

Insurance Market Report

May 2025



Gallagher

Insurance | Risk Management | Consulting



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2025 Insurance Market: A More Favorable Landscape, Especially for Previously Challenged Segments

Building on trends from the latter half of 2024, the 2025 insurance market continues to offer a more competitive environment for many clients, particularly those most impacted by the adverse market conditions of recent years. Ample capacity and competition among insurers are largely driven by recent quarters of strong carrier earnings, supported by robust capital reserves and the positive impact of prior rate increases and underwriting portfolio adjustments.

Key observations:

- Overall, rate increases for most buyers have moderated.
- The 2025 market offers a more competitive environment, particularly for previously stressed segments. This is most evident in large Property and Directors & Officers (D&O), where ample capacity and heightened competition are driving rate reductions.
- Insurers are generally pursuing growth with disciplined underwriting, but there is an increasing granularity to the market, where many different micro-markets exist based on a client's size, product, industry and geography. Many of these micro-markets have their own opportunities and challenges.

Opportunities for buyers:

In lines such as large Property and D&O, renewals present opportunities to enhance insurance programs by:

- Increasing coverage limits.
- Implementing deductible buy-downs.
- Securing more favorable policy language.
- Adding relevant endorsements, such as entity coverage for public company D&O or business interruption enhancements for property.

Challenges and considerations:

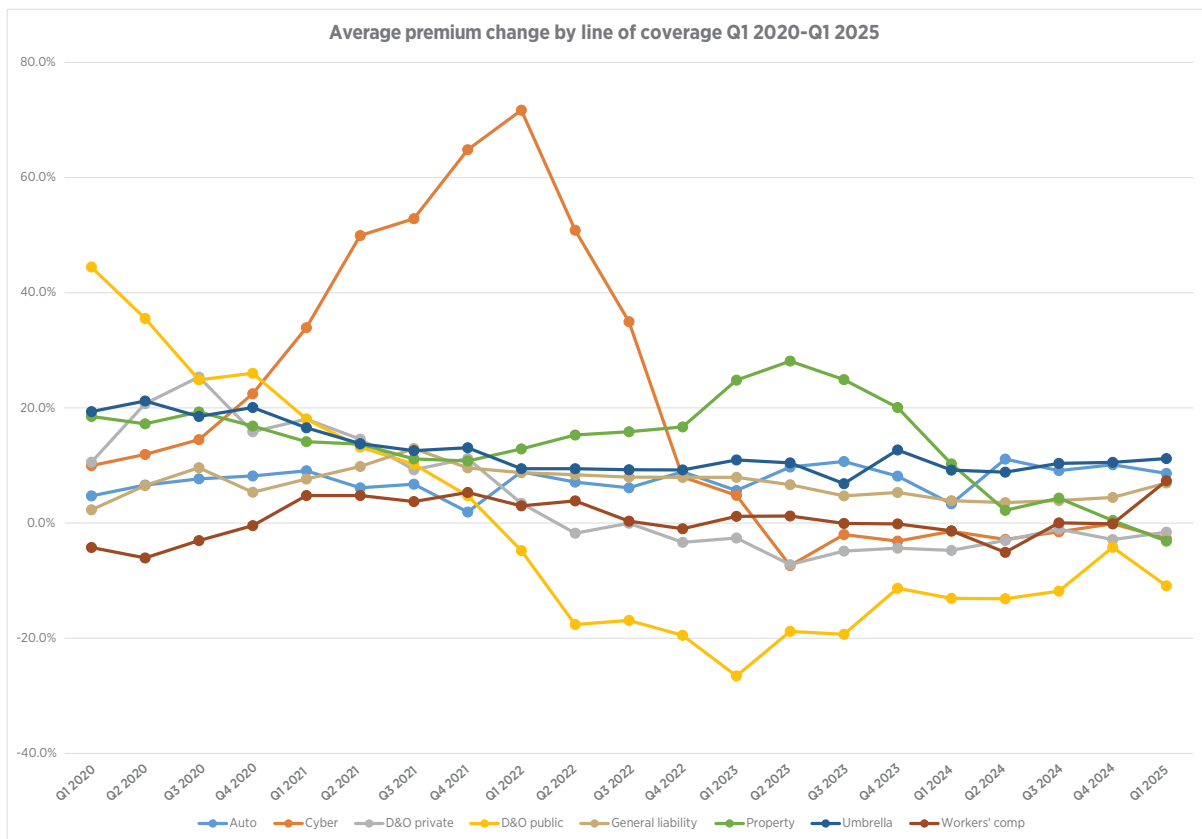
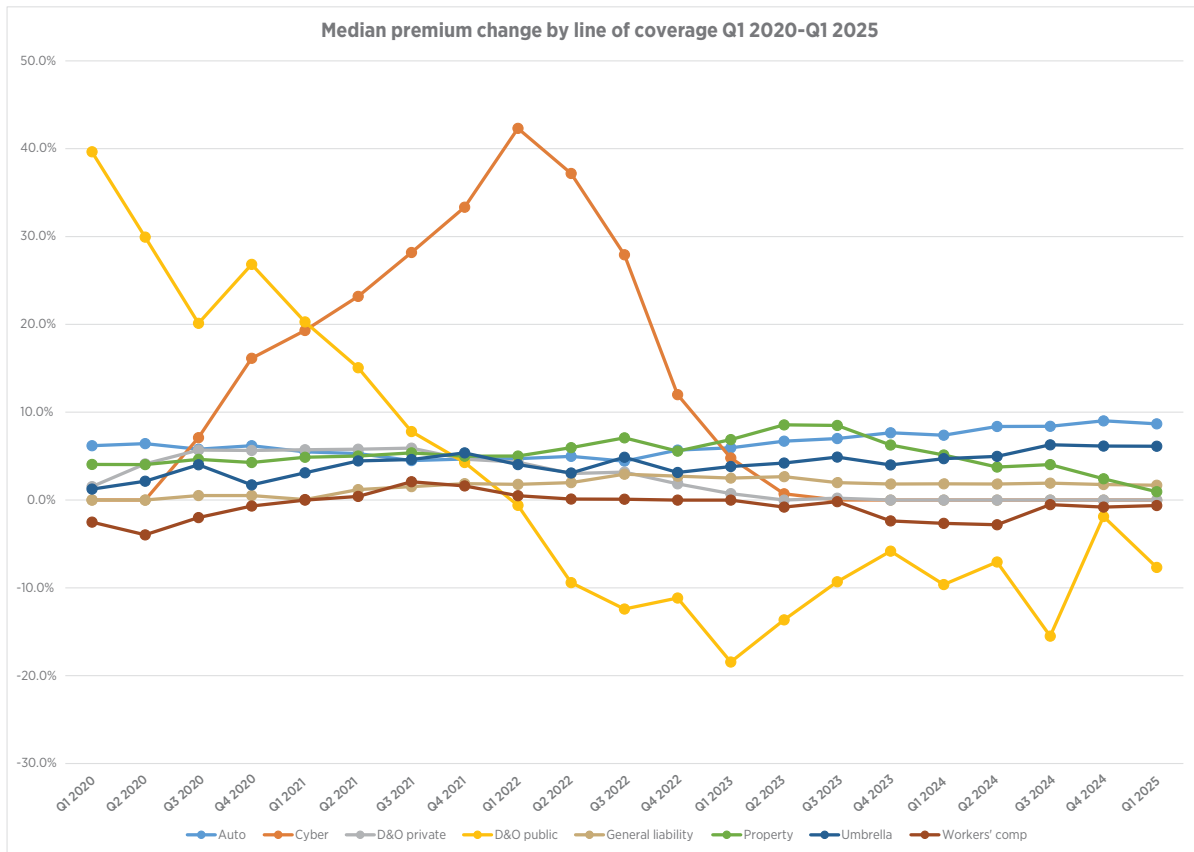
The automobile and US casualty sectors require insureds to proactively adapt their current structures for risk optimization and cost-effectiveness. Strategies may include increasing self-insured retentions, securing buffer layers and adjusting attachment points within umbrella/excess towers.

The current market dynamics are heavily influenced by strong carrier earnings, excluding the impact of catastrophe losses, and this favorable landscape may be short-lived. Factors such as declining rates, increasing loss costs, less favorable and even unfavorable prior-year reserve development, potential economic headwinds (including tariffs, inflation and declining investment income) and the risk of significant catastrophe losses could quickly alter insurer risk appetite and the competitive landscape.

Recommendations for buyers:

To navigate this evolving market, buyers should:

- Maintain close communication with their broker to understand potential shifts in carriers' capacity, pricing and appetite.
- Understand the increasing segmentation of the market into micro-cycles specific to size, product, industry and geography.
- Prioritize providing comprehensive and timely data to their broker, as this is paramount for achieving favorable outcomes. For less attractive risk profiles, engage in transparent discussions about both strengths and weaknesses.
- Explore alternative risk transfer options.
- Recognize the cyclical nature of the market and prioritize strong, long-term partnerships with insurers.



*Gallagher US Clients Premium data Q1 2020-Q1 2025 — all lines

What We're Monitoring: Five Trends

Through the first quarter of 2025, several key trends are shaping the insurance landscape, influenced by major catastrophe events, technological advancements, geopolitical challenges and economic uncertainty. We are closely monitoring five significant areas:

- **Tariff impacts and economic concerns:** The ongoing and potential impact of tariffs on the cost of goods, inflation and supply chain disruptions remains a primary concern. Some economists have increased the odds that the US will enter into a recession in 2025.
- **E&S market growth:** The Excess and Surplus (E&S) marketplace continues to expand. Contrary to historical trends where business returns to admitted markets during softer periods, early indicators such as E&S premium growth and submission activity suggest continued growth in this sector.
- **Social inflation:** Laws favoring plaintiffs and a societal attitude that businesses can afford to pay continue contributing to more significant verdicts and increased claim sizes. While this trend remains an important concern, we are closely watching for tangible signals of moderation. Recent positive developments in areas driving social inflation, such as a reported reduction in volume in third-party litigation funding (TPLF)² and legislative changes like Georgia's SB69, offer potential for a shift. However, the material impact of these recent developments on the overall trajectory of social inflation remains to be seen.
- **Natural catastrophe (NAT CAT) losses:** 2024 continued the trend of rising NAT CAT losses, encompassing major hurricanes and increasing losses from secondary perils like severe convective storms (SCS), flooding and wildfires. A key question for 2025 is whether the industry will face a truly catastrophic "big one," reminiscent of Hurricane Andrew.
- **Global election impact:** Regime changes in various parts of the world can introduce geopolitical risks and uncertainty, potentially creating volatility and disrupting global supply chains.

By closely monitoring these trends [\(read or listen to this article\)](#) and maintaining close communication with their insurance broker, buyers can better navigate the evolving property and casualty insurance market in 2025.

Mark J. Stachura

Head of Broking, Central Zone

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Market Relations Leader

Property

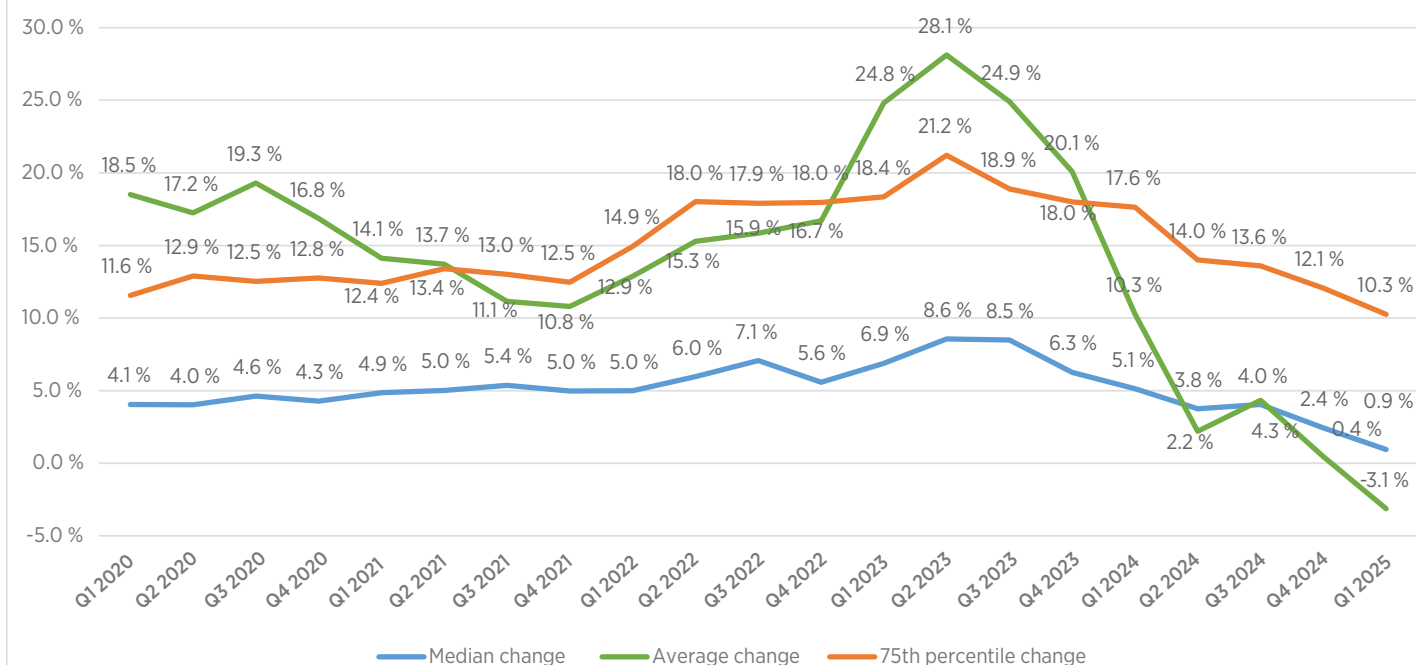
The commercial property insurance market is in a strong position, with insurers looking to grow in 2025, driven by profitable property underwriting results, higher investment returns, strong premium growth and reduced inflationary pressures. Although the market favors insureds, insurers will continue to differentiate them by risk profile and underwrite them accordingly.

Given the health of the commercial property insurance market, last year's steady decline in insurance premium rate increases is expected to continue.

- January 1 and April 1 property treaty reinsurance renewals were more favorable than in past years, with overall pricing decreasing and appetite and capacity increasing.
- Property catastrophe capacity is plentiful, with premium rates decreasing,¹ despite the wildfire losses, driven by insurer profitability and the desire to maintain existing clients and continued growth.
- The extent to which an insured will benefit from current market conditions depends on their risk profile and claim history. Specific industries and types of property are challenging regardless of market conditions. Quality submissions continue to matter, and presenting a complete risk profile to the markets is essential.
- Whenever possible, insureds should take advantage of the current favorable environment to improve their commercial property coverage by increasing coverage limits and lowering the total cost of risk through deductible buy-downs. Non-concurrent terms and conditions can be lessened or eliminated, and in certain instances, outsized hard market deductibles can be reduced.
- While property valuation seems less of a hot-button issue, keeping property valuations current is critical to avoiding unpleasant surprises when a claim occurs or if market conditions shift and become less favorable.
- For the seventh consecutive year, secondary perils, such as wildfires and severe convective storms (SCS), have surpassed traditional primary perils — earthquakes and windstorms — in terms of losses. We anticipate increased scrutiny of wildfire exposures and a continued push for higher wind and hail deductibles to address the rise in SCS losses.
- Catastrophe-driven layered and shared programs that bore the brunt of rate increases over recent years are expected to benefit the most in this current marketplace. Oversubscription across programs is driving competition and leading to rate relief. Single-carrier placements may also benefit from current market conditions, but results will vary by geography, size and available competitive markets.

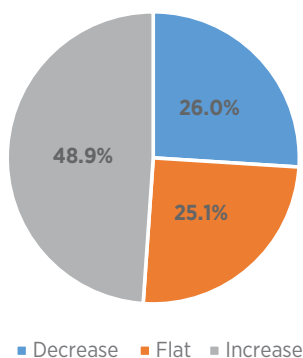


Property premium change



Q1 2025 Property

Gallagher — US clients



“While property market conditions are improving, the importance of quality submissions continues. As insurers remain focused on models and data, we are committed to enhancing risk profiles and data quality to best position our clients. By leveraging our data analytics and exploring both traditional and alternative solutions, we enable our clients to make informed risk management decisions for both the short and long term.”

MARTHA BANE

Executive Vice President, Managing Director
Property Practice
Gallagher

Casualty

The market overview: a period of moderation with underlying pressures

The commercial casualty insurance market's response to ongoing challenges persists into 2025, with continued rate increases, limit compression and/or more restrictive policy terms for many insureds. Insurance carriers are working to address these long-standing challenges, especially within the commercial auto and umbrella/excess sectors.

Key factors influencing the market

Several interconnected factors are shaping the current commercial casualty insurance market:

Social inflation and litigation: The increasing cost of insurance claims due to factors like rising jury awards and a more litigious environment remains a significant driver of higher premiums, particularly in liability lines such as commercial auto, general liability and umbrella/excess liability. The rise of “nuclear verdicts” (settlements or judgments exceeding \$10 million) continues to impact insurers' loss ratios.

Commercial auto challenges: This line of coverage remains one of the most challenging, with insurers facing underwriting losses due to rising claim costs, distracted driving, driver shortages, and the increasing frequency and severity of accidents.

Umbrella and excess liability: Umbrella and excess liability coverage continue to experience premium rate increases. While there have been some recent developments in insurers' willingness to offer more capacity on best-in-class risk profiles, insurers are still selective and require more detailed submissions for large coverage towers.

Climate change and natural disasters: The ongoing impact of climate change, leading to more frequent and severe natural disasters like wildfires and hurricanes, continues to put pressure on the property and casualty insurance market as a whole. While the direct impact on casualty lines might be less immediate than on property, these events can contribute to overall market instability and reinsurance costs.

Economic factors: Inflation continues to impact the cost of claims, particularly in areas like auto repairs and medical expenses. While the broader economic outlook shows some signs of stabilization, these underlying cost pressures remain relevant for insurers.



Insights by line of coverage

Here's a more detailed look at some key commercial casualty lines:

Commercial auto: Expect continued upward pressure on premium rates, especially for businesses with unfavorable loss histories or significant fleet operations and use of third-party transportation. To mitigate these increases, focus on driver safety programs, telematics and careful fleet management.

General liability: Premium rates have slightly increased in recent quarters, but underwriting remains stringent, particularly for high-risk industries like construction and hospitality. Be prepared for insurers to scrutinize your risk management practices and loss history closely. Emerging exposures like biometric data privacy and active assailant risks are also receiving increased attention.

Workers' compensation: This line remains relatively stable, with some clients potentially seeing flat or even slightly decreasing premium rates. However, factors like medical and wage inflation, evolving workforce demographics and the expansion of mental health coverage could introduce future cost pressures. Prioritizing workplace safety and return-to-work programs remains crucial.

Umbrella and excess liability: This coverage line remains especially challenging for clients with loss history and tough exposures. Providing comprehensive and high-quality submissions to underwriters is essential.

Navigating the market effectively by improving your risk profile

In this evolving market, proactive risk management and a strategic approach to your insurance program are more important than ever.

Focus on loss control: Implementing and maintaining robust safety programs and loss prevention measures can significantly improve your risk profile and will lead to more favorable insurance terms.

Provide comprehensive information: Detailed and accurate information about your business operations, risk management practices and loss history is crucial for underwriters to assess your risk accurately.

Sound renewal practices include:

- Start renewal early; seek multiple options.
- Provide robust data points, safety initiatives and tell your story.
- Data is critical for Auto lines — drill down on details (type of auto, radius, locations, total mileage, telematics, MVRs).
- Review more relative exposure basis — i.e., mileage vs fleet size.
- Invite carriers out to meet the risk team (see operations/safety).
- Access the full market: retail and wholesale; look for Auto specialty markets.
- Explore different deductible levels and potentially corridor deductibles.
- Entertain a three-year structured solution.

Looking ahead

While the moderation of premium rate increases in certain lines offers some relief, the underlying pressures of social inflation and challenging auto liability conditions mean that the commercial casualty insurance market will likely remain dynamic throughout 2025. We are committed to staying on top of these trends and providing you with the guidance and support you need to improve your risk profile, leading to a reduction in your total cost of risk.

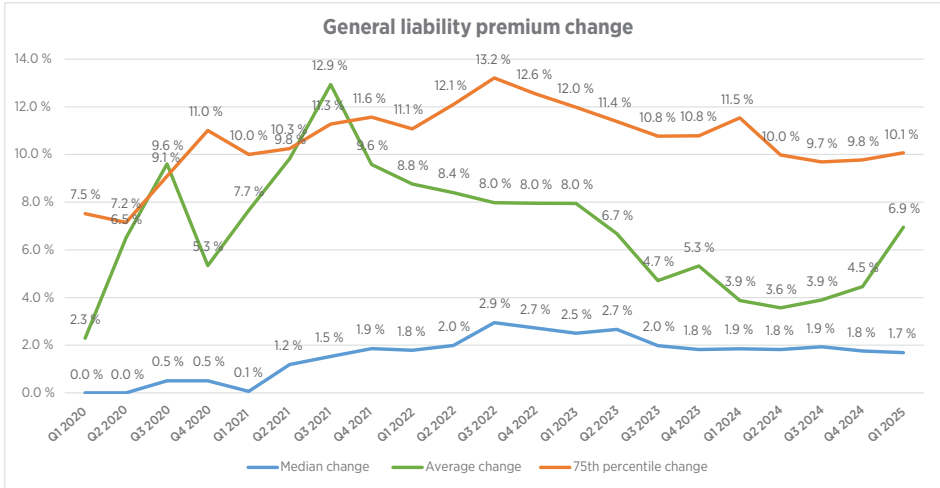
“Despite years of rate hikes, the red ink continues to flow in auto insurance as it remains the most unprofitable line of coverage in the industry. It’s a mix of things, really, but a lot of it comes down to the fact that accidents are getting more expensive. And when one thinks about the cost drivers — rising costs of medical care, vehicle repairs and lawsuits — well, those are not decreasing anytime soon.

Yet, there are encouraging signs. Many of our brokers are guiding clients towards adopting a company-wide culture of fleet safety, mirroring the successful paradigm shift seen in workers’ compensation 20 years ago. Workers’ compensation is a great roadmap to follow when you consider the industry’s intense focus on workplace safety has led to a remarkable decline in claims in 18 out of the last 20 years! The relative total cost of workers’ compensation insurance today compared to when I started in 2003 is astounding. While external forces influence third-party coverages like auto liability that are always going to be outside an employer’s control, adopting that same deep commitment and focus on fleet safety (telematics, advanced driver assistance systems, robust driver screening and training, etc.) across all employers can help to prevent those costly auto claims from occurring in the first place.”

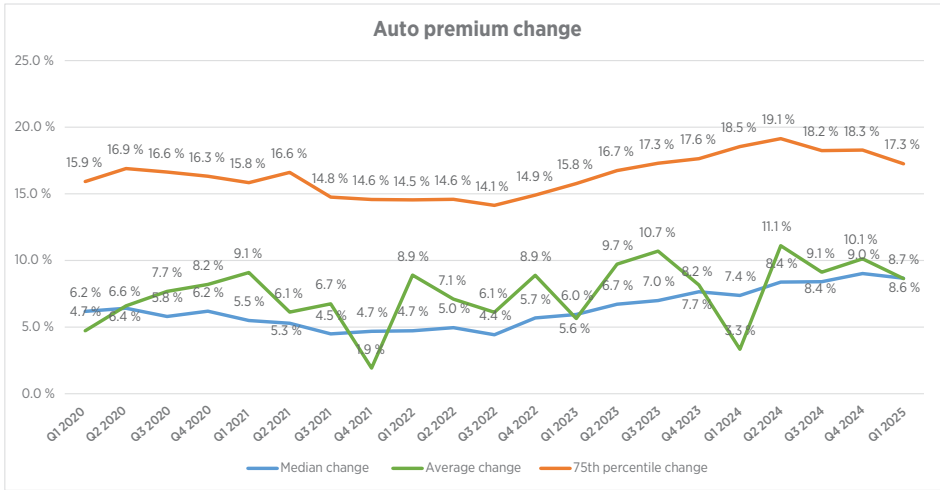
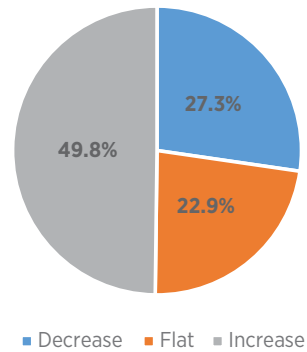
MARK J. STACHURA

Head of Broking
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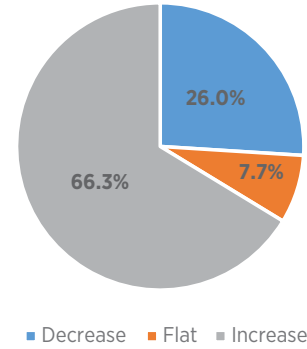
Premium Change by Coverage



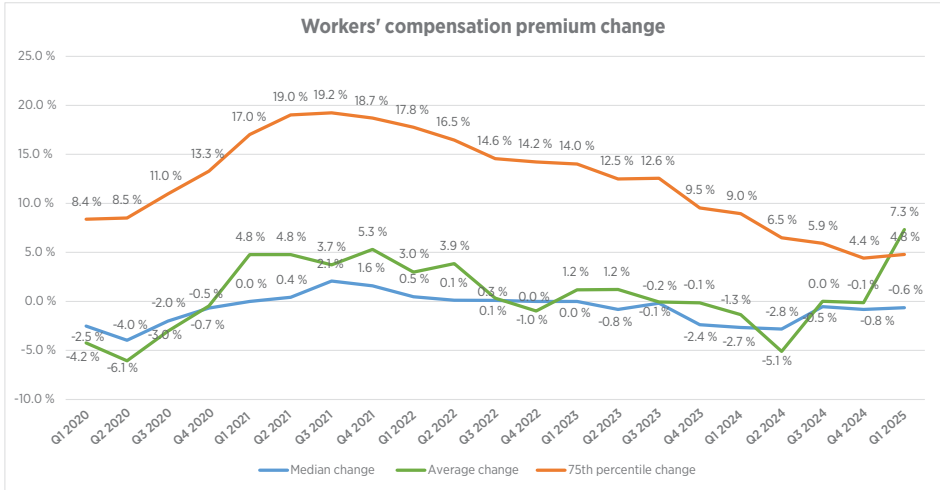
Q1 2025 General liability
Gallagher – US clients



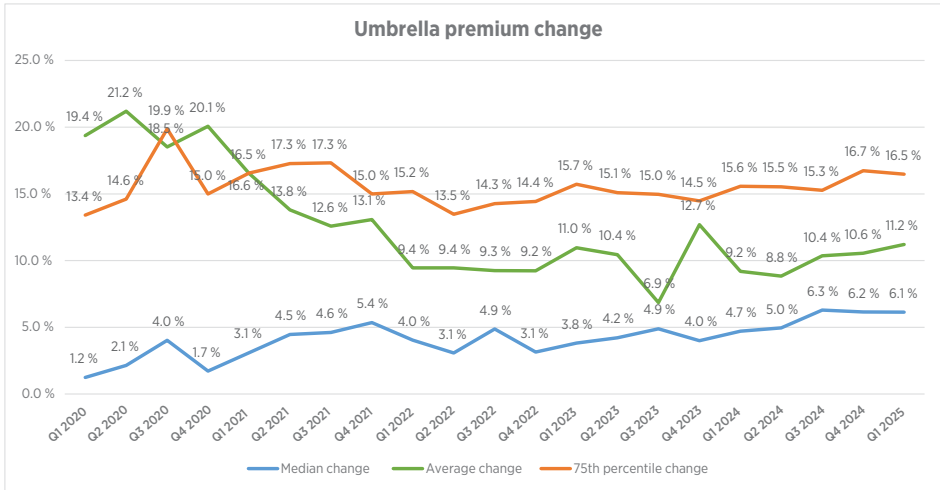
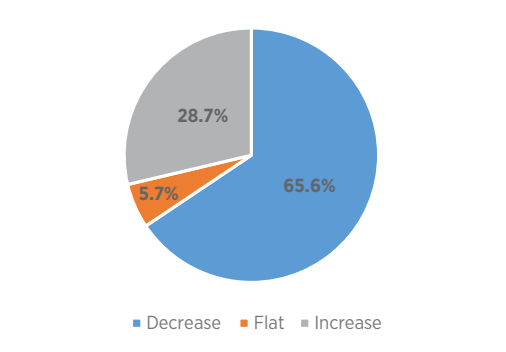
Q1 2025 Commercial auto
Gallagher – US clients



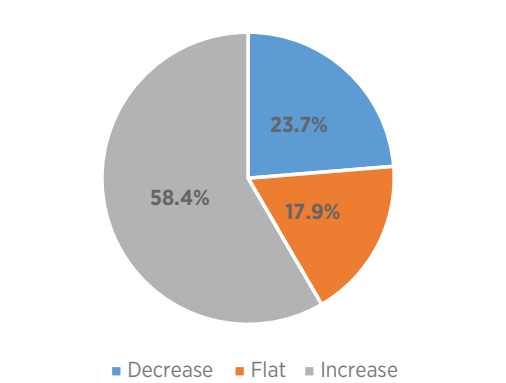
Premium Change by Coverage



Q1 2025 Workers' compensation
Gallagher – US clients



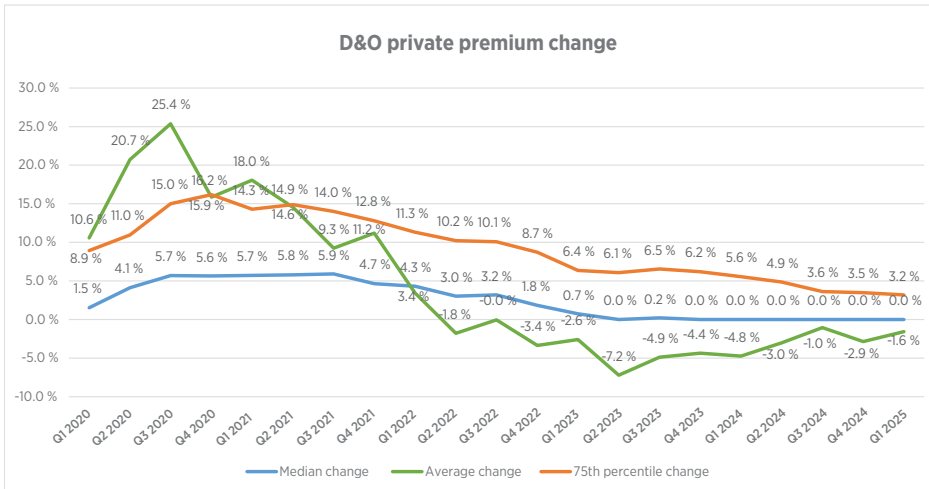
Q1 2025 Umbrella
Gallagher – US clients



Directors & Officers (D&O)

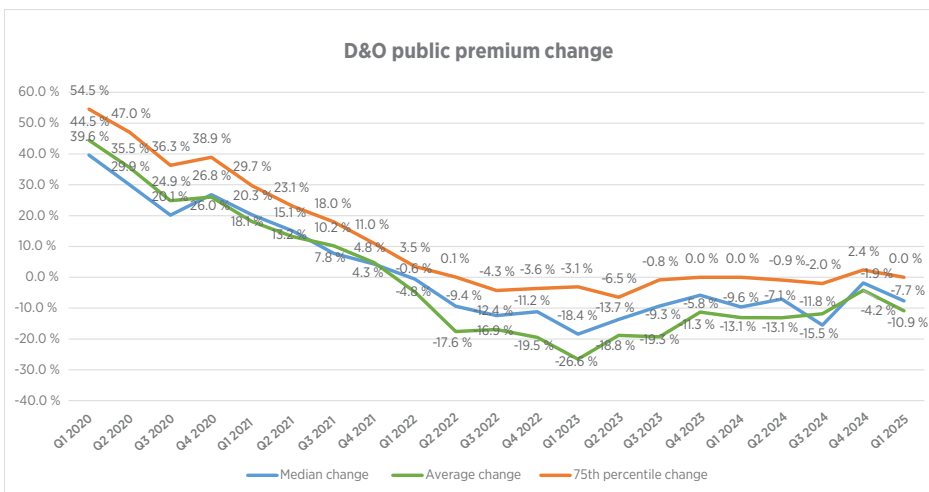
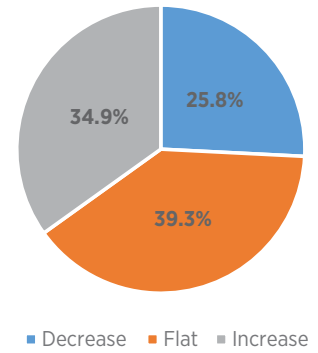
It's game on for D&O carriers as they continue to compete for business by reducing premiums and offering coverage enhancements, given the abundant amount of D&O capacity in the marketplace. Although, we anticipate that the D&O market will stabilize as we move further into the year. Many insurers are concerned with the rating environment, considering loss trends in the open pipeline of claims. In fact, in a March 3, 2025, report, AM Best states, "Softer pricing could have an adverse effect on the near-term financial performance of D&O insurers because the premium base to support future claims activity has diminished noticeably even as risks are emerging or expanding."

- We saw median public company D&O premiums decrease by as much as 15.5% in Q3 2024. Premium declines continued through Q4, though they were less dramatic. Private company premiums were more consistent, with a median flat increase across all four quarters.
- Federal and state court securities class action lawsuit filings, which trigger a D&O policy, rose for the second consecutive year. At 225, filings reached their highest level since 2020.²
- In the current buyer's market, it pays for insureds to openly discuss their strengths and weaknesses with underwriters at renewal. When they do, underwriters are often willing to write policies for companies with higher risk profiles at competitive rates.
- Concerning a company's finances, underwriters are particularly interested in an insured's working capital, cash burn rate and exposure to the proposed tariffs.
- A Board's fiduciary responsibility for managing and using AI within a company is an emerging area of concern. One specific risk is AI washing, which involves making misleading claims about a company's use of AI. This practice is increasingly becoming a target for lawsuits, as both the Securities and Exchange Commission and private litigants are scrutinizing companies' disclosures about their AI technologies.
- Environmental, social and governance exposures are less clear under the new administration.
- Following the US government's lead, many companies and organizations are dismantling their diversity, equity and inclusion programs. At this point, it's unclear if that will have any impact on claims.
- Companies considering reincorporating outside of Delaware will continue to be a top topic for D&O underwriters in their risk reviews.
- To maintain their market share and try to keep sustainable rates, D&O insurers have been offering coverage enhancements, such as entity coverage (public company) and regulatory matters (private company).
 - » Private equity funding has proven to be an attractive alternative to going public. This has resulted in fewer newly public companies needing a D&O policy, which has contributed to more competition in the D&O marketplace with significantly more capacity.
 - » Carriers in search of new business have expanded their focus from the public company to the private company D&O market, which is now adding capacity to that market.



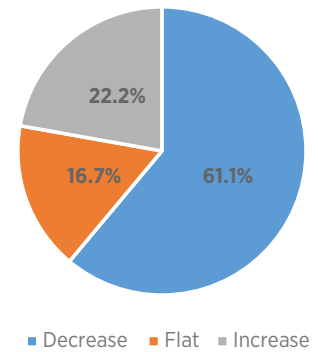
Q1 2025 D&O private

Gallagher — US clients



Q1 2025 D&O public

Gallagher — US clients



“We encourage our clients to focus on effectively marketing their insurance programs to get the best results from the 2025 D&O market. It is best for them to prepare early and be transparent about their operations. Given the current availability of options and capacity in the market, it’s a great time to consider expanding coverage, restructuring your programs, lowering retentions and purchasing higher limits, especially with the potentially anticipated stabilizing D&O market.

Clients should analyze their data and benchmark their performance. On the private side, we have successfully secured two-year deals, so it’s crucial to be strategic in these arrangements. Additionally, assessing retention and carefully considering what aspects of coverage to self-insure, as well as how to design their insurance programs, are vital steps for our clients.”

JENNIFER SHARKEY

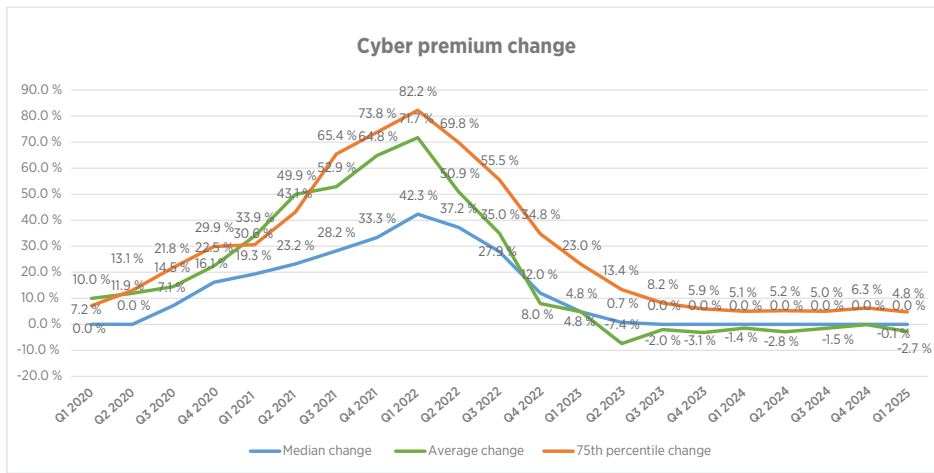
Managing Director
Executive & Financial Risk Practice
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Cyber

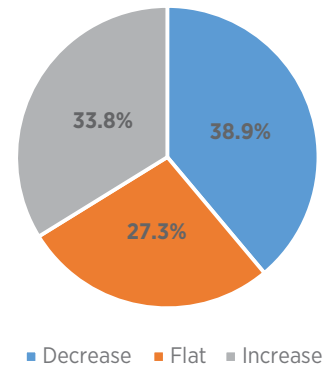
As threats increasingly turn into claims, the cyber insurance market continues to grow. Insureds continue to invest in resources to prevent incidents by implementing cybersecurity controls such as multi-factor authentication (MFA). This has helped to keep premiums steady even as cyber incidents continue to climb in number and cost.

- Our clients saw a median premium rate change of 0% last year, which was consistent across all four quarters. Clients renewing this coverage in Q4 were just as likely to experience a premium increase (37.4%) as a decrease (37.8%).
- We anticipate that primary, excess and reinsurance markets will continue to grow premium in 2025 with a healthy capacity level. Increased competition for both quota share and excess loss placement led to successful negotiations in Q4 2024 for better terms and more effective coverage.
- The gray area between cyber and another coverage, such as crime, D&O and EPL, continues to be a challenge. It is crucial for insureds to understand the overlap and distinctions between cyber and these other policies. This step can also prevent a claim situation in which duplicate coverage results in having to satisfy two separate self-insured retentions.
 - » The policy that responds often depends on the specifics of the loss and the type of lawsuit the client faces. For example, with a loss from a cyber scam, the question becomes whether it's the cyber or the crime policy that covers the lost funds.
 - » An insured may face a loss created by the costs associated with incident response, which might be covered under their cyber policy.
 - » There are also the actual lost funds that might fall under crime insurance.
- While regulatory pressures may ease under the new administration, several state regulators will likely continue with an aggressive focus on compliance requirements. For now, clients should continue to prioritize them as a major concern. However, not all insurers provide comprehensive coverage for this exposure. Some may offer limited coverage, so paying attention to the policy wording is crucial.
- We expect threat actors to continue to target key players in the supply chain. This will likely lead to cascading losses for those organizations that rely upon them for critical products and services.
- [Quantum computing is an emerging risk](#) that we are closely monitoring. In the future, these types of computers have the potential to take cybercrime to the next level by allowing hackers to decrypt data more easily and gain easier access to a company's intellectual property.





Q1 2025 Cyber Gallagher — US clients



“There is no such thing as a standard cyber insurance policy. Policies are written on customized forms, which means that the wording can vary significantly. In essence, if you’ve seen one cyber policy, you’ve only seen one cyber policy.

There are language nuances in policy coverage. For example, supplements have been introduced for ransomware and systemic events, as well as broader exclusionary language regarding cyber warfare. New exclusions related to claims such as wrongful data collection, biometrics, pixel tracking and supply chain attacks have also raised concerns. Many carriers may not be covering these claims or are underwriting them more cautiously.

Concerning cybersecurity, it’s essentially a race against hackers. As we implement one control, they quickly find ways to circumvent it.”

JOHN FARLEY
Managing Director
Cyber Practice
Gallagher

About the Authors

Linton “B.” Puckett is responsible for the leadership of the Gallagher’s National Market Relations practice. In this role, B. is responsible for developing and managing strategic carrier and intermediary relationships in Gallagher’s US Brokerage division. B. leads Gallagher SmartMarket, our platform that couples data with a dedicated engagement model to enhance carrier relationship strategies. B. also leads Gallagher’s Client Advantage strategy, which partners with carriers to bring proprietary products and solutions to clients.

Mark Stachura is responsible for the leadership of market relations and placement functions in Gallagher’s Central Zone.

About Our Data

Gallagher Drive is our premier data and analytics platform that combines market condition, claims history and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of **CORE360®**, our unique comprehensive approach to evaluating our clients’ risk management program, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital and identify the top markets with the best solutions for their risks.

*Sources:

Gallagher US Client Data, January 2020-March 2025. The median represents the middle value that separates the upper half from the lower half of the data sample. The 75th percentile premium is the average of the top 25% of Gallagher clients’ accounts that experienced the highest premium increases. Please note that individual premiums may vary due to market variability and specific account characteristics.

¹[Gallagher Re Natural Catastrophe and Climate Report 2024.](#)

²[Securities Class Action Filings: 2024 Year in Review.](#) Cornerstone Research, Jan 2025, P. 1.



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