



Gallagher

Q1 2026

Financial Institutions Market Update



Introduction

Through the beginning of 2026, the insurance market for financial institutions remains active and nuanced, shaped by shifting macroeconomic conditions, evolving regulatory and enforcement priorities, persistent cyber and fraud losses and an elevated severity environment for litigation (including social inflation). This Q1 2026 update highlights what we're seeing across key coverages and outlines practical implications for banks, insurance companies and asset management firms. While overall capacity remains abundant, still leading to competitive pricing, underwriters are beginning to show heightened discipline in specific high-risk areas like commercial real estate and AI-driven fraud.

Our goal is to help you translate current market dynamics into favorable outcomes at renewal with stronger terms, optimized program structure and fewer surprises through proactive underwriting engagement.

Industry Segment-Specific Risk Management Considerations

Banking segment

In the first months of 2026, banks continue to operate in a mixed environment: moderating (but still meaningful) inflation pressures, an interest-rate backdrop that remains a key driver of net interest margin performance, and ongoing uncertainty tied to policy shifts and geopolitical/trade dynamics. Underwriters are looking closely at commercial real estate (CRE) refinancing and valuation pressure, particularly in office and other challenged sub-sectors, along with consumer credit normalization.

The banks that come to market with clear, current CRE analytics, capital and liquidity messaging, and a concise narrative on risk governance are best positioned to attract the most competitive pricing and the broadest terms from underwriters.

Regulatory expectations and enforcement priorities remain fluid. Banks are watching the changes in agency posture (including the CFPB and bank regulators) and how those shifts translate into exam focus, consumer-related scrutiny and merger review timelines. While a more permissive M&A environment is possible, increased consolidation, particularly among small and midsize banks, can heighten exposure to deal-related litigation and disclosure claims.

We recommend aligning your insurance strategy early with your corporate development roadmap (timing, disclosure process, diligence and integration plans) so we can position the program with underwriters, manage retentions and protect the balance sheet through transaction cycles.

Adoption of generative AI and broader automation continues to accelerate, from customer service and marketing to credit analytics, fraud detection and compliance. This is driving increased underwriter scrutiny relative to data governance, model risk management, third-party/vendor controls and operational resilience, including business interruption stemming from technology outages. Institutions that can demonstrate a clear AI governance framework (oversight, testing/validation, acceptable use and vendor management) are seeing smoother renewals and more favorable negotiations for policy terms and conditions.

Climate and catastrophe (CAT) risk remains a core consideration. From a property perspective, insurers evaluate the bank's owned and leased locations that support critical operations. Underwriters are also paying more attention to "secondary perils" (e.g., severe convective storms, wildfire, inland flood) given their potential to drive volatility in property losses and disrupt operations.

Separately, banks should also be paying more attention to their lending and collateral concentrations in CAT-prone geographies. Credit risk, market risk and operational risk all intersect with climate change. Real estate collateral in coastal, flood and wildfire prone areas may face heightened volatility in value and insurability; climate-driven disruptions can affect local economies and asset prices, influencing borrower performance; and severe weather events can interrupt branch, data center and third-party service provider operations. Many institutions are enhancing scenario analysis, strengthening due diligence on collateral and insurance requirements, and leveraging forward-looking analytics to understand concentrations and stress pathways that may affect their balance sheets.

Insurance company segment

Thus far in 2026, insurance companies are balancing improved investment yields against catastrophe volatility, reserving pressure, technology transformation and an evolving liability environment. Underwriters are rewarding insurers that can clearly articulate capital strategy, reinsurance protection, claims governance and risk controls, especially where results have been impacted by CAT activity or casualty severity.

Natural catastrophe frequency and severity, including wildfire, inland flood, wind and other "secondary peril" events, continue to be a defining theme. CAT losses can create pressure on property-specialist carriers and can also produce downstream exposures (e.g., coverage disputes, claims handling scrutiny and allegations of inadequate advice or placement), which may contribute to E&O activity. Underwriters for Directors & Officers (D&O) and Insurance Company Professional Liability (ICPL) remain focused on reinsurance strategy, reserving, catastrophe aggregation, claims governance, AI adoption and regulatory/compliance posture.

Social inflation, supported by aggressive plaintiff tactics, third-party litigation funding and nuclear verdicts, continues to drive casualty claim severity and lengthen resolution timelines. Carriers exposed to casualty lines (including auto liability and excess/umbrella) are managing pressure through underwriting discipline, pricing, attachment-point movement and coverage restrictions. These dynamics can also influence ICPL and D&O renewals as underwriters assess reserve development, litigation management practices and the potential for shareholder or stakeholder claims arising from adverse results.



Asset management segment

Through the first quarter of 2026, asset management firms are operating amid continued market volatility, shifting regulatory priorities and rapid technology adoption. Performance dispersion across strategies, heightened investor expectations on liquidity and transparency, and evolving product structures (including private credit and other alternatives) remain key drivers of claims severity and regulatory exposure. Firms that proactively strengthen disclosures, valuation governance and cyber/third party controls are generally seeing the most competitive E&O outcomes and the most flexibility on retentions.

Regulatory scrutiny remains a key variable, particularly from the SEC, even as priorities and rulemaking emphasis continue to evolve. Focus areas for many firms include marketing/advertising practices, valuation and fee disclosures, conflicts management, custody and safeguarding considerations, and cybersecurity/incident reporting.

Any reduction in transparency or reporting requirements in certain areas may be viewed by investors as increasing risk, potentially elevating the likelihood of investor disputes or litigation following performance drawdowns or gate/suspension events.

Geopolitical tensions, trade policy changes and uneven growth expectations can contribute to volatility across rates, credit spreads and equity markets, directly impacting portfolio valuations and investor returns. In this environment, underwriters continue to differentiate based on strategy complexity, liquidity profile, leverage, use of third parties, distribution channels and the firm's controls around valuation, risk limits and disclosures.



Coverage Analysis for Financial Institutions

Directors & Officers (D&O) liability

To date in 2026, the D&O market for financial institutions remains generally competitive, supported by ample capacity, which creates opportunities for clients who present well in the market. Many stable public-company programs are seeing flat to modest decreases on renewal, often in the low single digits, while challenged profiles can still see firming rates. Asset managers and firms with strong financials and clean loss histories continue to benefit from competition and potential enhancements in pricing and terms. Banks may face more scrutiny, particularly where underwriters perceive elevated CRE exposure, liquidity sensitivity, or weaker earnings, making early positioning, targeted underwriter engagement and strong financial storytelling critical to achieving the best outcome. M&A activity among banks is also drawing underwriter attention.

Key underwriting focus areas continue to include financial performance and capital management, claims and regulatory history, cybersecurity governance and disclosure controls. Underwriters are also asking more pointed questions regarding the governance and use of AI, including model risk management, data use and third party reliance. Climate-related disclosure and risk governance can also remain in view, depending on the institution's footprint, investor profile and regulatory environment.

Professional Liability/Errors & Omissions (E&O)

Professional liability conditions remain firm in several financial institution classes. Bankers Professional Liability (BPL) renewals commonly range from flat to +10% with more pressure on challenged accounts, while Insurance Company Professional Liability (ICPL) often trends from flat to +15% given loss experience, reserve and catastrophe volatility, with more limited primary market capacity. Asset management E&O typically benefits from stronger competition, particularly for firms with favorable loss experience, though underwriters remain focused on strategy complexity, valuations and liquidity, fee and marketing disclosures, and regulatory examinations. A well-prepared underwriting submission remains one of the most effective ways to negotiate better terms.

Financial Institution Bond

The Financial Institution Bond (FI Bond) market continues to be challenged by social engineering, fraudulent instruction and funds-transfer losses, making this line a persistent loss leader for many insurers. While pricing is often manageable for accounts with strong controls, underwriters are increasingly prescriptive around authentication protocols, call-back procedures, segregation of duties and vendor payment/change controls, particularly for remote or hybrid operating models. Renewal pricing commonly ranges from flat to +7%, with deductible pressure and sublimit management driven further upward by loss experience, transaction volume and organizational changes.

Particular attention should be paid to structuring limits and sub-limits for social engineering/funds transfer and coordinating those terms with the Cyber Liability program to avoid gaps or unintended overlaps. Clear internal procedures, documented controls, and regular testing/training remain critical to securing favorable terms.





Cyber liability

Cyber remains a competitive line for many financial institutions, though early 2026 indicators suggest the pace of rate softening is slowing in segments impacted by ransomware frequency and third party/vendor events. For well-performing accounts with strong controls, renewals are often flat to modest decreases; however, insurers are increasingly selective on attachment points, ransomware-related terms and systemic risk considerations. Organizations that can demonstrate strong fundamentals, including multi-factor authentication, endpoint detection and response, privileged access management, email security, immutable/offline backups and incident response readiness, are in the best position to preserve broad coverage and negotiate favorable pricing. Litigation tied to privacy statutes and evolving state privacy laws remains a driver of loss, and policy language continues to evolve through sub-limits, exclusions and narrower definitions for certain event types.

Because cyber forms and endorsements continue to change, policy review remains essential, particularly around funds transfer/social engineering, contingent business interruption, systemic events and technology service provider outages. As AI use expands (including AI-enabled attacks and AI-driven business processes), insureds should evaluate how cyber policies treat AI-related incidents and whether standalone or supplemental solutions like technology errors, media or emerging AI liability offerings are appropriate for their risk profile.

Employment Practices Liability (EPL)

Employment Practices Liability (EPL) for financial institutions remains generally stable with continued underwriting discipline. Many accounts are seeing flat to +10% renewal outcomes, with retentions still commonly bifurcated — separate, higher retentions for claims involving highly compensated employees. Financial institutions can be more impacted by this structure due to compensation profiles, organizational change and heightened sensitivity to retaliation, discrimination, and wage and hour allegations. Another factor contributing to rate increases is the increasing costs of litigation driving the cost of a claim.

We continue to see carriers compete more actively for well-managed risks, with modest single-digit increases (or flat renewals) achievable when marketing and when loss experience is favorable. Claims experience, reductions-in-force, and governance practices around investigations and documentation remain key underwriting differentiators.

Fiduciary liability

Fiduciary liability remains competitive, commonly ranging from flat to +5% for stable accounts. ERISA class actions, including excessive fee and imprudent investment claims, continued litigation funding activity and evolving regulatory guidance contribute to ongoing scrutiny. Underwriters continue to differentiate based on plan size and complexity, vendor/recordkeeper structure, investment menu governance, fee benchmarking and claims history.

Property

Property market conditions in the first months of 2026 have been increasingly driven by catastrophe modeling, secondary-peril loss experience and location-specific exposures. Many insureds are seeing improved competition and meaningful opportunities for rate relief, particularly where catastrophe exposure is moderate and valuations and risk engineering information are strong. For accounts with significant wind, wildfire, hail or flood exposure, carriers may still seek higher deductibles, impose sub-limits or adjust coverage despite broader market competition. A data-forward approach — accurate COPE data, valuations and a clear mitigation story — is often the difference-maker in unlocking the best options.

Insurers remain focused on accurate property valuations, business interruption exposures, protection/class and mitigation. For institutions with limited CAT exposure and strong risk quality, the competitive landscape can provide leverage to negotiate terms, explore alternative structures and improve conditions; however, program results will vary materially based on geography and modeled loss.

Casualty

Casualty continues to be pressured by social inflation, litigation funding and large verdict trends with consistent pricing pressure in Commercial Auto and Umbrella/Excess Liability. Financial institutions with significant fleet exposure or high public interaction footprints can see more pronounced increases and tighter underwriting, including higher attachment points and reduced umbrella capacity at prior pricing levels. Workers' Compensation remains comparatively stable and can be a lever for total cost of risk improvement when supported by strong safety and claims management practices.

In many programs, insureds should plan for continued upward pressure on auto and excess layers, while General Liability may be more modestly impacted depending on loss experience and class. Strategic program structuring (layering, quota share, alternative markets and attachment optimization) remains a key lever to manage total cost of risk without sacrificing protection. We recommend starting the casualty strategy early — so we can evaluate loss drivers, confirm exposure accuracy and build a placement plan that targets the right markets and minimizes disruption.





Conclusion

Overall, 2026 market conditions to date for financial institutions reflect strong competition and capacity in several lines, particularly D&O and, for many insureds, Cyber and Property, alongside persistent areas of tightening driven by loss experience — notably casualty severity, crime/fraud losses and catastrophe volatility. The best outcomes are seen for well-prepared clients who lead with a compelling underwriting story, strong controls and clean, credible exposure data — supported by thoughtful program structure and early engagement with key markets.

Financial Institutions must prioritize tailored coverages and robust risk management to address the myriad of headwinds that persist. Gallagher helps you turn market complexity into leverage: we position your risk effectively, negotiate coverage terms that keep pace with emerging exposures and design placements that protect your balance sheet while optimizing total cost of risk.

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