Gallagher

Real Estate & Hospitality

Market Update Fall 2025

Introduction

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Given the financial pressures on the Real Estate and Hospitality industries, the current commercial insurance market is generally welcomed by all. Other than pressure on commercial general liability, umbrella limits and liability deductibles, property, professional liability, and cyber capacity are plentiful, thus leading to rate stabilization and decreases. Naturally, all risks are not created equally, so exposures to wildfire and Tier One wind are still factors.

On the Professional Liability front, an area of particular focus is the impact of activist investors on both private and publicly traded organizations. For those old enough to remember the M&A frenzy before the Great Financial Crisis, there is a whiff of that in the current environment, which is shorthand for sponsors to reinforce their commitment to transparency and constant communications with their investors.

We hope you find the attached information valuable, and as always, please feel free to reach out with any questions, comments or suggestions.

Property

The property insurance marketplace continues to improve in 2025. Generally, we observed ample capacity, improved rates, easing of certain terms and conditions, and muted pressure on valuations. Barring a major hurricane making landfall during the remainder of the Atlantic Hurricane Season, we expect that these marketplace conditions will persist throughout the remainder of the year.

Capacity

The level of capacity-driven competition depends on the location, asset class and structure of the placement (single carrier vs shared and layered). The fiercest competition exists in markets that experienced the most difficult renewals during the 2023 hard market cycle. For example, Gallagher real estate leadership in Florida frequently encounters oversubscribed shared and layered (S&L) placements, creating plenty of leverage to negotiate superior outcomes. In less volatile markets like the Midwest, single-carrier placements and more difficult asset classes like older unsprinklered habitational risks are not enjoying the same level of market competition.

Rates

The property rate environment has softened nationwide. Non-cat-exposed, single-carrier placements with a clean loss history are generally seeing flat to mid-single-digit rate decreases. Gallagher real estate leadership around the country has noted that larger S&L placements with clean loss history are commonly seeing rate decreases of -10% to -20%.

Terms & Conditions

While rate decreases have become more common, insurers are reluctant to concede the rate adequacy achieved during the hard market cycle. As such, they must utilize avenues other than price to compete. Intense scrutiny of valuations has eased, and insurers are dropping margin clauses and occurrence limit of liability endorsements. They have shifted their focus to risk control. In many cases, the focus has been on “secondary perils” such as flood and wildfire. Insurers are paying close attention to assets in the Wildland Urban Interface, where the highest frequency and severity of losses occur, like earlier this year in Los Angeles.

Deductibles

The competitive market has also applied gentle downward pressure on deductibles, which has decreased the attractiveness of deductible buydowns. While not everyone will experience reduced deductibles, Gallagher real estate experts are successfully re-hanging S&L placements with decreased AOP deductibles. Water damage deductibles have held steady with no decreases. Lastly, the most extreme deductible increases doled out during the hard market have also relaxed. Gallagher’s South Central Region real estate leader, Iva Giddiens, noted that non-coastal risks in Texas have been able to successfully reduce 5% wind and hail deductibles down to 2% or 3%.

Builder’s Risk

The Builder’s Risk market has seen the largest shift throughout the course of 2025 to client-favorable underwriting conditions. The sustained elevated interest rate environment put a damper on the financing of new development. As such, the same capacity is left to chase less exposure, and simple supply and demand economics have deflated the rates insurers are offering. Insurers have maintained that they need a $0.40 rate to remain profitable, but even in dense urban city centers where wood frame rates were once as high as $1.00, Gallagher real estate experts have observed pricing as low as rates in the $0.30s.

Despite relaxing their pricing, insurers have held the line on underwriting conditions such as locked, lit, and fenced site security, complete with thermal imaging and water leak detection technology.

Deductibles have stabilized to a range of $25,000 to $50,000 for All Other Peril (AOP) deductibles and $100,000 to $250,000 for water damage deductibles.

Casualty

The general liability and umbrella/excess markets are producing very challenging and risk-specific renewal outcomes. The primary factor driving the hardening liability marketplace is legal system abuse via third-party litigation financing. Barring any tort reform, this behavior will continue to drive up the cost of liability insurance.

General Liability

The renewal outcomes for insureds will vary widely based on each renewal's unique characteristics. Benign risks with a clean loss history could receive mid- to low-single-digit increases. However, insureds in adverse legal jurisdictions (California, Illinois, Georgia, New York, etc.) or with poor loss history, especially losses involving acts of violence, will experience larger rate increases.

The market is particularly difficult for habitational risks due to the 24/7 exposure. There is increased potential for many claimants arising out of one tragic occurrence, and that contributes to claims costs.

Several carriers have exited the market for habitational risks, and those remaining are implementing exclusions (such as assault and battery, firearms, habitability, human trafficking, and abuse/molestation). Very few standard market insurers are willing to insure portfolios made up of a majority of habitational risks, and even fewer are willing to insure affordable housing. These portfolios find their way to the non-admitted markets that may still try to exclude perils like assault and battery, and/or firearms.

For the largest insureds, clean forms with full coverage are available, but at a cost. They often come with significant premium increases and meaningful self-insured retentions (SIR). Those who are able to obtain clean coverage forms are often doing so at the expense of a $100,000 to $250,000 SIR.

Umbrella and Excess

In the umbrella and excess liability markets, the most upward pressure on rates is in the first $25 million of limit purchased. We have observed minimum premiums rising from $1,000 per million to as much as $2,500 per million. The jump is even greater for those who have relied on special risk purchasing groups and MGAs, where rates per million might start as low as $500.

The market has plenty of capacity to meet the desired limits for even the largest insureds, but only in small bites of the apple. It is increasingly common for insurers to offer $2.5 million to $5 million portions of the S&L structure. Each insurer is seeking to limit its exposure to nuclear (in excess of $10 million) and thermonuclear (in excess of $100 million) verdicts. This is especially true for habitational risk.

In addition to rate increases and reductions in capacity, insurers are also increasing their attachment points from a $1 million/$2 million underlying to a $2 million/$4 million underlying general liability limit profile and require hefty SIRs for larger insureds.

Liability claims can take seven to ten years to fully develop and be closed out by the insurer. Initially, the focus had been on the poorly performing 2017-2019 accident years, which were developing slowly due to pandemic court closures. As such, insurers raised rates. However, it appears that even those rate increases were not enough to cover the 2020-2021 accident years that followed. Insurers continue to chase rates adequate to cover the losses their policies are paying out.

The emphasis for change must be focused on tort reform, with recent legislation passed in Florida and Georgia used as both the test and example for future legislation.

Executive Financial Protection

In the executive financial protection arena, there is an industry-wide renewed focus on coverage enhancements. This is particularly true for public D&O and cyber. New policy forms are being marketed by insurers to provide a competitive edge that is not price-driven. Prudent brokers should be pushing for enhanced coverage from all insurers they market to their clients in this marketplace.

Directors & Officers Liability

After a period of significant softening for both public and private D&O placements, most renewals are returning flat premiums. While some insureds may see slight increases or decreases based on loss history, the overall market is underwriting risks at or near their minimum premium thresholds. Emily Loupee, executive financial protections co-chair for Gallagher's Real Estate practice, cited two carriers exiting the market for public D&O placements as evidence of the market reaching its floor. Despite some insurers exiting the market, there are still 45 to 50 insurers competing for business and keeping a lid on price increases.

Errors & Omissions

E&O for commercial real estate organizations remains stable, with premiums tracking closely to client exposures and revenue generated from fees.

Crime

The crime insurance market is also stable, with little movement in pricing, even for clients with claims. While some carriers are scrutinizing social engineering limits more closely, excess coverage is available from other markets.

Employment Practices Liability

The marketplace for EPL coverage is generally flat, with some carriers applying a 5% increase due to rising losses within their own books of business. This is not common across the board, but it is something to look out for. Social inflation, the use of artificial intelligence in employment decisions, and wage transparency laws are key emerging trends. The use of AI in hiring has garnered regulatory attention from the EEOC and increased scrutiny on how these technologies impact employment decisions.

Cyber

The cyber insurance market is highly competitive, with over 30 markets actively writing business. Gallagher experts noted the material differences in coverage between various insurers. Securing the broadest coverage should be the primary concern rather than price. Oftentimes, the best coverage can be secured at reduced or flat premiums.