.
- Ample capacity drives competition, especially for high-quality risks, resulting in rate decreases, greater flexibility in terms and coverage enhancements or rate guarantees at no extra cost, while accounts with high wildfire scores continue to face rate increases and difficulties in securing cost-effective capacity.
- Insurance to value remains a concern, with most underwriters now accepting a 1% trend in building and personal property values.

RATE OUTLOOK

Admitted Placement Rates



-8% to Flat (0% to -10%)

E&S Placements



-10% to -15%+ (shared and layered placements seeing -5% to -25%)

Single Location, Wildfire Exposed



+3% to +15%

Midwest Manufacturing



-2% to Flat

Southeast Admitted Property (Middle Market)



-5% to Flat

Apartments



-15% to -25%+

E&S Florida



-15% to -35%



Impacts and Considerations

Barring a major catastrophe, the property insurance soft market is expected to continue in 2026, benefiting buyers while emphasizing disciplined underwriting. To capitalize on these trends and enhance renewals, customers should consider the following:

- **Document capital improvements:** Clearly document all capital improvement plans to demonstrate proactive risk management
- **Address recommendations:** Tackle human element and low-cost risk improvement recommendations, provide responses to outstanding property recommendations, including estimated timelines and costs to complete
- **Start early:** Develop a strategy and begin the renewal process 90 to 120 days in advance, providing renewal exposures early to give underwriters additional time to review and quote
- **Compile data:** Gather detailed construction, occupancy, protection, exposure (COPE) data, including recent upgrades
- **Lock in multi-year programs:** Secure two or three-year deals to stabilize pricing and capitalization on the current soft market
- **Optimize retentions:** Adjust deductibles strategically to lower premiums without sacrificing coverage
- **Diversify and build relationships:** Maintain flexibility by engaging both admitted and E&S markets to leverage long-term relationships, minimize drastic fluctuations and strengthen connections through in-person meetings with underwriter

Casualty

→ KEY TAKEAWAYS

- The casualty insurance market remains highly competitive, with softening rates across nearly all lines of business
- Abundant capacity allows for negotiation of improved terms and conditions while securing more favorable pricing
- An uptick in claims frequency for General Liability and challenges to exclusive remedy in Workers' Compensation have not yet materially affected rates

Overview

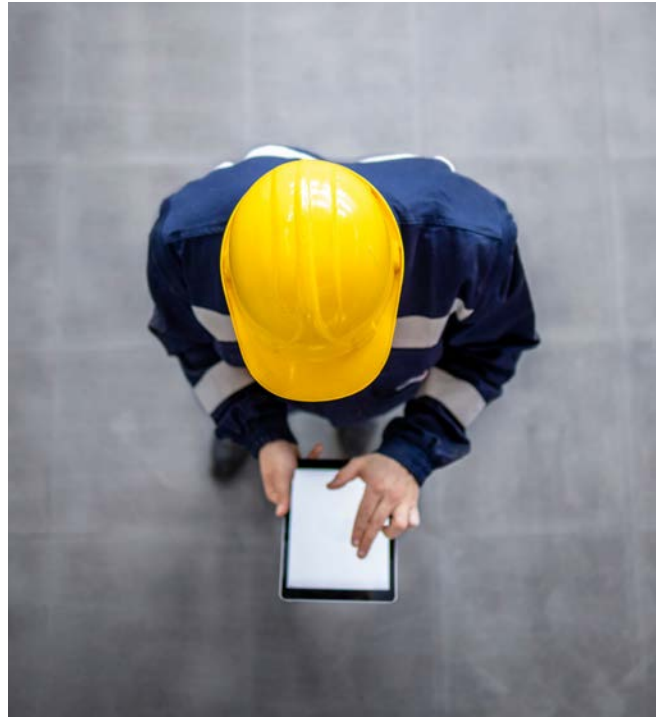
The casualty insurance market remains highly competitive. With a few notable exceptions, rates continue to soften across most lines as carriers that previously limited new business now seek to grow premium and expand their portfolios. This strong capacity environment allows brokers to negotiate improved pricing along with enhanced terms and conditions for customers.

As inflation continues to pressure overall operating costs, a softening casualty market creates meaningful opportunities for organizations to achieve savings at renewal while maintaining appropriate coverage .

The automobile liability market remains firm, with 5-10% annual increases and limited capacity for larger fleets lacking controls or with prior loss history.

Market Conditions

Carriers are actively pursuing new business as they look to grow premium volume heading into the new year. This increased competition creates favorable conditions for insurance buyers and keeps renewals highly competitive. Organizations with low loss frequency or severity often have opportunities to secure lower rates and premiums in the current casualty market.



At the same time, claims frequency is rising for Personal and Advertising Injury under General Liability, along with more frequent challenges to the exclusive remedy doctrine in Workers' Compensation. The broader market impact of these trends remains uncertain.

While conditions continue to soften across much of the market, select industries are experiencing more stable or firmer pricing environments. These sectors include:

- Transportation
- Hospitality
- Heavy construction
- Habitational

In these segments, excess liability terms and pricing remain challenging. For difficult risks, many carriers are reducing limits, forcing multiple carriers with minimum premiums to secure the needed limit, which is driving premium. Sexual abuse and molestation, assault and battery, human trafficking and firearms exclusions/limitations continue to remain prevalent in terms and conditions for many types of risks, including hospitality, habitational and real estate.

RATE OUTLOOK

Soft market conditions in casualty insurance are expected to continue through 2026 as major carriers, after years of holding reserves and limiting new business, aggressively pursuing premium growth. This competition continues to place downward pressure on pricing and expand opportunities for rate improvement.

The rate forecast reflects these dynamics, with generally favorable conditions across the casualty market:

Average Risk Profiles



-5% to -10%

Higher Risk Profiles and/or recent loss activity



-10% to Flat

Sustained carrier competition continues to favor organizations with strong loss performance and disciplined risk management, positioning them to secure more competitive pricing.

Impacts and Considerations

As inflation increases the cost to operate, hire and produce, the current soft casualty insurance market presents a meaningful opportunity for businesses. For the first time in many years, lower casualty renewal costs can help offset rising expenses across other areas of the organization.

Businesses are well positioned to take advantage of current market dynamics by leveraging increased carrier competition and favorable pricing conditions. To navigate this cycle and help strengthen renewal outcomes, organizations should consider the following actions:

- **Proactively seek market reviews:** Request detailed marketing summaries from brokers to confirm full market exploration and identify competitive alternatives
- **Recognize incentive dynamics:** Declining premiums also reduce broker compensation, which reinforces the importance of active oversight to ensure pricing reflects current market conditions
- **Prepare for a competitive year:** Soft market conditions are expected to continue, creating ongoing opportunities to reassess coverage structure and pricing throughout the year
- **Explore flexible collateral solutions:** Financially strong organizations with loss-sensitive programs may benefit from increased carrier flexibility on collateral terms and improved pricing

Cyber



→ KEY TAKEAWAYS

- While overall market rates are stable, organizations in high-risk sectors like healthcare or those with poor security controls may face stricter underwriting and higher pricing
- Systemic risks — interconnected, unpredictable events like cloud outages or widespread software vulnerabilities — pose threats that extend far beyond individual organizations
- The rise of sophisticated, AI-powered cyberattacks, including deepfake fraud and "shadow AI" exposures, demands stronger internal governance and advanced defensive strategies
- Underwriters are increasing their focus on privacy protocols, data collection practices and third-party risk management, influenced by both domestic litigation and global regulatory trends

Overview

At a high level, the cyber insurance market remains relatively stable. Many organizations continue to see steady primary pricing and softer conditions in excess layers. That said, this overall stability masks meaningful differences based on industry, size and security posture.

A clear divide continues to exist between large organizations and small to medium-sized enterprises (SMEs). Larger organizations are more likely to have the security controls carriers require. Many smaller organizations lack the resources or internal knowledge to implement these measures and may view cyber insurance as inaccessible until a loss occurs. This protection gap matters, as weaknesses among smaller vendors can create downstream risk across larger supply chains.

Systemic risk is playing a larger role in underwriting decisions. Events such as major cloud outages or vulnerabilities in widely used software can affect thousands of businesses at the same time. Carriers are actively managing this exposure and exploring tools such as catastrophe bonds to help support long-term market stability.

Market Conditions

While the cyber market is not broadly hardening, underwriters are tightening requirements in targeted areas to address evolving threats:

- High-profile disruptions, such as the ransomware incident affecting Jaguar Land Rover and the cyberattack on United Natural Foods, have reinforced the financial impact of supply chain dependencies
- Risks tied to tracking technologies and improper data collection are receiving increased scrutiny
- While U.S. regulation remains fragmented, global frameworks such as European data and AI regulations are influencing underwriting standards
- Carriers are focused on unauthorized employee use of AI tools, often referred to as shadow AI; employees may unintentionally expose sensitive data or proprietary information through public AI platforms
- Ransomware incidents involving both system encryption and data theft are now common, increasing severity and complexity of claims

Impacts and Considerations

Brown & Brown expects generally stable market conditions to continue into the first half of 2026. Improved cybersecurity practices and increased carrier competition are supporting flat to slightly lower pricing for standard risks. Organizations in higher-risk

industries or those with weaker security controls or prior losses may face limited competition and higher pricing as a result.

Here are several steps organizations can take to help strengthen their risk profile and improve renewal outcomes:

- **Implement core controls:** Underwriters expect foundational controls such as multifactor authentication for remote access and privileged accounts, endpoint detection and response and secure backup access across organizations of all sizes
- **Strengthen third-party risk management:** Formalize vendor vetting and contractual requirements and review contingent business interruption coverage to address losses tied to vendor outages
- **Plan for systemic disruptions:** Recent outages have highlighted the need for operational contingency planning beyond insurance coverage
- **Address AI and privacy risk:** Establish clear governance around AI usage and reinforce employee awareness of data handling expectations, and regularly review privacy practices to reflect both domestic and international requirements
- **Secure cyber coverage:** The financial impact of a cyber event typically exceeds the cost of insurance; coverage options are available for organizations of all sizes, including programs designed to support smaller businesses

RATE OUTLOOK

Standard Risk



-5% to Flat

Higher Risk With Subpar Controls



+5% to +10%

Executive Liability

→ KEY TAKEAWAYS

- The executive liability insurance market remains competitive, offering abundant capacity and competitive pricing, enabling organizations to secure broad and cost-effective coverage for leadership teams
- Macroeconomic pressures, including inflation, supply shortages and international conflicts, are straining company balance sheets and increasing bankruptcy risks, while rapid AI implementation introduces new underwriting concerns for corporate liability
- Increased mergers and acquisitions among small and middle-market companies influence market dynamics
- Securities Class Action filings have returned to standard levels after a period of decline



Overview

The Executive Liability insurance market continues to offer a favorable environment for organizations seeking business protection. With continued softened conditions, the market consists of abundant capacity and aggressive competition among carriers.

This landscape allows organizations to secure broad, cost-effective protection for leadership teams, including Directors and Officers (D&O) Liability, Employment Practices Liability (EPL), Fiduciary Liability and Crime/Fidelity coverage.

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The Executive Liability insurance market continues to offer a favorable environment for organizations seeking business protection. With continued softened conditions, the market consists of abundant capacity and aggressive competition among carriers.



Market Conditions

Overall market conditions remain favorable for buyers. Ample capacity and a broad risk appetite from most carriers define the current landscape. Carriers are focused on retaining renewals they view as having an above-average risk profile, which further benefits customers. While conditions are advantageous, the market is observing a deceleration of rate decreases, especially on primary layers.

Macroeconomic factors such as inflation, supply shortages, international conflicts and higher raw material costs continue to strain the balance sheets of small to mid-sized companies. This financial pressure has led to an increase in bankruptcies over the past few years.

In contrast, the current administration's focus on a lighter regulatory approach, particularly in the financial institution and crypto spaces, has resulted in fewer enforcement actions against public companies.

However, carriers are signaling that ongoing premium decreases are unsustainable for profitability. We are already seeing carriers in certain industries, such as healthcare and financial institutions, beginning to counter further premium reductions and overall risk appetite.

With no material catastrophic activity, the industry remains well-capitalized despite rising loss costs. We expect these market conditions to continue in 2026.

RATE OUTLOOK

Public Company D&O (Primary)



-5% to Flat

Public Company D&O (Excess)



-5% to +5%

Private Company D&O (Primary)



-5% to +5%

Private Company D&O (Excess)



-5% to +5%

EPL (Primary)



Flat to +5%

EPL (Excess)



-5% to +5%

Fiduciary (Primary)



-5% to Flat

Fiduciary (Excess)



-5% to Flat

Crime (Primary)



-3% to Flat

Crime (Excess)



-5% to Flat

Impacts and Considerations

For private companies, employment practices claims continue to be a primary exposure, which can impact the renewal outcome for this line of coverage. Other impacts include broader economic concerns that may affect company earnings, which tend to increase loss frequency. Social inflation concerns also continue to put pressure on rising defense costs for both carriers and insureds. While capacity is available and coverage remains broad, we understand that the overall cost of protection is still the most important factor for customers when developing an insurance program.

The emergence of AI presents opportunities for increased productivity, but it also comes with uncertainty regarding potential errors, privacy and misrepresentation. Carriers are closely watching this new exposure to understand its effect on corporate executive liability. Likewise, the SEC's proposed regulatory changes for publicly traded companies, such as new disclosure requirements, could have a significant impact on D&O underwriters and insureds.

To adapt to these trends and help improve your renewal outcome, organizations can take several proactive steps:

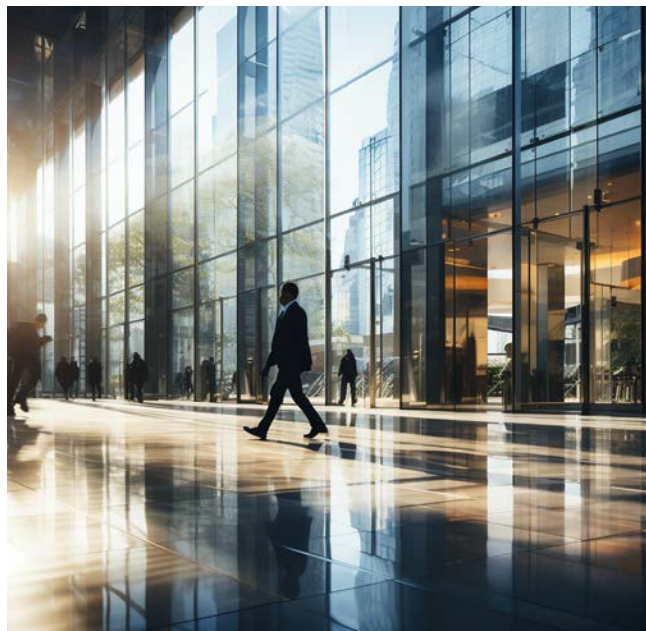
- **Engage early:** Start the renewal process at least 90 to 120 days before your renewal date, working with a risk consultant to understand market conditions, discuss challenges and best position your company for the upcoming renewal
- **Provide detailed information:** Supply as much information as possible about your company to help carriers gain a clear understanding of your operations and risk management guidelines
- **Strengthen corporate governance:** Maintain up-to-date and active corporate governance processes to present a stronger risk profile to underwriters, including staying vigilant on your organization's cybersecurity defenses
- **Plan for M&A:** In merger and acquisition situations, involve an executive risk broker early in the process to assist in reviewing indemnification clauses and pre-negotiating run-off coverage
- **Leverage carrier resources and relationships:** Take advantage of complementary executive liability platforms that carriers offer to help you manage potential exposures, while focusing on building strong relationships with both existing and new carriers



Multinational

→ KEY TAKEAWAYS

- Capitalize on softening conditions in non-catastrophe property and cyber markets while preparing for stricter underwriting in casualty and catastrophe-exposed sectors driven by inflation and nuclear verdicts
- Address the growing complexity of global regulations, particularly regarding Environmental, Social and Governance (ESG), data privacy and solvency requirements, to help ensure seamless international program design
- Leverage risk engineering, climate resilience measures and robust cyber controls to differentiate your risk profile and help secure more favorable renewal outcomes



Overview

Multinational organizations face a dynamic international insurance market shaped by rising liability costs from economic and social inflation, stricter underwriting and higher rates. Fragmented regulations around ESG, data privacy and solvency add to the challenge, while growing pressures on sustainability reporting and climate disclosure increase compliance demands. Although cyber coverage remains accessible and competitively priced, increasing claim frequency suggests potential shifts ahead, reinforcing the importance of proactive risk management.

Market Conditions

The global commercial property market is generally stable and even softening for risks not exposed to natural catastrophes. This is due to ample capacity and improved modeling. However, regions prone to catastrophic events still face tighter terms, higher deductibles and more selective carrier appetite.

Natural disaster loss trends, including secondary perils like convective storms, floods and wildfires, continue to heavily impact these CAT-exposed locations. Global insured catastrophe losses are estimated to surpass \$146 billion, well above the 10-year average of \$108 billion.¹

In contrast, the global casualty market remains firm. Carriers maintain strict underwriting discipline for general liability, auto and excess casualty lines, particularly in segments affected by social inflation and large nuclear verdicts. Carriers are increasing reserves due to uncertainty, as rising litigation costs and social inflation elevate liability expenses worldwide. This trend is especially impactful from an excess and umbrella perspective.

¹ Swiss Re Institute. *Natural Catastrophes Trend, Sigma Research 2025-01.*

The cyber market continues to be favorable for insureds. Insurance buyers are finding expanded capacity, broader coverage options and competitive pricing. This positive environment is partially offset by an increase in the frequency of claims and a heightened focus from carriers on existing security controls and concentrations of exposure.

Across different regions, conditions vary. In Europe, the Middle East and Africa, the property market is competitive outside of catastrophe zones, while the casualty market is mixed. In the Asia Pacific region, we see varied property rates, with firm conditions in areas exposed to typhoons and earthquakes. In Latin America, property capacity is improving, and cyber coverage adoption is rising, though regulatory complexity can add to local policy costs.

RATE OUTLOOK

Property (non-CAT exposed)	→	-5% to +5%
Property (CAT-exposed)	↑	+5% to +15%
General Liability	↑	+2% to +8%
Commercial Auto	↑	+5% to +12%
Umbrella/Excess Liability	↑	+5% to +15%
Cyber	→	-10% to +5%
Property Cat Reinsurance (Program Impact)	→	-5% to +5%

Please note, rate indications are subject to variability across different regions. The rates provided are a general overview.

Impacts and Considerations

To navigate these trends and improve renewal outcomes:

- **Invest in risk engineering and resilience:** Invest in risk engineering and climate measures. Document improvements for underwriters using clear data and photographs to help demonstrate a stronger risk profile.
- **Elevate cyber controls:** Strengthen cybersecurity with multi-factor authentication, regular offline backups and vendor risk scoring.
- **Optimize program architecture:** Explore alternative risk financing structures to manage costs and coverage effectively. Options like captives, parametric covers for specific perils and layered insurance programs can help provide greater flexibility and control in an uncertain international market.



→ KEY TAKEAWAYS

- The surety market is experiencing reduced competition and upward pricing pressure due to disciplined capacity allocation by carriers
- There is notable growth in specialized lines like fidelity bonds and trust account insurance, driven by emerging fiduciary risks and stricter regulatory requirements
- These conditions, marked by lower-than-expected renewal rates and industry consolidation, are expected to persist for 6-12 months, with rate increases likely starting in 2026
- Increasing frequency and severity of claims, especially in construction and professional liability sectors, are driving demand for specialized coverage and influencing future rate adjustments
- Businesses can help improve renewal outcomes by engaging closely with brokers, developing comprehensive risk management strategies and regularly reviewing their surety programs to adapt to evolving market conditions

Overview

The surety market is navigating a period of shifting dynamics marked by tightening capacity and evolving risk landscapes. Carriers are exercising discipline in their capacity allocation, which contributes to reduced competition and upward pressure on pricing for middle market buyers. Amid these constraints, there is notable growth in specialized lines, particularly fidelity bonds and trust account insurance, as businesses seek targeted coverage for emerging fiduciary risks. Additionally, stricter regulatory requirements are creating new compliance challenges and increasing the need for specialized surety solutions to help protect businesses. Carriers are also shifting their focus toward more efficient capacity allocation strategies, a move that may influence both coverage availability and cost.

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The current surety market presents distinct impacts for buyers, primarily concerning the availability and scope of coverage.

Market Conditions

The surety industry is currently facing a challenging and evolving landscape influenced by multiple factors. A November 2025 report from the National Association of Surety Bond Producers (NASBP) highlights a slight year-to-date decline in new business volumes within the middle market. While renewal rates remain steady, they are underperforming expectations, signaling potential price increases in the near future. These trends, coupled with rising claims in construction and professional liability sectors, are driving rate increases across most insurance lines.

As the market adapts to these pressures, several key drivers are shaping the environment for insurance buyers. From the growing impact of catastrophic events to stricter regulatory frameworks, businesses are navigating a complex mix of challenges and opportunities.

- **Catastrophic events:** The increasing frequency and severity of catastrophic (CAT) events are driving demand for specialized surety insurance coverage tailored to these risks
- **Industry consolidation:** Ongoing consolidation within the industry is reducing competition, which can lead to higher pricing for buyers
- **Regulatory challenges:** Stricter regulatory frameworks, particularly around fiduciary responsibilities, are introducing new risks and raising compliance costs for businesses
- **Tightening credit standards:** More rigorous underwriting requirements and stricter credit standards are making it harder for some middle market buyers to secure necessary insurance coverage
- **Upcoming market shift:** While the surety market is currently experiencing soft conditions due to reduced competition and lower-than-expected renewal rates, a shift is anticipated in 2026 driven by rising claim frequency and severity in construction and professional liability sectors

RATE OUTLOOK

Commercial Surety



+0.5% to +3%

Contract Surety



+0.5% to +3%

Impacts and Considerations

The current surety market presents distinct impacts for buyers, primarily concerning the availability and scope of coverage. Industry consolidation and revised capacity allocation strategies may limit access to insurance for certain types of businesses or projects. As carriers pivot toward more specialized lines of business, such as fidelity bonds and trust account insurance, buyers may find more targeted coverage options available. This shift underscores the growing importance of specialized coverage, especially as evolving regulatory requirements demand greater compliance and adaptation in business insurance strategies.

- Consider creating a detailed strategy for your surety program, addressing specific risks and outlining clear objectives
- A consistent review process helps ensure coverage remains aligned with business needs and adapts to changing market conditions and regulatory landscapes

Captives



→ KEY TAKEAWAYS

- Captives are gaining momentum as flexible, strategic tools for businesses to manage evolving risks in a challenging insurance market
- Rising costs and hardening conditions are prompting organizations to use captives for coverages, including property, liability and cyber
- A fundamental shift continues with the way middle-market companies view risk, enhancing captive utilization
- Proactive planning, like conducting feasibility studies and engaging leadership, helps strengthen long-term risk management and enterprise control

Overview

Captives continue to offer businesses a strategic alternative to the challenges of the commercial insurance market by providing greater flexibility and control over risk. In addition, more businesses are looking to captives to manage claims and realign their risk strategy. This strategic shift is not just about immediate cost savings; it reflects a deeper understanding of how captives serve an enterprise over the long term.

The captive insurance market is growing in response to a hard market in certain industry segments, fueled by economic pressures, rising costs and the need for flexible risk management solutions. Even as some commercial insurance premiums ease, businesses remain challenged by rising healthcare costs, legal verdicts, cyber threats and climate-driven exposures.

As a result, captives have gained momentum as a versatile tool for both risk retention and transfer, with their applications now reaching beyond traditional areas into property, excess liability and innovative, revenue-generating programs. This expanding use of captives highlights a growing recognition of their value as a strategic asset — helping organizations optimize risk financing and maintain control in today's uncertain environment.

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Captives have gained momentum as a versatile tool for both risk retention and transfer, with their applications now reaching beyond traditional areas into property, excess liability and innovative, revenue-generating programs.”

Market Conditions

Hardening conditions currently define the market in certain segments, driven by a challenging environment for insurance buyers. Pricing continues to rise while capacity remains limited at times, specifically impacting industries such as transportation, healthcare and construction. These conditions stem directly from negative claim experiences fueled by nuclear verdicts, social inflation and third-party liability funding.

In response to this adverse market environment, captive growth accelerates. Looking ahead, Brown & Brown does not expect material changes in these conditions in 2026. However, a fundamental shift is occurring in how mid-market business owners view risk. We now see more organizations understanding the long-term value of having a captive, a strategy that extends beyond simply saving money during hard markets to becoming a core component of enterprise risk management.



Impacts and Considerations

To navigate these market dynamics effectively, consider the following strategies:

- **Evaluate specific coverages:** Consider captives for coverages such as workers' compensation, auto liability, general liability, excess liability and physicians' liability/medical malpractice. If an organization has favorable risk management protocols, such as low loss experience and strong safety programs, a captive allows for better risk management with higher control and transparency.
- **Address property challenges:** While property continues to be a challenging line to cover in a captive, solutions exist for larger entities. If a company has the scale to attract appropriate fronting and reinsurance support, they may be able to exit the commercial property insurance. At times, these entities can obtain their own AM Best rating, avoiding the need for a fronting carrier.
- **Close cyber gaps:** Mid-market business owners increasingly use captives to help cover gaps and exclusions within commercial cyber policies. This comprehensive solution allows organizations to better manage cash flows in the event of a large loss. Some organizations even choose to exit commercial insurance and self-insure their cyber risks entirely through a captive.
- **Conduct a feasibility study:** Request a formal feasibility study to understand how a captive can help your organization. This process often leads companies to become more serious about their risk management protocols, such as embracing technology for safety and claims.
- **Leverage strategic advantages:** Building a captive tends to draw the attention of senior executive leadership. This higher level of oversight creates a strategic advantage for many captive owners. Sophisticated captives can eventually expand to cover property, casualty and even group medical stop loss risks.

Risk Management

→ KEY TAKEAWAYS

- Organizations must integrate technology, people and processes to anticipate, adapt and recover from interconnected threats like climate volatility, cyber incidents and supply chain disruptions
- Social inflation, including “nuclear” and “thermonuclear” verdicts and rising loss severity driven by economic inflation, is increasing liability costs, premiums and litigation expenses across industries
- Businesses should adopt predictive analytics, break down silos and explore alternative risk transfer solutions to navigate the evolving risk landscape effectively
- The rapid adoption of AI in claims processing and predictive modeling creates efficiencies but also raises uncertainties about its long-term impact on staffing and processes

Overview

Systemic risks remain a defining challenge for risk managers and business leaders, demanding a focus on enterprise-wide preparedness and resiliency. Key systemic risks — such as climate volatility, cyber incidents, supply chain disruptions, geopolitical instabilities and demographic shifts — can trigger large losses and create wide-reaching ripple effects, both domestically and globally. These damaging threats no longer fit neatly in one category. They move across borders, industries and business models in ways that are interconnected, compounding and increasingly unpredictable.

To effectively respond and recover from systemic risks, organizations should integrate technology, people and processes across all levels. The focus of risk management is no longer just on avoiding disruptions, but on anticipating, adapting and recovering quickly as these interconnected risks unfold.



Market Conditions

In addition to the increased nature of systemic risk, specific claim trends are gaining prominence across various industries.

- **Rising liability costs:** General liability, auto liability, and products liability are all experiencing a rise in nuclear and thermonuclear verdicts. These multi-million-dollar judgments are increasing insurance premiums significantly. As a result, many companies are forced to take on higher deductibles or explore alternative risk financing structures to keep costs manageable. The cost of litigation has also become a significant and disruptive expense for businesses.
- **Healthcare claims:** In the healthcare sector, professional liability claims have reached an all-time high in terms of value. Reports show the average healthcare malpractice verdict soared from \$27 million in 2019 to \$56 million in 2024¹, a trend driven by social inflation and third-party litigation funding. Furthermore, heightened anxiety around restricted access to healthcare may lead to an increase in workers' compensation claims, potentially raising premium costs for employers.
- **Sexual abuse and molestation:** Another area of concern is the sharp increase in the frequency and severity of sexual abuse and molestation (SAM) claims. Carriers are responding by limiting coverage within standard policies and enforcing more stringent underwriting guidelines for separate SAM policies. Institutions now face greater exposure not only for direct actions but also for claims of negligent supervision, hiring and retention.
- **Tariffs and the False Claims Act:** In 2025, businesses are under increased scrutiny regarding supply chain transparency and regulatory compliance. Any misrepresentation, such as failing to accurately disclose material origins, classifying goods incorrectly or undervaluing products to reduce duties, can trigger significant claims and penalties under the False Claims Act, highlighting the need for rigorous documentation and transparency.

- **D&O risks from AI and cyber programs:** Boards are facing heightened scrutiny after cyber incidents, with derivative claims arising when organizations lack strong oversight of cybersecurity and AI governance. Companies that fail to establish clear policies or overstate their cyber and AI capabilities are at increased risk of litigation and examination of their insurance coverage.
- **Inflationary pressures on property claims:** Property insurance claims continue to face pressure from economic inflation, driven by rising construction, labor and material costs and higher replacement values. This results in greater loss exposure for carriers.
- **AI adoption in risk management and claims:** The rapid integration of AI across claims intake, reserving practices and predictive modeling is transforming processes and creating new efficiencies, but it's also raising uncertainties about long-term impacts, including changes in adjuster roles and reduced staffing needs.

Impacts and Considerations

To help manage this evolving risk landscape and improve business outcomes, organizations need to prepare for 2026 and beyond by considering the following risk management strategies:

- Break down silos across the enterprise (risk, HR, operations, cyber and IT departments) to coordinate readiness, response and recovery, as fragmented approaches cannot keep up with interconnected threats
- Map interdependencies and use predictive analytics to help better understand how risks cascade across departments, partners, vendors and geographies, enabling earlier detection and faster intervention
- Expand risk transfer through innovative solutions, such as parametric insurance, captives and alternative structures, to play a significant role in filling gaps left by traditional coverage as systemic risks intensify
- Shift mindset from avoidance to adaptation — the goal isn't to eliminate disruption; it's to anticipate, withstand and recover from it more effectively

¹ Risk & Insurance. Inflation Drives \$4 Billion Surge in Medical Malpractice Losses Over Past Decade



COMMERCIAL INSURANCE

Industries

25 | Agriculture

27 | Real Estate

30 | Professional Liability

32 | Healthcare

38 | Commercial Aviation

40 | Entertainment

43 | Fine Art

46 | Environmental

48 | Commercial Marine

**51 | Private Equity
& Transactional Risk**

**53 | Logistics,
Transportation &
Relocation**

56 | Financial Institutions



Agriculture



→ KEY TAKEAWAYS

- The 2025 Farm Bill expanded federal subsidies for crop insurance, helping offset producer costs, though tariffs and global trade pressures continue to introduce market uncertainty
- Crop insurance premiums are expected to remain stable or modestly decline for the 2026 crop year, supported by favorable loss ratios and the absence of major legislative disruption
- Continued weather volatility and commodity price uncertainty underscore the importance of a comprehensive risk management approach that integrates crop insurance with broader financial planning

Overview

The crop insurance market is operating in a dynamic risk environment shaped by legislative developments, government support and ongoing global trade pressures. The 2025 Farm Bill introduced increased federal subsidies for crop insurance, helping expand financial protection and reduce costs for producers. At the same time, tariffs continue to influence export demand and market stability. Weather volatility and fluctuating commodity prices remain persistent factors affecting farm revenue, reinforcing the need for proactive and well-structured risk management strategies.

Market Conditions

The 2026 growing season is expected to reflect many of the conditions seen in 2025, with continued pressure on farm profitability driven by high input costs and variable commodity prices. While these challenges persist, favorable loss experience and stable program fundamentals provide a more predictable crop insurance environment for producers who actively manage risk.

As volatility across weather, pricing and input costs continues, crop insurance remains a critical tool for protecting operating income and supporting long-term farm viability. Producers that align insurance decisions with broader financial and operational planning will be better positioned to manage uncertainty and sustain their operations across future growing seasons.

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As volatility across weather, pricing and input costs continues, crop insurance remains a critical tool for protecting operating income and supporting long-term farm viability.

Key Trends

- **Elevated production costs:** Farmers are expected to continue facing high input expenses. Seed, fertilizer and land rents remain elevated, with non-land costs for crops such as corn estimated near \$800 per acre and total costs exceeding \$1,050 per acre in some regions.
- **Trade agreements:** Commodity prices remain closely tied to trade conditions. Early projections suggest corn prices around \$4.50 per bushel, while soybean prices may continue to soften, with forecasts near or below \$10.50 per bushel.
- **Crop insurance utilization:** With margins remaining tight, most producers will continue to rely on crop insurance to limit financial losses rather than guarantee profitability.
- **Risk management strategies:** While revenue protection remains the primary risk management tool, county-based programs are gaining traction. Enhanced Coverage Option (ECO) and Supplemental Coverage Option (SCO) are increasingly used due to higher subsidy levels and lower deductibles.
- **Enhanced Coverage Option (ECO):** ECO continues to draw interest following the increase in subsidy support to 80%, providing county-indexed revenue protection across a 95% to 86% coverage band with a limited deductible.
- **Strategic outlook:** Closely monitoring market conditions and managing input costs will remain critical. Rising expenses, volatile pricing and narrow margins reinforce the need for disciplined, proactive risk management.

Impacts and Considerations

Navigating the agricultural landscape requires a proactive approach to risk management, especially with persistent challenges like unpredictable weather and fluctuating commodity prices.

- The connection between crop insurance and net farm revenues demands more than simple policy selection; it requires true risk management
- An analytical focus and robust risk management program is crucial to help secure financial stability and achieve favorable renewal outcomes in the year ahead



RATE OUTLOOK

Multi-peril crop insurance rates benefit from uniform federal rates, ensuring rate stability without competition. With 2025 being a low-loss year and no farm bill changes until September 2026, farmers can expect favorable premiums for 2026.

Real Estate



KEY TAKEAWAYS

- The property market continues to soften, with carriers actively competing for well-managed risks with favorable loss histories
- Liability costs are still rising for this sector, as increased litigation activity and large jury awards are driving up premiums for general and umbrella coverage, creating financial pressure for multifamily, hospitality and other asset classes
- Construction type, geography, tenant profile and other risk factors are driving differences in pricing, capacity, deductibles and coverage terms, with condos, multifamily and hospitality facing greater scrutiny

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The current market offers a strategic window for real estate owners to improve their insurance programs.

Overview

Following several years of steep rate hikes and restrictive coverage, many property owners are experiencing a welcome reprieve in property insurance pricing.

The market is bifurcated, however. Well-maintained assets with low exposure to catastrophes are commanding favorable terms. In contrast, older buildings, buildings with high exposure to natural disasters or properties with poor loss records, continue to face a more challenging environment.

While property markets have improved for many, general liability and umbrella coverages have become more costly, particularly for commercial real estate owners, multifamily and hospitality.



Market Conditions

Increased competition is driving the current market softening in property. New entrants, including managing general agents (MGAs) and alternative capital sources, are eager to write business, creating a surplus of capacity that benefits buyers. This competitive environment allows well-managed, lower-risk assets to negotiate renewals at lower premiums.

In contrast, the liability sector (general liability and umbrella/excess coverage) is hardening. Rising litigation risks, third-party lawsuits and large jury verdicts translate to costlier claims. Carriers are responding with rate increases to offset these growing risks, particularly in the multifamily and hospitality spaces.

Underwriting discipline will remain a central theme in 2026. Carriers are scrutinizing risk profiles more closely than ever. Factors such as loss history, risk management practices and exposure to natural catastrophes (CAT) are heavily influencing pricing. Severe convective storms (SCS), including wind and hail events, now rival hurricanes in annual insured losses, prompting carriers to validate valuations aggressively and restrict capacity for CAT-exposed assets.

In this environment, replacement cost inflation also plays a role. Although material and labor costs have stabilized somewhat, they remain elevated compared to pre-2020 levels. Carriers continue to focus on insurance-to-value metrics to help ensure premiums align with potential rebuild costs.

RATE OUTLOOK

Property: Non-CAT/Preferred Occupancy
(Office, Retail and Other Well-Protected Risks)



Flat to -10%

Property: Non-CAT/Higher-Risk Occupancies
such as Multifamily



Flat to -15%

Property: CAT/Higher-Risk Occupancies
such as Multifamily



-10% to -25%+*

General Liability



Flat to +15%

Automobile



+5% to +15%

Umbrella/Excess Liability



+5% to +20%

Workers' Compensation



Flat to +10%

*While a rate reduction may seem counterintuitive, it reflects a competitive "give-back" following a previous CAT-driven rate over-correction.



Impacts and Considerations

The current market offers a strategic window for real estate owners to improve their insurance programs. Carriers are prioritizing data quality, so you need to allow ample time to assemble exposure information and a compelling narrative. Review your insurance-to-value metrics and document all risk mitigation efforts. A clear, well-supported story about your asset management can differentiate your portfolio in a competitive market. Below are best practices to help effectively manage real estate insurance programs:

- **Actively pursue rate reductions, lower deductibles and broader terms:** If you lost specific coverages during the hard market years, such as water damage extensions or specific business interruption clauses, use this opportunity to negotiate for re-inclusion of these provisions. Consider multi-year deals to lock in these favorable terms.
- **Strengthen your underwriting story:** Provide up-to-date valuations (ITV), COPE (construction, occupancy, protection, exposure) data and a clean statement of values (SOV). Clearly document physical upgrades such as new roofs, plumbing updates and fire protection systems.
- **Be strategic about liability:** Expect continued pressure on umbrella and excess layers. To mitigate cost increases, consider higher attachment points or restructuring your limits. Emphasize safety protocols, such as slip-and-fall prevention and habitational controls, to demonstrate active risk management to underwriters.
- **Address CAT exposure proactively:** If your properties are in zones prone to wildfire, wind, hail or flood, highlight your mitigation measures. Investments in defensible space or flood controls can increase insurability and reduce pricing pressure.
- **Explore alternative risk solutions:** For hard-to-place assets, consider captives, parametric insurance, deductible buy-downs or layered property programs. Use analytics to separate high-risk versus low-risk properties in portfolio underwriting.
- **Revisit valuations and business interruption:** Ensure your replacement cost values are current to avoid coinsurance penalties in the event of a claim. Validate your business interruption limits and restoration timelines, aligning financial assumptions with current supply chain realities.
- **Start renewals early:** Engage with your broker 90 to 120 days in advance. Early marketing generates carrier interest and competition, strengthening your leverage and giving you time to make decisions.

Professional Liability

Law Firms | Design & Engineering

→ KEY TAKEAWAYS

- Law firms continue to adopt AI tools despite high-profile missteps, reinforcing the need for stronger governance and source validation rather than slowing adoption
- Interest in alternative business structures and potential private equity participation is increasing among law firms, mirroring broader investment activity in legal technology
- Design and engineering firms are experiencing more granular underwriting, with carriers evaluating risk at the service and project-type level rather than by broad discipline
- Larger firms are generally projecting stronger growth and market resilience compared to smaller firms, which face greater economic and operational pressure

Overview

Law Firms

In the second half of 2025, professional services firms experienced meaningful shifts in workforce expectations, technology adoption and risk considerations. Most law firms increased in-office attendance requirements, with many moving to four and five days per week by 2026. At the same time, use of AI tools continued to expand across the legal profession. While these tools are improving efficiency, early issues — such as errors in court filings — have reinforced the need for appropriate oversight, validation and governance as adoption grows. The industry's financial landscape is also evolving, with increasing private equity interest in legal services and legal technology, reflecting broader investment trends. From an insurance perspective, the market has remained relatively stable, though underwriters are paying closer attention to rising defense costs and increasing valuations.



Design and Engineering Firms

Design and engineering firms are also operating in an environment shaped by technological advancement, economic pressures and changing operational models. AI is influencing project delivery and internal processes, creating efficiencies while introducing new risk considerations. Economic performance varies by firm size, with larger organizations generally projecting stronger growth than smaller firms. Joint ventures and partnerships continue to increase as firms seek scale and specialized capabilities. In response, insurance carriers are refining underwriting approaches and moving beyond broad classifications to assess risk more specifically. For example, within MEP disciplines, mechanical work may be rated differently than electrical or plumbing, and transportation projects are increasingly evaluated by subcategories such as traffic planning or signage. Clear articulation of operations, risk controls and project mix will remain important as firms navigate this evolving landscape.

Market Conditions

Law Firms

The insurance market for law firms remains generally stable, though targeted areas of tightening persist. Lawyers Professional Liability (LPL) rates have remained largely flat on a per-attorney basis, with most firms experiencing steady renewals, modest decreases or slight increases. Large firms continue to face a more challenging LPL environment than small and mid-sized firms, particularly as Bermudian carriers seek rate increases on higher excess layers. In cyber liability, 2025 remained competitive, with many firms achieving rate reductions through carrier changes, while incumbent carriers typically offered flat renewals with limited underwriting requirements. Assuming claims activity remains stable, this dynamic is expected to continue into 2026. Executive Risk renewals for Employment Practices Liability (EPL) have also been largely flat among domestic carriers, though Bermudian markets are pushing for higher premiums or increased retentions.

Design and Engineering Firms

The professional liability market for design and engineering firms continues to reflect a balance between competitive pressure and underlying loss concerns. Carriers are citing economic and social inflation to support mid-single-digit rate increases, though competition often moderates these actions. While the market remains relatively soft, underwriting scrutiny varies significantly by project type. Firms with concentrated exposure to condominiums or large infrastructure projects may encounter fewer carrier options and higher pricing. The property and casualty (P&C) market for design firms is generally stable but increasingly influenced by technology-driven underwriting models, making exceptions more difficult to obtain. This is particularly evident for firms with auto fleets or those performing higher-risk services, such as façade maintenance in dense urban areas like New York City. At a broader level, a relatively quiet year for catastrophic losses could support continued stability, or modest softening, in the P&C market.

Impacts and Considerations

Underwriter concern is being driven primarily by two factors: rising defense costs and a shorter time horizon between claim notification and settlement. While competitive market conditions are largely keeping rates in check today, some carriers are responding by seeking higher retentions or premium increases. Although the overall outlook remains stable, the withdrawal of certain markets could affect future capacity and limit competition over time.

Law Firms

To navigate this environment effectively, law firms should consider the following strategies:

- Small and mid-sized firms should complete renewal submissions at least two months prior to expiration; larger firms should begin the process four months in advance
- Larger firms benefit from in-person meetings with underwriters, which allow for deeper discussion of risk profile and claims management
- While carriers typically prefer applications, a renewal letter or supplementing submissions with a detailed, firm-specific addendum can strengthen the underwriting narrative and help attract alternative markets

Design and Engineering Firms

Design and engineering firms face similar pressures and should take a strategic, disciplined approach to renewals and carrier selection. Key considerations include:

- Developing underwriting submissions that clearly highlight centralized QA/QC protocols, project intake and close-out practices and lessons learned from prior claims
- Selecting carriers with a proven track record, strong claims handling and meaningful loss prevention resources
- Confirming that excess carriers have the capability and appetite to step into the primary layer if needed, providing added flexibility and continuity of coverage

Healthcare

Medical Malpractice & Dental

→ KEY TAKEAWAYS

- Prepare for tightening in the excess and umbrella segment, marked by reduced capacity and higher premiums for complex risks
- A top underwriting concern, underwriters are scrutinizing sexual misconduct and abuse claims, reducing capacity and making coverage harder to secure as the frequency of severe claims increases
- Social inflation and a plaintiff-friendly legal environment are driving higher medical malpractice settlements, with verdicts over \$10 million more than doubling since 2015
- Consolidation, staffing shortages and the integration of AI continue to reshape risk profiles and operational strategies across the healthcare sector
- Conditions have become more favorable in the healthcare property segment, marked by improved capacity and rates trending downward

Overview

The healthcare industry is navigating a period of significant transformation, marked by financial pressures, regulatory shifts and technological advancements. Key trends shaping the insurance landscape include the persistent rise of sexual misconduct and abuse claims, which remain a top underwriting concern, leading to full tower limit losses. A more plaintiff-friendly legal environment and social inflation are driving an increase in nuclear verdicts, with the number of verdicts exceeding \$10 million more than doubling since 2015.¹

Although staffing shortages have improved since the pandemic, they continue to challenge the sector, especially for senior living organizations. Consolidation remains a global theme as organizations seek efficiency and market power. Meanwhile, the integration of AI is expanding, augmenting human capabilities from administration to patient care. Healthcare organizations are also preparing for potential changes in federal legislation that could impact reimbursement and research funding.



¹ *Marathon Strategies, Corporate Verdicts Go Thermonuclear, 2023.*

Market Conditions

The professional liability market for healthcare providers and organizations market is experiencing significant underwriting adjustments and capacity shifts, creating a challenging environment for buyers. Carriers are tightening terms and scrutinizing risks more closely, particularly for high-exposure areas. Markets are actively reducing their excess and umbrella capacity for hospitals and health systems, making it difficult to secure significant limits. This hardening is also apparent in the long-term care sector, where umbrella carriers are increasingly reluctant to include automobile liability as an underlying coverage.

Underwriters are placing intense focus on specific risk factors. Sexual abuse and molestation (SAM/SML) coverage is now subject to thorough underwriting, with markets restricting capacity, requiring detailed assessments, increasing retentions or adding coinsurance and exclusions. For cyber liability, carriers prioritize an organization's loss history, risk management practices and vendor security protocols; those with strong controls receive more favorable terms. Additionally, underwriters continue to evaluate an insured's financial stability to help ensure they can meet their retention and deductible obligations.

Conditions vary across different lines of coverage:

- **Property and Casualty:** The property and casualty market is hardening, particularly for excess and umbrella liability. Markets are reducing capacity and raising premiums, making it difficult for hospitals and health systems to secure significant excess limits. This trend particularly affects long-term care facilities, where umbrella carriers show reluctance to include automobile liability as underlying coverage. After several challenging years in the healthcare property insurance market, conditions have become more favorable. Capacity has improved significantly; rates are trending downward, and many carriers are expanding their appetite for new business.

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The healthcare industry is navigating a period of significant transformation, marked by financial pressures, regulatory shifts and technological advancements.





- **Medical Professional Liability and Dental:** This market is relatively stable, depending on the state/territory, with most customers seeing modest single-digit rate increases. However, more litigious jurisdictions are experiencing higher rate hikes as carriers act deliberately on pricing. Allied healthcare providers continue to grow significantly, having doubled in size between 2012 and 2023. With the increase in providers, some of whom work independently, we could see a rise in the frequency and severity of medical malpractice claims for these professionals.

RATE OUTLOOK

Healthcare organizations should budget for rate changes across several lines of coverage. The following forecasts provide projected rate adjustments for various lines of coverage in the upcoming year:

Managed Care/Health Reinsurance		+20% to +40%
Hospital Excess Liability		+15% to +25%
Auto		+10% to +20%
Executive Liability		+5% to +10%
Managed Care Errors & Omissions		+5% to +10%
Long Term Care Excess Liability		+5% to +15%
Property (Non-CAT Exposures)		Flat to +5%
Workers' Compensation		-5% to +5%
Long Term Care Primary Professional/ General Liability		Flat to +5%
Medical Professional Liability		+5% to +10%
Cyber		Flat to -5%



Impacts and Considerations

Emerging risks and market dynamics demand proactive risk management. To navigate this environment, healthcare providers should consider the following strategies:

- Begin the renewal process well in advance to address any unexpected challenges and to thoroughly review market options
- Be ready for additional data requests from underwriters, particularly concerning SAM/SML exposures and pixel tracking protocols
- Implement robust patient safety/risk management programs
- Develop comprehensive safeguards, including security assessments to promote a safer environment for patients and employees
- Maintain clear and consistent documentation of staffing levels, training protocols, patient care guidelines and risk management programs.
- For senior care facilities, clearly defining the scope of care for residents and their families can help manage expectations and mitigate liability
- Identify and get pre-approval from underwriters for preferred law firms and vendors to avoid delays when a claim occurs
- Consider overlooked risks, such as pollution liability, which carries exposures related to legionella and mold in healthcare facilities

Healthcare

Managed Care and Accident & Health Reinsurance

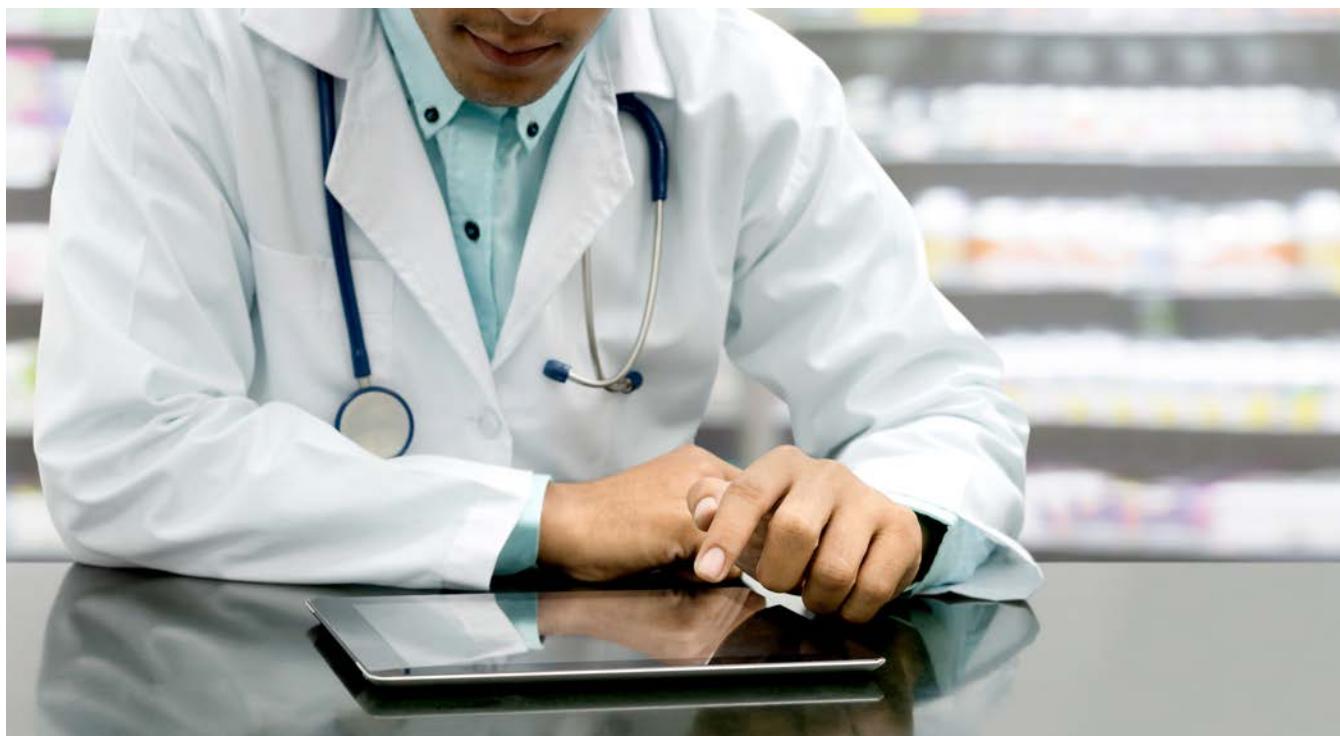
→ KEY TAKEAWAYS

- The managed care and reinsurance market stands firmly in hard territory
- Due to rising claim costs, significant rate increases up to 40% for all managed care and health reinsurance coverage is anticipated

Overview

This space has experienced a surge in high-cost claims affecting all populations, including commercial, ACA, Medicare and Medicaid. Historically shielded populations are now experiencing claims exceeding \$1 million. The growing pipeline for high-cost gene and cell therapies will continue to increase insurance and reinsurance costs, potentially leading to the exclusion of certain members or drugs from coverage. As a result, loss ratios are increasing, and underwriters are becoming more conservative.

The political environment has created uncertainty for all government populations, including Medicaid, ACA and Medicare Advantage. All plans with exposure to one or more of these populations will experience shifts in enrollment, reductions in funding and increased volatility profiles, further compounding market conditions.



Market Conditions

The accident and health market has shifted rapidly and severely in the second half of 2025 and is now in a hard market. Shortly after January 1, two of the largest reinsurers in the market announced plans to exit. While there continues to be ample capacity, markets are seeking significant rate increases and becoming more restrictive with terms and conditions. Additionally, markets continue to use disclosure and lasers aggressively to limit their exposures.

Trends impacting the insurance and reinsurance market include:

- **Unprecedented increase in frequency of catastrophic claims:** Most markets are reporting a 20-30% year-over-year increase in claims over \$1 million. Over four years, the reported increases in this category are consistently over 50%.
- **The pipeline for cell therapies, gene therapies, and other extremely high-cost specialty drugs continues to grow:** Within the next three years, there will likely be approvals for therapies targeting higher prevalence diseases which will drive more utilization. Regardless of category, the use of these high-cost drugs translates to increased insurance and reinsurance costs and the potential for the exclusion of members and drugs.

Impacts and Considerations

Hard market trends in the insurance and reinsurance space show no sign of abating anytime soon. Double-digit rate increases are pressuring budgets. Lasers and exclusions can leave organizations exposed to high costs beyond the rate increase itself. While rate increases can be difficult to navigate, it is important to weigh expected recoveries against the rate (net cost). Given the catastrophic claim trends, it is possible recoveries will outpace rate increases.

Organizations are encouraged to choose a stable and reliable reinsurance partner that can provide a long-term relationship. While it can be tempting to focus only on price during a hard market, collaborating with a predictable market should help offer sustainable solutions.

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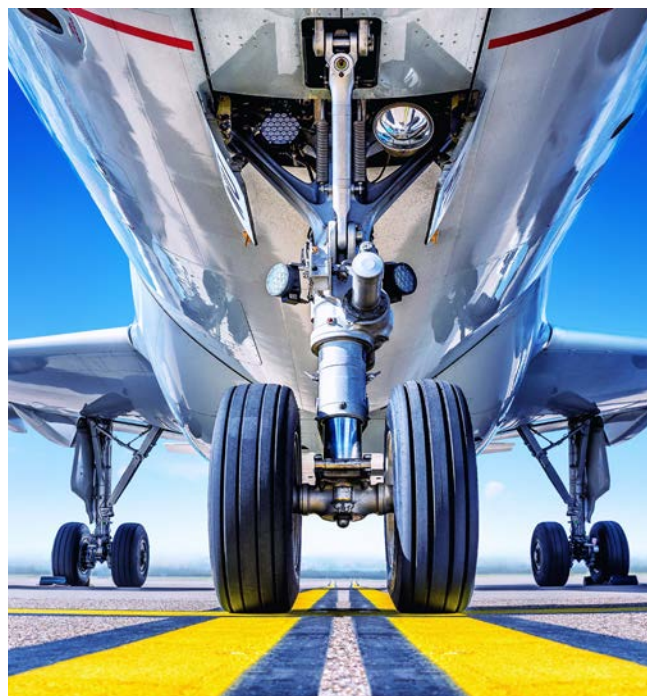
The growing pipeline for high-cost gene and cell therapies will continue to increase insurance and reinsurance costs, potentially leading to the exclusion of certain members or drugs from coverage.



Commercial Aviation

→ KEY TAKEAWAYS

- The commercial aviation market has grown from 18 to 25 insurance carriers, leading to stabilized rates and increased competition
- Claims costs continue to surge due to supply chain disruptions, inflation and labor shortages, profoundly affecting carrier profit and loss outcomes and directly altering the value of the owner's assets
- Advanced air mobility, drones and new technologies are reshaping insurance strategies
- Premiums are expected to remain stable in 2026, supported by steady reinsurance capacity
- Operators can improve renewal outcomes by prioritizing pilot training, adopting advanced safety technologies, storing aircraft in hangars, protecting assets against weather-related elements and taking actions to prevent claims



Overview

Over the past year, rates have stabilized due to expanded market capacity and the introduction of new managing general agents (MGAs), so the same stable rating structure will flow into 2026. The addition of new capacity across products and services is driving long-standing carriers to broaden their appetite and extend more competitive terms. While some markets reduced pricing to attract business, others focused on stability by offering higher limits to customers with favorable loss histories.

However, claims costs have surged due to supply chain disruptions, inflation, tariffs and a shortage of skilled mechanics, leading to longer repair times and higher expenses, particularly for labor and parts. Additionally, the growth of advanced technologies in aviation is driving the need for new insurance approaches, risk models and skills centered on real-time operational data.

Market Conditions

The commercial aviation insurance market offers significant opportunities, with carrier numbers rising from 18 to 25 in recent years, fostering robust capacity and favorable conditions for reassessing exposures and coverage needs. Aviation debt capital remains readily available, and manufacturers continue delivering "green" aircraft to lessors. Private buyers are investing in airline equipment at record values, while tax incentives for business aircraft owners and new entrants enhance liquidity for reinvestment and growth.

The aviation industry is also navigating a dynamic landscape shaped by regulatory advancements, economic pressures and technological evolution. From new safety frameworks and rising operational costs to market stability, government shutdown impacts and litigation risks, these factors collectively influence the industry's resilience and future growth.



- **Regulatory updates:** New frameworks for Part 135 Drone operators and advanced air mobility emphasize safety, security and maintenance, with requirements such as collision avoidance technology, enhanced security vetting and expanded responsibilities for manufacturers and pilots
- **Rising costs and operational challenges:** Rising repair and claim costs, driven by supply chain complexity, inflation and labor shortages, combined with geopolitical factors like trade disputes and global instability, are increasing operational risks and requiring carriers to adopt more realistic reserve setting and settlement planning
- **Market stability:** The 2025 rating model helps ensure stability for general aviation into 2026, while agile capital models and steady reinsurance capacity support pricing stability for advanced aircraft amid rising claims
- **Government shutdowns:** Government shutdowns disrupt aviation by delaying safety initiatives, halting projects, challenging customs and reducing revenue through passenger confidence and business aviation restrictions
- **Reliability and groundings:** Modern aviation groundings disrupt general aviation activities like training, commercial operations, supply chains and parts availability, while financial hardships for key suppliers further strain aviation business operations
- **Litigation and technology:** The rapid adoption of new aviation technologies increases litigation risks, pushing underwriters to adopt real-time data-driven models and collaborate with regulators to address evolving safety challenges

RATE OUTLOOK

Commercial Aviation



0% to +5%

Impacts and Considerations

The commercial aviation sector is contending with a complex array of challenges, ranging from changes in Federal Aviation Administration (FAA) regulations to rapid technological shifts. Awareness of these impacts remains essential for effective navigation of the current insurance market. To address these risks and support improved renewal outcomes, the following measures should be considered:

- **Prioritizing training and ratings:** The FAA establishes minimum standards for pilots, while insurance policies often stipulate higher requirements. Operators demonstrating ongoing training and accumulated experience may be viewed more favorably by carriers, potentially resulting in rate adjustments.
- **Maintaining hangar housekeeping:** The protection of aircraft necessitates meticulous attention to hangar safety — equipping spaces with adequate fire extinguishers, carbon dioxide detectors, sprinkler systems, removing flammable debris and ensuring thorough safety training for ground personnel.
- **Planning for weather events:** Safeguarding aircraft from weather-related hazards, including relocation when necessary to help reduce exposure to physical loss claims and maintain premium stability.
- **Adopting safety technology:** The integration of advanced technologies, such as vision systems, GPS navigation, autopilot and the traffic alert and collision avoidance system (TCAS), serves to minimize human error. Furthermore, the adoption of AI for predictive maintenance and augmented reality for enhanced cockpit performance supports a proactive risk management approach.

Entertainment



→ KEY TAKEAWAYS

- While the insurance market has stabilized to some degree, it's still challenging for many entertainment ventures
- Extreme weather, labor strikes, political unrest and other factors are increasing exposure for cancellations and postponements
- Record-breaking budgets for film and TV, combined with inflation and expensive technology, are making claims more costly to resolve

Overview

Following the pandemic, rates hardened for entertainment risks. Though conditions have begun to level out and even soften slightly, this stabilization does not signal a return to a truly soft market.

Instead, carriers are maintaining a disciplined approach, looking carefully at each organization's loss history and risk mitigation strategy. In some cases, underwriters are showing a renewed willingness to relax pandemic-era restrictions by expanding some coverages and increasing sublimits. However, the cost environment remains difficult for many in the industry.

Market Conditions

Entertainment projects today are more expensive than ever, driven by record-breaking budgets for film and TV, costly special effects technology and high-value sets.

The industry represents a significant portion of U.S. GDP yet relies on a surprisingly small pool of carriers, creating capacity constraints. There are approximately 10 carriers operating in this space, and for certain specialized sub-sectors, that number can drop to as few as two or three. This concentration of risk means that while rates are stabilizing, competition is limited and carriers remain highly sensitive to exposure.

Securing comprehensive coverage can be a challenge. Success in this market depends on early preparation, detailed underwriting data and a strong risk management strategy.



Several drivers are influencing the current market:

- **Disruptions:** From extreme weather and wildfires to labor strikes, equipment failures and global political polarization, unpredictable events are driving claims and fueling underwriting caution, particularly for location-based productions and live events
- **Economic and social inflation:** Rising prices, along with increased litigation and large jury awards, remain a pressure point, inflating the value of claims
- **High-profile incidents:** Accidents involving stunts, pyrotechnics, drones and crowd management are leading to heightened carrier scrutiny of live events and sets
- **Industry consolidation:** Mergers and acquisitions (M&A) are reshaping the insurance market, reducing the number of independent players
- **Labor-related concerns:** Union strikes and labor disputes pose business interruption risks, influencing how underwriters assess production stability
- **Cost of capital:** Broader economic factors are affecting carrier profitability and their appetite for risk
- **Increased cyber risk:** The growing use of digital technology has expanded vulnerabilities to cyber threats ranging from ransomware attacks to intellectual property violations involving deepfakes
- **A shortage of specialized talent:** Fueled by retirements and a lack of new entrants, staffing shortages can lead to loss of institutional knowledge, accidents and reduced innovation

RATE OUTLOOK

Commercial Production/Advertising (All Coverage Lines)



Flat to +5%

Broadway/Theatrical Productions (All Coverage Lines)



Flat to +2%

Umbrella



+7.5%

Entertainment Venues (All Coverage Lines)



Flat to +5%

Umbrella



+7.5%

Contingency/Event Cancellation



+2% to +5%*

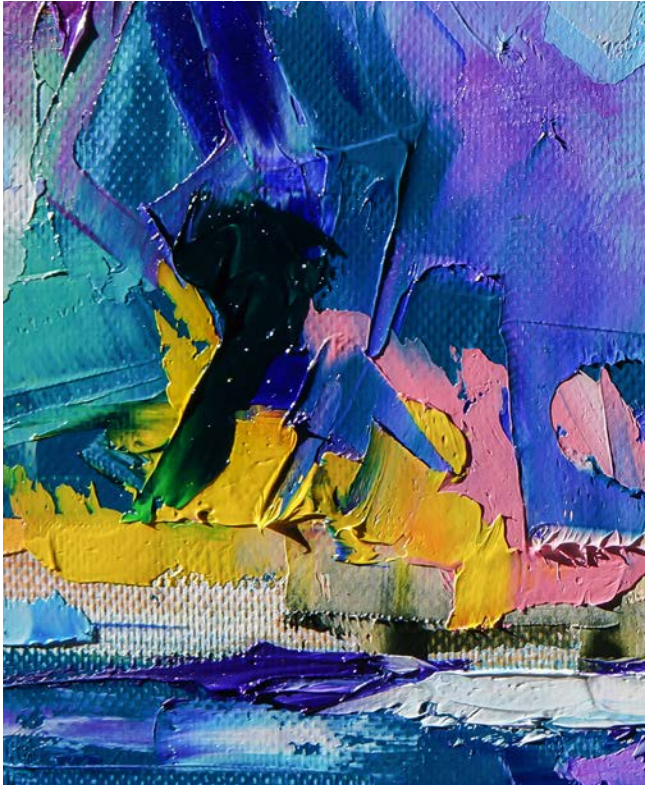
* Dependent on risk type, geographic location, proximity to extreme weather and coverage options



Impacts and Considerations

Unless a carrier severely cuts rates to grab market share, causing a knock-on effect for the rest of the market, or there is an increase in carrier participation and overall capacity, Brown & Brown anticipates current conditions will continue over the next six to twelve months. Steps to help negotiate include the following:

- **Seek input from an entertainment insurance specialist:** Some insurance products are not available through generalist brokers. Organizations want a specialist who understands entertainment risks and can assess coverage needs against the limited market capacity.
- **Initiate renewals early:** Start the renewal process 120 days or more before the policy expiration date. This allows time to negotiate terms, answer underwriter questions and find necessary capacity in a constrained marketplace.
- **Prepare detailed, granular underwriting information:** Clearly demonstrate risk management protocols. A well-documented submission that highlights your safety and loss control measures can make the difference between a declination and a competitive quote.
- **Address the full risk spectrum:** Be prepared to discuss both existing and emerging risks. From traditional hazards like equipment failure and weather interruptions to modern threats like cyberattacks and AI-driven liabilities, showing a comprehensive grasp of your risk profile helps instill confidence in carriers.



→ KEY TAKEAWAYS

- Financial uncertainty and reduced funding sources are impacting the entire art ecosystem. Budget constraints can lead to deferred maintenance on buildings and critical systems like security and climate control, elevating risk
- Both the frequency and severity of extreme weather and wildfire events have increased, resulting in insurance carriers responding with stricter underwriting for fine art organizations in high-risk zones, influencing coverage availability and cost
- The potential for civil unrest and political tensions can affect everything from the safety of a gallery in impacted areas to the ability to retrieve artworks during closures
- Growing technological risks range from ransomware attacks that can paralyze operations to data breaches that compromise sensitive collection or inventory information

Overview

The fine art insurance market is currently a tale of two realities, largely dependent on an organization's geographic location and risk profile.

For many museums, foundations and fine art businesses located in areas with low exposure to natural disasters, the market is quite stable. In addition to flat renewals, carriers are now competing for your business, which is welcome news. Those in a lower-risk location may be able to negotiate higher limits or broader protections to strengthen financial resilience without much extra cost.

The story is different for organizations in catastrophe-prone (CAT) regions — such as those exposed to wildfires, hurricanes or flooding. Even though rate increases are currently modest (around 5%), underwriting scrutiny has increased.

Market Conditions

Carriers are asking detailed questions about risk management practices, climate risk mitigation strategies, disaster preparedness plans and the physical protections in place for facilities and collections. In some regions, underwriters want to see a plan for relocating your collection in the event of an emergency evacuation order.

Stricter underwriting in CAT-prone areas is leading to higher deductibles and, in some cases, more restrictive coverage terms.

Coverage availability may become a challenge in CAT zones, with carriers becoming more selective about the risks they are willing to take on. This makes a strong risk management story more important than ever.

Brown & Brown expects 2025 market conditions to largely carry into 2026, defined by a split between high- and low-risk environments. The line is blurring as weather patterns shift. Areas previously considered safe are now experiencing events like inland flooding and severe storms. As a result, carriers will likely apply more granular risk assessments to a broader range of locations. Here are four key cautions:

- **Potential for increased claim filing:** Amidst economic pressures, organizations that might have absorbed small claims in the past to preserve a good loss history may be inclined to file those smaller insurance claims when money is tight. While this practice may help a balance sheet in the short-term, it can lead to higher insurance prices and make it more difficult to procure insurance from a new carrier.
- **Art warehouse aggregation risk:** The concentration of large values in a handful of major art storage warehouses remains a significant concern for the entire industry. Because a single catastrophic event at one of these facilities could have devastating consequences, carriers are capping the amount they will cover at a particular storage location.
- **Art market and valuation shifts:** A significant volume of high-quality art is entering the market from estates, with some artists reaching record-breaking values. Auction results have been mixed, however, with some works selling far below previous highs. This highlights the need for up-to-date valuations to determine adequate coverage. For businesses like galleries, a selective market may also affect inventory levels and insurance limits.
- **Political risk:** In several locations around the world, civil unrest and political violence have increased, requiring detailed risk management planning to help keep people, facilities, collections and loans safe.

RATE OUTLOOK

Commercial Fine Art Coverage:
Standard Risk



Flat

Commercial Fine Art Coverage:
High Risk (in CAT-prone regions)



+5%

Impacts and Considerations

Because underwriters are intensely focused on climate-related risks, expect detailed questions about flood and wildfire mitigation strategies, the resilience of your facility's construction and specific disaster response plans for your collection.

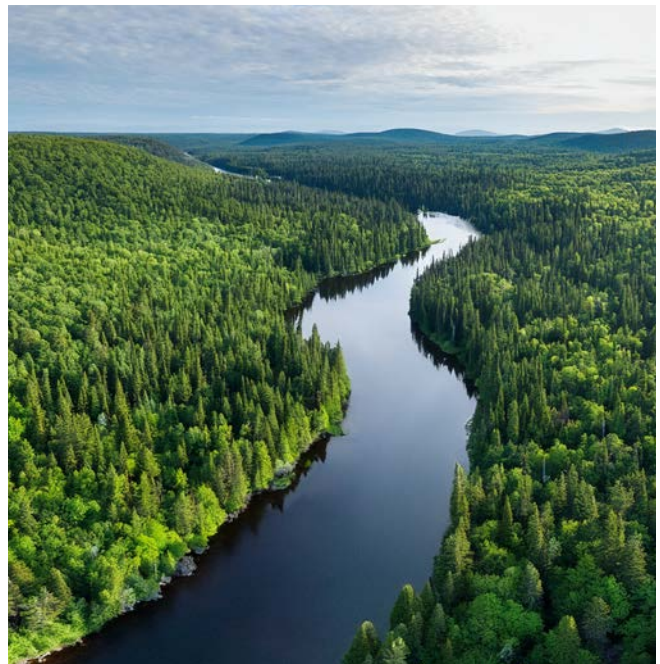
Beyond natural disasters, carriers are also scrutinizing deferred maintenance, especially for critical systems like roofing, plumbing and HVAC, as failures can lead to significant water damage claims. Demonstrating active, future-focused property management and having a well-documented risk mitigation strategy are essential for securing the most favorable terms and pricing.

- **Strengthen climate and disaster preparedness:** Document specific plans for mitigating risks from fire, flood, wind and other perils. Underwriters are looking for detailed strategies, including emergency protocols, evacuation plans for your collection and physical protections for your facility. For organizations in emerging risk zones, demonstrating preparedness is crucial for securing favorable terms.
- **Take advantage of the stable market:** If your organization is in a lower-risk geographic area, the competitive market conditions may allow you to increase coverage limits or broaden protections for a minimal increase in cost.
- **Review your budget and inventory:** Look for strategic ways to manage costs without compromising protection. For dealers and galleries, this may involve returning unclaimed/expired consigned works or facilitating faster delivery of sold art to lower the total insured value.
- **Manage transportation risk:** Damage in transit continues to be a leading cause of fine art claims. Create clear contractual agreements that define responsibility and liability for any art in your care, custody and control, especially when dealing with third-party shippers, handlers and borrowing institutions.
- **Prioritize your cybersecurity defenses:** Invest in fundamental cybersecurity practices to protect your digital assets and operations. Insurers want to see strong cybersecurity hygiene, such as multi-factor authentication, regular employee training, secure backups of critical data and a clear incident response plan.
- **Conduct diligent vetting:** Before loaning or consigning artworks, thoroughly review the facility reports, security protocols and climate controls of any borrowing institution, gallery or storage warehouse. Your loan agreements need to include clear provisions that allow you to retrieve your property if access becomes restricted due to strikes, closures or other unforeseen events. Similarly, vet your technology vendors to understand their security measures and clarify who is responsible for protecting your data.
- **Look closely at aggregation risk:** Some carriers cannot write further values in specific high-demand art warehouses, and some may impose a sublimit on these locations. Before moving into a new warehouse, make sure you'll be able to smoothly add the new location to your policy or allow enough time to find alternatives. Consult with your fine art insurance broker and vet the facility's risk management protocols, fire suppression systems and overall security.
- **Examine political risk coverage:** There is growing interest in specialized political violence or political risk insurance. This coverage is highly technical and often contains significant exclusions, particularly for events involving government action.

Environmental

→ KEY TAKEAWAYS

- New market entrants are driving down pricing, with some ten-year policies dropping below \$100,000, though these rates may not align with long-term risk profiles
- The environmental insurance market remains soft, with renewal pricing ranging from a 3% reduction to slight increases, depending on loss history and risk factors
- Heightened public awareness and social media visibility have fueled litigation, particularly around per- and polyfluoroalkyl substances (PFAS) and ethylene oxide, leading to higher verdicts and increased regulatory scrutiny
- Ample market capacity and competitive conditions create opportunities to negotiate favorable policy terms, especially for new business placements



Overview

Increased competition from new market entrants is causing a reduction in premiums. While rates are currently stable, the industry is seeing a rise in nuclear verdicts, particularly those involving healthcare exposures and ethylene oxide. Additionally, construction defect claims continue to grow, creating heightened friction between developers, owners and contractors across all tiered contractors. Some carriers are implementing stricter underwriting guidelines in response to the uptick in mold and legionella-related claims and the continued emergence of PFAS regulations. Conversely, other carriers are softening their underwriting positions in an effort to remain competitive.

Market Conditions

The environmental insurance industry is shifting as new carriers enter the market with aggressive strategies to establish themselves. Facing significant upfront investments, these entrants prioritize rapid

market penetration, reflected in their willingness to assume higher risks and offer aggressively low pricing. Without an established loss history, they can provide favorable terms that seasoned carriers may find unsustainable. While historic low pricing and unprecedented multi-year policy rates benefit buyers, concerns about long-term risk remain.

In addition to great market options, the environmental insurance market is undergoing significant shifts, driven by competitive pricing, evolving regulations and heightened litigation risks.

Key Trends

- **Historic low pricing:** Pricing for new business has dropped to record lows, with ten-year policies sometimes priced below \$100,000
- **Renewal business trends:** Loss-free risks see pricing reductions averaging 3% to flat, while accounts with loss history may experience increases of up to 3% or more, depending on risk factors

- **Soft market outlook:** The current soft market conditions are expected to persist unless significant environmental events or emerging risks disrupt the landscape
- **Sustainability concerns:** Many carriers believe that the current pricing levels may not adequately support the long-term risk profiles of these policies, raising questions about sustainability
- **Rising environmental litigation:** Media coverage, social media visibility and public awareness have fueled a surge in environmental lawsuits, leading to higher verdicts across industries
- **Proposed changes to PFAS reporting rules:** The Environmental Protection Agency (EPA) is considering narrowing PFAS reporting requirements. While these changes may ease federal reporting burdens, it's important to note that states often impose stricter standards. Two key exemptions currently being considered include:
 - » **De minimis exception:** Companies can forgo reporting PFAS in mixtures and articles at concentrations below 0.1%
 - » **Imported articles exemption:** Importers of finished goods are excluded, as they are less likely to know PFAS content

RATE OUTLOOK

Pollution Legal Liability New Business



-5%

Pollution Legal Liability Renewal



-3% to +2% (accounts with favorable loss experience); +3% to +8% (accounts with loss history)

Contractors Pollution Liability



-5% to Flat

Secured Creditor



Flat

Impacts and Considerations

The environmental insurance market offers favorable conditions for buyers, with costs trending flat to downward and ample capacity available. This creates strong opportunities to negotiate advantageous policy terms, particularly for new business placements. However, emerging risks, heightened litigation and evolving regulations underscore the importance of incorporating environmental insurance into a comprehensive risk management strategy. To leverage this buyer's market and address immediate and long-term risks, the following measures should be considered:

- **Incorporate environmental insurance in property transactions:** When involved in property transfers, especially for sites with long operational histories, secure environmental insurance to reduce uncertainty and facilitate smoother deals
- **Plan for long-term risk management:** Recognize that environmental claims can resurface due to regulatory changes or emerging threats, building long-term risk management strategies that account for potential site reopeners
- **Stay proactive on state-level regulations:** Monitor and adapt to state-level environmental regulations, which may impose stricter standards than federal guidelines

Commercial Marine

→ KEY TAKEAWAYS

- The cargo insurance market is undergoing significant softening across major lines, creating opportunities for buyers to secure more favorable terms
- Improved loss ratios and heightened competition among carriers are driving an expansion in market capacity, benefiting well-performing accounts
- Organizations with strong loss profiles are well-positioned to negotiate advantageous terms and conditions, leveraging the current market dynamics to their benefit



Overview

Expanding capacity and increased willingness among underwriters to negotiate terms are driving broad softening across most major lines in the commercial marine insurance market. This trend does not apply uniformly. The protection and indemnity sector continues to face pressure from rising claims, resulting in moderate rate increases. Uncertainty related to tariffs and the broader geopolitical environment also continues to shape market conditions. Overall, organizations with strong loss experience can expect a generally favorable renewal environment.

Market Conditions

Marine Cargo

In the cargo sector, customers can expect lower rates, reduced deductibles for All Risk and CAT coverage and greater underwriter willingness to enhance contract profit contingencies. Product offerings continue to expand, including for more challenging risk segments. Carriers are increasingly considering retail inventory coverage for the wearing apparel industry, rejection insurance for the food industry and delay in start-up coverage for equipment and manufacturing sectors.

Drivers of this environment include:

- Established global market carriers experiencing improvements in financial results due to low-to-acceptable industry loss ratios
- Minimal natural catastrophe (CAT) events leading to increasingly competitive reinsurance programs and growing market capacity
- A proliferation of marine managing general agents (MGAs) specializing in specific risk industry sectors adding to the competitive landscape

RATE OUTLOOK

Marine Cargo



-10% for well-performing accounts;
Deeper cuts possible for target risks

Marine Hull and Machinery



-10% to -15% globally; For Coastal
Marine, expect flat to 5% reductions

Coastal Marine



Flat to -5%

Protection and Indemnity (P&I)



+5% to +8.5%

Marine Liabilities



Flat to -10%

Marine Excess



+7% to +15% for accounts with severe
loss experience

These forecasts generally depend on continued stability in the war risks market and a lack of major catastrophe claims.

Marine Hull and Liabilities

Market conditions remain generally soft across hull and liability lines, though some carriers are beginning to push back after several soft renewal cycles. The hull market remains overcapitalized, which continues to pressure incumbent carriers to offer pricing flexibility to retain business.

Protection and indemnity (P&I) claims have increased materially, driven by heavy losses involving container vessels and roll-on roll-off ships. Losses tied to electric vehicles, hazardous cargoes, lithium batteries and more recently coal have pushed the sector's combined ratio to 111%, up from 96% the prior year.

Inflation, alternative fuel use and higher shipyard wages also drive repair costs, even as P&I continues to face high personal injury awards. Despite favorable investment returns and strengthening reserves, the International Group of P&I Clubs is seeking rate increases ranging from 5% to 8.5%. Fixed premium P&I markets are quoting similar increases.

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Market conditions remain generally soft across hull and liability lines, though some carriers are beginning to push back after several soft renewal cycles.



Coastal Marine and Brown Water Marine

After more than five years of rate increases exceeding 10%, the hull insurance market has stabilized. Many accounts now achieve renewals at or below expiring terms, with loss experience driving potential reductions. Domestic vessel pollution liability markets, including the Water Quality Insurance Syndicate, continue to offer renewals at expiring rates.

In contrast, accounts with commercial auto or coastal property exposures face significant premium increases driven by outsized jury verdicts and catastrophic storm losses. Underwriters' limited ability to expand excess reinsurance capacity has resulted in higher quota share participation and substantial pricing increases across most marine excess renewals.

Impacts and Considerations

Unexpected developments, including large legal settlements, particularly in the U.S., continue to slow rate declines for certain lines and accounts. Overall, the commercial marine insurance market is anticipated to remain a favorable environment for buyers into the coming year, with the noted exceptions.

To navigate the market effectively, organizations can take several practical steps.

- **Leverage the soft market** by evaluating whether inventory coverage should shift from traditional property programs to cargo placements to take advantage of favorable cargo rates
- **Start renewals early** and prepare clear, well-organized data that demonstrates strong equipment maintenance and effective loss control practices to support improved pricing and coverage terms
- **Actively manage loss experience** through ongoing loss control efforts, as accounts with unfavorable histories will continue to face pressure in the P&I and excess markets

By understanding these trends and preparing documentation early, marine organizations can maximize their leverage during this favorable market cycle.

Private Equity & Transactional Risk

→ KEY TAKEAWAYS

- Add-on acquisitions increased in 2025, contributing to lower average representations and warranties (R&W) insurance limits, while late-year deal activity signaled momentum heading into 2026 despite continued credit market constraints
- The transactional insurance market remained bifurcated, with established carriers pushing for higher rates amid loss activity while newer entrants maintained lower premiums; coverage breadth expanded and overall capacity returned to pre-2023 levels
- Early broker engagement and thoughtful use of transactional risk products remain critical, as deal flow, pricing and coverage availability continue to be shaped by economic and credit conditions

Overview

The private equity landscape continues to shift as acquisition strategies adjust to broader economic conditions. In 2025, add-on acquisitions represented a larger share of total deal activity compared to platform transactions. Because add-ons typically involve smaller enterprise values, this trend resulted in lower average limits purchased for R&W insurance.

Deal flow was uneven throughout the year, with periods of increased activity followed by slowdowns. Activity accelerated late in the year, suggesting potential momentum entering 2026. At the same time, deal execution proved challenging. More transactions failed late in the process, often due to tightening credit conditions or weakening financial performance at target companies, including declining revenues.

Market Conditions

The transactional insurance market began in 2025 in a relatively soft position, but pricing approaches diverged as the year progressed. Established carriers increasingly sought higher premiums and retentions in response to claims experience. Newer market entrants continued to offer lower pricing in order to gain market share. As a result, pricing outcomes varied significantly depending on carrier selection.

Coverage remains broad, with carriers offering optional enhancements for additional premium. These include tax gross-up provisions, extended survival periods of up to six years for all representations and nil retention options for true fundamental representations. Market capacity has also expanded. While many carriers limited primary layers to \$25 million following 2022, several are now willing to deploy larger limits, restoring flexibility for larger transactions.

Broader economic factors including interest rates, tariffs, tax policy changes and credit availability continue to influence buyer behavior and underwriting appetite.



Impacts and Considerations

Although transactional liability policies are one-time placements, buyers can take steps to help improve outcomes in the current market environment:

- **Start early:** Engage your broker early in the acquisition process to understand coverage options, underwriting expectations and timing considerations
- **Competitive positioning:** Transactional risk products continue to support competitive bid strategies by limiting seller post-close exposure and allowing buyers to secure broader indemnification protection
- **Monitor deal flow:** Changes in interest rates and tax policy may increase deal activity and place upward pressure on pricing, while slower deal volume could increase competition among carriers

“
While many carriers limited primary layers to \$25 million following 2022, several are now willing to deploy larger limits, restoring flexibility for larger transactions.



Logistics, Transportation & Relocation



→ KEY TAKEAWAYS

- Litigation funding, medical inflation and nuclear verdicts continue to drive higher claim severity
- Tech-heavy vehicles combined with repair and parts inflation are elevating physical damage costs
- Inconsistent use of telematics and camera data limits the impact on driver behavior and risk reduction
- Heavy reliance on 1099 drivers in final mile delivery contributes to turnover and uneven safety performance
- Ongoing driver shortages are pushing fleets to hire less experienced drivers, increasing claim frequency and severity

Overview

The logistics and transportation sector faces significant headwinds that continue to reshape both operations and insurance outcomes. Litigation funding, medical inflation and nuclear verdicts are driving higher claim severity, while persistent driver shortages push fleets toward less experienced labor. This combination increases accident frequency, severity and overall claim costs.

Rising repair and parts inflation continues to drive higher physical damage costs, particularly for vehicles equipped with advanced technology. Ongoing reliance on 1099 drivers in the final mile delivery sector contributes to higher turnover and inconsistent safety performance. Although many fleets have adopted telematics and camera technology, inconsistent use of this data limits its ability to meaningfully influence driver behavior and reduce risk.

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The logistics and transportation sector faces significant headwinds that continue to reshape both operations and insurance outcomes.



Market Conditions

Carriers across the trucking and final mile sectors approach new business and renewals with heightened caution. Auto liability remains under the greatest pressure as claim severity and litigation continue to drive cost increases. While physical damage costs show modest stabilization, they remain elevated due to rising repair expenses and ongoing technology calibration requirements.

Umbrella capacity remains available, though carriers have tightened attachment points and reduced total limits, particularly in challenging legal venues. Underwriters now place greater emphasis on driver quality, telematics utilization, prior loss experience and turnover rates when evaluating risk.

Several key drivers influence these conditions:

- **Inflation:** Rising costs for medical treatment, repair labor and parts continue to keep severity elevated across liability and physical damage
- **Litigation:** Litigation funding and larger jury awards drive settlement creep and increase pressure on excess layers
- **Driver experience:** Ongoing shortages and turnover reduce overall experience levels behind the wheel
- **Technology:** Tech-heavy vehicles increase repair times, calibration costs and vehicle downtime
- **Regulation:** Heightened focus on worker classification pushes fleets to strengthen contractor documentation and compliance

RATE OUTLOOK

Auto Physical Damage	↑	+5% to +12.5%
Auto Liability	↑	+10% to +17.5%
General Liability	↑	+3% to +5%
Motor Truck Cargo	↑	+5% to +7.5%
Umbrella	↑	Increases generally follow underlying coverage trends



Impacts and Considerations

Organizations face higher insurance costs across auto liability, physical damage and umbrella lines. Stricter underwriting standards limit access for fleets with recent losses or high turnover, making competitive options more challenging to secure. Carriers also continue to raise deductibles and retentions to manage severity and pricing. Before quoting or renewing, carriers increasingly require detailed safety data, motor vehicle records, telematics insights and clear driver classification information.

Firm market conditions are expected to persist through 2026, with no meaningful relief in auto liability severity. Physical damage costs may moderate if supply chains stabilize, though technology-driven repair and calibration expenses are likely to maintain a pricing floor. Litigation pressure remains elevated, keeping excess and umbrella markets cautious on limits. Fleets with strong safety cultures and disciplined telematics use retain the greatest leverage, while final mile networks with high 1099 utilization and turnover should expect continued pressure.

- **Manage retentions:** Keep deductibles aligned with current severity levels to help control premiums without cutting core coverage
- **Invest in data:** Deploy telematics and cameras and provide consistent coaching. Underwriters weigh real driver performance data heavily
- **Strengthen standards:** Improve hiring standards, contracts and documentation, especially where you use 1099 drivers
- **Monitor scores:** Track FMCSA and SAFER scores and correct issues quickly to help protect your underwriting position and litigation defense
- **Review excess limits:** Evaluate excess limits against current verdict trends and venue exposure rather than relying on past purchasing habits

Financial Institutions

→ KEY TAKEAWAYS

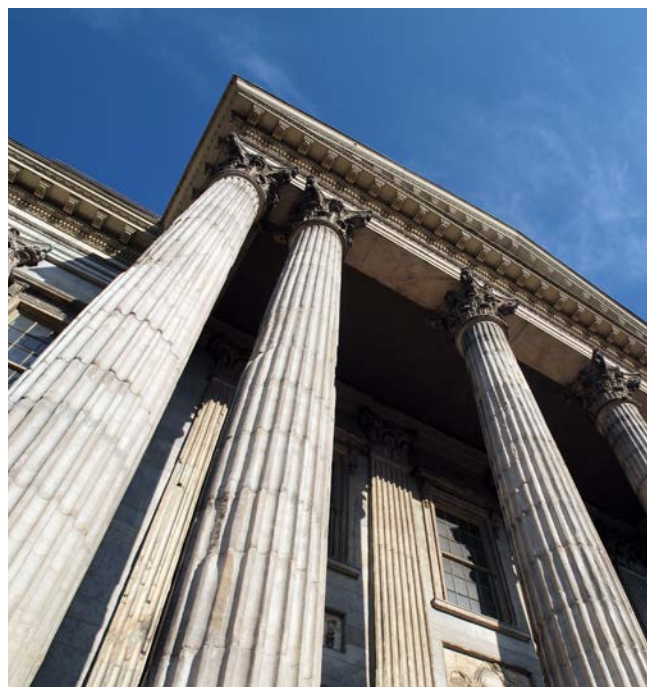
- Banks continue to face heightened operational risk, with underwriters increasingly focused on the credit cycle, digital strategy and fraud exposures
- Asset managers benefit from competitive pricing, stable retentions and expanding carrier appetite, with growing attention on AI-driven investment risk and cost-of-correction E&O exposure
- Insurance carriers face the most difficulty in ICPL due to nuclear verdicts and natural disaster losses, while D&O, cyber and bond markets remain attractive and competitive
- The cyber market remains stable, though systemic events, evolving privacy laws and increased cyber threat activity, including recent targeting of carriers, remain top concerns
- Market for asset managers, banks and/or fintech companies involved in the crypto/bitcoin space remains limited due to the heightened regulatory scrutiny, financial challenges and volatility

Overview

The financial institution insurance marketplace has remained largely stable through 2025 and is expected to continue on a similar trajectory into 2026. Outside of Insurance Company Professional Liability (ICPL), carriers continue to demonstrate consistent appetite across key financial lines, supporting competitive conditions for both new business and renewals.

Banks are operating in an environment of elevated operational risk, with underwriters placing increased scrutiny on credit cycle exposure and fraud. Despite these pressures, pricing has remained largely flat, with only modest increases observed in Bankers' Professional Liability. Asset managers continue to benefit from favorable pricing and stable retentions, driven by expanding carrier appetite across the segment.

Insurance carriers face a more challenging environment for ICPL, largely due to loss trends associated with litigation severity and catastrophe exposure. However,



complementary coverage remains competitive and attracts strong underwriting interest. Overall, while concerns persist around technology risk, regulation and cyber threats, the financial space remains stable.

Market Conditions

- Underwriters are increasingly focused on credit quality, defaults and broader economic conditions as potential drivers of future loss activity
- The growing adoption of AI across financial institutions is influencing underwriting discussions, particularly around investment decision-making, operational controls and E&O exposure
- Digital and traditional fraud (i.e., check fraud) and cyber risk remain significant concerns, with carriers monitoring claim activity and systemic event exposure across the sector
- ICPL continues to experience reduced capacity and more restrictive terms due to nuclear verdicts and catastrophe-driven losses, distinguishing it from otherwise stable FI lines

RATE OUTLOOK

Cyber

-5% to +5%

Directors & Officers (D&O)

-5% to +5%

Professional Liability

Flat to +10%

Bond

Flat

Employment Practices Liability

Flat to +10%

Fiduciary

Flat

Impacts and Considerations

Although the market is stable, coverage-specific challenges and underwriting scrutiny warrant proactive engagement. To support favorable outcomes, financial institutions can consider the following:

- **Focusing on coverage quality:** In a stable pricing environment, terms and conditions become increasingly important, reinforcing the need to work with brokers experienced in the FI sector
- **Engaging early on ICPL renewals:** Given capacity limitations and more restrictive underwriting, insurance companies should begin renewals early and cultivate strong carrier relationships
- **Addressing emerging risks:** Institutions should remain attentive to evolving risks related to credit exposure, technology adoption, fraud and cyber threats to maintain carrier confidence

Brown & Brown's 2025 Financial Institutions Market Survey

Our latest survey looks at the state of the financial lines and cyber markets for financial institutions. Our survey focuses on three subsegments (banks, asset managers and insurance companies) and four product lines (cyber, D&O/management liability, professional liability and bond/crime insurance).

[LEARN MORE →](#)



2026 MARKET TRENDS

Employee Benefits

59 | Executive Summary

61 | Population Health & Well-Being

64 | Financial Well-Being

67 | Pharmacy

72 | International Benefits

74 | Regulatory & Legislative Strategy

77 | Medicare

79 | Student Health

81 | Absence & Leave

84 | Audits & Assessments

86 | Employee Benefits Technology

89 | Digital Health

92 | Actuarial & Underwriting

95 | Provider Contracting/ Specialty

98 | Stop Loss & Alternative Funding

101 | Voluntary Benefits



2026 MARKET TRENDS

Employee Benefits

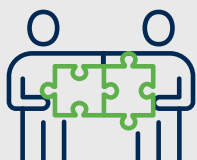
Executive Summary

Organizations today face an increasingly costly and complex benefits landscape where access to timely insight and practical strategies is critical. This report explores key areas shaping the future of employee benefits including population well-being, regulatory strategy, financial wellness, pharmacy management and emerging benefit solutions.

In a significant shift from previous years, employers have identified cost control as their top strategic priority for 2026. This reflects continued pressure on affordability for both organizations and their employees. While attracting and retaining a healthy,

engaged workforce remains a vital concern — ranking third in our Brown & Brown Employer Health and Benefits Strategy Survey — the immediate focus has pivoted toward managing rising expenses while maintaining value.

This shift underscores the delicate balance employers must strike: implementing cost-containment measures without compromising the support systems that drive employee productivity and satisfaction. By leveraging the data and trends outlined in this report, leaders can better navigate these challenges and build resilient benefits strategies for the year ahead.



Risk Strategies is now part of the Brown & Brown team, bringing together the strengths and perspectives of both organizations.

This combination enhances our ability to deliver scalable and forward-looking employee benefits strategies. Together, we provide deeper insight and expanded capabilities to help employers manage costs, identify risk and respond to evolving workforce needs. This report features insights from our combined team of specialists outlining market conditions, emerging trends and risk management considerations across the employee benefits landscape.



This report is informed in part by the second annual Brown & Brown Employer Health and Benefits Strategy Survey. The 2026 edition gathered responses from 1,241 employers with at least 200 U.S.-based employees across a wide range of industries and regions.

[LEARN MORE →](#)

Top Strategic Priorities

Amid escalating medical and pharmacy cost trends, employers are increasingly prioritizing cost containment strategies.



Population Health & Well-Being

→ KEY TAKEAWAYS

- Population health cost pressure is increasingly driven by a small number of high-impact conditions and gaps in prevention rather than broad utilization
- Employers are becoming the primary drivers of prevention, access and early intervention as public health infrastructure and provider capacity remain constrained
- Effective population health strategies in 2026 require targeted investment, better data and integrated approaches that link clinical outcomes to total cost of care

Overview

Population health strategies are entering a more consequential phase in 2026, shaped by rising chronic disease burden, persistent access challenges and accelerating cost pressure in specific condition areas. Rather than diffuse population-wide trends, employers are facing increasingly concentrated risk tied to cardiometabolic health, cancer, musculoskeletal conditions and behavioral health — often amplified by gaps in prevention and delayed care. The rising cost of drugs to treat these prevalent conditions is adding to medical trend and spend.

At the same time, responsibility for influencing these outcomes is shifting more decisively toward employers. As public health systems, provider capacity and traditional care pathways struggle to keep pace while employers are investing more deliberately in prevention, access and condition-focused strategies. The following trends highlight where population health efforts are evolving from broad wellness concepts into targeted, measurable levers for managing both workforce health and long-term cost risk.





Rising Burden of Chronic Conditions Concentrated in Small, Predictable Populations

- 5–10% of members drive the majority of employer health spend¹
- Cancer is the top employer cost driver, with prescription drug spending for cancer treatment projected to exceed \$100 billion by 2026

Cost growth is increasingly driven by a small number of predictable, high-cost condition cohorts rather than broad population trends. Cancer, musculoskeletal (MSK) disorders, cardiometabolic disease and complex behavioral health conditions dominate spend and often follow identifiable clinical pathways. Many employers lack cohort- or episode-level reporting needed to distinguish preventable complications from unavoidable severity, limiting effective intervention.

Employer cost growth is concentrated, predictable and increasingly manageable with the right data. Employers should prioritize a limited set of high-impact conditions and require more granular reporting to support earlier, targeted intervention.

Metabolic Conditions Have Emerged as a Dominant Cost Driver

- Nearly 40% of U.S. adults meet criteria for metabolic syndrome²
- GLP-1 utilization has increased exponentially, with analysts projecting spending to exceed \$100 billion by 2030³
- Employers combining GLP-1 therapy with nutrition and behavioral programs achieve 2–4x higher sustained outcomes³

Metabolic health has moved from a long-term risk factor to immediate budget pressure as GLP-1 therapies introduce high, persistent pharmacy spend. Adoption has accelerated faster than employers' ability to assess downstream impact on total cost of care. Evidence increasingly shows that medication-only approaches deliver inconsistent outcomes.

Rapid GLP-1 adoption has made metabolic health a front-line cost driver. Employers should pair coverage with lifestyle modification programs and analytics to evaluate impact beyond pharmacy spend alone.

Employers Are Becoming the Frontline for Prevention and Health Equity

- Preventive screening rates remain below pre-pandemic levels
- Adult flu vaccination rates have declined 20% since 2019⁴
- Social determinants of health (SDOH) account for 30–50% of health outcomes⁵

As public-health infrastructure weakens, employers are increasingly responsible for closing prevention gaps that elevate long-term chronic and acute risk. These gaps are contributing to avoidable utilization and higher downstream costs, and poorer health outcomes. SDOH has evolved into a practical risk lens, requiring employers to identify and address barriers such as access, literacy and care navigation before conditions escalate.

Prevention gaps and social risks are where employers have an opportunity to control cost drivers and improve outcomes. Employers should integrate SDOH insights into population health strategies and expand access through targeted navigation and alternative delivery models.

¹Brown & Brown Employer Health and Benefits Strategy Survey, 2026.

²National Center for Biotechnology Information. Social Determinants of Health.

³American Diabetes Association Industry Roundtable, 2024.

⁴CDC FluVaxView, 2024.

⁵County Health Rankings & Roadmaps, 2024.

Investment and Integration of Well-Being Programs

- 77% of employers include well-being programs in their healthcare strategy¹
- 78% plan to increase well-being budgets in 2026¹
- 63% of well-being programs address multiple dimensions of health¹

As investment in population health increases, employers are shifting focus from program availability to program effectiveness. Well-being initiatives are increasingly expected to align with broader benefits strategy, support priority condition areas and demonstrate measurable impact rather than operate as standalone offerings.

Well-being programs are evolving from engagement tools into population health infrastructure. Employers should evaluate how these programs integrate with claims data, clinical initiatives and vendor partners to help ensure investments drive measurable outcomes.

Digital Self-Guided Behavioral Health Tools

- 59% of employers offer digital self-guided behavioral health tools; 31% are considering adoption¹

Digital self-guided tools are increasingly used to address access challenges created by provider shortages and long wait times. These tools allow employees to begin care immediately, reducing friction associated with provider matching and appointment delays.

Digital tools can expand access, but value depends on clinical validation and sustained engagement. Employers should prioritize evidence-based solutions and actively monitor utilization to help avoid low-impact, standalone tools.

¹Brown & Brown Employer Health and Benefits Strategy Survey, 2026

Low- and Zero-Copay Behavioral Health Access

- Nearly 16% of employers do not offer low- or zero-copay behavioral health visits¹

Lowering cost barriers to behavioral health continues to drive increased utilization, primarily through high-frequency, low-severity outpatient therapy. This pattern suggests employees are getting care earlier, which may help prevent conditions from worsening and becoming more severe.

Reducing financial barriers increases utilization while supporting earlier intervention. Employers should anticipate higher program usage and evaluate outcomes in the context of workforce health, productivity and long-term cost trajectory.



Financial Well-Being



→ KEY TAKEAWAYS

- Financial stress remains a top workforce concern, directly impacting employer performance and cost objectives
- Cost mitigation has become a top strategic priority for employers, underscoring the need to strengthen financial literacy within employee communications so workers can better understand, use, and optimize available benefits
- Rising cost-of-living pressures and high levels of employee debt highlight the urgent need for integrated, data-driven financial well-being strategies that support both employee resilience and employer cost control
- Traditional, one-size-fits-all, retirement-centric education is no longer sufficient; personalized and segment-based financial guidance increases relevance, drives engagement, and helps employees make cost-effective decisions that benefit themselves and their employers

Overview

Financial well-being continued its rise as a strategic priority for large and mid-sized employers in 2025. After several years of economic uncertainty, elevated consumer debt, persistent inflationary pressures, and rising healthcare costs, financial stress has emerged as one of the top drivers of disengagement, absenteeism and turnover across industries — costing employers an estimated \$200 billion annually.¹ With 51% of workers living paycheck to paycheck and 53% reporting decreased savings over the past year², the need for comprehensive financial wellness strategies, including a focus on financial literacy, remains urgent.

Financial stress remains a top workforce concern, with employers recognizing that 86% of employees worry about personal finances at work and 46% report productivity impacts, directly affecting performance and cost objectives.³ These conditions are pushing

employers to shift from episodic financial education toward more structured, benefit ecosystem-aligned financial well-being strategies.

Looking ahead to 2026, several forces are shaping the direction of financial well-being strategies. Cost-of-living pressures and elevated consumer debt continue to shape employee experiences. Regulatory attention on emergency savings and retirement readiness is increasing. Meanwhile, digital financial-coaching tools are advancing rapidly, offering improved personalization based on income, financial behavior and life stage. Together, these dynamics are accelerating movement away from one-time financial education and toward integrated, data-driven financial well-being strategies that support near-term financial stability while reinforcing long-term financial resilience.



Integration of Financial Well-Being and Mental Health

Financial stress continues to be a significant concern for workforce performance and well-being. Alongside rising cost-of-living pressures, employees are increasingly strained by benefit affordability challenges, out-of-pocket healthcare expenses, and escalating medical costs — impacts that are especially acute for lower-income and younger workers.

Recognizing that financial stress and mental health are deeply interconnected, employers are placing greater emphasis on integrating financial well-being initiatives with mental health and holistic support strategies.

Beyond providing access to financial tools or legal and budgeting resources, organizations are expanding avenues for employees to cope with stress proactively and holistically. This includes strengthening connections to mental health benefits, such as counseling and behavioral health support, as well as reinforcing human support models to address both emotional and financial challenges.

[» For more details, read our section on Population Health](#)

Financial Coaching and Artificial Intelligence

Financial coaching is emerging as a core component of modern financial well-being strategies. As employers move beyond generic, retirement-focused education, coaching provides personalized, actionable support that addresses real employee financial challenges — debt, budgeting, emergency savings and long-term planning. Demand is rising as financial stress intensifies, and employees seek advice and one-on-one support. AI-enabled financial guidance and behavioral nudges enhance coaching by delivering tailored recommendations, helping increase engagement and reinforcing positive financial habits.

Coaching, combined with AI-driven insights and behavioral nudges, is replacing one-size-fits-all education with personalized, inclusive support.

Consider offering virtual or live financial coaching, integrating AI-driven behavioral nudges into financial well-being platforms and personalizing communication to address life-stage needs such as student loans, caregiving, home buying and retirement.

Decline in Employee Wellness

After several years of improvement, employee wellness showed a troubling decline in 2025. Overall, holistic health among employees fell year-over-year, with particularly sharp declines in social and mental health. Financial health remained essentially flat but stayed at concerning levels, with only 47% of employees reporting they feel financially healthy.⁴

Employers are starting to expand their benefit offerings beyond retirement-focused benefits to holistic financial wellness strategies. Employers still need to focus on the basics; understanding the stressors and needs of their employee population, implementing benefits and resources that address those needs and removing any barrier or friction associated with access or utilization. Employers can help give employees support and tools to overcome the emotions and physiological symptoms caused by chronic financial stress.

⁴SHRM. *Workers Look for Employer Help as Financial Well-Being Dips, 2025.*

Short-Term Financial Resilience

Short-term cash flow instability is a leading driver of financial stress and retirement-plan leakage. Fidelity research shows employees without emergency savings are twice as likely to withdraw or borrow from workplace retirement plans. Nearly half of workers report insufficient emergency savings, and cost-of-living pressures remain the top stressor for 68% of employees.⁵ Most employers do not have an emergency savings plan beyond a 401(k), but 79% of employers said emergency savings has become an important focus within their financial well-being programs.⁶

Short-term tools — emergency savings, earned-wage access, budgeting — are now foundational to a stable workforce. Employers can consider integrating a retirement plan or payroll-linked emergency savings accounts, and pair them with guidance and planning tools.

Student Loan Benefits as a Financial Well-Being Strategy

Student loan benefits are becoming a key component of employer financial well-being programs, addressing one of the most pressing burdens for younger and early-career employees. As the workforce becomes increasingly debt-laden, employers are realizing that student debt has a direct impact on financial stability, productivity and retention. The percentage of U.S. companies offering student-loan repayment benefits nearly tripled from just 4% in 2019 to 14% in 2024⁷ and growing.

Student loan benefits are transitioning from niche perks to core components of total rewards strategies, helping attract and retain younger talent while reinforcing financial resilience and long-term savings behavior. Assess the debt burden across workforce segments, integrate student loan repayment or matching programs with retirement plans under SECURE 2.0, and include student debt education and refinancing tools in financial well-being platforms.

Personalization and Segment-Based Support

Personalized financial well-being support will continue to replace one-size-fits-all solutions that have historically focused on retirement. Most employers offer financial tools — such as budgeting, basic investing education, financial planning and debt management — but 89% recognize the need to expand their financial well-being plans beyond retirement plans in order to increase engagement and meet employees where they are.⁸ Tailored communication and targeted messaging help to reach and resonate with an increasingly diverse workforce.

Personalization of tools and communication drives engagement by meeting employees at their unique life stages and financial situations. Consider evaluating the existing benefit ecosystem, seeking financial well-being partners and solutions that can provide AI-enabled personalization, integrate HRIS/ payroll data to tailor content and build demographically segmented communication strategies.

⁵PlanSponsor, "DC Plan Loan Usage Correlates with Health Care Spending per EBRI."

⁶EBRI, 2024 Employer Financial Wellbeing Survey.

⁷International Foundation of Employee Benefit Plans (IFEBC), 2024 Education Benefits Survey.

⁸Alight, 2025 Hot Topics in Retirement and Financial Wellbeing.

Pharmacy

→ KEY TAKEAWAYS

- The high cost of drugs, especially weight-loss GLP-1 medications and other specialty drugs, will continue to be a primary driver of pharmacy trends
- In response to rising costs from new therapies, employers are evolving benefit designs by increasing copays, implementing narrow networks, and using value-based formularies
- Ongoing state and federal regulatory activity is reshaping drug pricing, transparency requirements and Pharmacy Benefit Manager (PBM) business models

Overview

Pharmacy trends in 2026 will be shaped by continued high drug costs, especially for plans covering weight-loss GLP-1 medications, as well as specialty drug growth and increased biosimilar availability. GLP-1 therapies and other high-cost drugs will remain major contributors to the trend, while state and federal regulatory activity continues to reshape drug pricing, transparency requirements and Pharmacy Benefit Manager (PBM) business models. Employers are also evolving benefit designs in response to rising costs, with many considering increases to copays and cost-sharing and placing greater emphasis on predictive analytics, narrow networks and value-based formularies to strengthen financial and clinical performance.

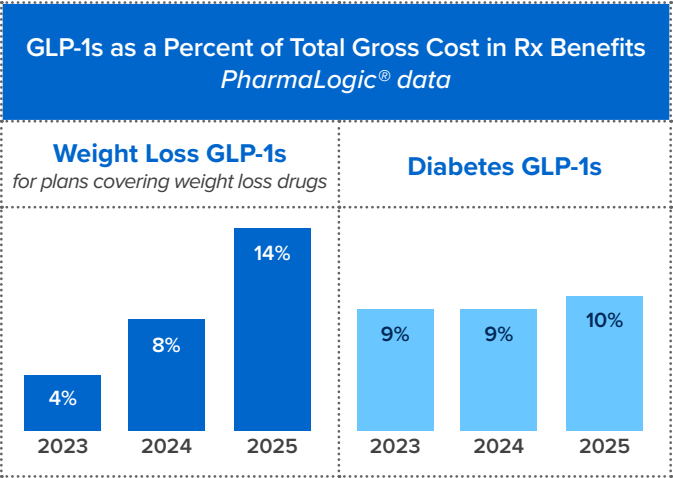
Technology and clinical innovation are also influencing utilization and cost patterns. AI is enhancing formulary management, fraud detection and patient support. Remote monitoring, genomic-informed prescribing, robotics and personalized medicine are becoming more prevalent and may influence prescribing behavior and treatment selection. Digital therapeutics continue to expand, increasing demand for data-driven chronic condition support. GLP-1 medications remain a dominant force due to expanding indications, rising costs and complex coverage decisions, with impact expected to intensify as the pipeline grows and new formulations enter the market.



Primary Driver of Pharmacy Costs: GLP-1 Medications

GLP-1 medications remain one of the fastest-growing cost drivers in pharmacy benefits. The FDA pipeline continues to expand across multiple disease states, and demand is expected to increase beyond weight loss. These developments add pressure on plan sponsors to balance access, affordability and long-term sustainability.

The Brown & Brown Employer Health and Benefits Strategy Survey shows that 48% of employers cover GLP-1s for weight loss, including 42% in the mid-market and 61% in the large market. PharmaLogic® year-to-date 2025 data shows that diabetes GLP-1 drugs account for about 10% of total gross pharmacy costs, with plans covering weight-loss indications seeing an additional 10–15% impact. Utilization and cost vary by population demographics, diabetes prevalence and other drivers. As more indications gain FDA approval, demand and spending are expected to rise. Direct-to-consumer options and TrumpRx pricing negotiations may improve transparency and lower net prices, although results will vary by plan.



Use and spending on GLP-1 medications now dominates many plans. Oral options and expanded indications will increase the need for tight utilization controls and support for appropriate prescribing and adherence.

Actions to Consider

- Define coverage criteria for weight loss, including body mass index (BMI) thresholds and comorbidities, and align disease and nutritional management programs to support outcomes
 - Apply prior authorization, step therapy or clinical criteria to guide appropriate use and update PBM requirements as new FDA indications are approved
- Evaluate alternative funding models such as carve-outs, direct-to-consumer options or adjunct PBM programs and review contracts and rebate terms for financial impact
 - Offer clear resources on lifestyle interventions and communicate GLP-1 eligibility requirements to members

One or more GLP-1 drugs are currently FDA approved to treat these conditions:	Clinical trials are underway to assess GLP-1 use for these conditions:
<ul style="list-style-type: none">• Diabetes, type 2• Obesity / Weight Loss• Diabetic nephropathy in patients with type 2 diabetes and kidney disease• Reduce risk of major cardiovascular events (MACE) in type 2 diabetes patients with cardiovascular disease• Reduce risk of major cardiovascular events (MACE) in overweight/ obese patients with cardiovascular disease• Obstructive sleep apnea in overweight patients• Metabolic dysfunction-associated steatohepatitis (MASH), a liver disease	<ul style="list-style-type: none">• Peripheral artery disease in patients with type 2 diabetes• Diabetic retinopathy• Heart failure in obese patients• Neurodegenerative conditions such as Alzheimer’s and Parkinson’s disease• Osteoarthritis of the knee in overweight patients• Polycystic ovary syndrome• Substance use disorders



New Drugs Reshaping Utilization, Cost and Benefit Strategies

Innovation across therapeutic categories continues to accelerate. In 2025, the FDA approved 54 new drugs and biologics, and four new gene and cell therapies. Rare disease treatments are advancing, offering clinical promise but also adding financial pressure. Specialty medications represented roughly 70% of new drug approvals in 2024, and more than half of 2025 approvals fall into this category, with about one-third targeting cancer. Additional applications remain under review, reinforcing specialty trend growth.

Biosimilar approvals and launches are increasing, with anti-inflammatory biosimilars having a particularly significant impact in 2025. PharmaLogic® 2025 year-to-date data show that anti-inflammatory drugs account for 24% of gross pharmacy benefit costs, driven largely by high-cost biologics. More than 20 biosimilars for Humira® are now available, and most formularies will exclude Humira® in 2026 in favor of at least one biosimilar. At the same time, self-administered injectable drugs continue to expand. New injectables can replace or supplement intravenous drugs given in outpatient settings, potentially shifting cost from the medical benefit to the pharmacy benefit. Four new injectable products were introduced recently and may add cost and accelerate this shift.

The drug pipeline remains robust across new therapies and expanded indications. Oncology and high-cost specialty and injectable products are playing a central role in utilization and spend and increasing the likelihood of cost shifting between medical and pharmacy benefits.

Actions to Consider

- Track new indications and approvals to inform budget planning and guide plan design
- Confirm PBM prior authorization, step therapy and clinical criteria address newly approved products, and ensure timely updates as FDA indications expand
- Conduct site-of-care analysis to identify where injectable therapies may shift from medical to pharmacy and where savings may be possible
- Collaborate with medical carriers, PBMs and pharmacy consultants to evaluate injectable use and identify additional cost-saving opportunities



Federal and State Legislative Activity Reshaping Drug Costs and PBM Pricing

Legislative and regulatory scrutiny now centers on PBMs and reshapes drug pricing and pharmacy benefit structures. State and federal rules push PBMs away from opaque financial models toward transparent pricing. These rules eliminate spread pricing, require full rebate pass-through, limit steerage practices and change adjudication algorithms. These shifts affect plan and member costs, prompting employers to review PBM contracts and consider new pricing approaches. Per-member-per-month (PMPM) pricing, NADAC-based pricing, acquisition-based pricing and point-of-sale rebates are gaining momentum. The 2026 Brown & Brown Employer Health and Benefits Strategy Survey shows that evaluating alternative PBM pricing models ranks as a top tactic for the next 12 to 24 months.

Federal actions also shape the pharmacy landscape. The Most Favored Nation Executive Order, Medicare drug price negotiations under the Inflation Reduction Act, insulin caps for Medicare enrollees, drug import tariffs, updates to direct-to-consumer advertising guidance and proposed patent reforms all add to market volatility and drive long-term shifts in how pharmacy benefits operate.

States continue to expand oversight through laws targeting formulary limits, utilization management restrictions, pharmacy reimbursement rules, steerage limits and regulation of group purchasing organizations. New laws across several states add complex requirements that may raise prescription costs, limit plan design flexibility or raise ERISA preemption concerns.

Drug costs remain a key focus for policymakers. Regulatory efforts centered on PBMs may reduce plan sponsor flexibility, influence benefit design and, in some cases, increase costs for plans and members.

Actions to Consider

- Review and audit PBM contracts to identify hidden fees, spread pricing and rebate structures affected by transparency rules and request clarity on financial models and transparency commitments
- Strengthen compliance and governance by monitoring state legislation, preserving cost-control levers and meeting regularly with consulting and PBM teams to assess regulatory readiness
- Leverage data analytics to model the financial impact of pricing structures and formulary strategies using claims and utilization data
- Engage in strategic vendor negotiations to secure full rebate pass-through, audit rights and performance guarantees, with contract terms that support renegotiation as market conditions change
- Educate stakeholders by communicating regulatory impacts, formulary updates and cost-sharing changes to HR, finance and employees

Biosimilars Are Expanding Access and Creating Cost-Saving Opportunities

Biosimilars are highly similar to FDA-approved biologic medications and must demonstrate no clinically meaningful differences in safety or efficacy. They offer opportunities for meaningful cost savings compared to reference brands, though adoption has been mixed due to PBM formulary preferences, rebate structures and patient or provider familiarity. Uptake has accelerated recently, driven by biosimilars for Humira® and Stelara®. According to the 2026 Brown & Brown Employer Health and Benefits Strategy Survey, 22% of employers cite biosimilar coverage and costs as a top pharmacy benefit concern.

The biosimilar market and pipeline continue to grow. Since 2015, the FDA has approved 80 biosimilars across 19 biologic medications, with 58 launched.

Approvals in 2025 included biosimilars to Stelara®, Prolia®, Xgeva®, Tysabri® and Soliris®. Anticipated 2026 launches include biosimilars for Xolair®, Eylea®, Simponi® and Orencia®. Regulatory changes, including draft FDA guidance issued in October 2025, aim to streamline requirements for interchangeability designations and reduce unnecessary clinical testing, to help lower development costs and accelerate time to market. Over the next three to five years, additional biosimilars to major reference products such as Entyvio®, Cosentyx®, Opdivo® and Keytruda® are expected.

The biosimilar pipeline remains strong and offers significant cost-saving potential, but effective plan design, PBM strategy alignment and attention to both pharmacy and medical benefit dynamics are critical to capturing these savings.



Actions to Consider

- Review pricing and rebate dynamics for biosimilars, request transparency on preferred products, rebate guarantees and expected formulary changes and monitor quarterly reports for adoption and savings
- Prioritize biosimilars for new-to-therapy patients to minimize disruption, and communicate any switching strategies clearly to limit member abrasion
- Review biosimilar coverage on the medical benefit, where visibility may be limited, and layer in site-of-care and channel management strategies for additional savings

Section Source: All stats attributable to Brown & Brown. Employer Health and Benefits Strategy Survey, 2026.

International Benefits



→ KEY TAKEAWAYS

- Rising healthcare costs and persistent strain on public health systems continue to reshape international benefit strategies
- Employers are increasingly focused on preventive care and well-being initiatives to address long-term health conditions
- Mental health support remains a priority, with global EAPs offering consistent resources across diverse workforces
- Growth in global business travel is driving stronger demand for travel protection and duty of care programs

Overview

Common themes continue to emerge across international employee benefit markets. Competition for talent, rising healthcare costs, strained public health systems, increased expectations for flexibility and a stronger focus on mental well-being are reshaping employer-sponsored programs worldwide.

Rising Medical Costs Increase Focus on Prevention and Well-Being

Global inflation has eased in some regions, although it still influences renewal costs. Public healthcare systems are under growing pressure due to higher utilization and an increase in high-cost claims, especially in cardiovascular disease, cancer and mental health. These pressures are prompting employers to reassess benefit financing structures, including opportunities for cost sharing where appropriate. At the same time, organizations are placing greater emphasis on preventive care and well-being strategies to address serious, long-term health conditions.

Medical Trend Averages by Region

8.7%
GLOBAL

7.1%
EUROPE

11%
ASIA PACIFIC

5.4%
CANADA

8.9%
LATIN AMERICA
& CARIBBEAN

10%
MIDDLE EAST
& AFRICA

Mental Health Support and Global EAP Consistency Gain Momentum

Global attention to mental health remains strong, with employers looking for effective ways to support employees and their families. Employee Assistance Programs often show low utilization yet remain a meaningful component of broader well-being strategies. A global EAP also provides a consistent support structure across international workforces with cultural and language sensitivity and strict confidentiality standards.

Growing Demand for Travel Protection and Duty of Care Solutions

Global business travel continues to rise, increasing the need for strong coverage for mobile workforces. Organizations seek to minimize risk while fulfilling duty of care obligations for traveling employees. Comprehensive travel insurance and assistance programs support access to medical care and critical services during domestic and international travel. This protection is especially important in high-risk regions where safety concerns remain elevated due to conflict, civil unrest and terrorism threats.



Strategies to help manage rising costs while supporting a positive employee experience include:

- Promoting preventive care
- Working with brokers and insurance carriers to educate employees on how to access and use benefits
- Tailoring well-being offerings based on claims experience
- Leveraging provider solutions to address chronic conditions
- Evaluating cost-sharing opportunities

These trends are expected to continue through 2026 and may require closer evaluation of global benefit strategies and program designs.

Regulatory & Legislative Strategy

→ KEY TAKEAWAYS

- 2025 brought several regulatory and litigation developments with potentially significant consequences for employer-sponsored health and welfare plans
- Uncertainty and unpredictability will continue to shape the landscape of health and welfare plan compliance throughout 2026
- A continued and sustained focus on fiduciary responsibilities within group health plans, in the wake of several high-profile lawsuits alleging breaches of fiduciary duties related to plan cost management by employer plan sponsors, will likely remain a critical area to monitor in 2026
- Litigation is also expected to expand into emerging areas, including coverage for GLP-1 medications and the use of artificial intelligence in health plan administration



Regulatory Uncertainty for Group Health Plans

The 2024 United States Supreme Court decision in *Loper Bright Enterprises v. Raimondo* and *Relentless Inc. v. Department of Commerce* (*Loper Bright*) reshaped the federal regulatory terrain. The Court overturned the *Chevron* doctrine, which had required federal courts to defer to a federal agency's reasonable interpretation of ambiguous statutory provisions. Courts now may exercise independent judgment when determining whether a federal agency has exceeded its statutory authority in issuing regulations implementing an ambiguous law.

This increased judicial scrutiny has already affected the health plan regulatory environment, including suspension of two major federal rules:

1. The HIPAA final rule strengthened privacy protections in reproductive healthcare. The federal district court in *Purl v HHS* cited *Loper Bright* in its decision to vacate most of the rule.
2. The federal agencies' non-enforcement policy statement regarding the 2024 MHPAEA Final Rules was issued in response to a January 2025 lawsuit challenging the agencies' authority. Although the complaint did not reference *Loper Bright*, its arguments align with the administrative law principles emphasized in the decision.

Employer group health plan sponsors should prepare for continued turbulence in 2026 as federal agencies regulating health plans navigate the implications of these developments.

Tobacco Surcharge Wellness Programs Under Scrutiny

Several lawsuits emerged in 2025 targeting group health plans, including those involving tobacco surcharges in wellness programs.

Wellness program benefits may be subject to requirements under ERISA, the Internal Revenue Code, HIPAA, ADA, GINA and COBRA.¹ Recent lawsuits related to tobacco surcharges generally focus on HIPAA nondiscrimination rules in program operation, alleging failure to offer a reasonable alternative standard to avoid the surcharge, application of the premium reduction only on a prospective basis after completing the alternative standard and inadequate notice describing the alternative standard. Despite the recent dismissal of a tobacco surcharge suit,² litigation in this area is expected to continue in 2026.

Employer group health plan sponsors should closely review tobacco surcharge wellness program design and operational practices in light of developing case law.



Continued and Sustained Focus on Fiduciary Duties Within Group Health Plans

The focus on fiduciary duties within group health plans, which gained momentum in 2024 following the class action lawsuit against Johnson & Johnson (J&J) alleging breach of fiduciary duty under ERISA for pharmacy benefit mismanagement, continued through 2025 and is expected to remain a key issue in 2026. Although the J&J lawsuit has now been dismissed twice for lack of standing,³ it signaled a new trend of health plan fiduciary litigation brought by plan participants. These recent lawsuits mirror long-standing ERISA retirement plan fiduciary breach class actions involving excessive fees and imprudent monitoring of plan service providers. Similar ERISA class actions have been filed against organizations such as Wells Fargo (also dismissed) and JP Morgan Chase, among others.⁴

In *Tiara Yachts Inc. v. Blue Cross Blue Shield of Michigan*, the Sixth Circuit held that a plan's third-party administrator functioned as a fiduciary under ERISA. This decision reflects a growing litigation trend in which self-funded employer health plan sponsors challenge TPA management practices by alleging a breach of fiduciary duty.⁵

Employer group health plan sponsors should remain diligent and vigilant in their fiduciary responsibilities. Recommended practices include maintaining a formal benefits committee, conducting RFPs or market checks at regular intervals for all plan service providers and performing claim audits to monitor service provider performance and plan expenses.

¹Americans with Disabilities Act of 1990; Genetic Information Nondiscrimination Act of 2008; Consolidated Omnibus Budget Reconciliation Act (COBRA)

²*Williams v. Bally's Management Grp., LLC*

³"Standing" — legal concept defining sufficient stake to bring a dispute before a court

⁴*Barbich & Lindvall v. Northwestern University*

⁵*Kraft Heinz v. Aetna* (voluntarily dismissed December 2023) and *Owens & Minor, Inc. v. Anthem Health Plans of Virginia, Inc.* (filed late 2024)

GLP-1 Coverage for Weight Loss and Compliance Concerns

GLP-1 medications remain a significant topic in health plan coverage for conditions such as diabetes and obesity. The drug class has a broad pipeline, including alternate formulations such as oral versions, and multiple indications under study. Employers continue to monitor rising cost impacts, particularly for weight-loss indications. Some employers restrict or exclude GLP-1 coverage for weight-loss purposes. The 2026 Brown & Brown Employer Health and Benefits Strategy Survey reports 61% of employers place restrictions on GLP-1 coverage for weight loss, and 86% of employers currently covering GLP-1s for weight loss plan to maintain that coverage in the next 12–24 months.

These restrictions or exclusions may pose litigation risks under disability discrimination laws if obesity is considered a disability under applicable state or local law. Two class action lawsuits challenging GLP-1 coverage exclusions under ACA Section 1557 were dismissed by a federal district court in Maine,⁶ but similar cases continue to move through the courts.⁷ Federal courts have generally determined that obesity does not qualify as a disability under federal law, consistent with EEOC informal guidance.^{9, 10}

GLP-1 coverage decisions may also raise compliance concerns under HIPAA nondiscrimination rules if changes occur outside the plan's renewal or if restrictions do not apply uniformly to similarly situated plan participants. For example, part-time and full-time employees, employees working in different geographic locations, and employees with different dates of hire or lengths of service can be treated as different groups of similarly situated individuals.

Employers are encouraged to monitor these developments and align GLP-1 coverage decisions with annual renewal cycles. This requires careful documentation of coverage decisions, including restrictions or exclusions.

Artificial Intelligence (AI) and Group Health Plans

Recent lawsuits have challenged the use of artificial intelligence in processing and denying claims,¹¹ signaling the potential for AI-related regulations at the federal and state level in 2026. Scrutiny of AI tools used in claim determinations and in the aggregation of healthcare data indicates growing interest in developing new laws and regulations.

State-level AI legislation continues to advance. Recent examples include California SB 1120, which requires a qualified human reviewing utilization management decisions, and California AB 3030, which requires disclosure when generative AI produces patient communications containing clinical information.

At the federal level, HHS released a HIPAA Security proposed rule in December 2024 addressing cybersecurity of electronic protected health information and requesting public comment on how to define AI when used in diagnosis and treatment. The proposal also seeks input on how HIPAA-covered entities, including employer plans, can use AI in ways that protect confidentiality, integrity and availability of electronic protected health information. Recently, President Trump issued an Executive Order intended to remove barriers to the development and use of AI, with the goal to prevent states from implementing AI related laws by creating a national policy framework, among other efforts.

New AI regulations may also affect ERISA-governed plans by influencing fiduciary obligations related to the selection and oversight of service providers using AI in claim or medical management decisions.

Employer group health plan sponsors should monitor federal and state legislative and regulatory activity as the intersection of AI and healthcare continues to evolve.

⁶*Whittemore v. Cigna and Holland v. Elevance Health Inc.*

⁷*Simonton v. Washington State Health Care Authority*

⁸U.S. Equal Employment Opportunity Commission (EEOC)

⁹U.S. Equal Employment Opportunity Commission, *EEOC Informal Discussion Letter 187*.

¹⁰*Kisting Leung et al. v. Cigna Corporation et al.; Estate of Gene B. Lokken et al. v. UnitedHealth Group, Inc. et al.; Barrows et al. v. Humana, Inc.*

¹¹*The White House. Ensuring a National Policy Framework for Artificial Intelligence.*

Medicare



→ KEY TAKEAWAYS

- Healthcare spending is increasing, and Medicare premiums, deductibles and benefits are shifting as a result
- Medicare Advantage continues to offer competitive pricing compared to Original Medicare
- Private carriers are reducing benefits, discontinuing plans, or leaving markets, affecting plan availability

Overview

The Medicare landscape is changing in response to rising healthcare spending. Premiums are increasing, benefits are decreasing in some situations and carriers are offering fewer options in fewer markets. These changes affect how beneficiaries evaluate their Medicare options and manage their overall healthcare costs.

Customers now face a more restrictive Medicare environment. Plan designs are tightening, supplemental benefits are declining, and coverage availability varies more by geography. With these shifts, beneficiaries need clear guidance to compare costs, better understand their benefits and determine what coverage best fits their personal needs.

Rising Costs for Original Medicare

Original Medicare premiums and deductibles are increasing in 2026. These adjustments apply to both inpatient hospital coverage under Part A and outpatient care under Part B. Higher-income beneficiaries will also pay increased surcharges for Parts B and D.

- **Part B Premium:** Standard monthly premium for Part B (covers doctor visits and outpatient care) is increasing to \$202.90 from \$185 in 2025
- **Part B Deductible:** Annual Part B deductible will be \$283, up from \$257 in 2025
- **Part A Costs:** Part A inpatient hospital deductible is rising to \$1,736 per benefit period (up from \$1,676)
- **Income-Related Monthly Adjustment Amounts (IRMAA):** Higher-income beneficiaries will pay increased surcharges for both Part B and Part D coverage

These cost changes reflect overall healthcare spending trends and require beneficiaries to review their expected out-of-pocket costs for the upcoming year.

Medicare Advantage Remains Competitively Priced

While Original Medicare costs are increasing, Medicare Advantage plans continue to offer competitive pricing. Some costs are projected to decrease slightly in 2026, which may make Medicare Advantage appealing to beneficiaries seeking predictable premiums and integrated coverage.

- **Slightly lower average premiums:** The average monthly premium for Medicare Advantage plans with drug coverage is projected to decrease slightly to about \$11.50 (down from \$13.32 in 2025)
- **Lower out-of-pocket cap:** The maximum in-network out-of-pocket limit for Medicare Advantage plans will decrease slightly to \$9,250 in 2026 (down from \$9,350)

Average Medicare Advantage premiums with drug coverage are projected to decrease, and the maximum in-network out-of-pocket limit for Medicare Advantage will also decrease. These changes make Medicare Advantage an option for individuals aiming to lower monthly premiums and have greater cost control.

Evolving Part D Benefits and Pricing

Part D benefits continue to shift under the strategies outlined in the Inflation Reduction Act of 2022. These adjustments affect prescription drug costs, out-of-pocket limits and coverage for certain medications.

- **Prescription drug cap:** The annual out-of-pocket spending cap for Part D enrollees is rising slightly, from \$2,000 to \$2,100
- **Negotiated drug prices:** Lower, Medicare-negotiated prices for the first ten high-cost prescription drugs will become available, expected to save beneficiaries money on specific medications like Eliquis® and Januvia®
- **Insulin cost cap:** The monthly cost-sharing for covered insulin products remains capped at \$35

These updates help shape what beneficiaries will pay for medications in 2026 and can influence which plans best support their specific drug needs.

Healthcare costs are rising, including employer-sponsored plans, and Medicare is no exception. It is important to consult with professionals to understand where benefits could be maximized.

Carriers Reduce Medicare Advantage, Supplement and Part D Plans

Pricing pressures are prompting private insurance companies to scale back benefits or exit markets.

- UnitedHealthcare is exiting 109 counties across 16 states (180,000 enrollees)
- Humana is exiting two states and 194 counties (500,000 enrollees)
- Aetna is discontinuing nearly 90 Medicare Advantage plans across 34 states and reducing its standalone Prescription Drug Plan footprint

These decisions affect a significant number of beneficiaries and limit plan choice nationwide.

- **Plan availability:** The overall number of general enrollment Medicare Advantage plans nationwide is declining by nearly 10%. This means some beneficiaries will have fewer plan choices, or their specific plan may be discontinued entirely.
- **Supplemental benefits:** On average, the generosity of benefits such as dental, vision and over-the-counter allowances is decreasing. The average dental allowance is declining by about 10%.

Section Source: All values attributable to Centers for Medicare & Medicaid Services (CMS), 2025

Student Health



→ KEY TAKEAWAYS

- With average rate increases reaching 9% over the last three years and high trends expected for 2026, institutions are relying on data-driven decision-making to mitigate escalating costs
- Universities are prioritizing cost containment by leveraging telehealth solutions, even as they face pressure to improve plan value and maintain comprehensive coverage
- Significant variations in benefits and pricing across states create obstacles for institutions striving to provide equitable health coverage to a diverse, nationwide student body

Overview

Student well-being, especially mental health, remains a top concern as higher education institutions navigate the challenges of rising health plan costs. According to recent student health survey data:¹

- Nearly 90% of participating institutions indicated that improving plan value for students was second only to managing costs
- Approximately one-third of institutions made changes to medical plans by increasing deductibles, copays and out-of-pocket limits
- Fifteen percent of institutions adjusted pharmacy benefits, focusing on greater member cost share for non-formulary and specialty drugs
- Dental and vision benefits continue to be offered, primarily as voluntary options rather than being included in bundled medical plans

¹Risk Strategies, Part of the Brown & Brown Team. Student Health Insurance Nationwide Benchmark Report, 2025.

Financial Pressures and Strategic Adaptations

Colleges and universities face considerable difficulty in providing comprehensive, affordable health coverage amid increasingly limited budgets. Over the past year, many have relied on experienced brokers to negotiate competitive rates and identify solutions that balance risk management with cost control. Adoption of cost-effective healthcare models, such as telehealth and virtual care programs, has expanded. **Maintaining dental and vision benefits, even as standalone voluntary plans, reflects a continued commitment to overall student health.**

Inconsistent Coverage Challenges

Achieving equity in student coverage is complicated by significant variation in plan terms, benefits and pricing across different states. Inconsistencies in offerings challenge both administration and student access to comprehensive care, underscoring the importance of addressing disparities wherever possible.

When determining benefit design and pricing, carriers and institutions should consider several key factors.

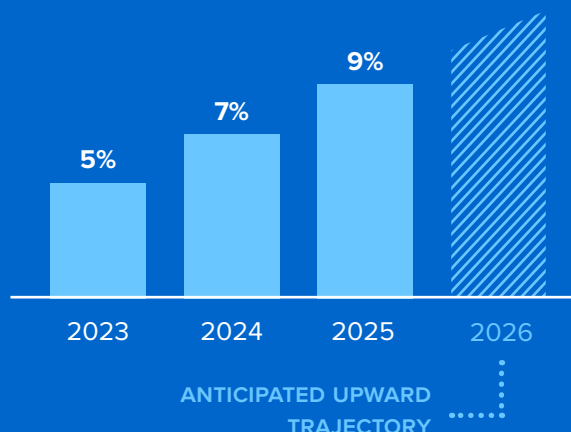
These strategies will help universities maintain the value and sustainability of their student health plans in a dynamic and challenging market environment.

- A high proportion of international students is typically favorable for underwriting, as these populations often demonstrate lower utilization rates
- Maintaining a healthy student body with a positive claims history supports favorable plan pricing and risk profiles
- Pursue high-performance or regional networks and focus on managing high-cost specialty drugs to control expenditures
- Robust analysis of claims utilization enables institutions to monitor costs and trend drivers — most institutions now prioritize data-driven decisions, second only to supporting mental health
- There's an unmet need in evaluating self funding for new business, and a hard waiver process can help manage costs further
- Virtual care, including expanded behavioral health access, aims to improve student well-being and deliver services more efficiently

Escalating Rate Trends

Health plan rate increases remain a concern. The average annual rate increases over the past three years have been 5%, 7% and 9%. Current projections from Brown & Brown indicate that this upward trajectory is likely to persist into 2026.

Careful monitoring and data-driven analysis are crucial for understanding and mitigating the underlying drivers of these cost escalations.



Absence & Leave



KEY TAKEAWAYS

- State PFML programs are expanding, creating a complex legal landscape and increasing administrative strain for employers
- Employers are enhancing leave experiences through concierge-style support, streamlined approvals and robust employee portals
- Employee perception gaps persist, as many workers lack clarity on benefits, impacting job satisfaction and retention
- Technology and AI are transforming absence management, enabling real-time data integration, better automation and improved compliance



Overview

In 2025, the U.S. continued shifting from a handful of early adopters toward a broader state-driven patchwork of paid family and medical leave (PFML) programs, increasing complexity and administrative strain for employers. Several states expanded benefit triggers and advanced programs whose first benefit years begin in 2026. Notable actions included Colorado's targeted expansion, providing up to an additional 12 weeks of PFML benefits for parents with babies in NICU (Neonatal Intensive Care Unit) starting January 1, 2026, and New York's new paid prenatal appointment leave, which became effective January 1, 2025. States such as Minnesota have completed implementation of PFML benefits, with employer premium collection scheduled and benefits effective as of January 1, 2026. At the same time, legislative pushback and reversals such as Missouri's repeal of a voter-approved sick-leave measure and Maryland's third implementation delay of its PFML program reflect that the legal landscape remains contested and in flux.

Leaves of absence, particularly paid time away from work, are increasingly viewed as a core element of competitive employee benefit packages. Organizations are transforming the employee absence experience through strategic initiatives, policy evolution and rapid technological advancement. Employers are also prioritizing supportive resources and personalized guidance to enhance the leave journey, while the continued expansion of mandated programs is prompting more comprehensive and inclusive policies. Innovations such as real-time data integration and AI-powered solutions are streamlining absence management and enabling holistic program administration. Together, these developments are anticipated to shape a more responsive, compliant and employee-focused approach to absence and leave management in 2026.



Rising Need for Structured, Compliant Leave Administration

Only 5% of employers report having no challenges with leave administration.¹ Top concerns include keeping up with regulatory changes, ensuring process consistency and managing coordination and communication. Despite these challenges, 43% of employers manage leave programs internally while only 26% outsource, creating compliance exposure and administrative strain for HR teams.¹

Employers can choose to upgrade or augment systems to automatically apply state-specific eligibility, entitlement and documentation rules to reduce manual interpretation and inconsistency.

Standardizing intake, documentation, communication, accommodations and return-to-work processes, while aligning closely with vendors through structured governance and regular regulatory reviews, can further strengthen compliance. This should be balanced with a strategy that requires manual intervention and review for any adverse decisions as a result of this approach. Cross-functional training and a forward-looking regulatory calendar help HR, payroll and benefits managers prepare for new state programs and legislative changes.

Bridging the Perception Gap to Drive Job Satisfaction

A significant perception gap persists between employers and employees regarding job satisfaction. While 78% of employers believe their employees are satisfied, only 47% of employees agree. Playing a significant role in shaping confidence and sentiment is how well employees understand their benefits, with 69% stating that a better understanding would reduce their financial stress. Interestingly, 35% remain unsure how their benefits work together with leave.²

Employers should aim to provide clear, accessible resources to help employees understand benefits, including how they apply during leave. Aligning offerings and processes with workforce needs improves attraction and retention while strengthening overall job satisfaction.

Personalized, Concierge-Style Support

Employers are adopting concierge-style resources to enhance the leave experience, offering personalized assistance and designating internal specialists to deliver white-glove support. Streamlined claim approvals, particularly for mental health diagnoses, are also gaining traction, with initial durations increasingly approved based on simple criteria such as confirmation of an upcoming appointment.

Leave-Planning Platforms

Leave-planning platforms, which are standalone, fee-based technology solutions, are becoming a valuable complement to these concierge models. Their capabilities vary widely, but the most robust platforms tailor guidance to the specific reason, statutory requirements, employer policy details and even past utilization. This enables employees to understand what they may be eligible for more effectively and supports a more seamless planning experience.

Employee Portals

In contrast, employee portals are employer-built, employer-driven and employer-managed, and the kinds of enhanced, highly customized portals described in early market discussions remain uncommon, both in what is currently deployed and in what employers plan to build.

While some organizations are exploring ways to expand access to job aids, FAQs, policies, statutory information, and benefit details, the wide-scale adoption of sophisticated, integrated portals remains limited. As a result, many employers rely on external planning tools and concierge support rather than investing heavily in proprietary portal development.

¹Brown & Brown. *Employer Health and Benefits Strategy Survey, 2026.*

²The Hartford. *2025 Future of Benefits Study.*



Mandated Leave Expansion Driving Broader, More Inclusive Employer Policies

Statutory requirements are expanding leave entitlements beyond traditional parental leave, disability and health coverage to include caregiver and compassionate leave. This trend is prompting employers to broaden policies to address diverse personal and family needs.

Employers should review and update leave policies to remain compliant with evolving mandates. Monitoring state-level changes closely and adjusting offerings proactively may help address new legal requirements.

Advanced Technology Creating an Integrated and Efficient Experience

Organizations are moving beyond traditional data exchanges toward real-time API-driven communication. AI capabilities, including natural language processing, are streamlining claims processing and automating repetitive tasks. Enhanced data integration now links absence management with mental health and other diagnostic-specific programs, creating holistic solutions.

To identify automation and integration opportunities, employers can consider reviewing and updating their tech stack. Exploring AI-driven tools aligned with organizational policies and applicable state law strengthens compliance, elevates the employee experience and may improve operational efficiency.

Audits & Assessments



→ KEY TAKEAWAYS

- A growing number of new federal and state bills are increasing the need for transparency and driving payers to validate accurate benefit administration through audits
- The complexity of benefit program management is creating greater demand for reporting, data collection and oversight across medical, pharmacy, wellness and other programs
- Employers are prioritizing audits, high-cost claimant management and evaluations of vendor program effectiveness as key components of benefits oversight

Overview

With a constant stream of new healthcare-related bills being introduced at the federal and state levels, the push for transparency and lower costs is a key theme shaping emerging legislation. As new regulations advance, the need to validate accurate implementation and adherence is growing. Auditing has become a primary method for payers to stay on top of the management of their healthcare programs.

The oversight required of administrators continues to expand as financial and operational expectations around benefit management evolve. Increasing complexity has heightened the need for more detailed reporting and comprehensive data collection to identify trends and opportunities across benefits such as medical, pharmacy, population health and hospitalization. As AI advances rapidly, auditing and reporting deliverables will continue to evolve, enabling more efficient and effective monitoring of delegated program administration.

Increasing Need for Benefits Audits

According to the Brown & Brown Employer Health and Benefits Strategy Survey results, just over 86% of participants plan to conduct audits within the next 24 months. This reflects the growing need for auditing driven by new legislation and heightened transparency requirements. Plan sponsors may also want to ensure their benefit programs are managed accurately and that they receive the full value promised in their contracts.

Auditing provides a way to verify accurate administration, which is critical. Brown & Brown's auditing services identified issues in 100% of medical audits completed in 2025. Because administrator contracts commonly limit how far back audits can look, it is recommended that employers perform audits annually, or at minimum, every two years to help monitor mistakes within benefit program administration.

Employers should consider reviewing their contracts to understand their audit rights and seek assistance from their consultant or broker if guidance is needed.

Employers who have never audited their administrator, or who have not done so in more than two years, should research auditing services and consult with an experienced auditing firm to determine which services could best support their goals.

Employers Prioritize High-Cost Claimants

In 2026, employers plan to place a high priority on addressing high-cost claimants. This increased focus is driven by both the rising frequency and severity of high-cost claims. According to EBRI, 5% of covered individuals account for 57% of total health spending, with costs driven by medical inflation, chronic disease, advanced treatments and specialty drugs. Sun Life's 2025 High Cost Claims and Injectable Trends report shows that million-dollar claims have increased 61% over four years and 29% in 2024 alone compared to 2023.²

As chronic conditions grow more common, the population ages and breakthrough treatments such as gene and cell therapies enter the market, employers should expect high-cost claimants to remain a major challenge. These dynamics contribute to the rising frequency and complexity of claims and place sustained pressure on health plan costs.

Employers could aim to take a proactive approach that includes predictive analytics for early identification, robust care management programs, pharmacy benefit optimization and stop loss coverage. Employers that invest in proactive care management and thoughtful plan design are better positioned to reduce the financial impact of high-cost claimants without compromising care quality or employee well-being.

Employers Focus on Effectiveness of Benefit Plans and Vendor Programs

Employers are increasingly prioritizing the effectiveness of their benefit programs and vendor partnerships, expecting measurable value and improved health outcomes. 95% of employers surveyed by Brown & Brown identified the effectiveness of the benefit program as a medium to high priority.¹ However, many employers still lack visibility into the quality and clinical appropriateness of care delivered through vendor programs. Thirty-six percent ranked management of vendor services and performance as one of their top challenges, underscoring the need for clearer insight into program impact.

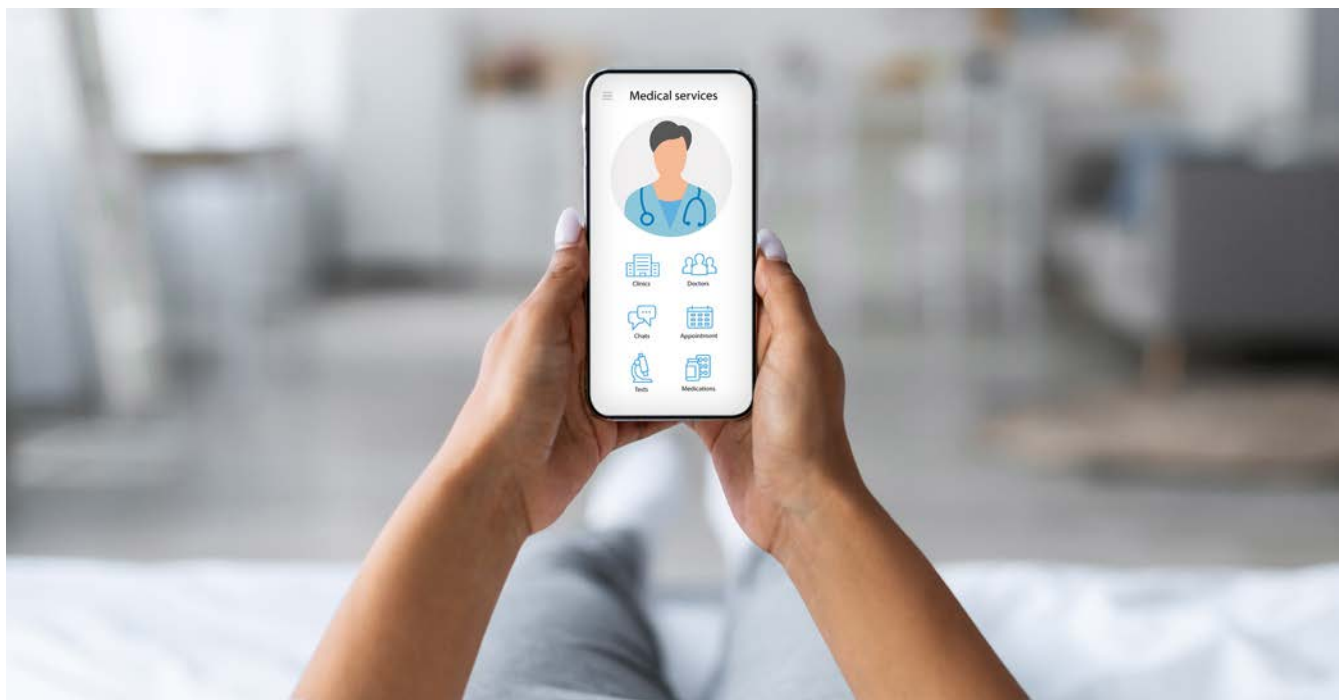
Vendors and plans often report engagement or participation metrics, but these do not necessarily reflect clinical effectiveness or adherence to evidence-based care. Employers need insight into whether programs follow evidence-based guidelines, improve chronic condition management and enhance preventive care. Without this information, efforts to improve workforce health and manage costs remain difficult.

Employers should incorporate clinical assessments into their benefit evaluation process at least once every three years. These assessments help identify care gaps, optimize vendor performance, support consistent member experiences and encourage early identification and appropriate management of high-cost claimants.

¹Brown & Brown. *Employer Health and Benefits Strategy Survey, 2026.*

²Sun Life. *2025 High Cost Claims and Injectable Trends Report.*

Employee Benefits Technology



→ KEY TAKEAWAYS

- Employee benefits technology is evolving to support changing workforce expectations around well-being, affordability and flexible work arrangements
- Employers are increasing investment in digital platforms, virtual care and AI-driven tools to help improve benefits navigation, personalization and preventive care access
- Technology-enabled controls are playing a growing role in managing rising costs tied to specialty drugs, utilization and supplemental benefit offerings

Overview

Today's workforce places greater emphasis on holistic well-being (i.e., mental, physical, financial), affordability and flexibility than previous generations. Hybrid and remote work arrangements continue to redefine how employees engage with benefits, while demand for specialty drugs such as GLP-1s and parental support such as fertility treatments continues to increase. Together, these shifts are influencing how employers evaluate and modernize their benefits strategies.

Benefits technology plays an increasingly important role in meeting these expectations. When applied thoughtfully, technology supports engagement across diverse work environments, helps employees make informed healthcare coverage decisions, enhances job satisfaction and supports retention.

Digital Well-Being Platforms and Multi-Dimensional Health

Employees increasingly expect well-being solutions that are accessible and easy to use. Concerns about being overinsured or overcharged for healthcare continue to drive demand for digital tools that feel transparent and intuitive. In response, employers are expanding digital well-being and employee experience platforms to improve benefits navigation, engagement and trust.

Employees also increasingly prefer automated, algorithm-driven tools when making benefits and well-being decisions, and individuals often favor algorithmic guidance for predictions and estimates. This preference extends to benefits elections, holistic health check-ins and treatment pathway selection, reinforcing the role of technology in how employees choose to engage with benefits.

Digital well-being platforms support multiple dimensions of health and align benefits with how employees prefer to make decisions.



77%
of employers have a formal well-being program



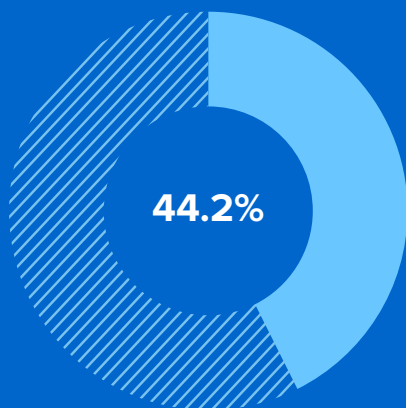
78%
plan to increase well-being budgets in the next 12 months



63%
of programs focus on multiple well-being dimensions

Source: Brown & Brown Employer Health & Benefits Strategy Survey, 2026

44.2% of employers plan to introduce virtual primary care



Source: Brown & Brown Employer Health & Benefits Strategy Survey, 2026

Virtual Care and Preventive Health Technology

Preventive services focused on emotional health and obesity remain a priority as employers work to reduce future high-cost claims. Digital tools supporting mental health, EAP engagement and chronic condition management for conditions such as diabetes and heart disease continue to see widespread adoption.

Virtual care use has accelerated over the past five years and continues to deliver strong satisfaction and positive clinical outcomes. High patient satisfaction and provider-reported improvements support telehealth as a practical and convenient access point for care. Most individuals who have used virtual care indicate they would use it again, reinforcing its role across primary care, behavioral health and chronic condition management.

Virtual care can improve access to preventive services and early care, helping reduce long-term costs.

AI and Data-Driven Personalization

AI continues to reshape benefits strategies through predictive analytics, personalized care recommendations and more intuitive navigation tools. Employers are increasingly adopting AI-enabled platforms across web and mobile applications to guide employees to relevant benefits and resources at critical moments.

These technologies deliver more tailored experiences within the employer healthcare ecosystem while reducing administrative workload. Improved benefits comprehension and targeted guidance support better decision-making and more efficient use of benefits over time.

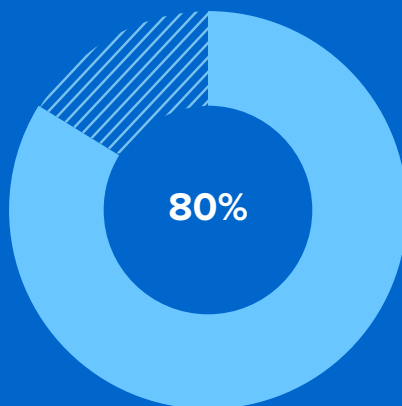
AI-driven tools can improve benefits navigation, support cost control and enhance the employee experience.

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Employers identify AI and digital health solutions as a top four benefits trend over the next two to three years.

*Source: American Telemedicine Association.
Understanding the Critical Advantages of Telehealth Adoption, 2026.*

80% of employers are rethinking health and welfare strategies due to inflation and economic volatility



Source: Brown & Brown Employer Health & Benefits Strategy Survey, 2026

Cost Management Through Tech-Enabled Controls

Rising specialty drug costs and expanded GLP-1 coverage continue to drive adoption of eligibility management tools and data-driven utilization tracking. Employers are increasing visibility through dashboards, last-login reporting and automated deactivation of inactive users to help reduce unnecessary spend and strengthen oversight.

Broader economic pressures are also prompting employers to expand supplemental benefits such as financial well-being programs, family planning support and lifestyle spending accounts. These offerings address financial stress, caregiving demands and well-being needs while enabling employers to manage costs through defined funding limits and eligible expense categories.

Technology-enabled controls help manage rising costs while supporting flexible benefits and financial well-being.

Digital Health

→ KEY TAKEAWAYS

- Employers are prioritizing virtual care, navigation tools and cost transparency solutions
- Health plans increasingly embed digital health options, streamlining access and contracting
- AI is reshaping benefits administration and clinical care, requiring governance and oversight

Overview

The U.S. digital health landscape remains stable, with venture funding through the third quarter of 2025 reaching \$9.9 billion. Clinical workflow enhancements and AI-powered tools continue to dominate investment, accounting for 42% of total funding and widening the gap with care coordination and disease treatment categories.¹ Despite uncertainty related to the current administration's healthcare agenda, particularly around spending cuts, public health reform, transparency, consumer choice and technological innovation, new CMS policies and payment models are showing promise for greater integration and reimbursement of digital health innovations within the traditional healthcare ecosystem.

In late 2025, the Centers for Medicare and Medicaid Services (CMS) Innovation Center launched a new 10-year payment model called the ACCESS Model, which could be the catalyst for deeper integration of digital innovation into the standard of healthcare. New CMS policies and payment models are advancing the integration and reimbursement of remote monitoring for chronic condition management within the traditional healthcare ecosystem. While it will take time, this marks an important step toward aligning innovation with clinical practice and creating a truly integrated, patient-centered ecosystem.

Employers Continue to Leverage Digital Health Solutions

Nearly half of employers (46%) report that AI and digital health will have the greatest influence on their benefits strategy over the next two to three years. While point solution fatigue persists, at least one-third of employers expect to continue adding targeted solutions to address evolving employee health challenges.²

Advanced technologies are strengthening digital health tools, making it easier for employees to navigate benefits and access high-quality care. When deployed thoughtfully, technology can help streamline fragmented experiences into seamless, personalized, member-centric journeys.

To help reduce fragmentation and ensure measurable impact through improved experience engagement and cost efficiency, employers can:

- Set clear objectives based on data and employee feedback
- Take inventory of the current benefits ecosystem
- Vet vendors thoroughly, emphasizing integration capabilities, data standards and measurable outcomes

¹Rock Health. *Digital Health Venture Funding Database, Data Through Q3 2025.*

²Brown & Brown. *Employer Health and Benefits Strategy Survey, 2026.*

According to the Brown & Brown Employer Health and Benefits Strategy Survey, employers plan the following actions in the next year:

44%

plan to introduce virtual primary care

36%

plan to add or enhance navigation and advocacy programs

43%

plan to add or enhance cost transparency tools

37%

plan to add second opinion programs

Digital Health Solutions Increasingly Offered via Health Plan

Digital health solutions are increasingly integrated into health plans, either as in-network options or as buy-up programs. Depending on the carrier, embedded solutions may include behavioral health, digestive health, nutrition, women's health (including menopause care), physical therapy, dermatology, sleep, substance use support and more. Embedding these solutions within the health plan streamlines contracting and expands access to innovation, particularly for small and mid-sized employers.

However, a significant challenge remains — lack of awareness that these virtual solutions exist or how to access them. This gap of visibility can result in duplicated services, fragmented care and unnecessary costs.

Employers and brokers should consider asking health plans:

- Which virtual and digital health solutions are included as in-network or buy-up options
- Whether employers have the choice to opt-in or opt-out, and how employers and employees are billed for services
- How members are made aware of programs and providers (directory, communications, app, portal, etc.)
- What reporting is available on utilization and outcomes

AI Reshaping How Employers Manage Healthcare Benefits

AI is transforming the administration and delivery of healthcare benefits by streamlining processes, expanding access to high-quality care and advancing outcomes while helping manage costs. In 2024, U.S. digital health startups selling AI-enabled solutions to employers raised \$290 million, and AI-enabled startups offering benefits administration solutions alone raised \$130 million from Q1–Q3 2025.¹ While nearly half of employers (46%) surveyed by Brown & Brown expect AI to have the greatest impact on their benefits strategy over the next two to three years, the immediate next steps can be elusive.²

To address the incoming influx of AI solutions:

- Ensure AI solutions account for employee and employer concerns, including data security, bias, equity and the continued importance of human oversight and connection
- Establish a cross-functional governance structure, involving IT and compliance teams, which is critical for building organizational trust and helping ensure responsible AI use
- Build an ongoing evaluation process to help ensure AI solutions are accurate and effective.

¹Rock Health. *Digital Health Venture Funding Database, Data Through Q3 2025.*

²Brown & Brown. *Employer Health and Benefits Strategy Survey, 2026.*



Primary Areas Where AI is Driving Transformation



BENEFITS OPERATIONS:

Reduces manual tasks, improves accuracy and enables HR teams to focus on high-value activities, oversight and human-centered interactions



EMPLOYEE EXPERIENCE:

Supports personalized recommendations, plan decision-making, timely care engagement and navigation to high-quality, cost-effective providers



CLINICAL CARE:

Identifies rising-risk members, supports prevention efforts, facilitates care gap closure and aids in treatment accuracy



DATA AND ANALYTICS:

Leverages HR, claims and benefits data to forecast costs, guide plan design and identify emerging risks or underserved populations

New Methods of Prevention Increase Access and Early Detection of Disease

New direct-to-consumer screening tools, including genetic testing, blood biomarker analysis and multi-cancer early detection tests, as well as mobile technologies for digital health screenings and home lab testing, are emerging to enable insight into health risks earlier — shifting healthcare toward earlier intervention. These tools show particular promise in early cancer detection and identifying genetic risks related to cardiovascular disease and cancer.

As employers prioritize prevention, more digital screenings, home lab testing and education intervention programs are expected to market to employers directly. Early detection can reduce healthcare costs, absenteeism, disability claims and signal an employer's commitment to employee well-being. However, some innovations carry high upfront costs, and ROI timelines remain uncertain.

Employers considering upstream preventive testing should consider the following:

- Vet vendors for clinical validity and appropriate clinical follow-up, strong data security and transparent consent processes
- Understand privacy and anti-discrimination laws such as GINA, ensuring programs remain voluntary and confidential
- Consider phased rollouts aligned with evidence-based guidelines

In the meantime, employers should continue promoting covered preventive screenings, evaluate reporting to identify gaps in care and ensure that plans and vendors use available tools to target members overdue for screenings.

Actuarial & Underwriting



→ KEY TAKEAWAYS

- Rising underlying claim costs are the core driver of employer risk and budget pressure
- Traditional plan design changes shift cost but do not solve root causes
- Employers need earlier, better data to manage volatility and projections
- Large claimants and specialty drug utilization disproportionately influence results

Overview

Employers continue to operate in a sustained high-trend environment across both fully insured and self-funded health plans. Renewal increases remain elevated, with projected cost growth for 2026 among the highest in recent years. These pressures are driven by underlying claim cost dynamics rather than short-term market fluctuations, including higher utilization, increasing severity, specialty pharmacy spend, increased hospital costs and the growing number of large claimants. As a result, employers are increasingly moving away from passive approaches and engaging earlier in renewal planning and risk management.

At the same time, plan sponsors face difficult tradeoffs between affordability, workforce expectations and long-term sustainability. While plan design and contribution changes can influence near-term budgets, they do not address the root drivers of claim costs and often introduce additional volatility. This environment places greater emphasis on understanding cost drivers, improving forecasting discipline and making more deliberate decisions around benefit strategy, data use and risk management as employers navigate the 2026 renewal cycle and beyond.

Sustained High-Cost Environment

Medical and pharmacy cost trends remain elevated across fully insured and self-funded plans. According to the Brown & Brown Employer Health and Benefits Strategy Survey, affordability is now the most significant challenge for plan sponsors, with cost control for employees and organizations ranking as the top strategic priorities. Renewal increases for 2026 reflect persistent pressure from utilization, severity, specialty drugs and large claimants rather than short-term anomalies.

This environment has reduced tolerance for passive benefit management. Employers increasingly recognize that inaction compounds future budget strain and limits flexibility in subsequent renewal cycles, prompting earlier and more deliberate engagement in benefit strategy.

Affordability pressure is forcing employers away from passive strategies and toward proactive cost management.

- Evaluate which actions address immediate renewal pressure versus longer-term claim trends
- Use underwriting analysis as a foundation for renewal negotiations
- Align benefit decisions with sustained engagement rather than one-time adjustments

Purpose of Benefits Under Pressure

Even as cost pressure intensifies, employers continue to view health and welfare benefits as a core component of their employee value proposition. The Brown & Brown Employer Health and Benefits Strategy Survey shows enhancing employee well-being and productivity as the top reason organizations offer benefits, while reducing long-term organizational costs ranks last. Nearly 90% of employers describe their health package as very or extremely important.

This creates an ongoing tension between financial constraints and strategic intent. Employers face rising costs but remain committed to supporting workforce well-being, engagement and competitiveness, shaping benefit decisions beyond pure cost containment.

Employers continue to view benefits as a strategic investment, not just a cost-control tool.

- Align leadership on the primary purpose of the benefits program
- Separate short-term renewal actions from long-term workforce strategies
- Balance financial discipline with cultural and competitive objectives



Plan Design Shifts Increase Volatility

Approximately three-quarters of employers expect to make moderate or significant changes to medical contributions, plan design or wellness programs over the next 12 to 24 months, according to the Brown & Brown Employer Health & Benefits Strategy Survey. These changes directly affect budgets and employee contributions, while continuing to reshape the benefits experience.

While plan design changes influence affordability, they do not reduce underlying claim costs. Cost sharing and contribution increases shift expense rather than changing utilization or severity and often introduce enrollment and risk volatility that complicates forecasting.

Plan design changes shift costs without addressing claim drivers, and when repeated, increases volatility.

- Identify underlying cost drivers before implementing plan changes
- Anticipate enrollment migration and risk redistribution
- Prioritize targeted programs that address utilization and severity

Data Without Decision Discipline

Employers report that access to data is not a primary challenge. The Brown & Brown Employer Health and Benefits Strategy Survey indicates lack of actionable data ranks lowest among reported obstacles. Claims reporting and analytics tools are widely available across medical, pharmacy and stop loss programs. However, data alone does not improve outcomes. Without clear objectives, governance and measurement, reporting often fails to translate into effective decisions and meaningful cost control.

Insight depends on interpretation and accountability, not data volume.

- Define objectives before deploying analytics
- Establish metrics tied to expected outcomes
- Use data to guide decisions rather than validate assumptions

Large Claimant Volatility

Large claimant frequency and severity continue to rise. The 2025 Aegis Risk Medical Stop Loss Premium Survey shows 49% of respondents incurred at least one claimant exceeding \$1 million, with 16% reporting claims above \$2 million and 16% reporting known ongoing medical or drug costs.

These dynamics materially distort projections. For self-funded plans, large losses and lasers increase the risk of overbudget positions. For fully insured employers, they translate into higher renewal increases as pricing assumptions erode.

Large claimants materially undermine budgeting accuracy and renewal stability.

- Review experience-rated plans monthly for emerging risk
- Monitor claimants nearing pooling points for insured plans
- Begin renewal planning earlier

GLP-1 Cost Distortion

GLP-1 medications for weight loss continue to place significant pressure on medical plan performance. Employers who cover GLP-1 medications report increased calculated trends and higher renewals tied to utilization growth. While long-term outcomes remain uncertain, near-term cost impact is clear.

According to the Brown & Brown Employer Health & Benefits Strategy Survey, 48% of mid-market employers cover GLP-1s for weight loss, yet 86% plan to continue. Utilization can drive total healthcare spend increases of 10 percent or more, even as direct-to-consumer pricing introduces lower unit costs.

GLP-1 utilization is distorting trend calculations and renewal projections.

- Analyze cohort experience when coverage exists
- Model projected impact carefully when considering coverage
- Define eligibility, consider requiring participation in a sponsored program and create measurable thresholds

Provider Contracting/ Specialty



→ KEY TAKEAWAYS

- Hospital and facility costs for commercial customers remain significantly higher than Medicare, with wide variation and limited visibility into treatment quality and health outcomes
- Specialty drug and infusion spend remains highly concentrated, site-of-care sensitive and a significant cost driver for employers
- Provider consolidation continues to increase negotiating leverage, accelerating the need for outcome-based and episode-focused contracting
- Pharmacy contracting models continue to shift toward acquisition cost-based pricing in response to regulatory and market pressure

Overview

Rising provider costs, concentrated specialty spend and continued consolidation are reshaping employer/provider contracting strategies. Hospital and facility costs remain well above Medicare levels, while employers face ongoing challenges accessing meaningful data on quality, outcomes and total cost of care. At the same time, specialty drugs and infusions represent a disproportionate share of healthcare spend, with significant cost variation by site-of-care.

These pressures are prompting employers to move beyond traditional contracting approaches that rely solely on discounts or unit price reductions. As consolidation reduces leverage and regulatory changes alter pharmacy pricing models, employers are increasingly focusing on value, outcomes and total episode cost across both medical and pharmacy benefits.

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As costs rise, employers increasingly seek visibility into quality, patient journeys and outcomes, yet most carriers continue to offer pricing data without comprehensive episode-level insight.

Hospital Pricing Pressure and Limited Outcome Visibility

Commercial health plans (e.g., employer-sponsored plans) continue to pay hospitals two to three times Medicare rates on average, with variation by market. In 2026, this dynamic is expected to intensify as Medicare and Medicaid payment reductions place additional pressure on hospital finances. As costs rise, employers increasingly seek visibility into quality, patient journeys and outcomes, yet most carriers continue to offer pricing data without comprehensive episode-level insight.

Limited access to journey-level outcomes data forces employers to rely on unit price as the primary metric for comparing providers. This reliance makes it difficult to distinguish high-priced providers that deliver strong outcomes from those that do not. As a result, price variation remains the most actionable indicator for identifying savings opportunities in many markets.

Most employers lack standardized journey analytics, making unit price the primary tool for identifying variation and potential savings.

Employers can request episode-level reporting from carriers, including complications, readmissions, total episode cost and guideline adherence. When journey-level data remains unavailable, employers can use unit price benchmarks, such as percent of Medicare, to guide care steering decisions.

Specialty Drugs, Infusions and Site-of-Care Sensitivity

Specialty drugs account for roughly half of total drug spend while representing only four to five percent of prescriptions. Many high-cost specialty therapies, particularly in oncology and autoimmune conditions, are billed under both medical and pharmacy benefits. Prices for the same drug often vary significantly by site-of-care, including hospital outpatient departments, physician offices and home or ambulatory infusion settings.

A small number of drugs, categories and providers drive a disproportionate share of employer spend. In many cases, the site where a drug is administered can double or triple the cost without improving outcomes. This reality makes specialty contracting inseparable from site-of-care and infusion strategy.

Specialty spend concentrates among a small number of drugs and providers, with site-of-care decisions often driving larger cost differences than drug selection alone.

Employers can request a specialty ‘top 20’ analysis that includes drugs, sites-of-care and providers across both medical and pharmacy benefits. Contracts can also include site-of-care redirection protocols that default to lower-cost settings when clinically appropriate.



Provider Consolidation and the Shift Toward Outcome-Based Contracting

Physician employment continues to rise, with approximately three-quarters of physicians now employed and more than half of practices owned by hospitals or corporate entities, according to the National Institutes of Health (NIH). Consolidation increases provider pricing power without consistently improving outcomes or reducing complications. As negotiating leverage shifts, traditional discount-based contracting becomes less effective.

Employers increasingly respond by steering care to centers of excellence for specific conditions and procedures. This shift reflects growing recognition that contracts based solely on volume or unit price fail to align cost with quality in highly consolidated markets.

Provider consolidation reduces employer leverage and increases the need for contracts tied to outcomes and total episode cost rather than discounts off charges.

Employers can require carriers to report episode-level performance metrics such as complications, readmissions and total episode spend. Value-based or episode-based contracts can target high-cost specialties including orthopedics, oncology, cardiology and musculoskeletal care. When full journey metrics remain unavailable, employers can rely on cost-per-episode proxies, clinical pathway adherence and percent of Medicare to tier provider systems.

PBM Regulation and the Evolution of Pharmacy Contracting

State legislative activity in Arkansas, Alabama, California, Indiana and other states continues to target PBMs. Common themes include anti-steering rules, elimination of spread pricing, mandatory rebate pass-through and movement toward acquisition cost pricing. These efforts often reflect retail pharmacy and wholesaler interests and may not align with employer priorities.

Some regulations may increase costs, disrupt care and reduce employer control, particularly where state action attempts to preempt ERISA. At the same time, PBMs are responding with new pricing models, including offerings that reduce or eliminate rebates. While these models address certain transparency concerns, they do not resolve all challenges related to cost, access and care coordination.

Regulatory pressure continues to reshape PBM pricing models, creating both risks and opportunities depending on contract structure and strategy.

Employers can explore acquisition cost-based pricing models aimed at achieving the lowest net cost. Understanding the pharmacy supply chain and vendor incentives remains critical. Pricing alone does not define value, and employers should evaluate site-of-care, clinical outcomes, access and member experience, alongside financial terms.

Stop Loss & Alternative Funding

→ KEY TAKEAWAYS

- Carrier underwriting has tightened materially, resulting in higher lasers, stricter terms and above-average renewal increases, particularly for employers with high-cost claim exposure
- Leveraged trend is compounding stop loss premium increases even for well-performing plans, making volatility structural rather than temporary
- Smaller employers are increasingly turning to captives and alternative health plan financing arrangements to regain control, transparency and multi-year stability

Overview

The stop loss market has entered a period of sustained disruption driven by record-setting high-cost claims, rapid specialty drug inflation and increasing claim severity. After several years of aggressive carrier pricing following the pandemic, underwriting discipline has tightened materially, with higher lasers, stricter coverage terms and above-average renewal increases becoming more common. These dynamics are affecting both fully insured and self-funded employers, with smaller organizations facing disproportionate risk as coverage protections narrow.

Looking ahead to 2026, employers are responding by rethinking how healthcare risk is financed and managed. Growth in captives and hybrid risk models, such as combining traditional stop loss with a captive layer for shared risk, reflect a broader shift toward transparency, control and multi-year stability. At the same time, pharmacy spend is also posing a significant cost concern for carriers. Several areas of pharmacy spend can drive high cost claimants including blockbuster drugs, including cell and gene therapies, which can exceed \$1 million in cost, though these drugs are meant to be curative and can come with warranties.



Catastrophic Claims Driving Stop Loss Volatility

- Specialty pharmacy represents ~55% of total pharmacy spend, while serving fewer than 2% of members¹
- Gene and cell therapies routinely exceed \$1 million–\$3 million per treatment, with oncology costs rising 10–15% annually¹
- Average leveraged trend now ranges from 16–22% annually, even for well-performing plans

Rising claim severity and frequency, rather than utilization alone, is now the dominant force shaping stop loss volatility. High-cost claimants driven by oncology and specialty pharmacy are materially changing the underlying risk within an employer-sponsored medical plan with large claimants and stop loss playing a larger role in the overall plan costs.

As underlying medical and pharmacy trend increases, stop loss volatility compounds through leveraged trend. When employers maintain the same specific deductible year over year, carriers absorb a growing share of higher-cost claims, magnifying premium increases regardless of whether the overall claim experience appears “good.”

Stop loss volatility is being driven by sustained increases in catastrophic claim severity, amplified by leveraged trend. Employers should evaluate claim drivers and deductible strategy together, recognizing that stable deductibles no longer insulate plans from volatility.

Employers Are Increasingly Turning to Other Financing Models

- Captive adoption among mid-market employers has surged in recent years, as companies seek greater control and cost stability amid rising premiums and stricter underwriting requirements
- Alternative health plan financing models can provide multi-year rate smoothing, avoiding sharp premium increases from one year to the next

In response to heightened stop loss volatility and reduced predictability, employers are rethinking how they finance healthcare risk. Captives and alternative financing arrangements are increasingly viewed as strategic tools that can enable employers to regain control over volatility, transparency and long-term cost trajectory. These models help enable employers to access shared risk pools, customized plan design and integrated medical and pharmacy strategies that may not be feasible in fully insured health plan financing arrangements.

Captives reflect a strategic shift in how employers finance health plan cost risk, not just an alternative stop loss placement. Employers should assess claim volatility, risk tolerance and governance readiness before pursuing these models.

Lasers, Rate Caps and Shrinking Market Leverage

- Million-dollar claims rose 29% year-over-year and 61% over the past four years²
- Most stop loss carriers name cancer, premature delivery and heart conditions as the top three cost drivers²
- Some employers without rate caps have experienced stop loss increases exceeding 75%

Increasing claim frequency and severity are translating directly into more aggressive renewal outcomes. Employers with deteriorating experience are more likely to face lasers, limited carrier participation or the loss of rate cap protections altogether, particularly smaller employers without no-new-laser provisions. As carriers become more selective, fewer are willing to quote on higher-risk groups, reducing competitive leverage and limiting employers’ ability to manage increases.

Rising claim severity is reducing market leverage at renewal, especially for smaller employers. Employers should actively monitor high-dollar claims, plan early for renewal scenarios that may require funding or plan design changes and consider third-party services to assist.

¹CarelonRx. *Specialty Drug Growth, 2026*.

²Sun Life. *High Cost Claim and Injectable Drug Trends Analysis, 2025*.



Contract Structure Now Matters as Much as Price

- 78.6% of employers have a 24/12 or PAID contract basis³
- 69% have a no-new lasers provision; only 66% of those have a rate cap³

In a volatile stop loss environment, contract terms and conditions materially affect employer liability. Coverage gaps tied to contract basis, run-out provisions or lack of plan mirroring can expose employers to claims they assumed were insured. Similarly, having a no-new-lasers provision without a rate cap — or vice versa — can materially limit renewal protection.

Stop loss protection is defined as much by contract structure as by premium level.

Employers should review deductible levels and policy provisions holistically and evaluate stop loss cost in the context of total medical spend.

Navigating a Hardened Stop Loss Market

- Carriers are requesting more detailed and frequent data as underwriting becomes more conservative

Successfully managing stop loss in a hardened market requires active engagement rather than passive renewal. Employers with access to flexible TPAs, specialty vendors and targeted clinical programs are better positioned to manage catastrophic risk and influence outcomes. As underwriting tightens, data readiness increasingly determines negotiating leverage and access to alternatives.

In a hardened stop loss market, execution discipline and data readiness materially influence outcomes.

Employers should engage early with experienced professionals and monitor claims performance throughout the year to help support both renewal positioning and long-term cost management.

³Brown & Brown Stop Loss Data

Voluntary Benefits



→ KEY TAKEAWAYS

- Voluntary benefits are evolving into a holistic well-being ecosystem, with modernized products that address diverse lifestyle, financial and health needs across generations
- Technology, automation and data integration are transforming enrollment, comprehension and claims, creating a more seamless, personalized benefits experience
- Employees increasingly expect benefits tailored to their personal circumstances, supported by digital tools that simplify decisions and enhance engagement
- Employers can maximize value by aligning offerings to workforce needs, modernizing supplemental medical plans, integrating benefits into unified platforms and developing a strategic roadmap for ongoing evolution

Overview

Voluntary benefits continue to transform rapidly as employers balance rising healthcare costs, shifting employee expectations and the need for a more flexible and digitally enabled benefits experience. Product innovation, technology and data integration along with changing workforce needs now shape how voluntary benefits are designed, delivered and used.

In 2026, three major forces may define the future of voluntary benefits:

1. The acceleration of product innovation addressing broader employee well-being
2. Technological and data advancements, including claim integration that redefine engagement and understanding of benefits, increasing utilization by employees
3. A rising demand for personalized, flexible, life-stage-appropriate benefits

These trends represent the most significant opportunities for employers to strengthen their employee value proposition, support financial resilience and increase benefit satisfaction, while improving administrative efficiency and strategic alignment.

Voluntary Benefits Expanding to Support Broader Well-Being Needs

Voluntary benefits continue to evolve into a comprehensive well-being ecosystem that supports the broad lifestyle, health and financial needs of today's workforce. New and modernized categories (including expanded mental health support, hybrid life and long-term care products, enhanced critical illness and hospital indemnity designs, fertility and family-forming solutions and identity protection) reflect a shift toward supporting the whole person across life stages.

Carriers are responding with modernized policy language, broader covered conditions and more flexible plan features. These enhancements enable employers to meet the needs of a multigenerational workforce and deliver benefits that feel more relevant and valuable amid rising healthcare costs. Because voluntary benefits increasingly serve as a strategic lever for well-being, employers can use them to differentiate, compete for talent and fill gaps not addressed by core medical benefits.

Ultimately, voluntary benefits now function as part of a holistic well-being strategy, offering meaningful value as healthcare costs rise and employee needs diversify. Employers can strengthen impact by reviewing their employee benefits programs for gaps, modernizing supplemental medical plans, engaging carriers to understand emerging product enhancements and ensuring offerings work together cohesively rather than as standalone add-ons.

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**Integrated platforms,
AI-driven decision
support and omnichannel
communication strategies
help employees compare
options, understand
coverage and make more
confident decisions at
enrollment.**

Technology, Data and Automation Are Redefining the Benefits Experience

Technology and data are transforming how employees learn about, personalize and engage with voluntary benefits. Integrated platforms, AI-driven decision support and omnichannel communication strategies help employees compare options, understand coverage and make more confident decisions at enrollment. These tools reduce complexity, help HR teams streamline administration and provide a more intuitive benefits experience.

Automation is elevating the employee experience further by enabling proactive claims notifications, simplifying claim submission and improving coordination across supplemental health policies. When paired with unified administration systems and strong data connectivity, these capabilities create a consumer-grade experience that mirrors what employees expect from modern digital services.

Together, these enhancements are shaping a more connected and personalized voluntary benefits ecosystem. Employers can maximize value by integrating all voluntary benefits into unified platforms, deploying AI-driven decision support to enhance understanding, leveraging omnichannel education during enrollment and ensuring strong HRIS connectivity to support automation and help reduce administrative burden.



Employees Expect Holistic Experiences and Personalization

Employees increasingly expect benefits that reflect their individual circumstances, financial realities and personal well-being needs. With five generations in the workforce and rising caregiving, mental health and financial pressures, voluntary benefits now span a wide ecosystem that includes supplemental medical plans, caregiving and family support, identity protection, legal services, lifestyle benefits and enhanced behavioral health resources.

Technology is playing a critical role in helping employees navigate this expanding ecosystem. Personalized recommendations, AI-driven prompts, self-service tools and mobile-first claims experiences make it easier for employees to understand their options and engage with benefits year-round.

Employers who deliver seamless, connected interactions are better positioned to improve satisfaction, increase utilization and support retention in a competitive labor market. To help meet these expectations, employers should regularly assess whether their voluntary benefits align with diverse employee needs, use decision-support and integrated communications to guide employees through choices and build a multi-year roadmap that evolves offerings based on workforce data and emerging trends.



2026 MARKET TRENDS

Personal Insurance

105 | Executive Summary

106 | Regulatory Trends & Impacts

108 | Reinsurance

**109 | Catastrophic Events &
Claims Trends**

111 | Risk Mitigation

113 | Home & Property

117 | Personal Auto Insurance

120 | Umbrella & Excess Liability

**123 | Family Office &
Ultra-High-Net-Worth**

126 | Boats & Luxury Yachts

130 | Personal Aviation

132 | Fine Art Collections

135 | Equine

137 | Farm & Ranch

140 | Excess & Surplus (E&S)

**142 | Life Insurance
& Legacy Planning**



2026 MARKET TRENDS

Personal Insurance

Executive Summary

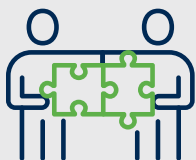
The personal insurance landscape continues to evolve, shaped by climate volatility, rising loss severity, regulatory shifts and changing carrier strategies. As insurers recalibrate appetite, refine underwriting models and respond to emerging risks, households across the market — from standard placements to more complex property and lifestyle exposures — are navigating an environment that requires stronger preparation, clearer documentation and more deliberate risk management. While certain regions and coverage areas remain under pressure, opportunities continue to emerge for well-maintained properties and households that demonstrate proactive mitigation and thoughtful engagement.

Across the country, capacity is expanding in select areas, and underwriting conditions are beginning to stabilize after several years of disruption. Carriers are re-entering markets where performance has improved, and new entrants are creating additional options for households with specialized needs, including aviation, yachts, cyber and management liability. At the same time, catastrophe-exposed regions continue to face heightened scrutiny, more granular underwriting

requirements and firm pricing, particularly for properties exposed to wildfire, hurricane and severe convective storm activity.

These dynamics place a premium on coordinated advisory support. Households with multiple residences, higher-value properties or more complex exposures — as well as high-net-worth families with concentrated or specialized risks — benefit from an integrated approach that aligns property, liability, cyber and specialty protections under a cohesive strategy. Effective mitigation, supported by clear documentation, current valuations and early renewal planning, can meaningfully influence coverage terms, pricing stability and long-term insurability.

Brown & Brown remains focused on helping households navigate this environment with clarity and confidence. This report outlines the conditions shaping the personal insurance marketplace, including emerging trends, regional considerations and practical actions that can strengthen a household's overall risk position. As the market continues to adjust, informed planning and well-executed mitigation remain essential to securing resilient protection for the year ahead.



Risk Strategies is now part of the Brown & Brown team, bringing together the strengths and perspectives of both organizations.

Our combined team helps our customers address unique needs across auto, home, umbrella, valuables, specialized coverages and other personal insurance solutions. By monitoring trends and focusing on risk management and protection, we deliver insights and strategies that help customers secure coverage designed to protect their assets and unique lifestyle.

Regulatory Trends & Impacts

→ OVERVIEW

Regulatory oversight across the personal insurance market continues to expand, driven by climate volatility, rapid adoption of artificial intelligence, growing cyber exposure and increased scrutiny on pricing practices. These developments are influencing how insurers design products, deploy capacity and apply underwriting standards across a wide range of household risks and geographies.

For households with exposures spanning multiple states, property types or regulatory jurisdictions, these changes can directly affect coverage availability, pricing and policy terms. While the full impact will continue to evolve through 2026, several themes are emerging clearly and are expected to shape carrier behavior and market conditions in the near term.

Climate and Catastrophe Risk Regulation: Regulators are placing greater emphasis on climate-driven exposures such as wildfire, flooding, hurricanes and convective storms. Many states are adopting more granular catastrophe models, strengthening capital requirements and adjusting risk-based capital formulas to reflect climate volatility. In some high-risk regions, regulators are encouraging or requiring insurers to maintain or expand availability of homeowners coverage to prevent market disruption. At the same time, rising reinsurance costs may be increasingly passed through to policyholders under evolving regulatory frameworks.

AI, Algorithmic Fairness and Model Governance: As AI becomes more prevalent in underwriting, claims and customer interactions, regulators are intensifying oversight on bias, transparency and fairness. Many states are expected to adopt or enforce NAIC AI principles, emphasizing explainability, auditability and human oversight. Data privacy is closely linked. Regulators are increasingly focused on how insurers collect, use and store sensitive data such as location, behavior and personal characteristics and are expanding requirements around consent and data governance.

Cybersecurity and Data Protection: Growing use of digital tools and data-rich platforms has elevated cybersecurity risk. Regulators are responding with stricter expectations around incident response, third-party vendor controls, data protection, governance and reporting. More states are expected to adopt versions of the NAIC Insurance Data Security Model Law, increasing cyber compliance requirements for insurers.

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As AI becomes more prevalent in underwriting, claims and customer interactions, regulators are intensifying oversight on bias, transparency and fairness. Regulators are increasingly focused on how insurers collect, use and store sensitive data.



Consumer Protection, Market Conduct and Rate Oversight: Market pressures, especially in catastrophe-exposed regions, are driving regulators to scrutinize rate filings more closely and increase transparency around underwriting criteria. Some states are exploring reforms aimed at controlling liability costs or regulating litigation funding. Homeowners insurance remains a focal point. In high-risk regions, regulators may impose limits on non-renewals or tighten underwriting rules to address coverage gaps.

Growth of Parametric and Usage-Based Insurance: Interest in parametric and usage-based products continues to rise. Regulators are increasingly focused on how these products are explained to consumers — particularly the triggers, limitations and data requirements. Because usage-based insurance programs rely heavily on telematics and behavioral data, regulators may impose stronger consent and retention requirements.

Increasing Regulatory Volume and Complexity: The overall pace of regulatory change is accelerating. State-level updates around climate risk, AI, consumer protection and cybersecurity are becoming more frequent, leading to increased compliance obligations. Insurers should expect more examinations, disclosures and oversight activity, all of which influence appetite, pricing and product availability.

Impacts & Customer Considerations

For families with multi-state footprints, complex assets and elevated property values, regulatory shifts can impact access to coverage, carrier stability and program structure. As these requirements evolve, staying proactive with mitigation efforts, organized documentation and early renewal coordination becomes increasingly important.

Reinsurance

OVERVIEW

Reinsurers posted strong results in 2024 and are performing even better through 2025, creating ongoing softening in the property catastrophe segment. A combination of disciplined underwriting, improved pricing adequacy, favorable loss experience and a particularly quiet hurricane season has strengthened reinsurer balance sheets. While California experienced significant wildfire losses early in the year, the global reinsurance market absorbed them without meaningful disruption. Overall, improved stability at the reinsurance level is contributing to a healthier and gradually improving insurance market, especially in property, where reinsurers have driven primary carriers toward stronger risk mitigation, higher deductibles and more resilient property-protection strategies.

Market Conditions

CAT Property Dynamics

Hurricanes and earthquake exposures continue to exert the greatest influence on the property catastrophe reinsurance market, with wildfire and severe convective storms acting as secondary drivers. Although 2025 began with significant wildfire losses in California, reinsurers are well-positioned to handle the impact. California itself, however, remains largely dependent on the excess and surplus (E&S) market. E&S carriers retain freedom of rate and form, allowing them to price risk more precisely, while admitted carriers work with state regulators to achieve long-term rate adequacy. As a result, little near-term rate relief is expected in California; the focus remains on sourcing adequate E&S capacity for customers.

Alternative capital continues to play a major role in the CAT market. Insurance-linked securities — including catastrophe bonds — are flowing into the space at near-record levels, expanding available capacity and reinforcing the overall stability of the property reinsurance market. This influx of capital is helping support the broader softening trend and increasing flexibility for primary carriers purchasing catastrophe protection.

[» Learn more in the Catastrophic Events & Claims Trends section](#)

Casualty Reinsurance Conditions

Casualty reinsurance remains one of the most challenging areas of the market, standing in sharp contrast to the improving conditions on the property side. The segment has experienced 10 consecutive years of adverse loss development, driven by social inflation and the expanding influence of third-party litigation funding. These factors are contributing to larger jury awards and higher bodily injury payouts, which continue to elevate overall claim severity.

[» Learn more in the Umbrella section](#)

In response, reinsurers remain highly disciplined. They are limiting the amount of capacity they deploy, prioritizing tighter limit management and maintaining firm pricing across casualty treaties. As a result, securing higher layers of excess liability coverage has become increasingly difficult and costly. Given the ongoing severity pressures, the casualty reinsurance market is expected to remain firm through 2026, even as property market conditions continue to soften.

Catastrophic Events & Claims Trends

→ OVERVIEW

Catastrophe activity remains elevated nationwide, sustaining pressure on underwriting, pricing and available capacity — particularly for homes in hazard-exposed regions. Climate volatility and rising property values continue to drive both the frequency and severity of losses, while severe convective storms are expanding across new geographies and seasons, reshaping risk profiles throughout the Northeast, Mid-Atlantic, Southeast and central states. In the West, wildfire exposure has become a year-round concern, contributing to persistent market instability. Carriers are responding with modernized CAT strategies, including advanced modeling, parametric solutions and more streamlined claims processes.

Market Conditions

Catastrophe losses remain historically high across the U.S., reshaping underwriting, pricing and carrier strategy heading into 2026. Climate-driven volatility, elevated property values and rising reconstruction costs continue to push more events over the billion-dollar loss threshold, directly influencing coverage availability, deductibles and overall market stability for high-net-worth households in hazard-exposed regions.

Carriers are also evolving rapidly in response to rising catastrophe severity, operational strain and increased regulatory scrutiny. Several strategic and operational shifts are accelerating across the market:

- Greater use of parametric and index-based products offering faster payouts and simplified claims handling for exposures such as wind, quake, flood and wildfire.
- Expanded investment in AI-driven catastrophe modeling, integrating satellite imagery, IoT data and real-time weather intelligence for more dynamic exposure insights.
- Increased reliance on claims automation and straight-through digital processing to reduce delays after major events.
- More anticipatory planning through pre-positioned contractors, claims teams and materials ahead of expected events.

- Strengthened vendor and supply-chain partnerships to support faster recovery in strained markets.
- More sophisticated use of fraud detection and claim-integrity tools, balancing automation with robust controls.
- Higher expectations for model transparency and solvency oversight as regulators scrutinize governance and parametric payout accuracy.

Claims Trends

Claim severity and frequency continue to rise, driven by more intense weather extremes, increased development in hazard-prone areas and higher rebuilding costs. As the climate warms, wildfire conditions, hurricane intensity, heavy rainfall and severe convective storms are becoming more extreme, increasing the potential for large losses. Exposure levels continue to grow as more people, homes and high-value properties are built in coastal zones, wildfire-urban interfaces and floodplains. Inflation and elevated reconstruction costs are also pushing smaller events into billion-dollar territory.

Recent seasons reflect these pressures in the U.S. loss environment, even as the global reinsurance market remains well-capitalized. According to Climate Central, in 2025, the U.S. recorded 23 weather and climate disasters exceeding \$1 billion, totaling an estimated



\$115 billion in losses — the third costliest year on record since 1980. The 2025 billion-dollar disasters were driven heavily by a record number of severe storm events including tornadoes, hail, and wind events, and heat-driven droughts.

Geographic & Regional Differences

Northeast/Mid-Atlantic/ Southeast

These regions continue to see an eastward expansion of severe storm activity. Several billion-dollar events in recent seasons have extended well into these areas, with storms increasingly occurring in early spring and late fall, lengthening the period of elevated risk. The shifting geography and seasonality of convective storms remain notable drivers of local catastrophe exposure.

South/Gulf Coast

Catastrophe risk in the South and Gulf Coast is increasingly driven by extreme rainfall and flash flooding, including the July 4 Texas floods, which caused substantial losses across multiple states. These events often occur as part of broader convective systems that impact Texas, Mississippi and the lower Mississippi Valley, underscoring the region's growing vulnerability to compound severe-weather events.

Central/Midwest

The Central U.S. continues to experience intense convective storm activity, including hail, tornadoes and straight-line winds. Several early-2025 events produced multi-billion-dollar losses, reinforcing the long-term trend of severe convective storms as the most frequent and fastest-growing billion-dollar peril nationwide.

Western

The West continues to see some of the nation's most severe catastrophe activity, highlighted by the January 2025 Los Angeles wildfire complex, which destroyed thousands of structures and generated significant insured losses. The event underscores that wildfire in California has become a year-round exposure and remains a major driver of market instability.

[» Learn more in the Home & Property section](#)

Impacts & Customer Considerations

Catastrophe exposure will remain a central influence on coverage availability, pricing and deductibles across 2026. Homes in wildfire zones, coastal hurricane regions and severe-storm corridors should expect ongoing underwriting scrutiny. Carriers are increasingly rewarding properties with mitigation investments — such as fire-resistant construction, hardened exteriors, water-management controls and defensible space — with more favorable terms.

Proactive planning, complete documentation and early renewal engagement remain essential as catastrophe risk continues to evolve nationwide.

Risk Mitigation

→ OVERVIEW

A strong focus on home resiliency continues to shape underwriting outcomes across both standard market and high-net-worth homeowners programs. As capacity varies by geography and carrier appetite, proactive mitigation has become critical for securing favorable terms. Homes equipped with water-leak detection, central-station alarms, backup generators and wildfire-resilient landscaping are more likely to receive preferred pricing and broader coverage.

Market Conditions

With underwriting considerations tightening across many regions, mitigation has become a primary factor in securing and maintaining quality homeowners coverage. Carriers are increasingly differentiating between well-protected properties and those lacking basic safeguards. Homes with recent system upgrades, reliable water-shutoff technology, monitored security, hardened exteriors or wildfire-resistant features are demonstrating stronger insurability and may qualify for more favorable terms.

Properties without adequate mitigation may face higher deductibles, revised terms or limited coverage availability, particularly in wildfire, hurricane and severe-storm zones. In certain jurisdictions, carriers may also require mitigation measures before issuing or renewing coverage. Carrier appetite continues to favor resilient homes — properties designed, maintained, and retrofitted to better withstand climate-driven losses — reflecting broader trends in capacity management and loss prevention.

Use of Technology

Technology is reshaping how homes are assessed, underwritten and protected. The expansion of the Insurtech market has given carriers access to powerful tools that combine claims histories, weather intelligence and property-level attributes to inform underwriting decisions. Online property data now provides insurers with upfront insight into roof age, system conditions and overall property characteristics before formal inspections occur. Carriers are increasingly using virtual inspections, measurement

applications and drones to assess homes, often completing inspections without an in-person visit. These tools increase efficiency, particularly in remote or high-demand regions.

Technology also extends to incentives. Many carriers offer credits or equipment discounts for homeowners who install qualified mitigation devices such as automatic water-shutoff systems, temperature alarms, electrical monitoring systems and central-station fire alarms.

Construction Costs & Building Code Impacts

Construction costs continue to rise, driven in large part by increasingly complex building codes and regulatory requirements. Government regulations account for roughly one-quarter of the cost of a new single-family home, including zoning, permit fees and inspections. Compliance often requires specialized materials — such as fire-resistant windows and higher-performance insulation — along with trained labor to install advanced systems. Delays in securing approvals and navigating inspections also extend project timelines and increase overall expenses.

Although the upfront cost burden is significant, updated codes deliver long-term value. Homes built to current standards are better able to withstand events such as hurricanes, wildfires and earthquakes, reducing future losses and improving insurability. Energy-efficient construction can lower utility expenses, and resilient homes may qualify for more competitive insurance terms. Broadly, every dollar invested in mitigation can yield several dollars in avoided future losses.



Geographic & Regional Differences

Catastrophe losses remain elevated, placing continued pressure on premiums, deductibles and underwriting. Customers can prioritize mitigation actions based on geographic risk factors:

Coastal	Impact glass, fortified roofing and enhanced drainage help reduce wind and flood exposure.
Wildfire-Prone	Defensible space, fire-resistant materials and home-hardening measures are critical. Private fire services and exterior sprinkler systems provide additional protection.
Severe Convective Storms	Impact-resistant roofing, reinforced roof systems and secondary water barriers help limit damage from hail, high winds and wind-driven rain.
Cold & Winter Weather	Freeze protection measures, including low-temperature monitoring, pipe insulation and proper winterization, help prevent water losses.

Impacts & Customer Considerations

Mitigation planning should begin well before construction or renovation. Early consultation between the homeowner, builder and broker ensures that local terrain, weather and environmental factors are considered when selecting materials and designing resilient structures.

Proactive Risk Mitigation Actions & Devices

- Whole-home automatic water-shutoff systems
- UL-certified security and fire alarms with monitoring service
- Proactive identification, monitoring and prevention of electrical hazards
- Adoption of IBHS FORTIFIED or equivalent roof standards
- Flood-protection improvements including backflow valves, sump pumps and drainage maintenance
- Strong family cybersecurity practices

Develop Home Maintenance Plan

- Establish formal maintenance routines for roofs, HVAC, plumbing, electrical systems and other critical components
- Maintain logs of installation dates, photographs, inspection results and mitigation documentation to support underwriting and renewal discussions

Home & Property



→ KEY TAKEAWAYS

- Rate increases are moderating after several years of corrective adjustments, though results vary regionally
- The Southeast and parts of Florida are seeing softening for well-mitigated risks, while the Northeast, New England and wildfire-exposed Western regions continue to face upward pressure
- Climate-driven catastrophes remain central to underwriting, pricing and capacity decisions, with hurricanes, severe convective storms, nor'easters, wildfires and inland flooding continue to drive severity and influence carrier appetite
- Capacity is expanding in many standard markets for newer or well-mitigated homes, while high-risk regions, such as the West and coastal markets, often continue to rely on FAIR Plans or E&S placements
- Regulatory and legislative developments, including catastrophe-modeling transparency and mitigation-credit programs, are shaping pricing, underwriting guidelines and customer expectations across states

Market Conditions

The homeowner market is entering a period of gradual stabilization after several years of corrective rate actions. While conditions are moderating, outcomes remain highly dependent on region and risk profile. Catastrophe exposure, construction inflation, underwriting discipline and reinsurance costs continue to determine where and how carriers deploy capacity.

Climate-driven risks, including severe convective storms, hurricanes, nor'easters, wildfires and inland flooding, remain primary influences on pricing and how much coverage insurers are willing to offer, in which locations, and under what terms. Carriers and reinsurers are using more granular modeling to assess risk, and high-quality submissions that clearly

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Customers are seeking more transparency into underwriting decisions. In response, carriers are offering mitigation credits, technology-based incentives and clearer communication on pricing drivers.



document mitigation efforts can secure better terms, particularly for homes with updated systems and strong maintenance records.

Capacity is expanding in many standard markets for well-mitigated, non-CAT risks, supported by new entrants. In contrast, wildfire-exposed Western markets, affluent areas and coastal ZIP codes continue to see constrained capacity and increased reliance on FAIR Plans or E&S placements, especially for older homes and more complex property risks.

Carriers have strengthened mitigation expectations, often requiring detailed information on roof age, structural upgrades, water-shutoff devices, temperature monitoring and wildfire defensible space. Homes lacking these improvements may face higher premiums, deductibles or more restrictive coverage terms.

Construction inflation continues to elevate claim severity by increasing replacement values, raising premiums even when rates soften across all segments. This also heightens the risk of underinsurance when customers reduce limits to manage costs. Peril-specific deductibles, such as wind, hail or wildfire, remain common and determine out-of-pocket expenses based on the cause of loss.

Customers are seeking more transparency into underwriting decisions. In response, carriers are offering mitigation credits, technology-based incentives and clearer communication on pricing drivers. Regulatory efforts aimed at modeling transparency and insurer-of-last-resort frameworks are also shaping availability in high-risk regions for all types of homes and properties.

Claims Trends

Catastrophe activity remains a significant source of homeowners losses. Hurricanes, hailstorms, severe convective storms, flash floods and nor'easters continue to push severity higher, and construction inflation amplifies rebuilding costs even as claim frequency varies.

Weather-related claims — such as hail, wind-driven damage and heavy-rainfall or runoff-related water losses — remain a major pressure point and continue to influence underwriting guidelines and the use of peril-specific deductibles. Carriers are also applying more scrutiny to roof conditions and overall property resilience.

Non-weather losses are shifting. Plumbing and appliance-related water damage has declined, and theft claims have decreased; however, replacement costs for high-value items such as fine art and jewelry remain elevated, resulting in meaningful losses when they occur. Liability exposures also remain important for high-net-worth customers.

Carriers continue tightening standards, refining terms and raising deductibles to manage loss volatility. Capacity is being recalibrated based on regional loss patterns, while specialty carriers expand selectively where conditions are favorable. For customers with complex or high-value properties, proactive mitigation, accurate valuations and thorough submissions remain essential.

[» See Risk Mitigation section for more information](#)

[» See Catastrophic Events & Claims Trends section for more information](#)

Geographic & Regional Differences

Northeast

Capacity is expanding for many high-value homes as MGAs and new entrants broaden appetite and limits. Some large portfolios that once required layering now qualify for single-carrier solutions. Despite these gains, reconstruction costs, national CAT influences and exposure to nor'easters, storm surge and extreme precipitation continue to drive upward pressure. Carriers increasingly require roof updates, water-loss prevention systems and structural improvements, and apply wind or hurricane deductibles in coastal areas. Legislative efforts to manage non-renewals remain active, and surplus lines carriers continue to support older homes, coastal ZIP codes and properties with prior losses.

Southeast (excluding Florida)

The market is softening as carriers and MGAs expand capacity and compete for well-mitigated risks. Homes with updates and strong mitigation documentation may see rate decreases. Older coastal homes, especially pre-1996 construction, continue to face stricter underwriting and may require E&S solutions. Roof age and documented building updates remain key factors.

Florida

Conditions remain complex due to hurricane exposure, reinsurance costs and evolving carrier strategies. Detailed submissions including maintenance history, hurricane protections and building updates are essential. Newer, well-mitigated homes are seeing improved appetite from some admitted carriers. Citizens depopulation continues to influence market behavior, and deductible buy-back options remain common.

Central & Colorado






Colorado continues to experience some of the nation's highest hail and wildfire losses, driving regional pricing pressure. In other central states, well-mitigated homes generally see flat to modest increases, while high-exposure CAT and flood areas face more significant rate actions and stricter mitigation requirements.

Western

Wildfire remains the defining factor shaping the Western market. Capacity is limited in high-risk ZIP codes, and FAIR Plans continue to grow. Regulatory requirements for refined wildfire modeling and mitigation credits are influencing underwriting practices. Rising costs contribute to underinsurance, higher deductibles and increased self-insured risk levels, affecting affordability and purchasing power.



RATE OUTLOOK

Standard market homes		+5% to +10%
New England & Northeast		+5% to +15% for high-value homes, with moderate movement for some large portfolios. Continued upward pressure for coastal and complex multi-state accounts.
Southeast		Rate decreases for well-mitigated homes; continued scrutiny for older coastal properties.
Central		Flat to +5% for typical well-mitigated risks; +10% to +45% or more for high-exposure catastrophe or flood zones.
Western		Ongoing instability driven by wildfire exposure and construction-cost inflation.

Impacts & Customer Considerations

- **Consider adding flood insurance:** Flood policies help protect against heavy rainfall, runoff and rising groundwater — events often not covered by standard homeowners insurance
- **Strengthen cyber resilience:** Cyber incidents are increasing, and coverage varies by insurer. A comprehensive personal cyber policy can provide meaningful protection
- **Schedule a comprehensive coverage review:** An annual review helps align coverage with lifestyle changes, home updates and current valuations
- **Invest in resilience and mitigation:** Low-temperature alarms, automatic water shutoff devices, upgraded roofing, improved drainage and sensor-based monitoring can reduce losses and support more favorable underwriting.
 - » In wildfire regions, defensible space planning and coordination with local fire departments add further protection
- **Maintain thorough documentation:** Detailed records of construction, maintenance and mitigation strengthen submissions and support better terms and limits, especially in high-risk areas

Personal Auto Insurance



→ KEY TAKEAWAYS

- Rates are stabilizing after several years of corrective adjustments, although elevated repair and medical costs continue to keep the market firm
- Repair costs remain high, driven by advanced driver-assistance system (ADAS) technology, electric vehicles (EVs) and luxury-brand repair protocols
- Underwriting discipline remains tight, with increased scrutiny on youthful drivers, performance vehicles, EVs and complex multi-vehicle households
- Bundled accounts remain strongly preferred, with improved pricing for households consolidating home, auto and umbrella with one carrier
- Excess and surplus (E&S) placement is expanding for exotic vehicles, collector cars, prior losses, multi-state garaging and unique usage patterns, often requiring higher deductibles or mileage restrictions

Market Conditions

Personal auto trends show gradual stabilization heading into 2026 as carriers regain rate adequacy. Pricing pressure has eased compared to prior years, yet severity inflation keeps the environment firm. Technology-driven repair complexity, elevated parts and labor costs and longer repair cycle times continue to shape underwriting decisions and claim outcomes.

Carriers are applying stricter eligibility criteria, particularly for EVs, ADAS-equipped vehicles and high-performance models. Households with youthful drivers or large, high-end fleets face heightened documentation requirements and, in some cases, higher deductibles. Carriers continue to prioritize bundled accounts, offering stronger pricing and capacity to customers placing home, auto and umbrella together.

Alternative placement activity remains elevated. E&S programs are increasingly used for exotic vehicles, collector models, multi-state garaging arrangements and prior loss issues. These solutions commonly involve higher deductibles, usage restrictions or verification of garaging conditions.

Geographic & Regional Differences

Northeast

Urban severity (the elevated cost and complexity of auto claims in dense metropolitan areas) remains among the highest nationally. Dense traffic, limited parking, frequent pedestrian exposure and a large volume of commercial vehicles contribute to elevated loss costs. No-fault medical structures and fraud activity in New York increase claim severity and carrier scrutiny. Modern vehicles with complex electronics lead to more total losses, particularly EVs and high-end luxury SUVs.

Southeast

Uninsured motorist rates remain elevated in several states, contributing to higher bodily injury severity. Weather-related losses tied to hail, flooding and hurricanes create volatility in comprehensive claims. Dedicated storage, relocation during hurricane season and telematics for youthful drivers can support more favorable outcomes. Car condos and secure garage facilities are gaining traction and offering improved insurability.

Midwest & Central Region

Rising repair costs, increased severe and winter weather and higher collision frequency continue to pressure rates. Hail, tornadoes and flooding drive comprehensive losses, while bodily injury severity and total-loss frequency remain elevated. Expanding EV adoption and ADAS complexity extend repair cycle times and increase claim severity, particularly in metro areas, prompting carriers to emphasize garage use, accurate mileage reporting and appropriate winter tires, especially in no-fault or rate-restricted states.

Western

California and Colorado see heightened severity due to congestion, high repair costs and increased attorney involvement. Carriers frequently request mileage verification because usage patterns vary widely. Luxury and EV-heavy states experience some of the highest repair severities nationwide. Theft severity remains an issue in several metros, prompting requirements for higher deductibles or additional security documentation.

Claims Trends

Claim severity remains the primary pressure point across regions. Higher parts and labor costs, advanced driver-assistance system (ADAS) components, electric vehicle (EV) repair requirements and extended repair times continue to drive rising loss amounts. A growing share of physical damage claims is being declared total losses, particularly for technology-heavy vehicles where repair costs quickly exceed vehicle values.

Weather-related events continue to drive large spikes in comprehensive losses, especially in catastrophe-prone regions. In dense urban centers, distracted driving, pedestrian incidents and congestion contribute to higher bodily injury severity. Attorney involvement and medical cost inflation further increase average bodily injury and uninsured/underinsured motorist (UM/UIM) claim values. Hail-exposed states are experiencing elevated severity and more frequent large claims, contributing to sustained upward pressure on rates and renewal outcomes.

RATE OUTLOOK

Rates are expected to remain elevated in 2026, but increases should be more moderate than the significant rate movement seen in recent years. Most forecasts indicate low single-digit increases nationally. Customers with newer, luxury, electric vehicles (EVs) or advanced driver-assistance system (ADAS)–equipped vehicles may see results toward the higher end of that range due to higher severity trends. Total-loss frequency and repair inflation remain key pressures on rate adequacy. Telematics adoption remains low despite meaningful discounts available.

Nationally



+3 to +6%

Households with multiple luxury, EV and ADAS-equipped vehicles



+5 to +8%

Central Region



+5 to +10%

Northeast and New York



+7 to +9%

Impacts & Customer Considerations

Even as market conditions show signs of stabilizing, the personal auto market remains firm — especially for luxury, EV and technology-heavy vehicles. Customers can take proactive steps to strengthen their coverage position, reduce exposure to severity-driven pressures and support more favorable renewal outcomes.

- Review carriers that specialize in luxury, EV and performance vehicles, as these insurers offer broader protection and more tailored coverage options
- Align coverage with vehicle use and value, including agreed-value options that help protect against depreciation and total-loss exposure
- Consider higher liability limits and coordinate auto with a high-limit umbrella program to help protect against growing bodily injury severity
- Strengthen UM/UIM protection, especially in regions with elevated uninsured motorist rates
- Prioritize loss prevention through enhanced security, appropriate storage and available telematics solutions for specific drivers
- Consolidating home, auto and umbrella with one carrier can improve pricing consistency and strengthen overall program design.

Umbrella & Excess Liability

→ KEY TAKEAWAYS

- Nuclear verdicts and social inflation continue to drive claim severity higher, keeping umbrella pricing firm across most regions
- Carriers are increasing underlying auto liability requirements, often to \$500,000–\$1 million
- Capacity for limits above \$25 million remains tight, driving more placements into the E&S market
- Households with youthful drivers, high-performance vehicles, yachts or rental properties face heightened underwriting scrutiny
- High-severity jurisdictions such as New York, Florida and California continue to influence both pricing and availability



Market Conditions

The umbrella insurance market remains firm heading into 2026 as litigation severity, social inflation and rising verdict values continue to drive loss costs. Nuclear verdicts exceeding \$10 million have increased more than 50% year over year, with median awards frequently above \$40–50 million. These trends are prompting carriers to adopt stricter underwriting and to place greater emphasis on auto-related exposures, which remain the leading cause of catastrophic liability claims.

» [See the Personal Auto section for more information](#)

Carriers are increasing minimum underlying liability requirements, particularly for auto. Many now require \$500,000–\$1 million in underlying auto bodily injury limits to qualify for umbrella coverage. Households with youthful drivers, high-performance or exotic vehicles, yachts, rental properties or domestic employees may also face higher requirements or reduced capacity.

Capacity for limits above \$25 million remains constrained. Higher-limit towers often require layered structures or participation from E&S carriers, who provide added flexibility but require more detailed submissions, higher minimum premiums and stronger underlying limits. Overall, the 2026 market is expected to resemble 2025, with disciplined underwriting, limited high-limit capacity and increased use of the E&S market for complex or higher-hazard profiles.



Geographic and Regional Differences

Regional differences in the liability environment are playing a significant role in umbrella pricing and availability.

Northeast

The Northeast and New England remain among the most challenging regions due to dense traffic, high pedestrian and cyclist activity and elevated litigation frequency. New York is particularly challenging, with an aggressive plaintiff bar, heavy attorney involvement and frequent high-severity injury claims.

Southeast

In the Southeast, Florida stands out for catastrophe exposure, property-related liability issues and one of the most active litigation environments in the country. Households with multiple properties, high-value vehicles or yachts in this region face heightened scrutiny and higher pricing pressures.

Midwest

The Midwest remains the most stable region for umbrella coverage. Litigation frequency is lower and pricing is more consistent, though carriers remain focused on youthful drivers, large auto schedules and recreational-vehicle use.

Western

The West, led by California, continues to post high severity driven by large personal injury awards, high auto severity and active plaintiff environments. Colorado, Oregon and Washington are also seeing increased litigation activity. Carriers remain cautious with households owning high-performance vehicles, yachts, vacation rentals or homes adjacent to wildfire-prone areas.

Claims Trends

Claims severity continues to rise due to social inflation, an increase in nuclear verdicts and broader participation in litigation funding. Auto remains the primary driver of catastrophic liability, particularly multi-vehicle accidents and high-severity pedestrian or cyclist incidents in metro areas. These losses disproportionately impact the lower layers of umbrella towers, leading carriers to reduce line sizes or transition accounts to the E&S market.

Ground handling and incidental liability exposures remain costly, especially where high-value vehicles or recreational equipment contribute to large losses. Litigation funding continues to increase defense costs, prolong settlement timelines and raise the likelihood of high jury awards.

[» Learn more in the Regulatory Trends & Impacts section](#)

RATE OUTLOOK

Umbrella insurance rates are expected to remain firm heading into 2026 as carriers respond to rising claim severity, continued social inflation and pressure from nuclear verdict trends. Capacity for higher limits remains constrained, particularly for auto-heavy households and those in high-severity jurisdictions. As a result, disciplined underwriting and increased reliance on the E&S market will continue.

Average Rate Increases



+3 to +6%

Households with Youthful Drivers, High-Performance Vehicles or Tough Venues



+15 to +20%

Impacts & Customer Considerations

As personal liability exposures expand, umbrella coverage remains a critical layer of protection for high-net-worth families. Proactive planning can help households secure more favorable terms in a firm market.

- Consider a unified program with a high-net-worth carrier to improve pricing and streamline coverage to help support alignment of underlying limits across the program
- Increase underlying auto liability limits to support umbrella capacity and avoid gaps
- Address youthful-driver risks with training, telematics and careful vehicle assignments
- Prepare documentation early for higher-risk exposures such as yachts, rental properties, high-performance vehicles or domestic employees
- Competitive conditions are strongest in the Midwest, while households in the Northeast and Southeast benefit from strong submissions and proactive risk management

Family Office & Ultra-High-Net-Worth

→ KEY TAKEAWAYS

- Capacity remains tight across high-net-worth markets, yet family offices with strong risk controls, clean loss history and well-organized submissions continue to access preferred terms and broader carrier engagement
- Standard carriers are narrowing geographic appetite and limiting total insured values, creating challenges but also opportunities to restructure programs, blend admitted and E&S solutions and optimize placement strategy
- Umbrella and excess liability capacity remain constrained due to social inflation and nuclear verdicts
- Consolidated household structures, comprehensive risk documentation and well-coordinated submissions improve access to higher limits and expand carrier engagement
- Adoption of D&O, E&O and Trustee Liability continues to rise as family offices formalize governance and strengthen fiduciary oversight
- Family offices implementing modern cybersecurity controls, social engineering safeguards and coordinated personal cyber programs are achieving improved pricing, broader offerings and stronger carrier support

Market Conditions

Market conditions for single- and multi-family offices remain challenging heading into 2026, shaped by elevated property losses, tighter carrier appetites and heightened underwriting scrutiny. CAT-exposed regions, including California, Colorado, Florida and the coastal Northeast, continue to see the most pressure, prompting many affluent households and family offices to use excess and surplus (E&S) markets. Standard carriers are limiting geographic capacity, restricting total insured values and tightening renewal guidelines, resulting in higher deductibles and more narrowly worded property forms.

At the same time, family offices with strong mitigation measures, accurate valuations and coordinated risk documentation are securing more competitive options, including selective re-engagement from high-net-worth carriers that have improved profitability in certain high-risk regions.

Liability markets remain pressured by social inflation, litigation funding and significant nuclear verdicts. Family offices with broad auto fleets,





watercraft, young drivers or public visibility face heightened scrutiny, often requiring surplus lines umbrellas with higher retentions or conduct-based exclusions. Auto pricing remains influenced by repair costs, supply chain delays and complex vehicle profiles, although driver-safety programs and telematics adoption are improving underwriting outcomes.

Family offices continue to expand their use of management liability offerings, including D&O, E&O and Trustee Liability, as governance structures mature. These programs now address fiduciary oversight, governance disputes, conflicts of interest and oversight of private investments across intricate entity structures.

Cyber programs remain highly active as digital exposure grows. While pricing has softened modestly due to increased carrier participation, underwriting expectations have risen. Multifactor authentication, endpoint detection, privileged-access controls and formal incident response planning are now expected baseline protections. Family offices that implement advanced controls are gaining access to broader cyber programs, improved pricing and enhanced risk-management resources.

Year-to-Year Differences

Market conditions in 2026 are expected to mirror many of the challenges seen in 2025, with continued stress in CAT-exposed regions and persistent pressure on liability lines. A key shift is the deepening reliance on E&S markets as capacity continues to tighten in standard admitted high-net-worth programs. Property performance remains a central focus, and underwriting is expected to stay disciplined, particularly for high-value homes in areas with wildfire, hurricane or hail exposure.

Specialty lines show more variation. Cyber insurance is showing early signs of softening as new entrants expand capacity, while D&O, E&O and Trustee Liability continue to benefit from increased competition and broader product offerings. Umbrella and excess liability markets, however, are unlikely to ease, with pricing, limit availability and underwriting scrutiny consistent with 2025. Overall, 2026 is shaping up as a continuation of current dynamics, reinforcing the need for strong governance, proactive mitigation and coordinated risk-management strategies.

Geographic & Regional Differences

Southeast

While well-mitigated, newer, hardened homes may experience some stabilization in 2026, older coastal properties continue moving toward E&S due to hurricane exposure and flood risk.

Northeast & New England

Underwriters remain focused on proximity to water, roof age and construction materials, with strict guidelines for homes lacking necessary risk-mitigation upgrades.

Central

Increasing convective storms and localized severe weather are prompting closer underwriting review across the Central region, though conditions remain comparatively stable. In Colorado, however, hail and wildfire exposure continue to limit high-net-worth appetite, driving rate pressure and selective underwriting.

Western

Wildfire exposure remains the primary driver of capacity constraints, with increased wildfire deductibles, sublimits and carrier retrenchment following the 2025 wildfire season.



Claims Trends

A rise in complex claims has led many carriers to rely more heavily on third-party adjusters and junior adjusting teams, reducing the concierge-level service historically associated with high-net-worth and family office carriers. As a result, working with a family office insurance advisor who provides strong claims advocacy has become increasingly important for customers navigating large or multi-layer losses.

RATE OUTLOOK

Property



CAT-exposed areas remain stressed, though modest softening is possible for well-mitigated, hardened properties. Carriers continue prioritizing wildfire defensible space, water-loss mitigation and storm-resistant upgrades.

Umbrella



Continued pressure with double-digit increases, restricted limits and heightened underwriting requirements.

[» See Umbrella section for more information](#)

D&O/E&O/Trustee Liability



Stable to softening pricing with increased carrier competition and enhanced coverage offerings.

Impacts & Customer Considerations

Ultra-high-net-worth families and family office entities should work with insurance specialists focused on complex risk management and multigenerational wealth protection. A coordinated advisory approach strengthens the family office's ability to guide members, manage evolving exposures and secure effective insurance solutions.

- **Integrated risk strategy:** Family offices should work with trusted risk advisors to align property, liability, cyber and governance exposures across all entities and family members
- **Comprehensive risk review:** Annually, a comprehensive risk review should be conducted to help reduce coverage gaps, anticipate emerging risks and coordinate protection across all family members and entities
- **Estate and governance alignment:** Insurance programs and risk controls should be assessed regularly to ensure alignment with estate plans, governance structures, succession strategies and operating models across generations
- **Mitigation guidance:** Proactive risk-mitigation measures should be implemented across all family-owned properties to strengthen risk profiles and improve pricing and placement options
- **Special collections protection:** Family offices should work with specialized insurance advisors to ensure jewelry, watches and other portable collections across all family members are regularly valued and accurately scheduled
- **Ongoing monitoring:** Following liquidity events, real estate acquisitions, major investments or significant household changes, family offices should work with their trusted insurance team to ensure coverage and protection strategies remain aligned, updated and future-focused

Boats & Luxury Yachts



→ KEY TAKEAWAYS

- Yacht ownership and sales activity are increasing, particularly in the large-yacht segment, creating stronger demand despite mixed conditions for yachts under 80 feet
- Market capacity is expanding as new carriers enter and underwriting guidelines loosen for select risks, even as catastrophe-exposed regions continue to face elevated pricing and tighter scrutiny
- Rates have stabilized, with modest increases and early signs of moderation for well-managed risks, though elevated repair costs and supply-chain pressures continue to affect pricing
- Carriers are tightening deductibles and risk-management requirements, including windstorm, lightning and theft deductibles, and increasing use of telematics, GPS tracking and operator-training expectations, especially for new or less-experienced yacht owners

Overview

The yacht insurance market enters 2026 with greater stability and expanding carrier capacity. Rate momentum has slowed, and underwriting guidelines have eased in select categories, particularly for well-maintained yachts located outside catastrophe zones. Large-yacht sales activity is increasing, fueled by renewed buyer interest and more new-build projects under negotiation compared with prior years.

Catastrophe exposure remains a defining factor. Coastal regions continue to experience the highest premiums and most restrictive terms, with mandatory windstorm deductibles, lightning deductibles and increasingly required GPS tracking and telematics for theft mitigation. Post-pandemic aftershocks, such as elevated yacht values, increased repair costs and ongoing supply chain strain, continue to shape both pricing and capacity.

Market demand reflects broader sales trends. Yachts under 80 feet face economic headwinds from borrowing costs, tariffs and material prices, although the brokerage market remains active. New builds continue to rise in cost due to supply chain pressures. Yachts over 80 feet are experiencing a stronger year, with significant new-build activity and strong buyer interest. Underwriters are also observing more inexperienced yacht owners entering the market or existing owners upgrading to yachts more than 10 feet larger than their prior yacht. Many carriers now require training programs or captain sign-off before independent operation.

Key Drivers

Catastrophe exposure continues to drive underwriting discipline. Hurricanes, tropical storms and severe-weather patterns have produced consecutive years of elevated losses, particularly in Florida, the Gulf Coast and the Southeast. Lightning has become a growing concern within this broader weather trend. Modern yachts rely heavily on advanced integrated systems and electronics, and a single lightning strike can cause extensive damage that often requires full system replacement rather than repair. This trend continues to push claim severity higher.

Liability protection remains an area of heightened focus, especially for yachts with crew on board. As legal awards continue to rise, some carriers are offering lower primary limits, making excess P&I coverage an important consideration for owners seeking to maintain strong liability protection. Carriers are responding by using real-time data, predictive analytics and telematics to refine pricing models, reward strong risk quality and scrutinize higher-risk operation more closely. Expectations for owners continue to rise, including adherence to warranties, use of qualified operators and clear alignment with approved usage.

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Lightning claims have become one of the most significant contributors to loss activity, increasing in both frequency and severity. Modern navigation systems, radars, electronics and gyroscopic stabilizers often require full replacement, resulting in six-figure partial losses and longer repair cycles.

Geographic & Regional Differences

Northeast

Capacity is strong and rates are highly competitive, with many carriers offering additional credits for winter haul-out and lay-up.

Southeast/Gulf Coast

This region remains the most difficult due to hurricane exposure. Mandatory 10% named-windstorm, lightning and theft deductibles often apply, especially on outboards with multiple high-horsepower engines. GPS tracking and monitored telematics systems are also becoming standard requirements.

Caribbean

Capacity remains extremely limited for windstorm coverage due to high catastrophe exposure and the logistical complexity of adjusting claims in remote locations.

Western

Recent storms affecting Mexican ports have reduced underwriting appetite for yachts traveling south of the U.S. border, leading to higher premiums, restricted navigation limits and required named-storm plans.



Claims Trends

Recreational boating incidents remain elevated. In 2024, the Coast Guard recorded 3,887 incidents, 556 deaths, 2,170 injuries and approximately \$88 million in property damage. Operator inattention, improper lookout, inexperience, machinery failure and navigation errors remain leading contributors and alcohol continues to be the primary factor in fatal incidents.

Lightning claims have become one of the most significant contributors to loss activity, increasing in both frequency and severity. Modern navigation systems, radars, electronics and gyroscopic stabilizers often require full replacement, resulting in six-figure partial losses and longer repair cycles. Carriers have responded with lightning deductibles and enhanced mitigation requirements.

Catastrophic losses, including high-value yacht sinkings, continue to influence reinsurance pricing and underwriting discipline. Cyber exposures are emerging as a growing risk due to the high level of connectivity aboard luxury yachts and frequent access by guests, crew and vendors.

Repair timelines remain prolonged due to material shortages and labor constraints, while technology required to modernize handling, such as joystick propulsion, has helped reduce incidents related to docking or close-quarters maneuvering.

RATE OUTLOOK

Rates in 2026 are expected to hold steady, with most yacht owners seeing flat to slightly higher pricing. After several years of sharp increases, carriers have finally reached rate adequacy, which is allowing capacity to expand and, in some cases, ease even in catastrophe-exposed areas. Well-managed and inland yachts may benefit the most from this shift, with early signs of moderation for claim-free accounts. Hurricane-related deductibles and conditions will continue to influence pricing, and carriers remain focused on storm plans, telematics and proactive maintenance as part of their underwriting approach.

Yachts 26-75 feet



+3 to +7%

Mega yachts



Flat to -5%

YEAR-TO-YEAR DIFFERENCES

The outlook for 2026 is shaping up much like 2025, with conditions gradually improving for well-maintained yachts and experienced owners. As more carriers re-enter the market, pricing is beginning to level out, and some owners may even see slight rate reductions. If the upcoming season avoids major storms, those in higher-risk coastal areas could benefit from more favorable terms as well. Liability protection remains an area of heightened attention, especially for yachts with paid crew or more complex Protection & Indemnity coverage needs.



Impacts & Customer Considerations

- **Create a clear storm and catastrophe plan:** Having a haul-out strategy, marina arrangements and steps to secure your yacht during severe weather not only helps protect your investment but may also support more favorable underwriting outcomes
- **Know your policy requirements and your comfort with risk:** Many policies include operating restrictions, seasonal lay-up requirements or usage limitations. Understanding these limitations and choosing deductibles and limits that match your financial comfort helps you avoid surprises later
- **Keep your yacht in optimal operating condition:** Routine service, winterization and documented maintenance can prevent losses, reduce downtime and support more competitive terms
- **Work with a knowledgeable marine insurance professional:** A specialist who understands the yacht market can help you navigate carrier options, prepare strong submissions and secure competitive, appropriate coverage

Personal Aviation



→ KEY TAKEAWAYS

- Market remains competitive as new Managing General Agents expand capacity, accelerate product development and broaden coverage options
- Shift toward fractional ownership continues, driven by lower capital requirements, streamlined operations and evolving owner preferences
- Carriers are adopting AI-enabled analytics to refine underwriting accuracy, strengthen risk selection and incorporate usage-based insights
- Regulatory updates influence underwriting, with MOSAIC expanding Light Sport Aircraft privileges while carriers apply stricter pilot warranties and medical requirements to manage exposure
- Repair and maintenance pressures elevate severity, driven by parts shortages, limited skilled labor and extended repair timelines across the aviation sector

Market Conditions

The personal aviation market remains competitive heading into 2026, supported by expanding capacity and the entrance of several new Managing General Agents. MGAs act on behalf of insurance carriers and have delegated underwriting authority, allowing them to price risks, issue policies and develop products more quickly than traditional programs. Their continued growth in aviation contributes to faster product development, broader coverage offerings and heightened competition.

Owners continue to shift from whole aircraft ownership toward fractional programs, driven by lower capital requirements and simplified operations. Carriers are adopting AI-enabled analytics to refine underwriting accuracy, strengthen risk selection and incorporate usage-based insights.

Regulatory changes continue to influence carrier behavior. The MOSAIC (Modernization of Special Airworthiness Certificates) rule is expanding the Light

Sport Aircraft category and broadening sport pilot privileges. While the FAA sets minimum standards, carriers continue to apply stricter pilot warranty requirements and medical certificates to maintain safety and manage loss exposure.

Repair and maintenance pressures remain elevated across the aviation sector. Parts shortages, limited skilled labor and longer repair timelines are increasing severity and influencing carrier appetite for certain aircraft types.

Year-to-Year Differences

Despite these pressures, 2026 is expected to mirror 2025 conditions. Rates are expected to remain stable due to competitive capacity and continued entrance of new MGAs, which is driving faster product development and broader coverage options. Owners with strong safety records and limited loss history continue to benefit from favorable pricing.

Key Drivers

Several factors continue to shape aviation underwriting and pricing conditions heading into 2026.

- International markets continue to face upward pressure due to rising repair costs, higher reinsurance pricing and geopolitical volatility. Hull war coverage remains particularly sensitive to global tensions.
- In the U.S., the influx of new carriers is supporting strong competition and creating a comparatively soft environment for many insureds. Owners with strong safety profiles are seeing stable or decreasing premiums.
- While natural disasters do not directly dictate aircraft insurance pricing, severe weather may influence deductibles, preparedness requirements or temporary binding restrictions. Some carriers also offer relocation or storm-specific coverages to help owners manage seasonal weather risks.

Claims Trends

Claims severity continues to rise across personal aviation. Repair costs remain the primary driver, influenced by supply chain challenges, limited skilled labor and the complexity of modern aircraft systems. These pressures are turning more repairable incidents into total-loss outcomes, and some carriers are avoiding certain makes and models due to parts availability concerns.

Liability losses are also increasing as social inflation fuels more litigation and larger awards, including claims for non-physical injuries. Ground handling incidents remain costly as well, especially for aircraft constructed with composite materials where even minor damage can result in high-severity repairs.

RATE OUTLOOK

National



0 to +5%

Impacts & Customer Considerations

Owners can take several steps to strengthen their insurance position and manage costs heading into 2026. Proactive planning, strong pilot qualifications and informed aircraft choices can meaningfully improve insurability and support more favorable premium outcomes.

- Secure qualified pilots and training availability early, as training capacity remains constrained and delays can ground newly purchased aircraft
- Maintain recency in the aircraft flown, complete initial or recurrent training and pursue additional ratings to demonstrate a strong safety commitment and potentially qualify for premium savings
- Understand how aircraft type and complexity influence pricing: simpler, fixed-gear single-engine aircraft carry lower premiums, while higher-horsepower or specialty platforms require more tailored underwriting.
- Engage an experienced aviation insurance broker to navigate aircraft-specific considerations, customize coverage and manage costs as market conditions evolve

Fine Art Collections



→ KEY TAKEAWAYS

- Climate change remains a primary threat to private collections as severe weather and secondary perils (such as inland flooding, severe storms, extreme heat, wildfire smoke), expand into previously low-risk regions
- The art world is facing increased geopolitical and economic pressures, elevating the need for private collectors to rigorously vet third-party locations such as museums, galleries and storage facilities
- A rising volume of high-quality artwork is entering the market from the estates of aging collectors, increasing the importance of succession planning and updated valuations
- Values for jewelry, watches and other portable collections continue to rise, emphasizing the importance of frequent valuations, enhanced security measures and stricter underwriting attention to theft exposures both at home and while traveling
- Digital collection management continues to expand, introducing cybersecurity risks and greater exposure to digital inventories and digital art

Market Conditions

The insurance market for private fine art collections remains fairly stable as 2026 begins, though evolving environmental, geopolitical and digital risks are driving more nuanced underwriting and risk management expectations. Climate change is the most influential factor, as severe weather, extreme temperatures and secondary perils increasingly affect regions once considered low exposure. Insurers are placing greater emphasis on property-specific vulnerabilities — such as below-grade storage, wildfire adjacency and flood mitigation — resulting in more tailored underwriting and, in higher-risk zones, upward pressure on deductibles and pricing.

Collectors are also loaning and consigning works in an environment where institutions face financial strain, staffing limitations and potential operational disruptions. As a result, carriers expect more thorough due diligence of museums, galleries and storage facilities, including enhanced review of climate controls, fire protection, security and contingency plans for closures or restricted access.

With blue chip artwork values continuing to rise, combined with a significant transfer of works from aging collectors to heirs, the need for succession planning is accelerating. Updated valuations have become critical as collectors refine estate strategies and ensure insurance coverage reflects current market conditions.

Digital risks are also rising as collectors use electronic platforms to manage inventories and provenance records. These systems create new exposures related to cybersecurity, data integrity and digital asset theft.

Special collections, including jewelry, watches and other portable valuables, continue to require close attention as market values rise and theft activity increases. Maintaining current valuations is essential, particularly for high-demand watch brands and pieces that may appreciate rapidly or achieve record auction results. Collectors should obtain updated appraisals, document collection details and share this information with their broker to ensure accurate coverage and claim outcomes.

Travel with valuable items introduces additional exposure, especially in tourist or high-theft locations, making it important to understand any policy requirements related to hand-carrying or in-safe storage. At home, collectors should store high-value items in a UL-rated safe and review security measures to reduce loss potential and support stronger underwriting outcomes.

Year-to-Year Outlook

Fine art insurance market conditions for 2026 are expected to remain fairly similar to 2025, with overall rate stability for collections in non-catastrophe prone areas. Collectors in these regions may find opportunities to increase coverage limits with minimal premium impact. The primary shift will be intensifying climate-related underwriting as carriers apply more granular assessment to secondary perils. Collections in higher-risk zones should expect modest rate increases and potential deductible adjustments.

Geographic & Regional Differences

Regions that have historically not endured storm losses are seeing unprecedented flooding and severe weather. Underwriters are beginning to price for these unexpected exposures as climate patterns shift.

Northeast

Increased coastal flooding and heavy rainfall are straining infrastructure. Collections stored on lower levels or near waterways face heightened underwriting scrutiny, particularly regarding flood and water-damage mitigation.

Southeast/Gulf Coast

Hurricane exposure continues to drive challenging market conditions. Expect higher wind deductibles, detailed structural assessments and close review of evacuation and protection plans.

Midwest/Central

Increasing severe convective storms, hail and tornado activity are prompting more attention from carriers. While the market remains competitive, underwriters are watching for localized but costly damage patterns.

Western

Wildfire remains the dominant concern. Underwriters are focused on defensible space, fire-resistant construction and mitigation measures. Smoke and ash damage, particularly harmful to works on paper, remains a top driver of loss concerns.

Claims Trends

Transit and transportation damage remains one of the most frequent causes of fine art claims, often stemming from improper packing, handling or unforeseen incidents during shipment. Water damage from burst pipes, roof leaks and HVAC failure continues to drive costly losses, exacerbated by extreme weather patterns. Accidental damage during installation or display also remains common, reinforcing the importance of using professional art handlers and proper packing standards.

RATE OUTLOOK

For collections located outside catastrophe-prone areas, a flat market creates an opportunity to enhance protection without a significant increase in premium. Many collectors may be able to raise coverage limits at a relatively small additional cost, improving the overall value of their insurance program.

Collections in Non-CAT Zones



Flat

Collections in CAT-Exposed Zones



+5%

Impacts & Customer Considerations

Customers should reassess how their collections are protected, valued and managed in light of shifting environmental, operational and digital risks. A comprehensive and proactive approach remains essential for preserving the long-term integrity and insurability of fine art assets.

- **Risk and coverage review:** Conduct a detailed evaluation of your current program to ensure coverage limits align with updated valuations and explore opportunities to increase limits in a stable pricing environment.
- **Climate and security preparedness:** Develop a site-specific mitigation plan addressing flooding, fire, severe storms or potential civil unrest, especially for collections stored on lower levels or in high-risk zones.
- **Third-party due diligence:** Strengthen vetting of museums, galleries and storage facilities. Review climate control, security, fire protection and provisions that allow retrieval of artwork if operations are disrupted.
- **Succession and estate planning:** Integrate collection planning into broader estate strategies. Maintain current appraisals, document provenance and establish clear directives for transition, sale or donation.
- **Special collections protection:** Maintain updated valuations for jewelry, watches and other portable collections. Review policy provisions for travel, hand-carry requirements and in-safe storage and implement appropriate security measures — such as UL-rated safes and controlled storage — to help reduce theft exposure and strengthen coverage accuracy.
- **Collection management technology:** Use secure, encrypted digital platforms and maintain offline backups of provenance, purchase history and valuation records to help protect against cyber threats and data loss.



KEY TAKEAWAYS

- Major medical underwriting continues to tighten as carriers raise deductibles and narrow eligibility for specific uses
- Customers are seeing fewer major medical coverage options as eligibility standards become more restrictive compared to prior years
- Equine mortality coverage remains steady, with consistent rates and underwriting practices expected in 2026

Market Conditions

Major medical coverage in the equine insurance market is undergoing meaningful change. Carriers are increasing minimum insured values, raising deductibles and applying stricter eligibility requirements for certain uses. They are also reducing the overall medical benefits and coverages available compared to prior years, reflecting an effort to align major medical coverage with its intended purpose as critical illness protection rather than ongoing health care.

As we move into 2026, carriers will continue refining major medical eligibility criteria and monitoring disease outbreaks, with the potential for future adjustments depending on severity and impact. Mortality coverage availability and underwriting guidelines remain stable, with no significant changes expected. Overall, the market is becoming more disciplined on the medical side while maintaining consistency in mortality coverage.

Claims Trends

Claim frequency and severity in the equine insurance market have remained relatively steady, but prior utilization patterns have contributed to carriers refining medical forms to support more sustainable policy structures.

RATE OUTLOOK

Major Medical



+5 to +8%

Equine Mortality



+10 to +15%

Impacts & Customer Considerations

Customers should expect tighter terms, reductions in available medical coverages and potentially higher premiums for major medical policies. To adapt to these market trends, consider the following:

- Review and update insured values to help maintain appropriate coverage
- Understand the limitations of major medical coverage, which is intended for critical illness protection rather than ongoing health care
- Review revised major medical forms carefully, as changes to eligibility and covered uses may influence claim outcomes
- Stay informed about equine disease trends and take necessary risk mitigation steps during an outbreak

Farm & Ranch



→ KEY TRENDS

- Catastrophic events continue to drive premium increases and more stringent underwriting standards
- Modern farm and ranch operations increasingly rely on connected equipment and digital platforms, significantly expanding their exposure to cyber risk
- Agritourism activities, events and guest experiences introduce a unique set of liability challenges
- Risk mitigation strategies, such as fire suppression systems, flood barriers, automatic water-shutoff devices and robust cybersecurity protocols are now critical for maintaining coverage eligibility and securing competitive pricing

Market Conditions

Farm & Ranch accounts are navigating a persistently firm market as escalating weather extremes and increasingly unpredictable loss trends continue to redefine the landscape. CAT-exposed regions remain particularly challenging, with carriers enforcing stricter underwriting standards and reducing capacity in areas vulnerable to wildfire, windstorms, hurricanes and flooding. At the same time, the growing reliance on connected equipment and digital platforms introduces new cyber risks, adding complexity to coverage needs.

Properties incorporating agritourism or hosting events face heightened liability scrutiny. Guest activities, rentals and public gatherings amplify exposure, making comprehensive liability programs — including cyber protection, event coverage and umbrella limits — essential. Owners who invest in robust physical risk controls and maintain strong upkeep programs continue to achieve more favorable placement and renewal outcomes.



Key Drivers

Climate volatility and severe weather remain the primary forces shaping the market. Tornadoes, hail, hurricanes, flooding and wildfires have driven elevated losses across multiple regions. Livestock and equipment claims are also increasing, fueled by heat stress, flooding and machinery damage.

Carrier capacity continues to evolve. Some markets have withdrawn from high-risk zones entirely, while the E&S marketplace has expanded its role in placing complex farm properties, outbuildings and specialized equipment. Inflation, supply chain disruptions and labor constraints are pushing replacement costs higher, further influencing underwriting and pricing.

Year-to-Year Differences

The 2026 market is expected to closely mirror 2025, with firm conditions and sustained upward pressure on rates. Persistent severe weather, inflationary trends and disciplined underwriting will remain dominant factors. The growing availability of parametric and specialty coverage solutions may provide new options for operations facing repeated CAT exposure.

Geographic & Regional Differences

Northeast

Winter storms remain a significant property risk, while the growth of agritourism continues to elevate liability exposure.

Southeast/Gulf Coast

Hurricanes drive higher wind deductibles and trigger intensified underwriting scrutiny.

Midwest

Rates are more stable than coastal regions; however, rising repair costs and increased convective storm and hail activity are creating upward pressure. Winter weather contributes to higher property and equipment loss potential, prompting carriers to encourage strong maintenance practices.

Central

Tornadoes, hail and flooding dominate regional risk considerations.

Western

Wildfire and drought conditions significantly impact property and livestock, resulting in limited carrier capacity in high-risk zones.

Claims Trends

Weather-related losses remain the primary driver of claims for Farm & Ranch operations. Livestock mortality is increasing due to heat stress and flooding, while machinery and equipment losses continue to climb. Liability claims linked to agritourism and on-site activities are trending upward, and prolonged repair cycles for specialized farm equipment are adding to overall claim costs and downtime.

RATE OUTLOOK

Premiums for Farm & Ranch coverage are projected to rise again in 2026, with the greatest pressure in regions experiencing repeated severe weather events. Well-mitigated properties may see more moderate adjustments, while CAT-exposed operations should anticipate higher increases.

Central		+8 to +12%
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Gulf Coast		+10 to +15%
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West		+12 to +18%
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Impacts & Customer Considerations

- Strengthen risk mitigation:** Upgrading fire protection, water shut-off systems, flood defenses and cybersecurity measures can help reduce exposure and support more favorable pricing. Higher deductibles may also improve premium outcomes.
- Start renewal early:** Begin the process at least 90 days before renewal to allow time for underwriting review, inspections and program restructuring if needed.
- Review insurance-to-value:** Ensure all structures, equipment and specialized assets reflect accurate replacement costs to help avoid underinsurance and maintain appropriate limits.

Excess & Surplus (E&S)

→ KEY TAKEAWAYS

- Demand for E&S solutions continues to grow as admitted carriers retreat from wildfire, coastal and flood-exposed regions
- Competition is returning for lower-risk, well-mitigated accounts, creating selective opportunities for improved terms
- Catastrophe-exposed and high-hazard properties face the most restrictive conditions, including higher deductibles and limited capacity
- Inflation, rising rebuild costs and elevated reinsurance rates continue to keep upward pressure on pricing across property lines
- Climate volatility and severe-weather events continue to influence underwriting and market appetite, especially for high-value homes and multi-location portfolios

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Capacity is available, but it is increasingly selective, meaning disciplined submissions, clear property details, mitigation proof and strategic layering across carriers are essential.

Market Conditions

The E&S market heading into 2026 remains moderately hard but is showing early signs of selective softening. Conditions have improved from the peak hard-market years of 2020–2023, yet high-hazard, high-value and complex personal exposures — common within high-net-worth portfolios — still face tougher pricing, narrower terms and stricter underwriting. While competition is returning for lower-risk placements, the gap between “easy” and “difficult” risks remains pronounced.

Admitted carriers continue to scale back capacity in high-risk regions, particularly in wildfire-prone California, coastal hurricane zones and properties with elevated flood exposure. This shift keeps the E&S marketplace central to achieving sufficient limits and creating tailored coverage strategies for HNW customers.

At the same time, slowing premium growth suggests that the extreme hardening of prior years is easing. Well-mitigated risks with strong documentation,

clean histories and proactive planning may see more favorable outcomes. Capacity is available, but it is increasingly selective, meaning disciplined submissions, clear property details, mitigation proof and strategic layering across carriers are essential.

- Growing competition for lower-hazard, well-managed risks as certain carriers signal early normalization
- Persistent challenges for catastrophe-exposed and high-hazard properties, where deductibles, capacity limitations and strict underwriting remain the norm
- Rising repair costs, inflation and reinsurance pressures continue to affect pricing and appetite
- Heightened impact of severe-weather events, especially across high-value property and multi-location HNW portfolios
- Ongoing caution in the admitted marketplace, driving more specialty and non-standard risks into E&S channels



Impacts & Customer Considerations

With underwriting scrutiny elevated across the E&S market, customers should anticipate a more rigorous review of property conditions, mitigation efforts and portfolio complexity when structuring their programs.

- High-value homes in wildfire, coastal hurricane and flood-prone regions often require E&S solutions to achieve adequate protection
- Specialty assets — such as luxury autos, collections, yachts, aircraft and architecturally complex homes — frequently fall outside the appetite of admitted markets and may require E&S placement to secure comprehensive coverage
- Households seeking higher-limit umbrella programs may find the most viable solutions in the E&S market, particularly as liability severity continues to rise
- Customers with multiple homes across states or those with intricate global profiles benefit from the flexibility and customization available through E&S structures
- While market relief is emerging selectively, customers with strong mitigation, updated documentation and complete, well-prepared submissions continue to achieve the best outcomes

Life Insurance & Legacy Planning

→ KEY TAKEAWAYS

- Underwriting capacity continues to expand, supported by AI, big data and predictive analytics that improve speed, consistency and precision in large case decisioning
- Private Placement Life Insurance remains a core planning tool for tax-efficient investing, asset protection and intergenerational wealth transfer, with sustained growth in HNW and UHNW demand
- U.S. life insurance is facing increased interest from foreign nationals due to high death-benefit capacity, competitive pricing and strong carrier stability
- Carriers are repricing or discontinuing long-term guaranteed death-benefit products due to reserving requirements profitability gaps in that segment of carrier portfolios.
- Carrier retention levels are at historic highs, with some carriers auto-binding substantial amounts through enhanced reinsurance pools.
- Life settlement activity continues to rise, driven by demographic trends and reduced need for older estate-planning policies.

Market Conditions

Market conditions for high-net-worth and family office life insurance remain highly favorable heading into 2026, supported by record underwriting capacity and continued digital transformation. Carriers are using AI, big data, predictive analytics and generative tools to strengthen risk assessment, accelerate decision-making and improve precision in large-case underwriting. Capacity and retention remain at historic highs, with major carriers auto-binding significant face amounts through expanded reinsurance structures.

Private Placement Life Insurance continues to build momentum as a tax-efficient solution for investing and intergenerational wealth transfer, reflecting growing demand among HNW and UHNW families. Interest from foreign nationals is also increasing, driven by strong U.S. carrier balance sheets and high death-benefit capacity. Carriers continue refining product portfolios as long-term guaranteed death-benefit structures become more expensive to maintain due to reserve requirements. Life settlement activity is rising as demographic patterns shift, and many older estate-planning policies are no longer needed.

The broader environment further supports long-term legacy planning. Favorable legislative conditions continue into 2026 through the One Big Beautiful Bill Act, strengthening the estate-planning landscape. Elevated interest rates improve carriers balance sheets and support stabilized to increasing crediting to policyholder cash values. Artificial intelligence remains one of the most significant market drivers, reshaping underwriting, pricing, distribution and policy servicing across the sector.

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Carriers are using AI, big data, predictive analytics and generative tools to strengthen risk assessment, accelerate decision-making and improve precision in large-case underwriting.”



Claims Trends

Mortality has normalized but remains modestly higher than pre-2020 levels due to chronic conditions, delayed care and demographic aging. Carriers are experiencing increased large-face-amount claims as policies written between 2018 and 2023 begin entering higher-claim years, with the greatest impact in legacy Variable Universal Life (VUL), Indexed Universal Life (IUL) and Guaranteed Universal Life (GUL) blocks. Morbidity-related claims from long-term care and chronic illness riders are also increasing.

Impacts & Customer Considerations

Customers evaluating protection, planning or liquidity strategies should reassess their life insurance approach in light of strong carrier capacity, shifting product structures and evolving estate-planning dynamics. The following actions can help ensure policies and portfolios remain aligned with current objectives.

- **Permanent life insurance solutions:** If considering permanent life insurance, this is a favorable environment to evaluate options and implement coverage while capacity remains strong.
- **Policy and portfolio review:** Review existing life insurance policies to ensure they are adequately funded and benchmarked against current product offerings, pricing and carrier performance.
- **Life settlement opportunities:** Individuals or trusts holding unwanted policies may benefit from elevated capital flows and strong buyer demand, creating a favorable environment for life settlement transactions in 2026.

CONCLUSION

As households navigate an increasingly complex personal insurance landscape, the year ahead reinforces the importance of a coordinated, well-documented and forward-looking approach. While different types of coverage face distinct pressures, consistent themes continue to emerge across the market: effective mitigation, accurate valuations and early engagement remain critical to securing favorable outcomes. Insurers are placing greater emphasis on clarity, preparation and disciplined risk management across property, liability and specialty protections.

Looking ahead, households that evaluate their insurance programs holistically and maintain open, ongoing dialogue with their team of insurance professionals will be better positioned to achieve stable, long-term protection. Brown & Brown's Personal Insurance team remains focused on delivering clear guidance, responsive service and specialized insight — helping households make informed, timely decisions as market conditions continue to evolve through 2026.



About Brown & Brown

Growth has no finish line. Our team is with you along your growth journey to help find solutions that meet your ever-evolving insurance needs. Whether you are a highly complex multinational enterprise, an individual or anything in between, our experienced teams can help to find solutions at every stage.



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