Market Update

Q2 2025

McGriff.com

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About McGriff

When it comes to protecting what matters most in business and everyday life, we believe our clients should never settle for less than the best. For more than a century, we've relied on expertise, resources, and relationships to deliver insurance and risk management solutions focused on our clients' priorities and what they value most.

McGriff is part of Marsh McLennan Agency (MMA). Our solutions include commercial property and casualty, corporate bonding and surety, cyber, management liability, captives and alternative risk transfer programs, employee benefits, small business insurance, and personal lines.

Our experienced risk management specialists develop highly tailored solutions while listening, learning, and executing with precision under the guidance of our four core principles:

> **Integrity:** We do what we say, every time.
>
> **Determination:** We relentlessly pursue success on your behalf.
>
> **Passion:** We are specialists in our field driven to serve you.
>
> **Collaboration:** We build strong relationships with teammates, partners, and you to create the best solutions.

Join the thousands of businesses, organizations, and individuals across the country who choose McGriff, a firm dedicated to building long-term relationships and helping protect your most valuable assets.

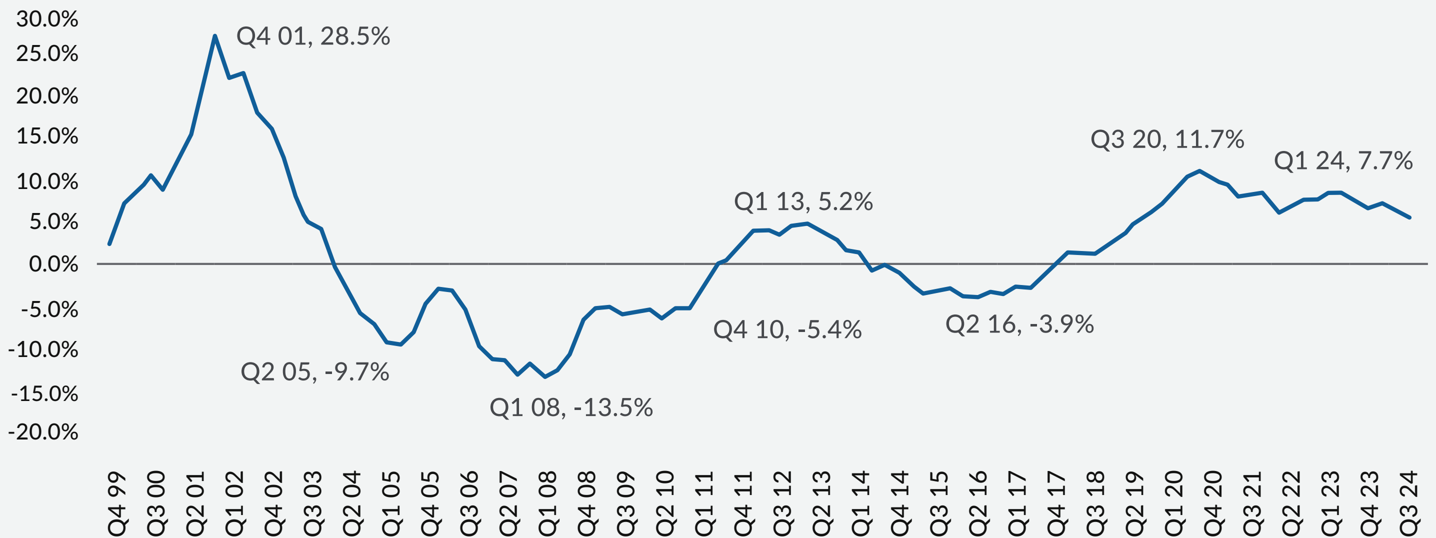
With McGriff, you'll never have to settle for less.

Market Overview

With the exception of Commercial Auto and Umbrella, all other insurance lines showed lower premium increases in Q1 2025 than in the last quarter of 2024, signaling softened market conditions, according to the most recent report from The Council of Insurance Agents & Brokers (CIAB).

Premiums across all account sizes rose by an average of 4.2%, down from the 5.4% increase in Q4 2024. Five lines recorded decreases in premiums: Cyber Liability, Directors & Officers Liability, Employment Practices Liability, Terrorism, and Workers' Compensation.

Average Premium Changes, Q4 1999 - Q1 2025



Source: The Council of Insurance Agents & Brokers

As in Q4 2024, Commercial Auto and Umbrella policies had the highest average increases in premiums of all lines this quarter, at an average of 10.4% and 9.5%, respectively, higher than the last two quarters. Third-party litigation funding (TPLF) is one of the principal factors driving the increases for both Auto and Umbrella, according to the CIAB report.

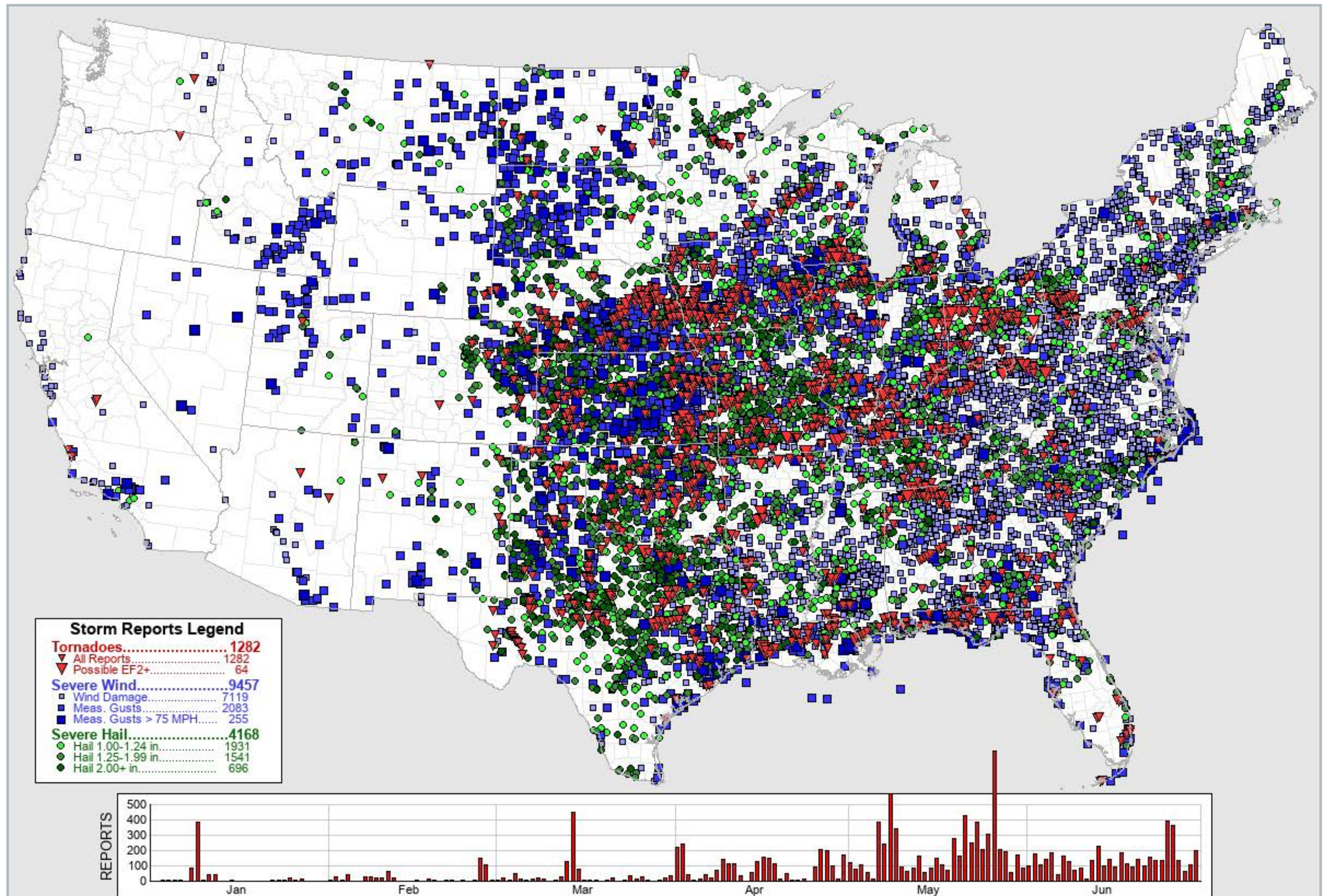
Commercial Property Insurance

The Commercial Property insurance market continues to improve in 2025, with premium increases slowing down to 2.9%, a 50% decrease from Q4 2024. Despite the January wildfires in California, new underwriter flexibility on commercial property risks has resulted in better terms on renewal, including lower deductibles or higher limits and sublimits.

However, while the market is softening, improvements are uneven between program types. Shared/layered placements are seeing steep rate decreases with improved coverage terms, while single-carrier renewals are still experiencing increases, especially for complex risks. Industries such as chemical and wood manufacturing are seeing increases of 7% to 15%, depending on quality of risk/protection and compliance with open loss control recs.

Severe convective storms (SCS), with hail, wind, and tornadoes, remain a concern for insurers. So far in 2025, there have been 689 reported tornadoes in the U.S., including 81 that were EF-2 or higher, according to the National Oceanic and Atmospheric Administration (NOAA). Most U.S. markets have moved to percentage deductibles of 1-5%, depending on the SCS scores.

2025 Annual Preliminary Report Summary



Source: NOAA

In addition, the 2025 hurricane outlook remains higher than average. While the Property insurance market has improved, clients must continue to optimize their programs. We recommend the following strategies.

Evaluate Risk Retention and Sublimits in Your Program Structure

Review your optimal risk-retention level to optimize your program structure. Structures such as plus aggregates or alternative all other perils (AOP) deductibles may potentially benefit you.

Explore Bifurcating Programs

Understand what is behind your program's cost. A specific location, construction type, or risk in your portfolio of properties may be driving up your probable maximum loss (PML) or average annual loss (AAL). Explore a stand-alone solution for this challenging issue and optimize specialized markets for that risk, which supersede a consolidated or global program.

Analyze Non-traditional Program Structures

Non-traditional programs may include alternative risk transfer (often called "ART") solutions that allow you to self-insure a portion of your property risk while complying with lenders by providing "A" rated paper. You can also consider parametric coverage, a type of non-traditional derivative triggered by the degree to which a peril exceeds preset benchmarks for a specific event rather than the actual loss experienced.

Planning for Renewal

Remember that “data is key,” so we recommend that you proactively work with your broker to ensure your submission/underwriting package will go to the “top of the stack” by following these guidelines:

- Ensure exposures are current with full COPE data during the coverage term, particularly for any midterm changes.
- Provide renewal exposure updates early (120 days out) along with any required supplementary applications.
- Proactively address any critical, open loss-control recommendations and provide all supporting documentation no later than 90 days before renewal.
- Some carriers are using unresolved loss-control recommendations to justify higher rates.
- Tell the story of “lessons learned” from large losses and how you have mitigated the potential for similar future losses.
- Let underwriters know about your risk management strategies to protect your assets and outline any major CAPEX for physical improvements or risk control.
- Meet with carriers early to understand any of their concerns or issues and thoroughly examine potential options.
- Seek the underwriter’s commitment to general renewal terms early in the process.

Protecting Your Assets

McGriff’s experienced Property insurance specialists can/will:

- Review critical operations to assist in developing or enhancing your business continuity plan.
- Assess and mitigate property risk using catastrophe modeling.
- Help you get insurance to value (ITV) correct. ITV scrutiny has calmed down, but it is still critical. Potential tariffs on construction materials like steel, drywall, and lumber could increase material costs, affecting property valuation adequacy.
- Develop alternative solutions that best correspond with your company’s goals and objectives.

Our knowledgeable claim specialists are available to consult on the following:

- Crisis events
- Catastrophic losses and ways to minimize their impact
- Litigation and expense management
- Technical coverage analysis/claim research before submission of a loss to the insurance carrier
- Time element analysis to better establish the exposures that exist for business income and/or extra expense losses
- Claim auditing services, including TPA and carrier claims-handling reviews
- Training and education to enhance internal and external claim management programs

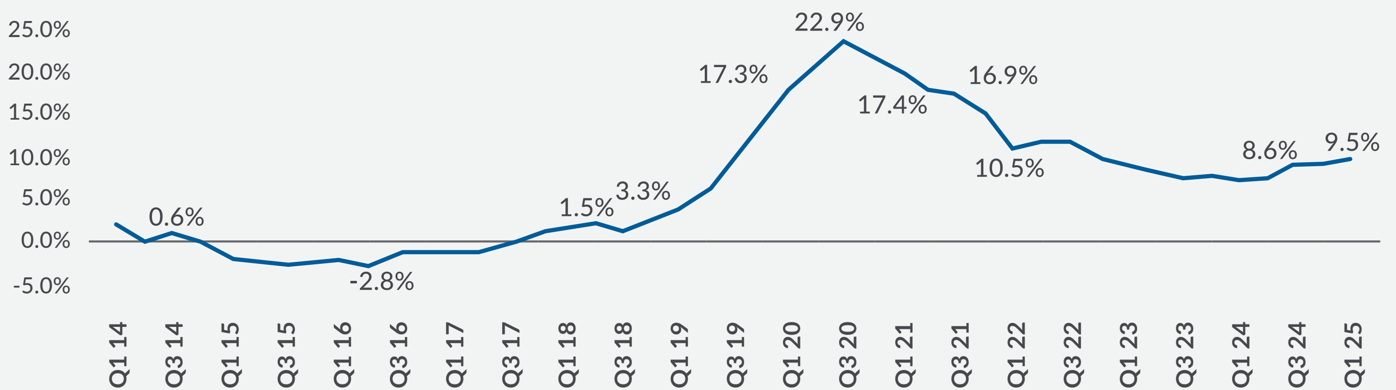
Commercial Auto Liability Insurance

Commercial Auto Liability premiums have increased an average of 10.4%, the highest increase across all lines of coverage, and the third consecutive quarter or higher increases. According to AM Best, the outlook for the Commercial Auto insurance market remains negative. Its report in March 2025 attributes the negative outlook to several challenges, including the impact of social inflation, nuclear verdicts, economic uncertainty, experienced driver shortages, and distracted driving.

Commercial Umbrella & Excess Insurance

Commercial Umbrella premiums continue to rise, with a 9.5% average increase in the first quarter of this year, the 5th consecutive quarter of higher increases. Insurers are also reducing capacity by layer and charging higher prices for lower limits.

Premium Change for Umbrella, 2014 - Q1 2025

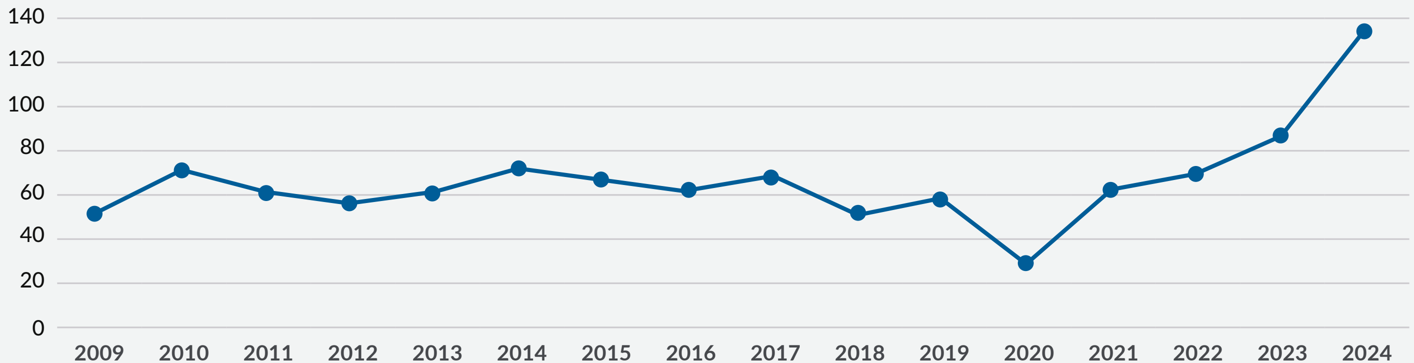


Source: CIAB

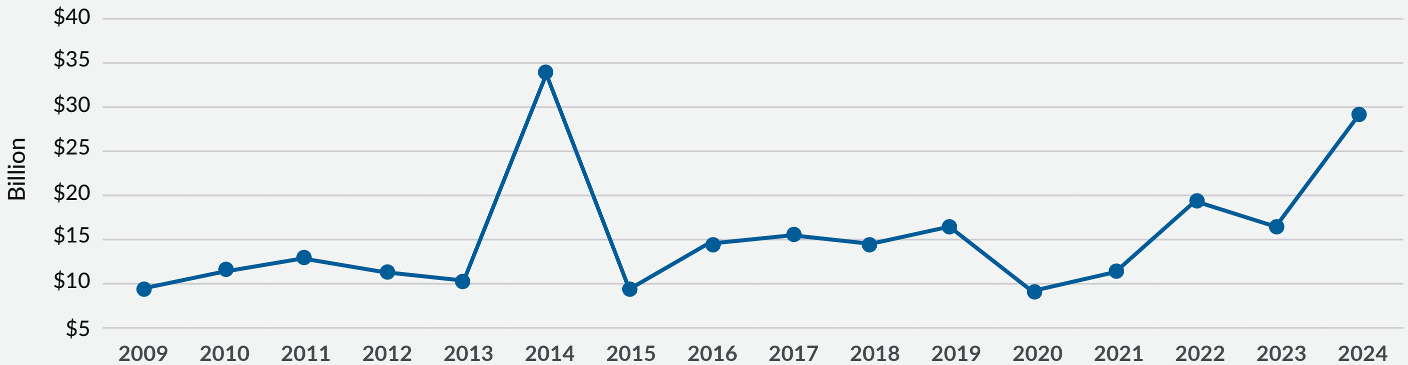
Third-party litigation funding, which allows outside investors, such as hedge funds and foreign government entities, to finance lawsuits in exchange for a portion of any settlement or verdict, is contributing to social inflation and the frequency and size of nuclear verdicts (more than $10M), higher premiums, and reduced capacity by carrier.

According to a recent report from Marathon Strategies, in 2024, 135 lawsuits against a corporate defendant resulted in a nuclear verdict –a 52% increase over 2023. The total sum of these verdicts reached an eye-popping $31.3B a 116% increase over 2023. McGriff has compiled a detailed summary of key verdicts from 2020-25 you can find here.

Number of Corporate Nuclear Verdicts: 2009-2024



Sum of Corporate Nuclear Verdicts: 2009-2024



In addition, according to Swiss Re, litigation funding has increased U.S. liability claim amounts by 57% over the past decade. This has driven up premiums and caused insurers to become more cautious, especially in casualty lines such as General Liability, Umbrella, and Commercial Auto. Insurers are now scrutinizing underwriting more carefully, looking at 5 to ten years of loss history, and scaling back coverage limits in high-risk areas like large commercial fleets.

Risk Management Practices

Implementing effective risk management practices can help organizations minimize the likelihood and impact of high verdicts and settlements on their operations. Here are some steps you can take:

Enhance Your Risk Management and Claims Strategy

A large share of these massive verdicts stems from safety and corporate responsibility issues. Establishing and documenting robust risk management protocols demonstrates your organization's commitment to safety, ensuring procedures are rigorously applied, prioritized, and followed.

Proactively Review Open Claims

Regular assessments of open claims are vital in identifying outliers and volatile risks. Evaluate emerging trends and evolving threats that could lead to outsized jury awards, and ensure your insurance limits and retentions are sufficient to address present and future risks. If possible, look at options to settle to close the claim at a lower cost. Work with counsel to determine which claims can be settled and closed to minimize the potential of a high-severity judgment.

Maintain Consistent Communication with Insurers

Schedule regular discussions with your insurer and broker to review open claims, focusing on those with the highest risk potential. Effective communication fosters a shared understanding of the claims process and equips you with the insights to navigate complex cases.

Leverage Early Intervention Tactics

Collaborate with legal counsel to identify early intervention strategies to resolve claims efficiently. Where appropriate, consider pre-trial settlements and engage stakeholders to appoint experienced defense counsel tailored to the specific industry, legal domain, and jurisdiction involved.

Prepare Thoroughly for Litigation

For claims that cannot be resolved early, prepare diligently for defense and explore alternative dispute resolution methods, such as mediation or arbitration. These approaches often result in less volatile outcomes than jury trials, potentially mitigating the financial impact of a verdict.

Notify Insurers Early

When an incident could result in a nuclear verdict, promptly notify all insurers with relevant policies. Early notification ensures that insurers are engaged in the process from the outset, providing critical support and resources to address the claim effectively.

Property & Casualty

The Property & Casualty market still continues its overall improvement trajectory in the first quarter of 2025, with reported average increases slowing down in all but two lines of coverage, according to the most recent report by The Council of Insurance Agents & Brokers (CIAB). The report shows that premiums across all account sizes rose by an average of 4.2%, down from the 5.4% increase in Q4 2024, for the 29th consecutive quarter.

Increases for medium-size accounts saw an average increase in Q1 of 3.7%, a 42% decrease from Q4's recorded 6.4% increase. Large-account increases were down to an average of 5.3% from 6.3%, while small accounts stayed steady at an average increase of 3.6% in Q4 2024 and Q1 2025.

Average Commercial Premium Increases

By Account Size	Small	Medium	Large	Average
First Quarter 2025	3.6%	3.7%	5.3%	4.2%
Fourth Quarter 2024	3.6%	6.40%	6.3%	5.4%
Third Quarter 2024	4.4%	5.6%	5.3%	5.1%
Second Quarter 2024	5.0%	5.1%	5.4%	5.2%
First Quarter 2024	7.3%	8.5%	7.3%	7.7%
High	20.8%	31.7%	33.0%	28.5%
High Date	4Q01	4Q01	4Q01	
Low	-10.0%	-15.0%	-15.9%	-13.6%
Low Date	1Q08	3Q07	3Q07	

Source: CIAB

Workers' Compensation fell the most this quarter, by an average of 2.6%. Cyber Liability had an average decrease of 2.1%. Directors & Officers (D&O) Liability premiums decreased by 1.7%, and Employment Practices Liability and Terrorism insurance fell by an average of 0.4%, according to the CIAB.

Driven by social inflation, the two outliers were Commercial Auto and Umbrella insurance, with the highest average premium increases out of all lines this quarter, at an average of 10.4% and 9.5%, respectively.

By-Line First Quarter 2025 Premium Changes Ranged From -2.6% to +10.4%

	Commercial Auto	Workers' Comp	Commercial Property	General Liability	Umbrella	Average
First Quarter 2025	10.4%	-2.6%	2.9%	4.2%	9.5%	4.9%
Fourth Quarter 2024	8.9%	-1.8%	6.0%	5.3%	8.7%	5.4%
Third Quarter 2024	8.5%	-1.4%	7.9%	4.8%	8.6%	5.7%
Second Quarter 2024	9.0%	-2.2%	8.9%	5.1%	7.2%	5.6%
First Quarter 2024	9.8%	-1.8%	10.1%	4.1%	7.0%	5.8%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source: CIAB

Premium Changes in Other Lines

	1Q25	High	Low
Broker E&O	0.3%	15.4%	-4.5%
Business Interruption	1.2%	28.8%	-10.2%
Construction	3.0%	38.7%	-10.7%
Cyber	-2.1%	34.3%	-2.1%
D&O Liability	-1.7%	32.4%	-8.7%
Employment Practices	-0.4%	21.9%	-8.1%
Flood	0.7%	8.6%	-2.7%
Marine	1.1%	4.5%	-10.6%
Medical Malpractice	1.8%	32.5%	-4.1%
Surety Bonds	0.3%	11.2%	-2.3%
Terrorism	-0.4%	10.4%	-3.6%

Source: CIAB

Commercial Property

Average premium increases for Commercial Property in Q1 2025 continued to decelerate at 2.9%, heavily subsidized by the soft shared and layered marketplace.

Commercial General Liability

General Liability premium increases averaged 4.2% in Q1 2025, slightly lower than Q4 2024, according to the CIAB. However, certain industry classes continue to see higher rates, including Real Estate, Habitational, Hospitality, Senior Care, and Public Entities, due to increased litigation, higher claims costs, and larger verdicts.

Commercial Automobile

Premium increases for Commercial Auto averaged 10.4% in Q1 2025. The market faces ongoing challenges and continued rate increases, particularly for transportation businesses and smaller accounts. Factors like rising claims frequency, higher loss severity, and social inflation contribute to these market dynamics.

Commercial Umbrella

According to the CIAB report, the Commercial Umbrella and Excess market experienced an average premium increase of 9.5% in Q1 2025, higher than the last two quarters.

However, certain classes of business, like Habitational and those with adverse loss development, are seeing even higher increases, anywhere from 50% to 150%. Insurers also continue to limit capacity. Only three years ago, $25M limits were the norm. Now, these same carriers are limiting capacity to $5M to $15M at the exact cost of the previous higher limits.

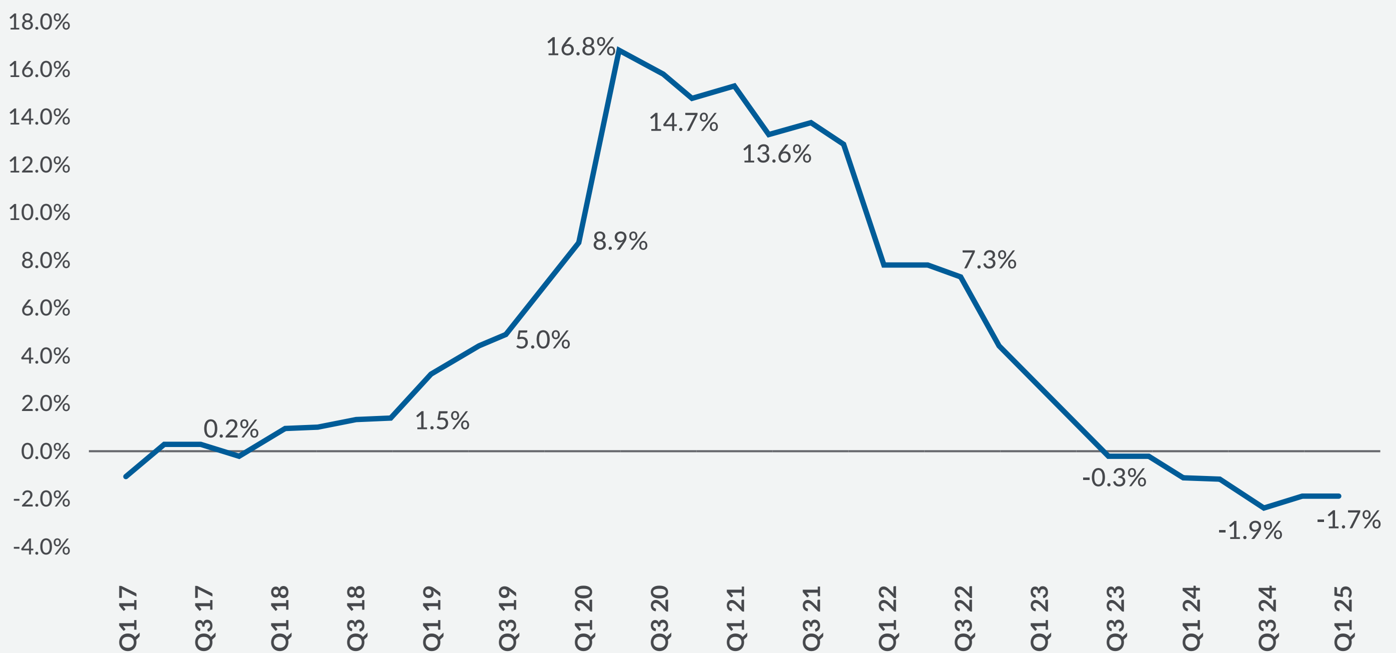
Workers' Compensation

Workers' Compensation insurance continues the trend of incremental decreases, falling the most in Q1 2025, by an average of 2.65%. Considering the increase in medical costs, how long this trend will continue remains to be seen.

Directors & Officers (D&O)

Fresh capacity and competition kept D&O premiums low at an average of 1.7% for Q1 2025. According to the CIAB, this was the fifth consecutive quarter of premium decreases for D&O insurance.

Premium Change for D&O, 2017 - Q1 2025



Source: CIAB

Cyber Liability

Cyber had an average premium decrease of 2.1% even though claims persist.

Employee Benefits

The Employee Benefits landscape is transforming, with technology, demographic shifts, healthcare innovation, and economic pressure shaping today's market and tomorrow's solutions.

The Rise of Technology and AI in Healthcare

The most powerful shift underway in Employee Benefits is the integration of artificial intelligence (AI) and wearable technology into both health management and plan administration. From smartwatches to continuous glucose monitors, consumers are using digital health tools to understand and manage their health in real time and integrating them with healthcare platforms and wellness strategies.

For example, as of March 2023, [about 2.4M people in the United States are utilizing continuous glucose monitors (CGMs)]() not only for diabetes management but also to track how different foods affect their metabolism. The insight from CGMs is leading to behavioral changes and, in some cases, weight loss without medication.

Employers and benefit providers are paying attention. These tools not only empower patients but also allow providers to monitor health conditions remotely, potentially reducing hospital visits and long-term complications.

At the same time, AI is revolutionizing care delivery. Consumers use platforms to self-triage symptoms, while hospital administrators leverage AI to model costs and optimize care strategies. Physicians are increasingly supported by machine learning tools that assist in diagnostics and treatment planning, enhancing speed and accuracy.

The Rise of Virtual Care and Digital Portals

The rise of telemedicine and digital patient portals continues to transform healthcare access. While these technologies existed before the pandemic, COVID-19 acted as a catalyst to modernize care. Patients can access lab results, treatment instructions, and medical records from their phones. This convenience is raising expectations for seamless, consumer-grade healthcare experiences.

This consumer-centric model also introduces a more collaborative approach to care, where patients are becoming more engaged in managing their health with tools that offer real-time feedback and learning.

Demographic Shifts and Increased Utilization

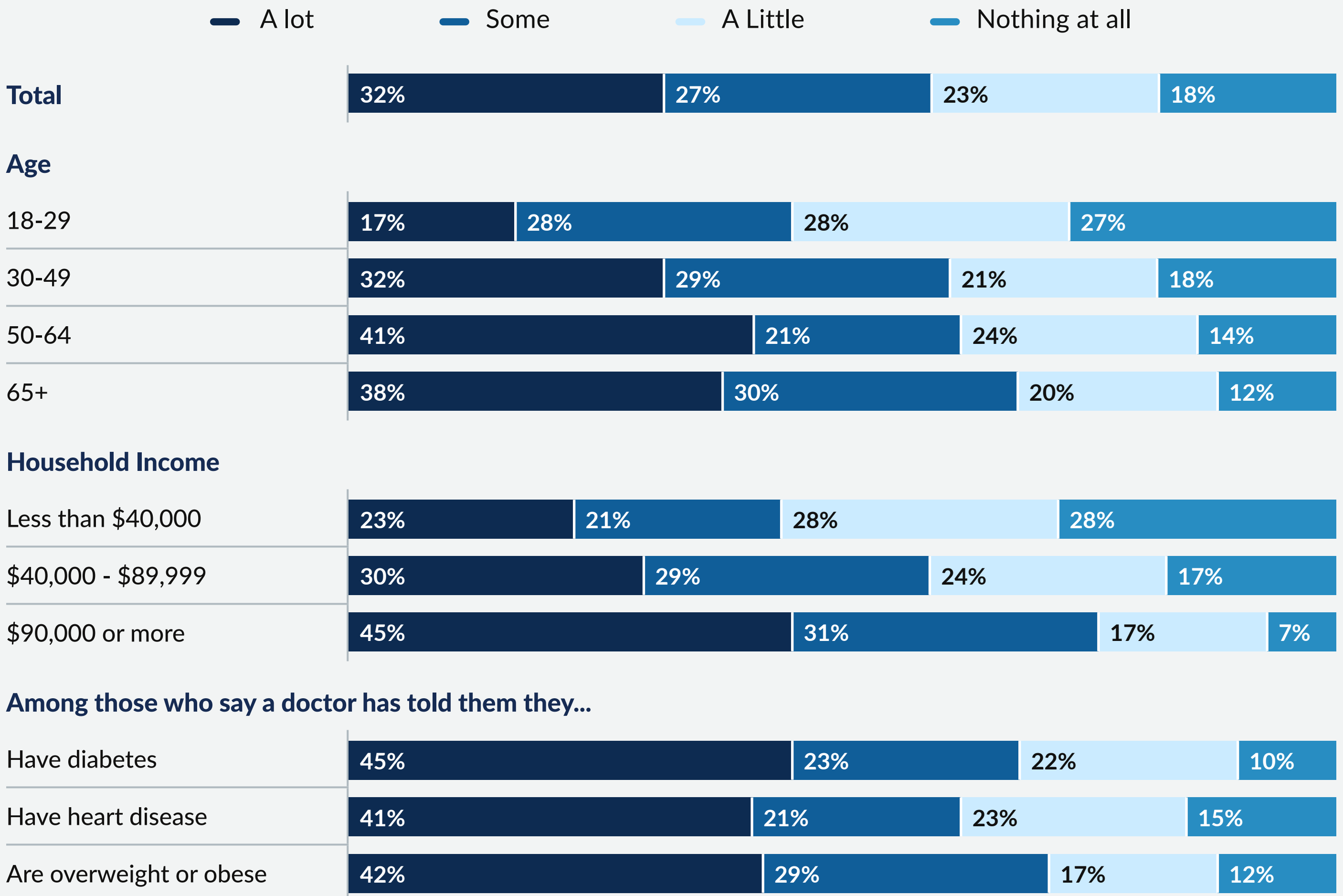
Beyond technology, demographics are another key driver. The U.S. population is aging rapidly, with more people entering retirement and needing increasingly more frequent and intensive care. Even shifts like the average age of childbirth rising into the 30s (from the 20s) bring changes in utilization and coverage needs.

At the same time, there is lingering fallout from the COVID-19 pandemic. As we discussed in our previous update, many people delayed care. Now there's a boost in utilization. Yet healthcare costs continue to rise even as overall usage hasn't fully rebounded to pre-pandemic levels, an imbalance that presents challenges for both insurers and plan sponsors.

Obesity, Wellness, and the GLP-1 Revolution

One of the most significant developments is the surge in interest surrounding GLP-1 medications—drugs like Ozempic and Trulicity, originally approved for type 2 diabetes but now widely used to support weight loss and treat chronic inflammation.

A KFF Health Tracking Poll in 2024 shows that public awareness of GLP-1 drugs has increased year over year, with about one-third (32%) of adults saying they have heard “a lot” about these drugs, up from 19% in July 2023. Moreover, most adults who have taken GLP-1 drugs say they took them to treat a chronic condition, including diabetes or heart disease (62%), while about four in 10 say they took them primarily to lose weight.



[UBS estimates](#) that 40 million people will be on GLP-1s by 2029, 44% of whom will be in the U.S.

These medications have also shown results beyond their initial purpose, including helping people manage symptoms of autoimmune conditions, reduce inflammation, and improve overall quality of life. Many employers are weighing the cost-benefit equation: while these drugs are costly, they can potentially reduce future claims by preventing complications related to obesity and diabetes, such as vision loss or amputations.

As their usage grows, benefit administrators grapple with whether to cover GLP-1s for weight loss and limit access to those with specific medical diagnoses and how to balance cost with potential improvements in presenteeism and productivity.

This debate highlights a broader reality: employers are increasingly involved in decisions that affect long-term population health, not just short-term plan costs.

The Opioid Alternative for Pain Management

The FDA recently approved the first non-opioid prescription medication to treat moderate to severe acute pain in adults. This could be a game-changer in the U.S.

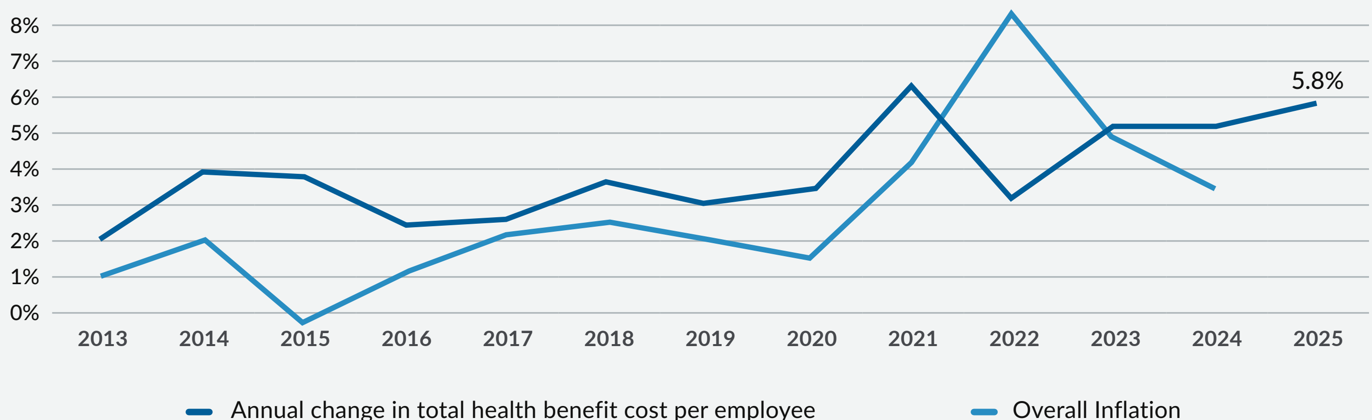
Historically, pain management relied heavily on addictive drugs. The new alternative, called Journavx, marks a shift in focus toward safer, non-addictive options that may soon be covered in employer-sponsored plans. According to the FDA, Journavx reduces pain by targeting a pain-signaling pathway involving sodium channels in the peripheral nervous system before pain signals reach the brain.

Non-opioid treatments could potentially reshape pharmacy benefits design and reduce long-term health risks for plan members.

The Cost of Healthcare Continues to Rise

Beneath all these trends lies a persistent and growing concern: cost. Healthcare continues to get more expensive due to advanced treatments, aging populations, inflation, and the growing use of specialty drugs. Mercer predicted the total health benefit cost per employee for 2025 to rise 5.8% on average, even with planned cost-reduction measures. Employers expect health benefit cost per employee to rise 5.8% in 2025 (after making any changes to current plans).

Change in Total Health Benefit Cost Per Employee Compared to CPI



Source: Mercer

While technology and innovation offer hope, they also come with price tags. Employers must balance the desire to offer best-in-class benefits with maintaining fiscal responsibility.

A More Collaborative Future

More than ever, employees are participating in their care, using digital tools, AI interfaces, and real-time data to make informed decisions. Physicians, once the sole authority, are becoming collaborators.

This cultural change will likely accelerate as AI-enhanced interfaces give consumers access to answers. They won't be treating themselves but will demand smarter, faster, and more personalized healthcare.

For employers, the changing landscape requires thoughtful plan design, data-driven decision-making, and a willingness to evolve.

Market Update by Industry Sector and Coverages

Auto Dealers

The Auto Dealer insurance market is in a transitional phase heading into mid-2025, with several key issues shaping the landscape.

Property Insurance

Property rates have softened slightly compared to last year. While rates have come down, many carriers offset the decreases by increasing property valuations to align with replacement costs, leaving the overall premium impact relatively flat for many dealers.

Aggressively marketing accounts during renewals enables us to find more favorable terms and pricing for dealers.

Liability Insurance

Auto Liability/General Liability

Auto Liability rates are climbing, with increases ranging from 15% to 40% depending on the account. Lingering claims and a more aggressive plaintiff bar are driving the increases. Claims that initially appeared manageable are being closed for substantially higher amounts, which is contributing to the upward pressure on rates.

General Liability insurance, often bundled with Auto Liability in Auto Dealer programs, is also experiencing pressure due to this environment.

Excess Liability

Excess Liability insurance follows the same trend as primary Auto Liability, with carriers pushing for higher premiums in response to large settlements and prolonged claim closures.

Cyber Liability

The aftermath of the CDK Global cyber incident is starting to unfold. Claims are being paid, and while renewal impacts have not yet been fully felt, there is concern that pricing could rise depending on how insurers attempt to recoup losses. There is uncertainty about whether these losses will be subrogated back to CDK or absorbed by the broader market. CDK, a software-as-a-service platform for auto dealership operations, was the target of a massive cyberattack, impacting about 15,000 auto dealerships nationwide.

Inventory Levels and Loaner Vehicles

Inventory issues that plagued dealers over the past few years have largely normalized. Early 2025 saw some fluctuations, but vehicle inventories are now back to more manageable levels, reducing the concerns over increased exposures for loaner and lot vehicles.

Electric Vehicles (EVs)

EV-related risks have diminished. Dealers have adapted to the initial challenges, and EV risk is no longer a major point of focus. However, it remains crucial for dealers to stay vigilant and prepared for any shifts in EV adoption rates and associated liabilities.

Loss Control and Risk Management

Given rising claims costs and tighter margins, dealers are encouraged to invest in proactive loss control measures. Hiring a dedicated loss control specialist at the dealership level is strongly recommended. Many dealers, running lean operations with CFOs and controllers managing multiple roles, could benefit from a dedicated risk professional to help manage claims, improve communication between dealers, brokers, and insurers, and ultimately lower their insurance costs.

The Impact of Tariffs on the Industry

The potential impact of new tariffs is a growing concern. Although the situation remains fluid, early estimates suggest tariffs could drive up sticker prices by several thousand dollars per vehicle, reducing sales and adding pressure on dealer profitability. In the meantime, according to CarGurus, dealers and automakers have reported brisk sales as individuals rushed to purchase vehicles before the tariffs took effect. The average time that a vehicle spent on the lot fell from 77 days at the end of January to fewer than 50 days at the beginning of April.

While every manufacturer handles the situation differently, the overall sentiment is cautious as the industry waits to see how this plays out.

Looking Ahead

The current environment feels like a “calm before the storm.” Dealers are in a holding pattern, waiting to see how tariff developments, hurricane season, and broader economic changes will unfold over the next three to six months. Being proactive with insurance planning and loss control efforts will be critical in navigating what could be a more challenging second half of the year.

Aviation

The Aviation insurance market is experiencing a soft environment driven by increased global capacity, insurers competing for market share, and favorable reinsurance renewals. Emerging pressures such as tariffs, supply chain disruptions, and workforce challenges bring some uncertainty to the future. The impact of technological advancements like AI and electric aircraft on operations and risk management are ongoing factors to watch in the industry. Insurers remain focused on safety and risk differentiation despite the softening market conditions.

The Aviation insurance market continues its positive direction for buyers, driven by an ongoing increase in capacity and a growing appetite from carriers universally. This favorable environment has reduced premiums across the industry, with many sectors experiencing declines in the single to double digits. General Aviation sectors with favorable loss experience and robust safety initiatives are witnessing the most significant rate reductions, while aerospace, agriculture, and business aviation are seeing more modest single-digit decreases.

Carriers are actively seeking additional participation and are eager to pursue revenue opportunities. Appetite and competition have increased both domestically and internationally. The London market remains highly competitive, offering ample capacity for utility rotor-wing operators, with an increased appetite for passenger exposures, including in the tour sector.

Notably, there is robust availability of excess capacity for limits of $25M or less. This excess capacity, combined with layering strategies, often enables buyers to secure broader coverage at attractive pricing, further enhancing the overall appeal of the current market landscape.

In today's evolving Aviation insurance market, it is crucial to engage a broker who is capable and well-versed in navigating current conditions to effectively capitalize on increased carrier capacity through strategic quota-share arrangements and layering policies, ultimately achieving the best possible results for your needs.

Emerging Pressures & Trends

Tariffs and Uncertainty

The potential impact of tariffs is a significant concern in the Aviation industry, particularly regarding engine manufacturing and the production of critical parts that rely on global partnerships. Disruptions in international supply chains could have long-lasting effects on aircraft maintenance, leading to increased parts costs and extended timelines. These challenges raise broader questions about the sustainability of long-term aviation operations and the associated insurance coverage exposures.

Supply chain issues remain a pressing concern, exacerbated by global disruptions, material shortages, and procurement inefficiencies. While aircraft values have stabilized after the volatility experienced during the COVID-19 pandemic, clients are encouraged to remain vigilant in assessing their asset values. Factors such as inflation, rising repair costs, and prolonged repair timelines must be taken into account. Additionally, the anticipated impact of tariffs on parts costs and the global supply chain is expected to further drive up aircraft values, necessitating careful consideration and proactive management.

Innovation and Infrastructure

The Aviation industry is witnessing significant advancements through emerging technologies, including Electric and Hybrid Aircraft, Urban Air Mobility (UAM)/Electric Vertical Takeoff and Landing (eVTOL) aircraft, Autonomous Flight, Advanced Materials, Sustainable Aviation Fuels (SAF), and Advanced Air Traffic Management Systems.

While these innovations promise to enhance efficiency, sustainability, and safety in air transportation, this growth brings new risks, necessitating that insurers remain vigilant regarding regulatory developments and compliance with changing standards. Collaboration among industry stakeholders—including insurers, regulators, manufacturers, operators, and brokers—is essential to effectively manage these technologies' insurance implications.

Infrastructure limitations also impact the speed at which the industry can fully embrace innovation. Support systems are not yet fully in place to match current ambitions. Many U.S. airports are undergoing large-scale renovations to support evolving technologies such as electric and hybrid aircraft. However, infrastructure investment hasn't kept pace with innovation, especially in remote areas like Alaska, where the rollout of sustainable aviation fuel (SAF) infrastructure is lagging.

Pilot Training

The demand for initial and recurrent pilot training slots at aviation facilities has surged. Securing a training slot has become increasingly competitive and challenging. Factors contributing to this scarcity include a limited number of available qualified instructors, the high costs associated with training, and the growing number of aspiring pilots seeking certification. Additionally, the ongoing backlog in training due to previous disruptions has exacerbated the situation, leaving many operators waiting months for an opening and necessitating advance planning.

Considering these challenges, underwriters have shown a degree of understanding regarding the delays in pilot training. They generally agree to providing annual training extensions, recognizing the current market conditions. However, it is crucial for aviation operators to collaborate closely with their brokers and insurance carriers to obtain the necessary approvals for these extensions.

Failure to do so could inadvertently void coverage under pilot warranty agreements, potentially exposing operators to significant risks. As the industry navigates these complexities, proactive communication with brokers and underwriters will be essential to ensure compliance and maintain coverage during this transitional period.

Workforce Challenges

The Aviation industry continues to face workforce challenges, particularly a shortage of skilled technicians, which poses a risk to maintenance operations. This scarcity leads to extended turnaround times, rising costs, and an increased backlog of maintenance tasks. In response to these staffing shortages and the diminishing pool of experienced mechanics due to an aging workforce, many operators are investing in developing in-house training programs. These initiatives aim to cultivate a new generation of skilled technicians, ensuring that the industry can meet its maintenance demands and sustain operational reliability in the face of ongoing labor challenges.

AI and Aviation

Integrating artificial intelligence (AI) into the Aviation sector is revolutionizing various aspects of operations, particularly maintenance and safety management. Modern aviation maintenance is increasingly characterized by real-time, data-driven decision-making, allowing operators to enhance reliability and reduce downtime. This shift from reactive to proactive maintenance is a game-changer, as it enables the industry to anticipate issues before they escalate, thereby improving overall operational efficiency.

AI's role in aviation safety and risk management is becoming more pronounced. Current applications of AI technology can predict maintenance needs, streamline operations, enhance safety protocols, and provide real-time feedback. This capability extends to environmental monitoring, where AI can forecast natural disasters such as hailstorms and hurricanes, allowing for preemptive measures to relocate aircraft and mitigate damage.

From an insurance perspective, the implications of AI are significant. Insurers are leveraging AI to refine their risk assessment processes, gaining enhanced access to data and uncovering patterns that traditional methods may overlook. As the adoption of AI technologies continues to grow, the Aviation insurance industry is likely to see a transformation in its approach to loss prevention and operational efficiency.

However, the effectiveness of AI tools, including machine learning and natural language processing, hinges on their successful integration into existing workflows. Organizations that excel in this integration will not only improve reliability and efficiency but also position themselves as leaders in the industry's evolving landscape. As the sector embraces these advancements, the potential for AI to reshape risk evaluation and management practices becomes increasingly apparent, paving the way for a more resilient Aviation industry.

Hull & War Market

While geopolitical tensions remain, the impact on the Hull and War market has diminished significantly, with open court cases expected to reach a resolution later this year. The market has stabilized, driven by the influx of new capacity from participants not exposed to existing claims. These new players are bringing fresh capital and competitive pricing, helping normalize terms after a period of volatility.

Claims Activity

The aviation industry has steadily increased claim costs due to various factors, including rising repair expenses, legal costs, and regulatory changes. Recent notable incidents underscore insurers' ongoing challenges and have prompted carriers to stay disciplined on risk selection. While details remain fluid, serious U.S. aviation losses in the first quarter of 2025 are outlined below:

- On January 29, 2025, a Bombardier CRJ700 and a U.S. Army Sikorsky UH-60 Black Hawk collided as the CRJ was on final approach to runway 33 at Ronald Reagan Washington National Airport (DCA), killing 64 passengers and crew on the CRJ and three passengers and crew on the Black Hawk. While the investigation is ongoing, the NTSB issued two urgent safety recommendations to the FAA regarding flight traffic decongestion, as there have been numerous near midair collisions involving military and commercial aircraft. The investigation has revealed that the Black Hawk was flying higher than the recommended altitude when the crash occurred.

- On January 31, 2025, a Learjet 55 crashed in a Philadelphia neighborhood shortly after takeoff, killing six passengers and crew and one person on the ground. Operating as a medevac flight, it was headed to Springfield-Branson National Airport with a final destination at Tijuana International Airport. The cause of the crash is under investigation. According to reports, the cockpit voice recorder did not record the flight and was likely inoperable for years. Both engines and the enhanced ground proximity warning system are being inspected at the NTSB lab in Washington, D.C.
- On February 6, 2025, a Cessna 208B Grand Caravan EX crashed over the Norton Sound in the Bering Sea, killing all nine passengers and crew. The cause of the crash is under investigation. There was a winter storm at the destination airport in Nome, Alaska. The pilot reported to ANC ATC that he would begin a holding pattern while the runway was being cleared. Icing on the wings and tail was discovered on the aircraft. The aircraft's gross weight was 1,058 pounds over the limit for icing conditions.
- On February 17, 2025, a Bombardier CRJ900 experienced a hard landing at the Toronto Pearson International Airport, which caused the landing gear to collapse and the aircraft to overturn on the runway. All 80 passengers and crew survived the crash, although there were 21 reported injuries.
- On March 10, 2025, an Airbus EC 135 P2+, operating as an air medical flight, crashed near Canton, MS. The cause of the crash is under investigation. A witness reported that he heard a "boom" or "explosion," after which the aircraft was "coasting and descending at a pretty good rate." The witness did not see any smoke or fire coming from the helicopter. During the descent, the flight nurse transmitted over the radio to UMMC MED-COM, "We've got a major problem. We are having an emergency landing in the field right now. Ops are not good. Controls are giving us a lot of trouble. Coming in fast." This was the last transmission from the crew. There was a post-crash fire, which prevented investigators from testing the helicopter's systems functionality.

In response to rising claim costs, the Aviation insurance sector is emphasizing safety initiatives more. Insurers are offering incentives to encourage policyholders to adopt and uphold high safety standards through robust Safety Management Systems and updated Emergency Response Plans that are routinely reviewed for accuracy. Insurers look favorably upon operators participating in structured voluntary safety programs such as ISBAO or BASC.

It is essential to partner with a broker and carrier that can deliver a comprehensive array of valuable and relevant resources. At McGriff, we are dedicated to enhancing crisis preparedness and response by equipping our clients with tailored tools and resources. These include Safety & Loss Control Services, Emergency Response Plan development, tabletop exercises and drills, web-based training, brochures, checklists, podcasts, videos, and access to crisis vendors. Our commitment to providing customized services, proactive risk management strategies, and effective claims advocacy can make a significant difference before and after an incident.

Looking Ahead

The commercial Aviation insurance market is expected to remain soft in 2025, with insurers competing for market share and premium across various business segments. Despite recent loss events, market capacity and appetite continue to strengthen, leading to favorable rates and terms for policyholders.

In the general Aviation sector, underwriters are looking to expand their market share, which is driving growth in capacity and availability of higher liability limits. However, underwriters and reinsurers will closely monitor trailing two-year loss data, and if profitability weakens, pressure to firm rates will follow.

In the meantime, insurers are expected to remain competitive to retain business, although selective underwriting and safety metrics will continue to guide placement decisions.

Strategic planning and collaboration with an innovative broker will be essential for capitalizing on opportunities in this dynamic environment. Given the uncertainties of the global landscape, we remain cautiously optimistic about the aviation insurance market's ongoing positive developments.

Construction

The U.S. Construction industry in early 2025 faces a mixed insurance landscape defined by stabilizing rates in some lines and continued pressure in others. The Contractor engagement with brokers remains paramount to battle the increased rates that is largely driven by the rising nuclear verdicts. Contractors are needing to prioritize employee retention investment in safety training and adoption of new technology.

High-risk construction groups remain an outlier to the trends and are facing significant rate hikes and limited capacity. For these contractors the need to explore captive and alternative risk solutions is key to managing their total cost of risk, allowing them to be competitive.

Commercial Auto

The Commercial Auto segment remains one of the most challenging lines for insurers to achieve profitable underwriting ratios. Ongoing claim development continues to outpace collected premiums, significantly affecting the competitiveness of market rates. As a result, Commercial Auto is experiencing sustained pricing pressure, with renewal increases in the first quarter ranging from 5% to 15%. This trend is driven by several factors, including high loss severity, social inflation, a shortage of qualified drivers, and escalating repair costs.

Capacity in this market is constrained, prompting carriers to adopt more stringent measures. Insurers are increasingly raising deductibles, closely scrutinizing driving histories, and assessing the implementation of training programs and telematics solutions to mitigate risk.

General Liability

The Construction industry is under increased scrutiny from the insurance marketplace, driven by elevated risk exposure and a heightened potential for litigation. During the first quarter, rates for General Liability saw increases ranging from 5% to 10%. This upward trend can be attributed to several factors, including ongoing social and economic inflation, a rise in nuclear verdicts, and a post-pandemic surge in cases within the court system. Additionally, emerging risks related to per- and polyfluoroalkyl substances (PFAS), labor shortages resulting in the hiring of unskilled workers, and the adoption of innovative building methods aimed at enhancing sustainability are contributing to the evolving risk landscape. As a result, insurers are reassessing their approaches to underwriting in this sector.

Umbrella & Excess Liability

The Umbrella and Excess Liability markets continue to harden, with rate increases ranging from 10% to 15%. Insurers are exercising heightened scrutiny regarding attachment points, driven by ongoing concerns over nuclear verdicts and the influence of litigation funding. As a result, the appetite among many Umbrella and Excess markets is diminishing, leading to reduced capacity layered throughout Excess Liability towers.

Litigation Trends

The rise of nuclear and thermonuclear verdicts—verdicts over $10M and $100M, respectively—continues to influence Excess pricing and lead Umbrella decisions. In 2024, the median nuclear verdict increased to $51M, compared to $44M in 2023, according to Marathon Strategies. Top states for verdicts were Nevada, California, Pennsylvania, Texas, New York, Missouri, Delaware, Louisiana, Illinois, and Florida.

Construction - U.S. Sample of Large Losses

Date of Loss	Loss Details	Incurred Amount
2023	Crane improperly set leading to woman's death.	$860M
2022	Spinal injuries from worker who fell due to improperly placed temporary wooden staircase.	$48M
2020	Class action regarding power plant construction.	$87.5M
2018	Expansion of airport runway and related roadway construction caused flooding, loss of access and other damage to property.	$42M
2021	Mason suffered spinal injuries after falling from scaffolding.	$26.6M

2023 Loss Cost is excess of $700M with Median Contractor Limit Procured of $250M.

Source: Chubb Large Loss Report

Workers' Compensation

The Workers' Compensation market continues to demonstrate rate stability, with increases ranging from 0% to 5% and consistent capacity available. This stability is largely attributed to a reduction in claims frequency and favorable loss development. However, rising medical costs remain a significant concern, as they could influence pricing dynamics in the future.

Additionally, wage inflation, which has been on the rise in the aftermath of the COVID-19 pandemic, may lead to upward pressure on rates in certain markets.

Key factors that will shape the future of Workers' Compensation rates include a strong focus on risk control and safety measures, adequate staffing and training, and the insured's loss history. These elements are critical in managing risk and ensuring sustainable pricing in this sector.

Builder's Risk

Builder's Risk coverage remains widely available, but underwriting is more cautious for projects in catastrophe-prone areas, including those exposed to hurricanes, wildfires, and severe convective storms like tornadoes, hail, and straight-line winds. Projects with extended construction timelines also face closer scrutiny. Carriers are evaluating not just the individual project but also the contractor's overall activity in the region, including other jobs nearby. When multiple projects are concentrated in the same area, underwriters are more selective with capacity deployment and expect strong internal controls and risk management across the contractor's portfolio.

Pricing is generally stable but trending higher for large, long-duration builds. Delays tied to material availability and cost escalation are drawing closer attention to replacement cost valuations and project timelines.

LEG-3 Coverage

Still widely available in the London marketplace, LEG-3 coverage remains difficult to place consistently with U.S. carriers. The LEG-3 clause, offered through Builder's Risk policies, provides broader protection for construction projects by covering damage resulting from defective design, materials, or workmanship. While recent court rulings in 2023 and 2024 have reinforced its relevance, access to LEG-3 coverage is more feasible overseas than through domestic markets in the U.S.

Contractors Equipment

The Contractors Equipment Coverage market remains competitive and stable, especially for accounts with favorable loss experience. Underwriters are exhibiting flexibility for insureds who implement effective maintenance and theft prevention protocols. However, rates can be more volatile for insureds with poor loss histories, which may lead to profitability concerns for insurers. Demonstrating proactive risk management practices are essential for securing favorable terms in this segment.

Contractors Professional Liability

Delivery models increasingly impact Contractors Professional Liability coverage. Projects operating under lump-sum design-build agreements are scrutinized more, as underwriters remain cautious about risk misalignment and fixed-price commitments made before design completion. Progressive design-build models, which allow for collaboration and phased decision-making, are viewed more favorably and are often easier to underwrite. Design delegation, scope creep, and scope ambiguity remain core issues in this line of coverage.

Contractors Pollution Liability

Contractors Pollution Liability remains a relatively stable and well supported line of business in 2025. Underwriters continue to ask more questions about site dewatering, runoff, and subcontractor waste handling. There is also an emphasis on understanding environmental exposures related to fuel storage, mold, and dust generation.

Tariff and Supply Chain Impacts

The reintroduction of 25% U.S. steel and aluminum tariffs in March 2025 has immediately impacted contractor planning and insurance discussions. Steel plays a critical role in construction, from structural framing to rebar, and the tariffs will drive up costs and contribute to delays in material availability.

As a result, underwriters are taking a closer look at how insureds are managing supply chain risks, including material sourcing, escalation clauses, and delivery expectations. The ripple effect extends beyond pricing: higher construction costs could slow the pace of new developments, particularly in areas already facing housing shortages following recent natural disasters. Delays in securing key materials may also halt progress on active job sites, increase labor costs, and lead to budget overruns, all of which factor into how Builder's Risk underwriters assess exposure and deploy capacity.

Political and Regulatory Landscape

The shifting political climate is having ripple effects in construction. Federal infrastructure programs have been slowed by legislative gridlock, creating uncertainty in project pipelines. Public-private partnerships are also under more scrutiny, particularly with growing legal challenges to ESG and DEI initiatives attached to public funding. Contractors across multiple states are navigating inconsistent labor rules and compliance requirements, factors now influencing carrier appetite for public works and large-scale infrastructure projects.

Surety

The Surety market remains generally healthy heading into mid-2025. After experiencing an uptick in claim activity in 2024, the industry has seen improvement, with loss ratios improving to 15% from just over 22%. And, while the construction continues to be a strong sector, several emerging trends and risks require close attention.

The losses in the market, when they do materialize, are trending to a higher severity impact. This is driven primarily due to both inflationary factors as well as the high level of current backlogs and a limited labor pool. When a Surety does have to step in to complete work under a default, the number of takeover contractors to complete the obligation is much more limited than in the past. As a result, you are seeing an increase in the Surety just submitting a payment for the penal sum and walking away.

Additionally, headwinds are emerging tied to broader economic and geopolitical uncertainty, which is creating angst among developers. Inflation, interest rate volatility, and concerns about tariffs have led some private developers to delay or suspend projects. Higher interest rates and the threat of further increases due to new tariffs also pose a significant risk to continued growth.

Potential supply chain disruptions due to the tariffs could also result in longer lead times for materials and equipment. From a surety perspective, these disruptions can expose contractors to financial risks if contracts do not adequately account for price escalation, tariff changes, or supply delays, increasing the likelihood of project delays, defaults, and claims.

Impact of Inflation

The cumulative effect of several years of inflation is also straining contractor balance sheets. While project sizes and revenues have grown significantly, many contractors' balance sheets have not kept pace. This imbalance creates capacity challenges in the Surety market, as contractors may need more bonding support without the financial strength to justify it. On a positive note, as 2024 financial results come to light, we are seeing a favorable trend in the balance sheet growth or our clients and the balance sheets are beginning to catch up with revenue.

On the commercial side, the Surety market has experienced significant losses, particularly within the Oil and Gas sector. As a result, we are beginning to see Sureties pull back from these types of risks or completely exit certain sectors. That said, we are a long way from a "hard market" and for well-capitalized companies, capacity and support remains strong in the market.

Recommendations

It is important to remain diligent in your cash flow management processes to maintain a healthy operation. You should consider leaving more capital in the business to address the stresses of the potential impacts mentioned above. Excessive distributions could overstress the balance sheet and leave your company vulnerable in its ability to weather some of the challenges ahead. Contracts with project owners should specifically include escalation clauses and change-in-law provisions to allow for adjustments if tariffs, supply chain risks, or other unforeseen changes impact project costs and completion dates. Additionally, contractors should closely monitor the financial health of subcontractors, as balance sheet pressures are increasingly affecting subcontractor performance and payment reliability.

Looking Ahead

The Surety market overall remains in a solid position. With plenty of capital, there's potential for even more growth barring any geopolitical challenges. Contractors and developers will need to carefully manage contracts, supply chains, and finances to stay ahead in what remains a shifting landscape to ensure an appropriate balance of risk.

Cyber

The Cyber market continues to be stable so far in 2025. Customers in almost every industry class and across all revenue bands can purchase affordable Cyber insurance coverage with sufficient policy limits to address many of the foreseeable incidents their companies may encounter.

Cyber insurance market stability and favorable pricing in part is due largely to relatively strong loss ratios and competitive pressure from new market entrants, creating more options for cyber risk transfer. This trend is expected to continue for now despite ongoing ransomware incidents and more litigation against cyber policyholders alleging privacy violations related to website tracking technologies.

Business email compromise and social engineering incidents resulting in the theft of funds also continue to plague many companies, especially smaller businesses that may lack more robust authentication methods. Since Cyber policies can cover all of these threats as well as the first-party losses that accompany many attacks, we've seen no shortage of covered Cyber insurance claims. The good news is that Cyber insurers are setting premiums and achieving sufficient growth targets to cover developing losses, at least in the near term.

Ransomware Ups and Downs

According to a recent report from Chainalysis, extortion payments to threat actor groups dropped 35% in a 2024 year-over-year comparison. Much of this decline was attributed to a refusal to pay, even though the number of victim companies increased.

Experts such as Kivu Consulting Incident Response Director Dan Saunders report that approximately 30% of negotiations result in the victim paying an extortion demand.

Another contributing factor to the decline in ransom payments may be law enforcement action against major threat actor rings. The takeover of computer infrastructure used by criminals and the prosecution of certain LockBit and BlackCat associates have had a serious dampening effect on the threat actor community.

It is too early to tell if this downward trend in extortion payments will continue, or if we are in a season of threat actor retooling and reconstruction of their affiliate networks across their own criminal ecosystem.

Cyber insurance underwriters still expect companies of all sizes and operations to emphasize cyber security best practices, drill and plan for potential attacks, and take advantage of the network of approved vendors that brokers and insurers can recommend to help prevent, detect, defend, and recover from costly and disruptive cyberattacks.

> “Commenting on the research, Lizzie Cookson, Senior Director of Incident Response at ransomware recovery specialist Coveware, argued that improved cyber resiliency is enabling many victims to resist demands and explore multiple options to recover from an attack. ‘They may ultimately determine that a decryption tool is their best option and negotiate to reduce the final payment, but more often, they find that restoring from recent backups is the faster and more cost-effective path,’ she explained.” [1]

> “Cookson noted: “The current ransomware ecosystem is infused with a lot of newcomers who tend to focus efforts on the small to mid-size markets, which in turn are associated with more modest ransom demands.”[1]

> “Generally, these decisions are made based on the perceived value of data that's specifically been compromised,” Saunders said.[1]

The Most Consequential Hack of All Time?

A recent breach of large and small telecommunications companies across the U.S. may very well turn out to be the most momentous hack of all time. The Chinese-linked Salt Typhoon cyberespionage operation was a massive series of attacks to capture the metadata behind calls and messaging.

What we found particularly remarkable in our investigation is the gigantic and seemingly indiscriminate collection of call records and data about American people, like your friends, your family, people in your community," said Cynthia Kaiser, FBI Deputy Assistant Director in the bureau's cyber division, at the 2025 Zero Trust Summit in February. "The impact of the breach could last forever."[2]

Salt Typhoon could cast a long shadow, since the stolen data included call records on a huge swathe of Americans, including minors. How the Chinese plan to monetize or weaponize this type of information is unknown, but experts are concerned over this heightened "level of insidiousness from Beijing,"[2] as Kaiser characterized it. This reflects [Chinese] "ambition and reckless aggression in cyberspace."[2]

Originally, Salt Typhoon was suspected to be directed at high-level targets like U.S. politicians and executives of major corporations. But the fact that the attack cast such a wide net and the data could be used for a myriad of nefarious efforts means that the impact of this breach could last decades.

Besides U.S. Treasury Department sanctions in January on an alleged hacker and cybersecurity company with ties to a Chinese intelligence agency, we've yet to see the full U.S. government response to the Salt Typhoon hacks. But given the breadth of the attacks, it is plausible to expect an appropriate and proportionate response from the Trump administration.

This major breach could lead to future breaches or other targeted efforts to disrupt U.S. businesses or compromise the public trust. Given the hack's novelty and the vastness of the data collection, it's critical that corporate IT experts remain vigilant in protecting cyber resources and deploying layered security to insulate their companies from sophisticated attacks.

Developments in AI: Will it Influence the Cyber Insurance Market?

Artificial intelligence has been used in several cyber security methodologies as well as various forms of business analysis and risk modeling. While AI itself is not new, novel applications and the potential for broader use cases that can be scaled exponentially will change how data is harvested and digested for a myriad of purposes, both good and nefarious.

Machine learning, predictive analytics, and other AI methods have been in place for quite some time for business purposes as well as for endpoint detection and other observation tools that detect malicious code or other anomalous activity as part of robust cyber security. But what is meant for good can always be twisted to conduct cybercrimes, improve the believability of phishing campaigns, and scale attacks so that more victims can be ensnared with less effort.

Defining AI

To understand the good and bad that may come from increased dependency on AI models, it helps to understand the landscape. The following chart helps describe the types of AI methods and some of their distinguishing attributes.

Deep Learning AI	Generative AI
Uses artificial neural networks to recognize patterns and make decisions in a way that mimics the human brain. This type of AI tends to be reliable, efficient and highly accurate. An example would be using AI on mobile phones to quickly and reliably identify malware.	Creates brand new content based on the structure and pattern of existing data. This type includes ChatGPT and other image generators. These models can be predictive despite the error rate and "AI noise" or "AI hallucinations" (made-up answers) that might be present.
Massive AI Models	**Small AI Models**
Assists users in performing a wide range of tasks. They are trained on vast quantities of publicly available data. This model pulls volumes of data, which uses lots of energy and computing power. An example would include OpenAI.	Designed and built for a specific, focused use case. They are typically trained on proprietary data sets. These models distill the data to specific data sets and are not as resource-intensive. An example would be DeepSeek.

Cyber insurance underwriters have just recently amended policy language to address the increased adoption of new AI technologies. For the most part, these endorsements are designed to extend coverage in anticipation of these emerging use cases. Though we haven't seen markets exclude AI per se, many underwriters are asking the insured to explain how they're training employees in AI application usage and what guardrails they're using to ensure that non-public information remains confidential and protected from AI misuse.

Below are a few excerpts from two cyber markets that have amended specific definitions.

From Beazley:

Fraudulent Instruction means the transfer, payment or delivery of money or securities by, or on behalf of, an Insured as a result of fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions provided by a third party, including any fraudulent instructions resulting from the use of deep fake technology, synthetic media, or any other technology enabled by the use of artificial intelligence, that are intended to mislead an Insured through the misrepresentation of a material fact which is relied upon in good faith by such Insured.

From Coalition:

An AI security event means the failure of the security of computer systems caused by any artificial intelligence technology, including the use of machine learning or prompt injection exploits.

Artificial intelligence in and of itself is not a separate exposure, and its use is already so widespread that it cannot be carved out from insurable operational risk. But as more organizations adopt these technologies, it will be important to monitor any new loss developments.

As of now, AI can be largely characterized as teaching machines to perform autonomous functions without humans, but with expert eyes on inputs and outcomes, such that inaccuracies can be identified and dispensed with expeditiously so that bad data does not inform the large language model and perpetuate flawed assumptions.

Footnotes:

[1] Ransomware Payments Decline 35% as Victims Resist Demands - Infosecurity Magazine

[2] https://cyberscoop.com/salt-typhoon-telecom-breach-remarkable-for-its-indiscriminate-targeting-fbi-official-says/

Energy

The Power and Midstream market in the Energy insurance landscape in 2025 reflects a blend of opportunity and risk. While the Property market is softening and capacity is returning to several lines, large-loss activity and wildfire exposure continue to shape underwriting decisions. Carriers are more willing to write business but only for accounts with solid risk management practices, complete data, and a compelling story.

The Upstream Energy insurance market has shifted into a more favorable environment for buyers heading into mid-2025, particularly on the Property and Well Control side.

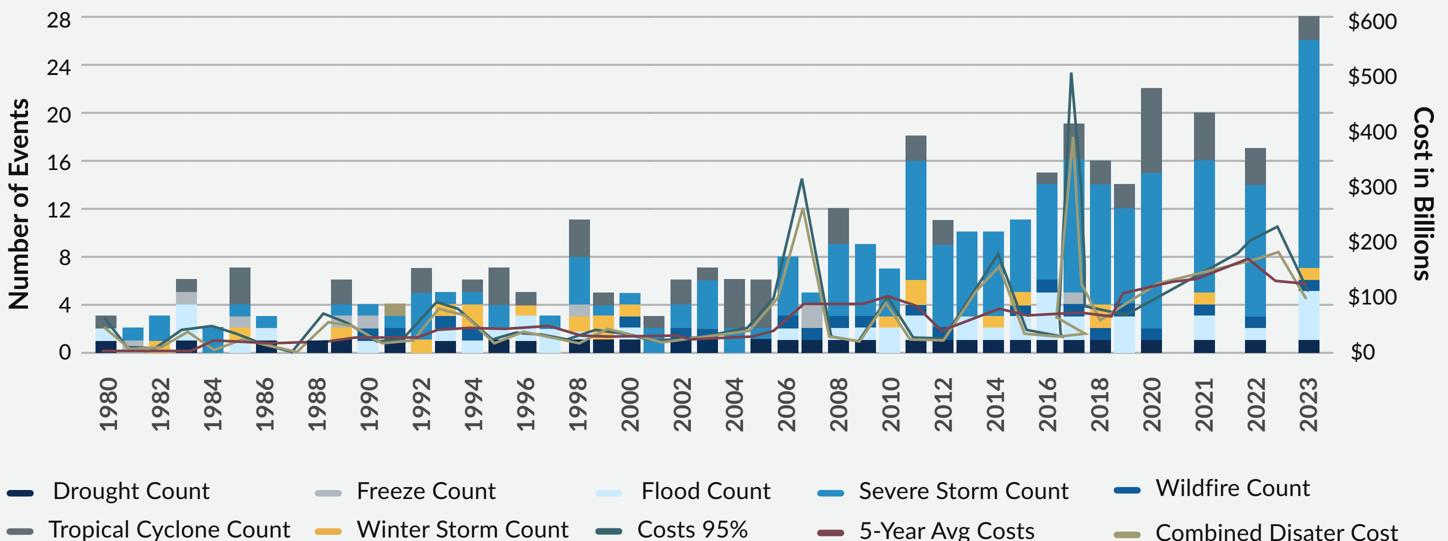
Power and Midstream

Property Insurance

The Property market for the Energy sector is broadly softening, particularly in London, where rate reductions of 7.5% to 15% are not uncommon. In the U.S., reductions are more modest—typically 2.5 to -10%, but competition is returning, especially for well-performing accounts. Accounts with poor loss history and/or recent large losses will have much less flexibility.

The favorable rate environment is largely driven by strong insurer performance and reinsurance treaty renewals, which saw meaningful reductions and increased appetite and capacity. However, headwinds remain. Insurers continue to experience significant high-severity losses. Already in 2025, there have been at least three major claims in the Power sector, each exceeding $100M. When combined with projections for an active hurricane season, these large losses are creating uncertainty about how long the current soft market conditions will last. While competition and capacity are strong, these underlying risks serve as a reminder that the market's stability could be tested in the months ahead.

U.S. Billion-Dollar Disaster Events 1980-2023 (CPI-Adjusted)



Source: NCEI/NOAA

Underwriters remain focused on asset valuation accuracy, and concerns persist over the upcoming hurricane season. Wildfires and weather-related losses, particularly convective storms, continue to drive scrutiny of sublimits and terms. "Soft CAT" risks, like hail and tornadoes, are a specific focus area, especially for renewable energy assets.

Carriers are also closely monitoring several macro headwinds that remain, including persistent economic and social inflation, high interest rates, the ongoing war in Ukraine and unrest in the Middle East, supply chain disruptions, climate change anxiety, and geopolitical instability. Additionally, while tariffs remain a topic of discussion, particularly regarding their potential to influence property valuations and claims, there is still considerable uncertainty regarding their actual impact. The situation is fluid and can change quickly, making it difficult to draw definitive conclusions at this time. The best course of action is to stay informed and work closely with service teams to monitor developments and adjust strategies as needed.

Excess Liability

The Liability market is stabilizing for non-wildfire exposures, with many carriers maintaining consistent capacity and moderate pricing. However, we are anticipating ongoing rate increases in 2025 and beyond as social inflation continues.

Liability coverage in wildfire-prone areas remains highly restricted, especially in Western states. The 2025 Los Angeles wildfires are expected to be among the most expensive insured disasters in U.S. history, surpassing even Hurricane Katrina, and have added further pressure to an already strained market following the Maui wildfires in 2023.

Wildfire capacity remains scarce, with mutual carriers instituting sublimits, which led to a significant hardening of the utility market and restructuring in Excess Liability towers in 2024. Commercial capacity outside of the mutuals remains restrictive, with carriers typically not offering more than $5M to $10M. Attachment points over General Liability and Auto lines are still a sticking point for Excess markets, as is pressure from reinsurance. Coverage concerns remain broadly unchanged from last year, including:

- Wildfire liability
- Climate change exclusions
- Cyber and failure-to-supply exposures
- Pollution and PFAS (per- and polyfluoroalkyl substances)

As underwriters review renewals, there's also heightened interest in public safety preparedness plans and vegetation management efforts, especially for utilities operating in wildfire-prone areas.

Renewables

The Renewables insurance market continues expanding despite challenges like technology shifts, valuation issues, and aggregate CAT exposure. Capacity is growing as new entrants join the market and traditional players reevaluate their appetite. Oversubscription is becoming more common, though higher retentions and larger self-insured layers are now expected for large-scale projects.

While project placement has become more feasible, policy wording has become increasingly nuanced. Underwriters are urging insureds to pay close attention to escalation clauses, basis of settlement terms, series loss definitions, and business interruption language, especially for wind and solar assets. "Construction projects with bound operational programs are again the norm, not the exception," noted one expert.

Main power transformer (MPT) delays and valuation challenges persist, and insurers remain watchful of potential losses from atypical large facilities. Yet the overall tone is cautious optimism: underwriters know losses will continue as investments in renewable infrastructure accelerate. However, they are responding with tailored solutions and improved pricing competition, particularly in the Excess & Surplus space.

Upstream

Reinsurance and Capacity

Despite concerns in late 2024 that reinsurers would push for rate increases and structural adjustments at the January renewals, the reinsurance market remained stable. The anticipated hardening did not materialize. As a result, windstorm capacity remains steady year over year, and non-wind risk Property markets have begun to soften due to ample capacity. Additional capacity has also entered the Liability market, contributing to improved insured conditions.

Property and Well Control

Upstream property and well control accounts benefit from a softening market, particularly those without recent losses. Clean accounts generally see renewal reductions ranging from 5% to 10%. Ample capacity continues to be available in the U.S. and London markets. Even with Travelers' previous exit from the oil and gas well control space, alternative markets have filled the gap without causing disruption.

Hurricane Impact

Hurricanes Helene and Milton, discussed last fall, did not impact the offshore energy sector. Offshore losses were minimal to nonexistent.

Upstream Casualty

The offshore General Liability and lead Excess market remains challenging, particularly for small to mid-sized accounts. The JH Blade facility, previously a significant source of affordable offshore capacity, collapsed again in January 2025. While a replacement facility is expected to provide quotes soon, pricing pressures remain.

- Smaller accounts, specifically those paying less than $75,000 in premium, are facing increases, sometimes doubling previous costs.
- Minimum premiums are expected to rise to $100,000–$150,000.
- Larger accounts already carrying significant premiums will be less impacted, though some cost adjustments are still expected.

Excess Casualty Outlook

Beyond the primary and lead layers, the Excess Casualty market benefits from added capacity, particularly from London. For placements over $25M in limits, competition is helping to stabilize pricing, with most accounts seeing flat renewals or modest increases of up to 5%.

Automobile Liability

Accounts with significant automobile exposure continue to face premium pressure. Auto Liability insurance, especially for fleets of over 250 units, remains challenging to place and is experiencing 20% to 30% rate increases. Nuclear verdicts are a primary driver of this trend. While a few states, including Florida, Georgia, and Texas, are beginning to explore tort reform, any measurable impact on insurance costs is still likely several years away.

Telematics is now considered best practice for insureds with vehicle fleets. Underwriters require in-person and/or phone-based loss control visits before quoting new or renewal accounts.

Political and Regulatory Environment

While the current administration has moved toward deregulation, the impact on the Upstream Energy insurance market has been minimal. Most regulatory changes under discussion, such as adjustments to financial assurance rules, affect Surety rather than general Property or Liability coverages. Broader political developments are closely monitored but have not yet influenced the core upstream market.

Environmental

The Environmental insurance market is an outlier in an otherwise challenging landscape. While many industries continue to experience rate pressure and capacity issues, the Environmental space remains favorable to insureds. However, this could shift if regulatory or claims trends worsen.

The Market Landscape

Rates

The Environmental insurance market remains stable and competitive heading into mid-2025, with ample carrier appetite across key lines such as Contractors Pollution Liability (CPL), Pollution Legal Liability (PLL), and transactional Environmental coverage. Rate increases in the Environmental insurance space are minimal, typically between 0% and 5%. For accounts actively marketed to multiple carriers, rates are often flat or improved with broader coverage terms.

Capacity

Capacity is readily available in the Environmental space, with new entrants continuing to emerge. A notable shift occurred last year when a large segment of Liberty's environmental team transitioned to Mosaic, bolstering Mosaic's position in the sector. Carriers are actively seeking business with well positioned risks.

Policy Structure Trends

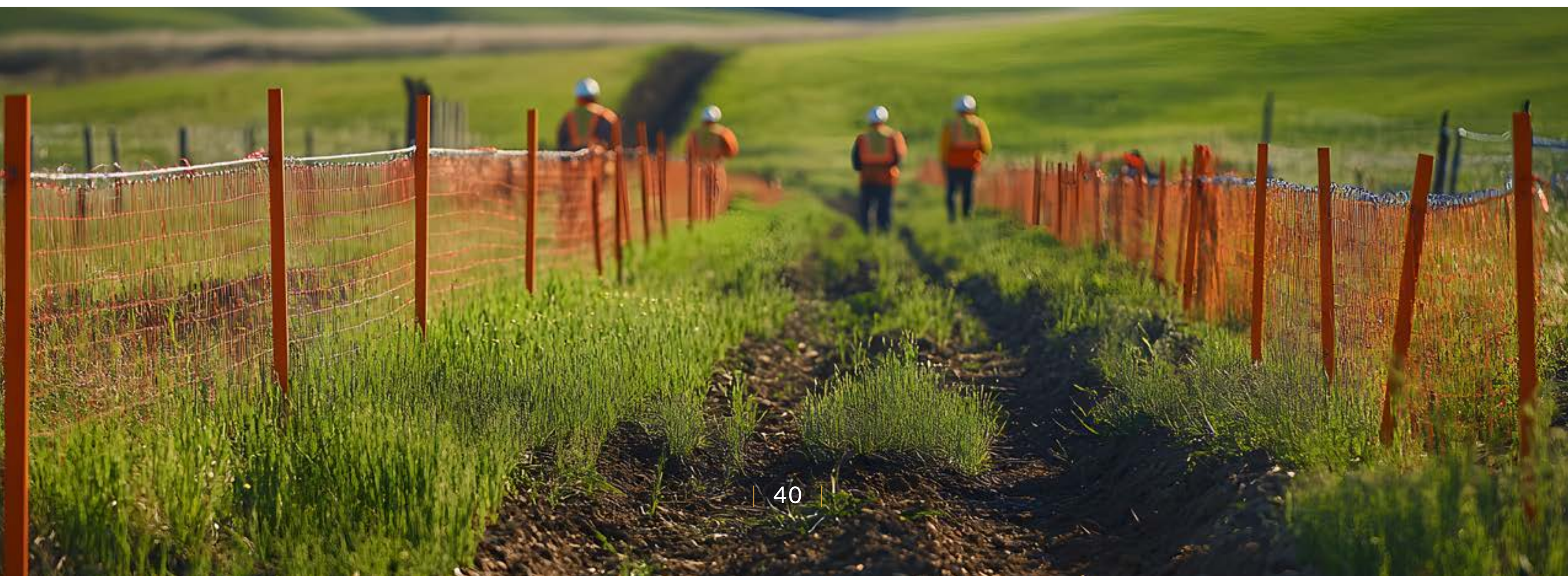
Environmental insurance policies often span multiple years: three to five years for operational policies and up to 10 years for coverage related to preexisting site conditions. This extended term makes policy timing critical. Clients should consider locking in favorable terms now, particularly during a regulatory climate that may be less restrictive under the current administration. With the potential of a more environmentally proactive administration in future election cycles, long-term coverage could prove beneficial, particularly for properties with known environmental concerns.

3-5 Years

Environmental insurance policies often span multiple years. Up to 10 years for coverage related to preexisting site conditions.

The less restrictive environment is also impacting carriers' approach to PFAS (per- and poly-fluoroalkyl substances), often referred to as "forever chemicals." Carriers have varied in how they address PFAS risks, including imposing full PFAS exclusions. Some were excluding cleanup costs but covering bodily injury or property damage. Some carriers were limiting PFAS protection with sublimits or coverage only for specific scenarios, like hostile fire use of firefighting foam. The extent of coverage available depends on the risk class, location, and history.

A full marketing of accounts should be done to maximize coverage. Environmental carriers are softening their position on PFAS, anticipating a possible rollback or restructuring of 2024 regulations. Carriers feel it could take years for the full impact to unfold, making the current one- to two-year window an ideal time for organizations to secure broader environmental coverage while favorable terms are still available.



Wildfire, Weather, and Environmental Liability

Disaster-related events remain a significant concern. Wildfires, floods, and subsequent pollution exposures, such as mold, contaminated-water runoff, and the spread of hazardous particulates, raise concerns among communities and municipalities. For example, in California, the devastating wildfires in January in Los Angeles have raised concerns about the fires' chemical contamination at local beaches and in coastal waters. In addition, right after the fires, several utilities declared their drinking water unsafe until extensive testing was performed. Pasadena Water and Power issued a "Do Not Drink" notice to about a third of its customers on the heels of the Eaton fire.

Although private entities may have Environmental endorsements on Property policies (often around $1M in coverage), utilities and public agencies may also be tapping their General Liability policies under "time element" Pollution coverage. Broader site-specific Environmental policies are occasionally purchased by utilities, especially those owning infrastructure like power plants and sites that have a history of contamination.

Transactional Activity & Regulatory Climate

Deal volume remains healthy in transactional Environmental coverage, although the time to close deals has lengthened. This is likely a reflection of broader economic and political uncertainty. While federal regulations may be softening under current leadership, individual states continue to maintain and enforce robust environmental standards. This uneven landscape reinforces the need for due diligence and long-term coverage strategies.

Artificial Intelligence in the Environmental Space

Artificial Intelligence (AI) is also beginning to shape the future of Environmental insurance underwriting and claims. Tools are emerging to assist in data sharing, analysis of environmental reports, risk modeling, regulatory compliance, claim outcomes, and other areas.

Flood

Flood insurance remains a critical component of risk management in the face of continued extreme weather events. Despite heightened awareness following major storms like Hurricane Helene, Flood insurance penetration remains alarmingly low in many areas.

Additionally, changes may be on the horizon for the National Flood Insurance Program (NFIP) as the current administration evaluates the Federal Emergency Management Agency (FEMA) and how disaster response and assistance is handled.

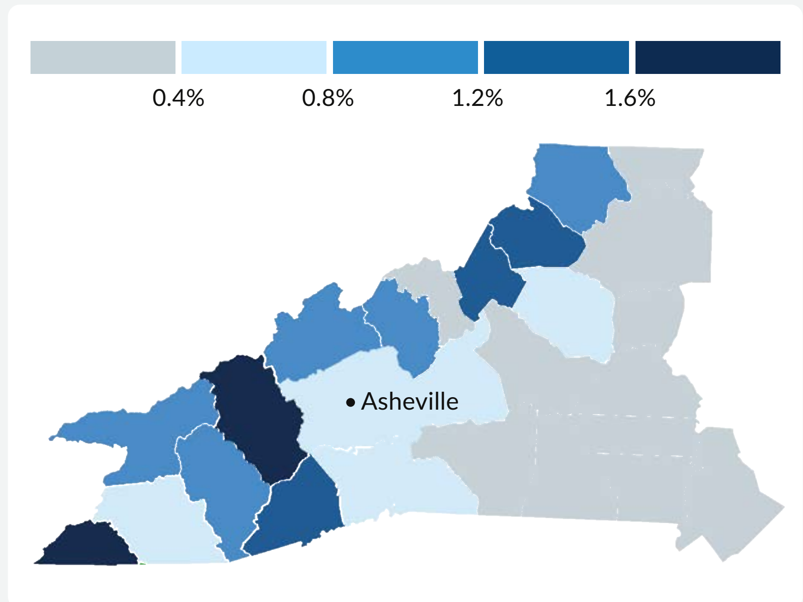
No Area Is Risk-Free

Flooding isn't limited to high-risk zones. In fact, 20% to 40% of all flood losses occur in low- or moderate-risk areas (Zone X), where lenders typically do not require Flood insurance. This often gives homeowners and business owners a false sense of security.

For example, when Hurricane Helene struck Florida's Big Bend region in September 2024, it caused $78.7B in damages, including devastating flooding in western North Carolina. Asheville and nearby communities were hit hard, with floodwaters rising to 25 feet. Yet in Buncombe County, where Asheville is located, less than 1% of homes had Flood insurance at the time, according to the Insurance Information Institute (I.I.I).

According to the U.S. Government Accountability Office (GAO), only about 4% of homeowners nationwide have Flood insurance.

Very few structures affected by Helene in NC have flood insurance.



Source: Federal Emergency Management Agency, U.S. Census Bureau – Asheville Watchdog

Commercial Property Market Shifts

One of the trends we are seeing in the commercial market is the removal of Flood coverage from business Property policies. In the past, some commercial Property forms included limited Flood coverage as part of the broader policy. Today, more carriers are increasingly removing coverage or restricting coverage to higher deductibles, requiring insureds to purchase stand-alone Flood policies.

This shift reinforces the need for risk managers to assess Flood exposure proactively and offer dedicated Flood insurance solutions, particularly for properties outside FEMA Special Flood Hazard Areas (SFHAs), where flood risk still exists but is often underestimated.

Industry Education and Miscommunication

One of the less discussed but important challenges in Flood insurance is misinformation from adjacent industries. Real estate professionals, lenders, and even legal advisors sometimes unintentionally downplay the need for Flood insurance, especially in low- to moderate-risk zones. This contributes to low uptake rates and creates confusion among property owners who wrongly believe they are not at risk. The insurance industry and FEMA continue stressing the importance of accurate, proactive communication to address these misconceptions.

NFIP's Future Unknown

One of the most significant developments facing the Flood insurance industry in 2025 is the growing uncertainty surrounding the NFIP and its oversight by FEMA. Ongoing political discourse regarding budget cuts and decentralization has fueled questions about whether FEMA will continue to administer the federal program or whether oversight might eventually shift to individual states.

This "what if" scenario has become a central topic in industry forums and national conferences, although no formal changes have been announced. In the meantime, some states, like Alaska, have begun exploring the idea of operating their Flood programs.

Alaska legislators are reviewing a proposal to establish the Alaska Flood Authority, a nonprofit entity designed to provide Flood insurance coverage that could be an alternative to the NFIP. The program will mirror the NFIP's coverage terms, amounts, deductibles, exclusions, and conditions. If the bill passes, residential properties could purchase up to $1M in coverage, while commercial properties would have a $2M coverage limit. The NFIP caps building coverage at $250,000 and contents at $100,000 for homeowners. For commercial properties, it's $500,000 each for building and contents.

Alaska's Flood program funding would come exclusively from collected premiums, with no state subsidies involved.

FEMA Launched a Direct-to-Consumer Rollout

In a move that has generated mixed reviews, FEMA recently launched a direct-to-consumer platform for the NFIP, which directs homeowners to carriers to purchase Flood insurance without going through an agent or broker. While the goal is to improve accessibility, many within the industry have raised concerns about whether consumers have enough understanding of flood risk and policy structure to select and manage their coverage accurately.

Errors at entry could lead to coverage gaps or claims issues, especially since Flood insurance often requires precise data for proper rating. Therefore, concerns abound over how non-professionals enter property values, replacement costs, and other underwriting details.

Installment Payment Options Deferred

The NFIP has long considered adding installment payment plans to make coverage more affordable, particularly for lower-income households. However, this proposal has been tabled until at least 2026 due to structural complications within the existing policy framework. Because the NFIP does not currently allow cancellations based on non-payment of premiums, integrating a pay-over-time model would require significant policy and systems changes—none of which have been finalized or implemented.

Looking Ahead

Flood risk continues to grow while the framework supporting Flood insurance is increasingly under review. In 2025, the future of the NFIP, the role of FEMA, and how states respond to possible decentralization are all questions without clear answers. In the meantime, McGriff continues to focus on education, innovation, and closing the coverage gap.

Marine

The Marine insurance market remains stable as we move into mid-2025. There have been no major carrier exits, disruptions, or unexpected claims events this year. The calm environment is a welcome change following more volatile periods.

Primary Marine Liability

The primary Marine Liability insurance market remains healthy, with competitive rates and steady capacity. Underwriters remain aggressive, and overall terms have held firm without notable tightening.

Excess Liability

While Excess Marine Liability insurance is still seeing rate increases, the pace and amount of those increases have moderated compared to previous years. The market appears to be settling, but elevated rates in the excess layers persist relative to the primary. The inclusion of a Commercial Auto program in the schedule of underlying coverage continues to draw attention. Depending on the size of the fleet, Marine Excess markets are seeking higher attachment points than the standard $1M primary limit, prompting the need to seek Excess Auto Liability or buffer layer options.

Hull & Machinery

The Hull and Machinery segment is experiencing a competitive environment. Renewals have been largely benign, typically renewing flat or even with slight reductions, reflecting healthy competition among carriers.

Mutual P&I Clubs

There is little new movement to report following the February 20 renewal cycle for the International Group of P&I Clubs.

Marine Cargo

Marine Cargo insurance remains one of the most favorable segments for buyers. The highly competitive market offers advantageous terms, conditions, and pricing.

Impact of Tariffs

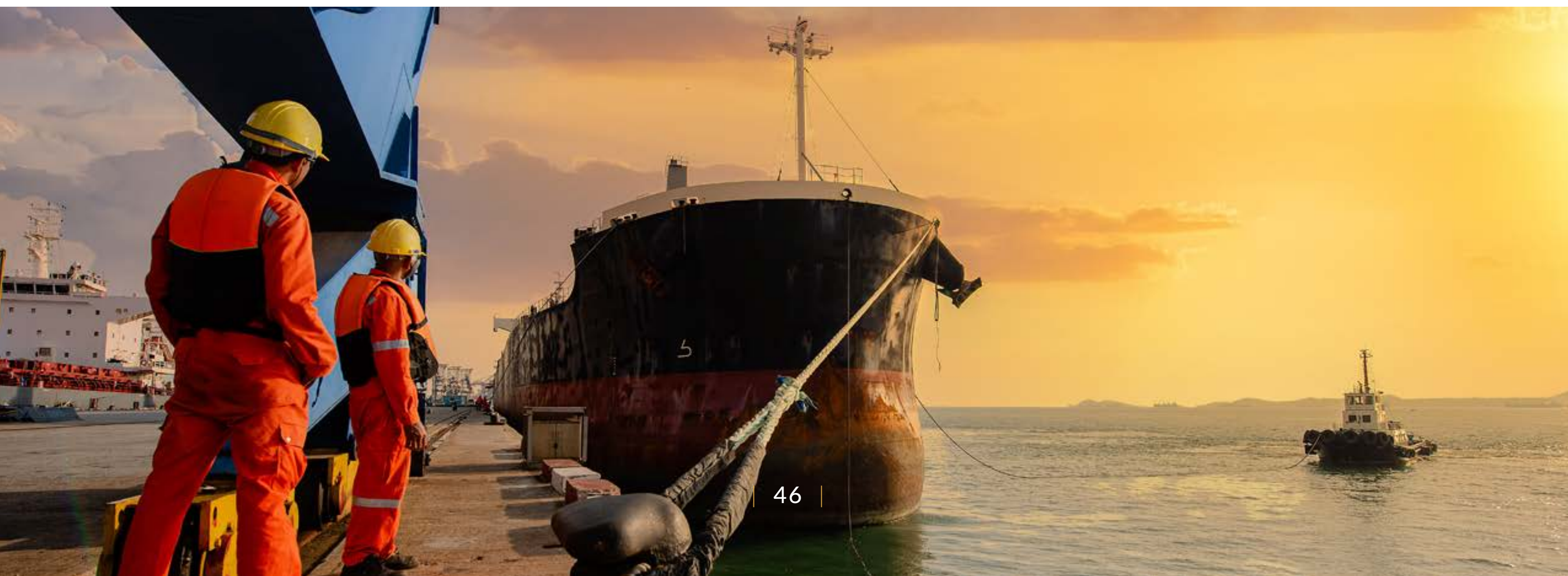
Tariff discussions continue across the industry, although their exact impact remains uncertain as changes continue to unfold. Tariffs could present a two-fold challenge to the Marine sector. They could reduce U.S. imports and exports, which are a primary revenue driver for marine operations, and raise the cost of claims due to the increased price of cargo and foreign parts and materials needed for repairs. While the full effects remain to be seen, tariffs are generally viewed as a negative influence on the industry.

Natural Catastrophes

No significant catastrophe activity has impacted the Marine sector so far in 2025. With hurricane season a few months away, our Fall Update will likely address any related market shifts.

Midyear Renewal Outlook

As the midyear renewal season approaches, McGriff's team is actively engaged with domestic markets to prepare for July 1 renewals. Early discussions focus on favorably positioning accounts and capitalizing on current market conditions before any broader market shifts occur. We continue to work closely with clients to develop strong renewal narratives, highlight risk management practices, and present loss information in the best possible light to secure optimal outcomes.



Public Company Directors and Officers Liability

The Public Directors and Officers (D&O) insurance market continues to transition from the pronounced softening of recent years to a more stable yet increasingly cautious environment.

While pricing for Public D&O insurance in early 2024 remained flat to slightly down for many renewals, particularly for accounts that had previously seen significant rate hikes, the trend has plateaued. Carriers are signaling that the era of continued premium reductions may be nearing its end. Rising claims costs and escalating defense expenses in lawsuits make profitability more challenging to maintain. As a result, insurers are re-evaluating their executive risk insurance portfolios, and we have even seen several companies exit this underwriting segment entirely. However, ample capacity remains in the market, especially for excess Public D&O layers.

Securities Litigation Trends

Securities class action litigation continues to influence market dynamics. Although there's no specific sectoral driver, filings in 2024 were 14% above the historical average, and year-to-date 2025 numbers suggest an additional 20% increase, according to Cornerstone Research. The upward trend is driven more by an aggressive plaintiffs bar and the complexity of the current corporate environment than by any single trigger, such as a rise in M&A activity or widespread stock collapses.

Federal and State Class Action Filings Summary

(Dollars in 2024 billions)

	Annual (1997–2023)			2023	2024
	Average	Maximum	Minimum		
Class Action Filings	227	427	120	215	225
Core Filings	193	267	120	209	220
Disclosure Dollar Loss (DDL)	$237	$636	$74	$355	$438
Maximum Dollar Loss (MDL)	$1,198	$3,582	$287	$3,340	$1,618

Source: Cornerstone Research

These litigation pressures are further compounded by emerging risks related to environmental, social, and governance (ESG) disclosures, artificial intelligence, and geopolitical developments such as tariffs. The SEC remains focused on holding directors and officers accountable, having received nearly 25,000 whistleblower reports in 2024 (in 2023, it received over 18,000).

Evolving Risk Landscape

With the new administration and recently appointed SEC Chairman, companies will see some carryover of previous regulatory priorities and some changes in philosophy in areas such as AI, ESG, and crypto. For example, in March 2025, the SEC voted to cease defending its climate-related disclosure rules, halting their enforcement. This move signals a broader retreat from mandatory ESG reporting requirements, potentially reducing the regulatory burden on companies and increasing uncertainty regarding disclosure expectations.

In early 2025, President Trump issued two executive orders, which sought to dismantle DEI programs inside the federal government and among federal contractors. These instructions repealed previous regulations encouraging DEI activities and ordered agencies to discontinue associated projects and jobs. As a result, public corporations with government contracts may face additional scrutiny about their DEI policies. The Department of Justice has expressed its intention to examine corporations whose DEI practices are seen as discriminatory. The evolving regulatory environment requires close monitoring to ensure compliance and mitigate potential liabilities.

Artificial Intelligence

Artificial intelligence (AI) represents an emerging risk for public companies. These companies are under pressure to explain how AI is being used and ensure that claims about its capabilities and business impact are not exaggerated. Companies face litigation for “AI washing,” or not disclosing risks.

Similarly, corporate guidance about the effects of tariffs must be accurate and defensible, or companies risk drawing the ire of regulators and investors.

IPO Market and Growth Prospects

A healthy initial public offering (IPO) market typically fuels growth in Public D&O insurance demand. However, current market volatility has cooled optimism. The early-year hope for a rebound in IPO activity has dimmed due to instability in public markets, creating a headwind for Public D&O premium growth. Fewer IPOs means fewer new insureds entering the market, and those that do may require more conservative structures.

Looking Ahead

The Public D&O market remains well capitalized but is no longer trending softer. Most accounts can expect flat renewals, with downward movement largely behind them unless specific risk improvements justify reductions.

Looking forward, clients should be prepared for a market that holds its ground on pricing while selectively adjusting for risk. While buyers continue to benefit from ample competition and capacity, especially on excess layers, carriers are increasingly focused on ensuring that underwriting remains sustainable in the face of rising litigation and evolving regulatory threats.

Public Entity

Public Entities continue to face a dynamic insurance landscape, shaped by catastrophe exposure, shifting liability environments, inflationary pressures, and rising expectations for accurate valuations and loss control.

Property Insurance

The Property market in the Public Entity space is experiencing modest softening. In Q1 2025, rate decreases between 3% and 7% were common, even for some coastal clients. For instance, one account that took two direct storm hits still saw an increase under 10%, reflecting the market's more measured response compared to the sharp hikes of prior years.

For non-coastal and wind/hail-exposed areas, carriers are still open to rate reductions. However, severe weather events, such as the recent cluster of tornadoes in West Texas, may still trigger localized pricing shifts.

In addition, forecasters anticipate an above-average hurricane season in the Atlantic. For example, Colorado State University's tropical meteorology project team is forecasting 17 storms, nine of which will become hurricanes and four of which will reach Category 3 or stronger. The Weather Company and Atmospheric G2 expect 19 storms to form this season, nine of which will become hurricanes and four of which will reach Category 3 or stronger. AccuWeather predicts between 13 and 18 storms. We will be closely monitoring the upcoming hurricane season and any impact it may have on the Property market.

Valuations

Accurate property valuations are still a pressing issue. Most Public Entity schedules remain underreported, and insurers are increasingly tying loss limits directly to stated values. Policies today are often based on scheduled limits rather than blanket coverage, with payouts typically capped at 110% of declared values.

With rates softening, now is the time to reinvest savings into more accurate valuation practices. A phased approach, starting with high-value assets and rotating appraisals on a five-year cycle, is recommended to align schedules with replacement costs.

Business Interruption (BI)

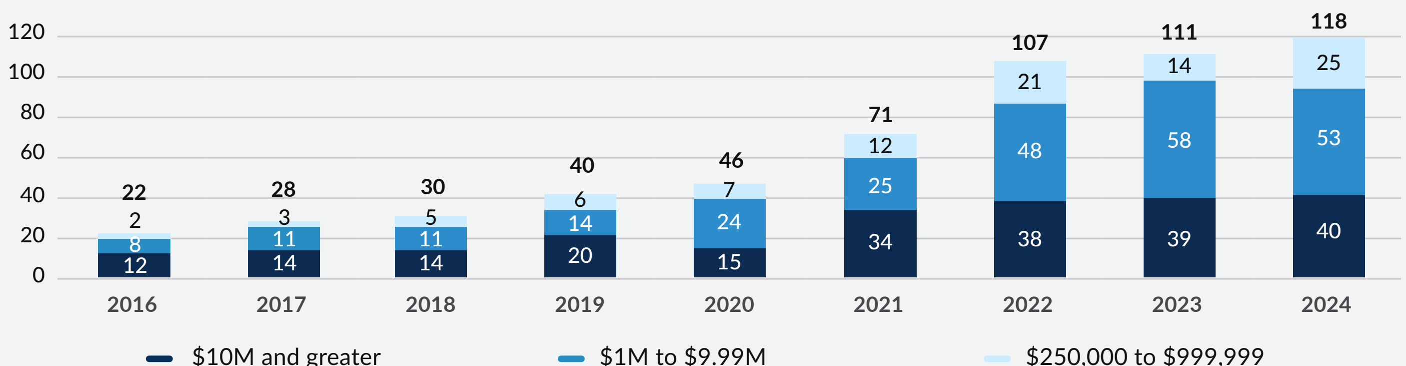
BI remains critically important for Public Entities, especially those operating income-generating assets like utilities, zoos, or museums. Entities that overlook BI coverage on these exposures risk major gaps in a disaster scenario. BI conversations should be part of every renewal involving revenue-generating operations.

General Liability and Educators Legal Liability

According to the "Large Loss Report 2025" from United Educators, damage awards and settlement trends keep rising for K-12 schools and higher education institutions. They continue to experience losses related to sexual misconduct (represents about 30% of all claims costs), along with discrimination, Title IX violations, slips, trips, and falls, accidents causing injury or damage, and civil assault claims.

Damage Awards and Settlement Trends 2016-2024

An Analysis of the Large Reports from 2016-24 shoes troubling trends for K-12 schools and higher education institutions.

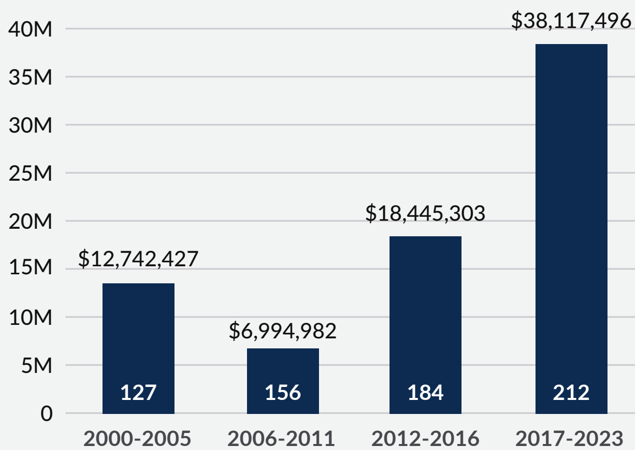


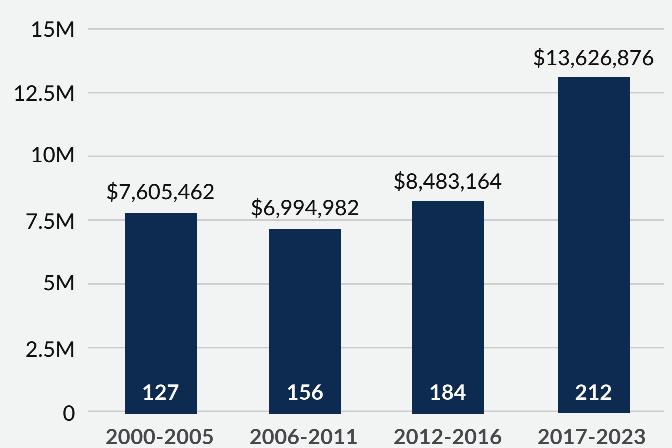
Source: United Educators

Sexual Abuse & Molestation

According to a 2025 report by Praesidium, a national leader in abuse risk management of sexual abuse of vulnerable populations, over the last five years, multiple high-profile organizations across sectors including youth services, education, healthcare, and athletics have faced collective settlements exceeding $8B due to failures in preventing or appropriately responding to the sexual abuse of individuals.

In analyzing over 2,200 organizational cases filed between 2000 and 2023 involving sexual abuse, harassment, or misconduct, Praesidium found that 679 of these cases included reported payout data, with judgment and settlement figures rising. Of the 212 reported payouts for cases filed between 2017 and 2023, the average payout jumped to over $38M. Even when not accounting for significant nuclear verdict outliers (over $215M), the same general trend is evident, with the most recent average payouts over $13M.





Source: Praesidium

Praesidium also found that, while payouts may be lower than in faith-based organizations, K-12 schools make up an expanding proportion of filed cases since 2015.

One recent abuse case involves a lawsuit filed by parents in Colorado in the fall of 2024. They sued their local school district and four administrators after a school bus paraprofessional abused a minor during school-supervised transportation. The suit claims administrators knew the employee had a disqualifying criminal history, including child abuse and DUI convictions, but still allowed him to supervise children. The suit also alleges that administrators failed to act on parent reports. Eventually, district officials reviewed bus video footage showing multiple instances of abuse. The family holds both the district and individual leaders responsible, arguing that timely action could have prevented the harm (Source: Praesidium).

Industry Comparison – Proportion of Filed Cases Pre- & Post- 2015

Industry	Pre-2015	2015-Present
K-12	29%	37%
Faith-Based	27%	8%
Social Service	7%	4%
Healthcare	6%	6%
Higher Education	6%	12%
Government Entities	5%	8%

Source: Praesidium

Another case involved Bay Shore Schools in Bay Shore, NY. The school has to pay $35M in settlements with 12 former students who accused the district of failing to protect them from sexual abuse that allegedly occurred decades ago by an elementary school teacher. In addition, the district faces a $25M judgment after a jury found it liable for negligence in supervision and acting with reckless disregard for keeping the teacher employed despite multiple sexual abuse allegations (Source: United Educators: Large Loss Report 2025). The commitment to abuse prevention is critical, including allocating resources for safety discussions and training.

Law Enforcement Liability

The Law Enforcement Liability insurance market continues to be challenging. Large settlements are keeping pressure on carriers, particularly in states with minimal tort caps. The risk profile hasn't materially improved, and underwriters maintain tight scrutiny of loss control and risk transfer practices. This line is expected to increase incrementally, driven by ongoing nuclear verdicts and exposure to civil rights litigation.

Active Assailant & Terrorism-Linked Risks

While Terrorism insurance remains relatively stable, coverage for active assailant events (often written within or alongside Terrorism policies) is seeing price pressure. High-profile incidents at schools and public events, including vehicle attacks and shootings, are contributing to increased premiums for Active Assailant Coverage, especially in city-hosted or public venue scenarios.

Auto Liability & Physical Damage

Commercial Auto insurance premiums have increased nearly 50% since 2020, driven by higher repair costs, more frequent accidents, distracted driving, and costly litigation. Taking proactive steps can help operations better manage insurance costs and improve overall fleet safety.

Cyber Liability

The Cyber market remains competitive, with continued softening: lower rates, reduced retentions, and increased limits are all being offered. That said, industry insiders warn that this could turn sharply without warning, as it did in 2019–2020. Municipalities remain prime targets due to their exposure to public data, making cyber diligence and readiness a must, even in a soft market.

Workers' Compensation

Workers' Comp rates for Public Entities are trending slightly upward, driven by rising medical costs, longer disability durations, lump-sum settlements, higher outpatient and facility fees, and other factors. While rate hikes are generally under 10%, long-term inflationary medical trends may continue to push this line up steadily.

Emerging Pressures & Trends to Watch

Tariffs: Although not yet reflected in premium increases, rising vehicle costs and new tariffs on imported auto parts are likely to push up claims severity in the coming quarters. Special districts with fleet exposures, such as transit agencies and utility providers, may be particularly vulnerable as parts delays and parts inflation hit specialty vehicles and repair schedules.

The changing tariff environment is impacting ports. For example, the number of arrivals at the Port of Los Angeles in the first week of May is expected to be down by almost one-third, potentially causing supply chain disruptions and higher costs in the future.

Additionally, the market is anticipating increases in generic drug prices due to the tariffs, which could cause Workers' Comp costs to rise.

Government Policy Shifts: Federal policy shifts regarding diversity, equity, and inclusion (DEI) and immigration enforcement are creating uncertainty regarding funding, school policies, and potential legal exposure.

Tourism-related revenues may decline in key cities, affecting transit, parks, and special district entities that rely on visitor-driven funding.

Artificial Intelligence (AI): AI tools offer promise but come with caution: they're helpful for ideation and task support, but accuracy and oversight remain essential.

Looking Ahead

Public entities face a uniquely complex risk environment. Staying ahead of valuation gaps, coverage detail, and market signals while working with experienced advisors at McGriff remains essential for navigating what comes next.

Real Estate & Hospitality

The Real Estate & Hospitality insurance environment is experiencing a softening Property market with more competitive pricing and terms and a tightening Casualty market marked by increased claims severity, shrinking capacity, and rising rates. Together, these dynamics reflect a highly segmented risk environment where coverage availability, cost, and terms vary by asset class and geography, loss history, and market appetite.

Property

After years of escalating rates driven by catastrophic weather events, inflationary rebuilding costs, and limited reinsurance capacity, the Property insurance market for Real Estate & Hospitality assets is finally seeing signs of softening. The key drivers behind this shift include strong insurer profitability in 2024 due to rate adequacy, stable reinsurance renewals, and increased market capacity entering in early 2025.

Although the beginning of the year was marked by wildfires in California and secondary perils such as tornadoes and hail in the Midwest and South, the Property market has proven resilient. Insurers continue to maintain profitability given the increased insured retentions, and more strategic underwriting practices established over the past several years. These factors have provided a buffer against early-year losses and enabled new entrants carriers to reinvest in new business, contributing to increased competition.

Because of the increased competition, carriers have been forced to quickly become more flexible with pricing, deductibles, terms, conditions. Most insureds are experiencing rate reductions and improved terms and conditions, including lower catastrophe deductibles on some renewals, signaling a trend toward greater underwriting flexibility and easing strict-market conditions.

Reinsurance renewals also trended favorably, with stable pricing and strong performance. This translated into additional capacity for insurers, which in turn is creating more competitive pressure across primary markets. The desire of new entrants to gain market share has helped drive pricing downward and given brokers and clients more leverage.

It's important to note that industry experts warn against excessive rate cutting due to the cyclical nature of short-tail Property lines. If insurance rates become too aggressive, insurers could face profitability challenges again in the face of future catastrophes.

External factors such as tariff policy, inflation, and construction costs loom in the background. Though their full impact remains to be seen, increases in materials prices driven by tariffs or economic uncertainty could affect rebuilding costs—and ultimately claims severity—in the event of future losses. This potential volatility highlights the need for ongoing monitoring of global trade policy and domestic construction trends.

Casualty

While Property rates are softening, the Casualty market remains stubbornly hard for Real Estate & Hospitality. Carriers are grappling with increased claim frequency and severity, a constricted pool of capacity, mounting social inflation pressure, and a crowded litigation landscape. For insureds, this translates into higher rates, stricter exclusions, reduced limits, and more restrictive terms, particularly in hospitality, habitational, and multifamily asset classes.

General Liability programs have been hit especially hard. Accounts with clean loss histories are experiencing rate increases of 15% to 25%, while those with moderate or significant losses face spikes of 50% to 150%. Human trafficking, assault and battery, and sexual assault and molestation are key loss drivers prompting insurers to add blanket exclusions. These exclusions are often applied across the board, regardless of prior claim history.

15% to 25%

Accounts with clean loss histories are experiencing rate increases of 15% to 25%.

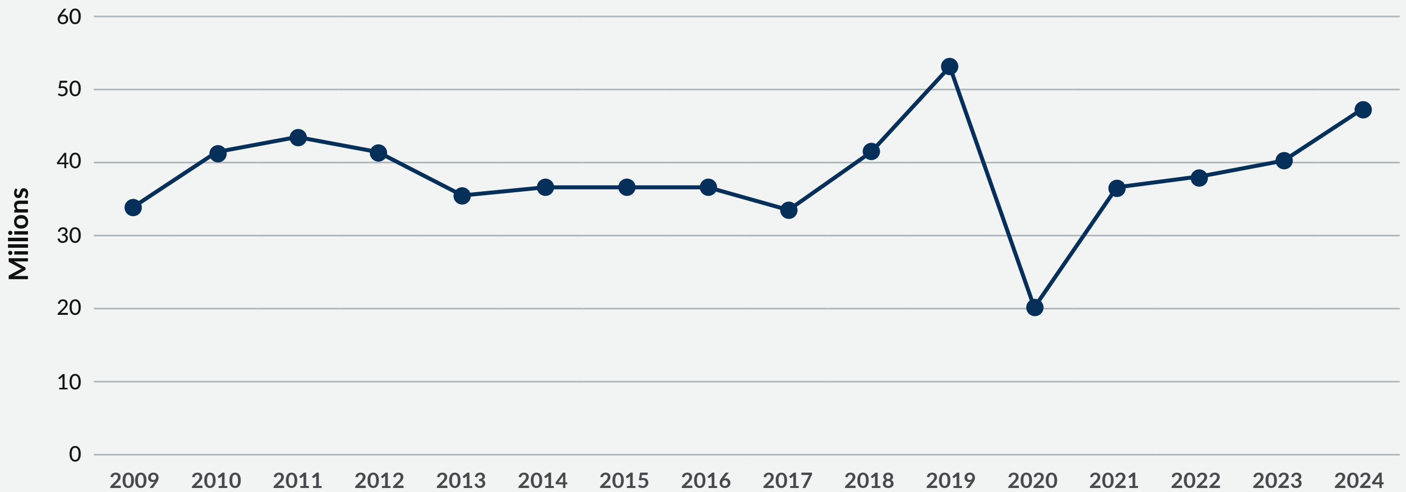
Underwriters are also requiring insureds to take on more risk with higher primary General Liability attachment points for Excess layers. Where $1M per occurrence/$2M aggregate used to be standard, many programs are now being pushed to $2M/$4M. This shift is being driven by the Umbrella and Excess markets requiring additional underlying limits in response to continued increase in claim severity.

The impact is especially pronounced in states with aggressive plaintiff bars or unfavorable court systems. Georgia, for example, has seen a sharp decline in market appetite due to its difficult legal environment, mirroring trends previously seen in Florida. While upcoming tort reform in Georgia, Texas, Ohio, Indiana, and Montana offers a sliver of hope, it is too early to determine how meaningful the impact will be. Other states may follow suit, but the legislative process takes time, and relief, if it comes, will not be immediate.

Compounding the issue is the post-COVID-19 surge in litigation. With courts now fully reopened, many previously delayed claims are moving forward, adding to the backlog and increasing overall volume. At the same time, verdicts are becoming more extreme. Slip-and-fall cases that once settled for $75,000 to $100,000 now regularly land in the seven-figure range, reflecting higher damages and a cultural shift in jury expectations.

Commercial Auto remains challenging as rates continue to increase due to large verdicts and settlements related to transportation-related lawsuits.

According to Marathon Strategies, in 2024, there was a 52% increase in nuclear verdicts ($10M-plus) over 2023. The median nuclear verdict increased to $51M, compared to $44M in 2023. The median nuclear verdict was relatively constant for much of the past decade but has now seen four years of steady growth since the pandemic, when it hit a low of $21M, according to the Marathon report.



Source: Marathon Strategies

Navigating this environment requires a high level of technical acumen and strategy. The best outcomes are achieved through targeted transfer of risk, careful claims analysis, and thoughtful program structuring, including creative use of retentions and layered excess towers. While competition is sparse in the lower layers and minimum price per mil is increasing, there is some pricing relief to be found excess of $25M, where market appetite improves and capacity becomes more available.

Insureds must be prepared for difficult renewals, shifting terms, and potentially higher retentions as carriers seek to insulate themselves from volatile loss trends. Long-term strategies must include loss control, claims transparency, a focus on contractual risk transfer, and proactive risk management to remain attractive to underwriters.

Workers' Compensation insurance market remains relatively soft as it has been for the last several years despite rising medical costs.

Looking Ahead

The Real Estate & Hospitality sectors are navigating dual-track market conditions: easing Property rates driven by capacity and profitability, and a persistently tough Casualty environment shaped by litigation and loss volatility. For clients, this underscores the importance of working with brokers who understand the price of coverage and the mechanics behind it. Strong underwriting relationships, clear claims narratives, and careful program design will be key to managing the challenging insurance environment.

Restaurants

The Restaurant industry continues to grapple with the same insurance challenges as in 2024 – from auto liability and liquor liability claims to employment-related risks – although the market has found stability on the property side.

Property

The Property insurance market has stabilized significantly and, in many cases, is softening. Restaurant owners are seeing improved pricing, particularly on clean accounts. Some carriers, however, are introducing percentage deductibles for non-named wind and hail events, particularly in states with heightened risk for severe convective storms. Despite some wildfire claims in California, those events have not materially shifted the Property market for restaurants. Capacity remains available, and the environment for property placements is more favorable than in several years.

General Liability, Excess Liability, and Liquor Liability

General Liability and Excess Liability conditions remain relatively stable compared to last year. However, violent incidents in the restaurant setting continue to occur, including altercations between employees and customers or among customers themselves. These events, now unfortunately more common, can lead to significant General Liability claims. Liquor Liability remains challenging, particularly in jurisdictions with more restrictive laws.

Auto Liability and Delivery-Related Risks

Auto Liability for restaurants offering delivery services continues to be problematic. While market conditions remain largely unchanged, carriers maintain cautious underwriting on Non-Owned and Hired Auto exposures. Few markets are willing to write this business aggressively, and delivery-related claims, especially those leading to nuclear verdicts, continue to pressure rates and terms.

Employment Practices Liability

Sexual Abuse and Molestation claims among employees are an increasing concern and appear to be rising in frequency. Employment-related conflicts, whether between employees themselves or involving customers, remain a steady source of claims. Restaurants must continue to focus on training, monitoring workplace behavior, and implementing clear policies to address and manage these risks.

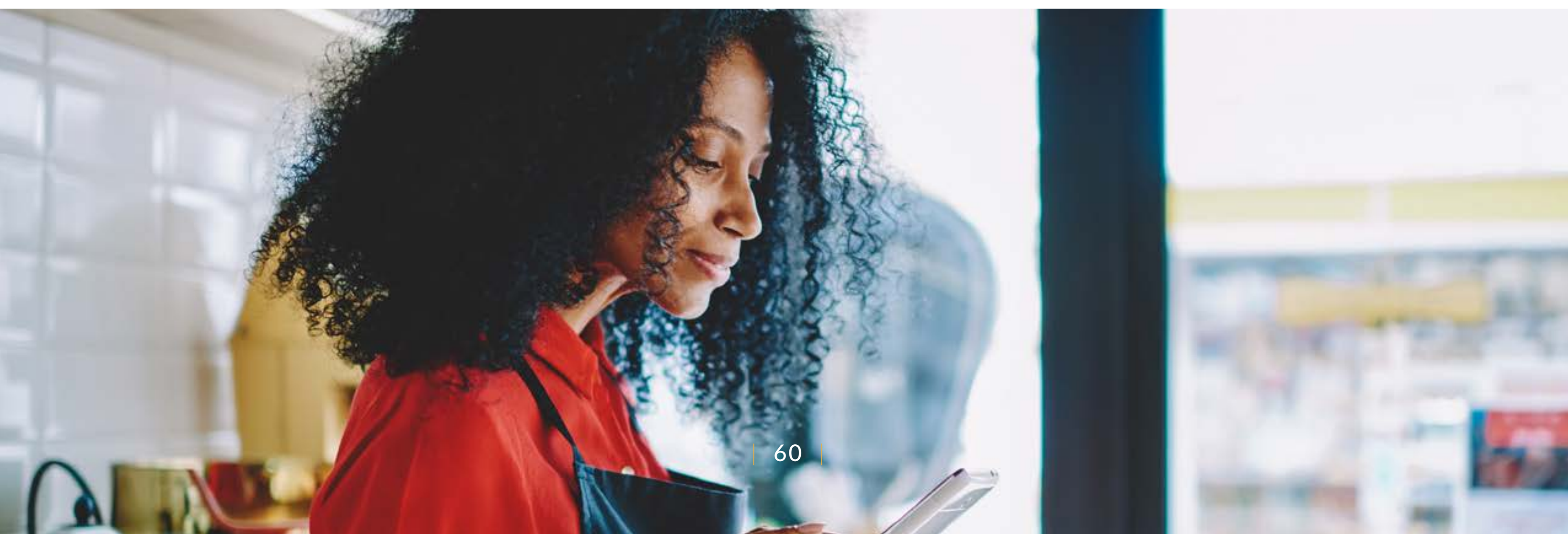
Environmental Liability

While the use of per- and poly-fluoroalkyl substances (PFAS) in food packaging was phased out several years ago, many Excess liability carriers have added exclusions for any potential PFAS-related exposures. Even legacy exposures are increasingly being excluded, reflecting a broad market trend toward tightening environmental liability terms.

It's important to note that the current administration is considering weakening current PFAS regulations, which could impact how carriers treat this exposure in their coverage terms.

The View Ahead

Overall, the Restaurant industry's insurance market is more stable than in recent years, although challenges remain. Underlying risks tied to employment practices, crime, and delivery operations are areas of concern. Restaurants must continue proactive risk management efforts to protect their coverage position and minimize potential financial losses in an evolving claims environment.



Senior Care

The Senior Care industry continues to navigate a complex risk landscape shaped by persistent economic volatility, aging demographics, and increasingly selective underwriting. Optimism and confidence remain high for the industry's continued growth, driven by M&A activity and rekindled development opportunities.

Entering into the second quarter of 2025, the Senior Living industry continues to face adversity on numerous fronts: economic challenges, increased operating expenses, staffing shortages, evolving demographics and consumer demand, and social inflation. These issues continue to drive the cost of claims higher and higher. Unfortunately, the list of challenges is long.

Despite these headwinds, optimism and confidence in the industry's continued growth remain high. As M&A activity continues to create opportunities for expansion, recently rekindled development activity is also re-entering the conversation as the industry strives to innovate and evolve to meet ever-growing demand. Our team sees tremendous opportunity for our partners and clients, and we are excited to support them and their strategic plans for the remainder of this year and beyond.

General Liability/Professional Liability

General Liability and Professional Liability (GL/PL) coverage remains under significant pressure in 2025. Persistent social inflation and nuclear verdicts resulting from recent litigation trends have had a significant impact on many providers across the country. The involvement of private equity investors across the industry has contributed to a "profits over people" dynamic, which has only exacerbated these challenges.

While many insurers never experienced the significant increase in claims activity stemming from and following the COVID-19 pandemic, unfortunately, many carriers are now reporting both claims frequency and severity to be at or exceeding pre-pandemic levels. Severity has been an issue for the industry as the average cost per claim has risen noticeably during the last several years, especially for claims involving Assisted Living providers, driven largely by nuclear verdicts across a variety of venues. These outcomes are seemingly no longer limited to previously identified "judicial hellholes" and are seen to be a byproduct of social inflation and litigation trends playing out across the country. As a result, underwriting appetite across the marketplace has adjusted in correlation to increased acuity levels within many senior living communities. As the average age of many assisted living residents nears the mid-eighties, rates for these communities have adjusted to match the exposure of an increasingly frail resident population. Similar adjustments have been made with respect to Memory Care settings as well. This development has led insurers to tighten their underwriting controls as they evaluate insureds, while others have opted to exit the space altogether.

Characteristics such as ownership structure, level of care and services (IL/AL/PC/MC/SNF), and for-profit vs. non-profit status are now being evaluated as part of the underwriting process as well, in addition to loss history and risk controls. Staffing levels and employee information also continue to factor in the underwriting process as the Senior Care labor crisis continues to persist. The dynamic of fewer people doing more work, and an undertrained staff carrying the responsibility of providing care for such a vulnerable population, continues to be scrutinized as potentially driving claims frequency and severity.

Despite all of this, the marketplace continues to provide insureds with a strong lineup of dedicated insurers who have remained consistently supportive of the industry throughout some of the most turbulent years, along with some more recent entrants, thus presenting a variety of competitive options for providers seeking coverage. Operators with minimal claims activity and a strong risk profile will continue to see favorable rates and renewal results. Feedback from our partners indicates that we will see anticipated incremental rate increases throughout the remainder of 2025. Taking all of this into consideration, we remain optimistic on our outlook of the marketplace going forward.

Excess Liability

The Excess Liability marketplace remains challenging. As the severity of claims being paid continues to escalate, particular attention is being paid to each insured's historical losses along with their venue of operations, ownership structure, and underlying coverage terms. It is becoming increasingly more difficult for larger insureds to obtain significant limits through a single carrier. While new capacity has recently entered the marketplace and created competition, speculation about commitment to the industry and staying power, along with the ability of the carrier to pay long-term claims, has risen until proven otherwise. We remain vigilant to ensure no silent exclusions or coverage gaps emerge as carriers seek to protect themselves against outsized losses.

Property Insurance

The combined effect of natural catastrophes, tightening reinsurance markets, and inflationary pressures has created significant headwinds in the Property market. Events such as hurricanes in the Gulf and massive Q1 wildfires in California have consumed catastrophe capacity, with midyear treaty renewals putting further pressure on rates. As of early Q2, the industry has already sustained several high-impact events, leaving little margin for additional significant loss events throughout the remainder of the year.

For non-coastal properties, insurers are placing a high level of emphasis on construction type, property age, and risk-mitigating characteristics of the building, such as sprinkler types and age of roof. While named storms and wildfires claims have grabbed the headlines, there has also been an increase in claims related to convective storms (i.e., hail, lightning strikes, wind damage, etc.) in non-cat regions across the country. Habitational construction continues to be a challenging placement for insurers across all industries due to the large amount of frame-built construction and the uncontrolled occupancy, from which many claims stem (i.e., water damage and fires started within condominiums and independent living units). Despite regulations for enhanced safety and risk mitigating and preventive characteristics, Senior Housing is considered among this classification, and as a result, underwriters are paying very close attention to specific qualities of the building, including the nature of and breakdown of services provided between Independent Living, Assisted Living, Memory Care, and Skilled Nursing.

While the McGriff team has deep and extensive relationships throughout the Property insurance market and is driving successful renewals year to date, we are waiting to see how volatile the upcoming 2025 hurricane season will be and its potential ensuing impact on rates and capacity in the future. In the near term, we continue to monitor the Property market to keep our clients updated on potential changes and drive the most favorable outcomes the market can offer.

Commercial Auto

The Senior Care industry faces the same challenges as other business classes regarding the Commercial Automobile insurance market, particularly those organizations with a fleet of vehicles that transport a frail and vulnerable population. When losses occur, claims tend to be more expensive. Distracted driving and other factors are major areas of concern and underwriting scrutiny. Insurance rates reflect the potential risk for insurers.

Safety guidelines are critical, including the procedures for determining who in the community is responsible for transporting residents, evaluating the type of lifts used and safety restraints in the vehicle, and vetting and training drivers.

Workers' Compensation

There is plenty of capacity in the Workers' Comp market, with strong competition in the space. Insureds should continue to be aware of their impact on their premiums by controlling claims and maintaining a safe environment for their employees. McGriff works directly with clients to control costs and manage claims effectively by promoting safety throughout an organization, establishing good procedures, and developing supporting mechanisms such as return-to-work programs

Cyber Liability

Cyber Liability has stabilized over the last two years, following a big push in 2022 for organizations to strengthen their cybersecurity. Multifactor authorization, increased security around corporate IT infrastructure, and domain and data integrity pushed the need for cybersecurity. Senior Care organizations were required to revisit and bolster their cyber practices to make insurance markets more comfortable underwriting the cyber risk.

The confluence of financial and personal records continues to make Senior Care facilities vulnerable; therefore, it's critical to maintain strong data integrity and stay ahead of the curve. Many Senior Living providers have embraced this approach, and as a result, the market has responded very favorably. Those demonstrating strong cyber controls are met with ample capacity and favorable rates across a competitive marketplace.

Looking Ahead

While the Senior Care industry continues to experience significant growth, insurance challenges continue, including capacity for GL/PL coverage and rising Property costs. We continue to advocate for our clients, identifying new capacity and ensuring that they have the most cost-effective and comprehensive risk management program in place to meet their specific needs.

Transportation

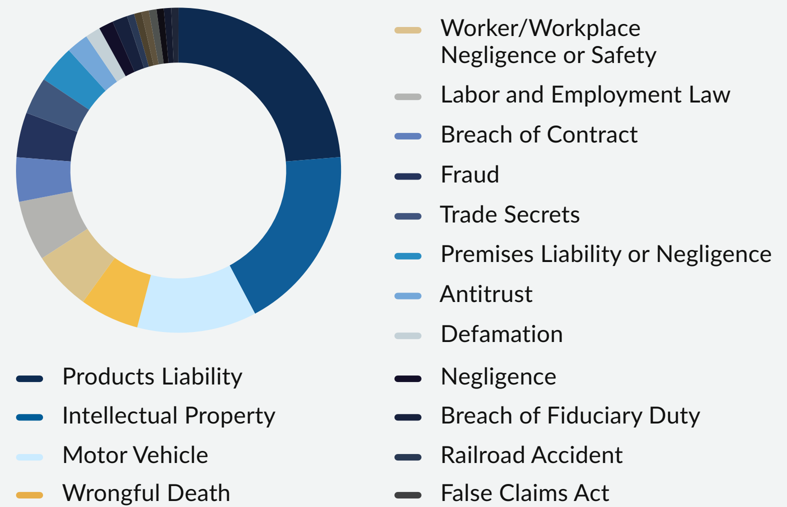
The Transportation insurance market faces a difficult and evolving environment shaped by inflation, rising claims costs, capacity constraints, and increased legal exposure. While some segments remain stable, key areas such as Commercial Auto and Excess Liability continue to experience challenges, prompting carriers and insureds alike to adapt strategies, particularly through greater use of technology and alternative risk structures.

Commercial Auto Insurance

Insurance carriers continue to face high loss ratios in Commercial Auto. Inflation is a primary driver, with current cost-increase estimates ranging from 10% to 15%, up from historical expectations of 7%. These increases apply across the board, from vehicle parts to third-party property damage and bodily injury claims, resulting in greater average claim values.

Even with rate increases, many insurers are not seeing improvement in profitability, particularly on guaranteed-cost programs. Adding to the pressure are continued nuclear verdicts (over $10M), which show no signs of slowing down. According to a 2025 Marathon Strategies report, automobile and trucking accidents contributed to mega nuclear verdicts.

2024 Corporate Nuclear Verdicts by Case Topic



Source: Marathon Strategies

Legal settlements and jury awards contribute to unpredictable and rising loss costs, further eroding carrier confidence and reducing the availability of higher coverage limits in the Excess space.

The trucking and automotive industries have also been rocked by a series of eye-popping verdicts: 15 in 2024, for over $1.4B. Marathon's research has found that these sectors are among the top targets of nuclear verdicts, mainly in wrongful death and negligence cases.

Excess Liability

Capacity remains tight for Excess Liability insurance, with traditional insurers scaling back their limits from $5M to as low as $2.5M per policy layer. This has resulted in more complex and fragmented program structures that rely on multiple insurers sharing layers, increasing costs, especially for middle-market transportation accounts.

Alternative risk transfer programs and structured insurance solutions are gaining momentum to address this. These solutions offer insureds multi-year stability and fixed terms, offering a more predictable insurance environment. Middle-market and upper-middle-market fleets, particularly those with higher deductibles, are increasingly accessing these programs domestically and in the London market, where telematics-driven underwriting is also playing a growing role.

Telematics: A Prerequisite for Market Access

The adoption of telematics has shifted from a competitive advantage to a near-requirement in both Primary and Excess Liability markets. Insurers emphasize technology-driven risk assessment, and fleets without adequate telematics face reduced market access and higher premiums. This includes requirements for speed monitoring, braking behavior, and in some cases, video-based safety systems.

While some resistance to telematics remains, particularly regarding inward-facing cameras, the industry has moved mainly past early privacy concerns. Fleets that fail to adopt these systems may be excluded from emerging insurance products or face pricing penalties that are difficult to overcome at renewal.

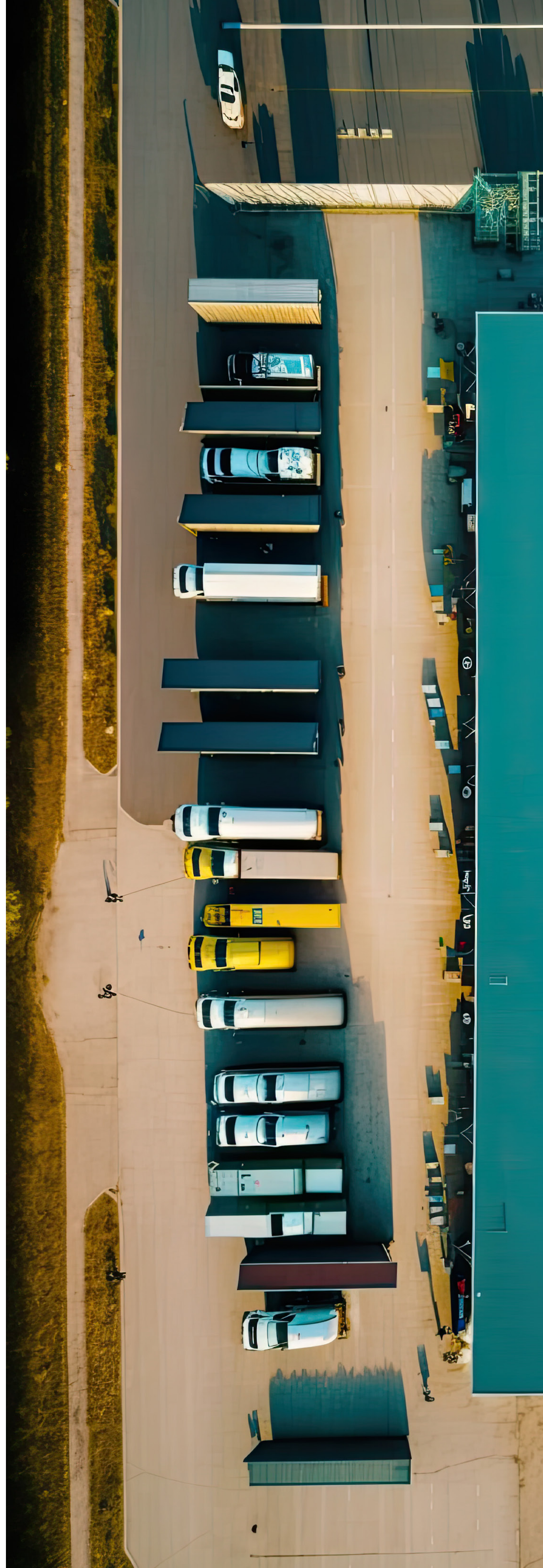
Workers' Compensation

Workers' Compensation continues to remain relatively stable and competitive. In many cases, carriers are still willing to offer aggressive pricing on new business, especially in competitive bidding environments. This remains true even for large transportation accounts, where carriers view Workers' Comp as a viable entry point. However, insureds should be aware that renewals not actively shopped tend to experience more upward pressure. Strategic shopping and proactive risk management are key to securing favorable Workers' Comp terms.

Logistics Risks

The logistics sector faces unique pressures, particularly with cargo theft and contingent auto liability. Strategic cargo theft continues to rise, especially in regions lacking strong security protocols and technology integration. As a result, insurers are adjusting program structures, reducing coverage, raising deductibles, and in some cases, excluding theft altogether.

According to Verisk CargoNet, cargo theft incidents jumped 27% year over year in 2024 to a record 3,625 across North America. The estimated average value per theft increased 7.7% to $202,364. The top targets were copper products, consumer electronics, cryptocurrency mining hardware, and consumable goods.



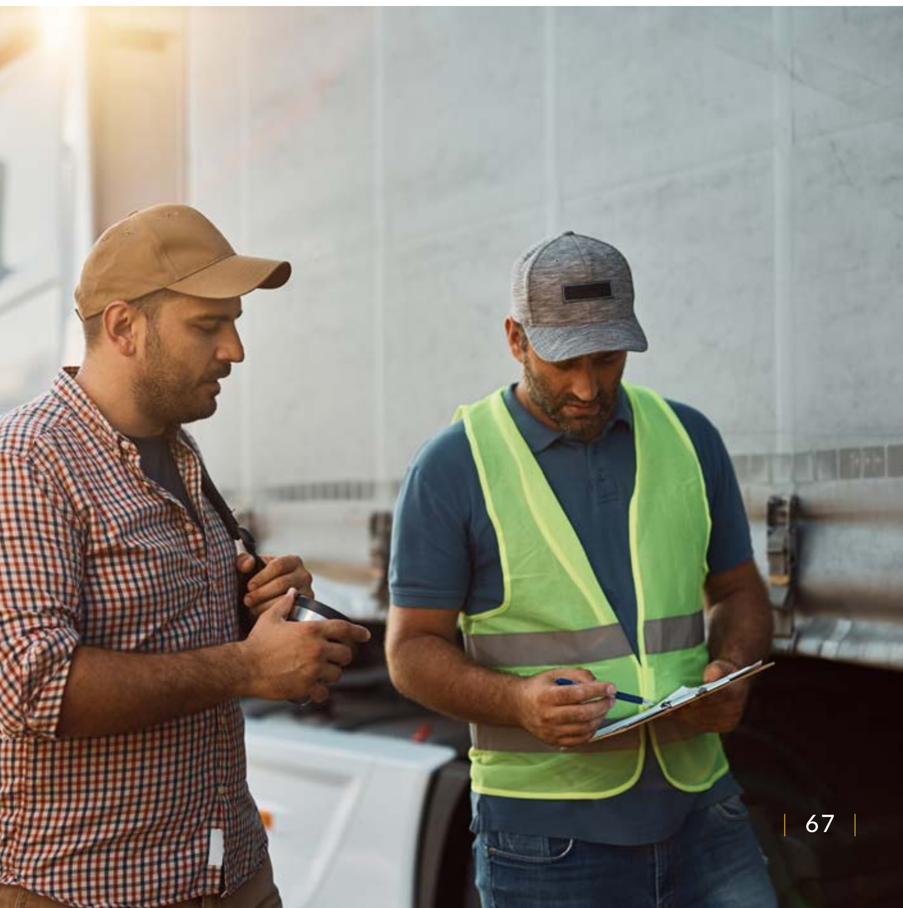
On the legal front, freight brokers have been found vicariously liable for the actions of their motor carriers despite not being responsible for moving cargo. As a result, contingent auto liability continues to be a growing concern, with courts like the 9th Circuit and other jurisdictions becoming more open to claims involving negligent hiring and entrustment. The Supreme Court could potentially provide guidance that could clarify certain liabilities for freight brokers and logistics firms.

M&A Outlook

Mergers and acquisitions within the Transportation industry will remain active throughout 2025. Larger, well capitalized fleets are seizing the opportunity to acquire smaller operations struggling in the current economic and insurance climate. Ongoing market pressure and potential tariff impacts could further accelerate this trend, pushing smaller operators out of the market.

Looking Ahead

The Transportation insurance landscape remains challenging, but strategic adaptation of technology, risk-sharing insurance structures, and risk mitigation can help clients navigate today's environment.



CargoNet's Supply Chain Risk Trends

3,625

Theft Incidents Reports

$454,914,764

Total Loss Value

Top 3 Targeted States

Represent 46% of all theft in 2024

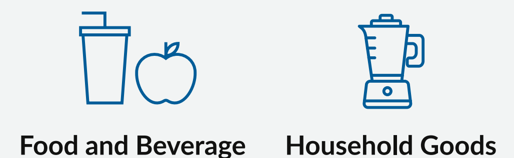
California Texas Illinois

Top Targeted Location Type

Warehouse/ Distribution Centers

Truck Stop

Top Targeted Commodity Type



Food and Beverage

Household Goods

Source: CargoNet, a Verisk Company

McGriff.com

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