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NAVIGATING

Q3

Top Commercial
Insurance Trends



NOW

INTRODUCTION

Navigating Now: Q3 2026

The third quarter of the year is peak season in more ways than one. During these months, the Atlantic hurricane season reaches its climax, mid-year property renewals close out for some, and some employers move into 2027 budgeting mode, locking in decisions that will shape their exposure long after the quarter ends.

Based on the market observations considered for this report, some property insurance buyers are seeing more competitive conditions, with available capacity providing opportunities to evaluate program structure.

That said, favorable conditions are not a reason to coast, they're an opportunity to strengthen programs. A softening labor market, the rapid growth of AI and a substantial data center construction boom are all changing the exposure picture, while coverage terms may not always evolve at the same pace. Meanwhile, the US casualty market continues to grapple with its own unique set of dynamics amid escalating claims costs.

Here are three key trends Gallagher retail brokerage experts are watching in Q3 2026.



A potentially quiet North Atlantic hurricane season doesn't mean less risk, as insurers remain focused on nationwide storm losses



Benefit cuts, AI hiring and rising EPL risk for US employers



The data center boom is leaving standard coverages behind

KEY TREND #1

A potentially quiet North Atlantic hurricane season doesn't mean less risk, as insurers remain focused on nationwide storm losses

Colorado State University's 2026 Atlantic hurricane forecast projects nine named storms this season, with four becoming hurricanes and one reaching major hurricane status (Category 3-5), all below long-term averages. The forecast is driven largely by a strengthening El Niño, which increases wind shear and works against storm development, while sea surface temperatures in the Atlantic's main development region remain near average rather than providing an added boost.

Gallagher Re's research shows that El Niño seasons are historically calmer for US landfalls. But outlier seasons remain possible whenever El Niño coincides with warmer Atlantic waters. For instance, 2004 was an El Niño year that still produced significant US landfall activity because of unusual weather patterns.

Capacity and pricing conditions may remain favorable for some property insurance placements. In Florida, specifically, legislative reforms have given insurers materially more confidence in pricing the state's windstorm risk, with 2026 renewal pricing becoming more competitive. Typically, buyers have been using these premium savings to add aggregate, multi-year and dropdown coverages rather than trim limits.

Broader coverage is good news as protection gaps persist. The Gallagher Business Owners' Survey shows that 53% of business owners cite flooding among the top weather-related threats to their business, yet only 30% carry flood insurance.

"The hurricane forecast may be more favorable this year, but all it takes is one significant landfalling event to reshape market sentiment," says Martha Bane, managing director, Property. "At the same time, insurers continue to quantify their exposure to secondary perils, particularly severe convective storms and floods, which have become increasingly significant drivers of loss. For buyers, that means risk quality, accurate valuations and demonstrated resilience remain as important as ever."

ACT NOW

- **Update risk assessments:** Re-evaluate hurricane-exposed properties, including flood zones, windstorm exposure and loss history. Leveraging Gallagher Blueprint can help — it's a framework that pairs AI-driven analysis with broker expertise to quantify a client's risk profile, identify actions to strengthen it and support earlier, more informed decisions.
- **Match capital to risk:** For harder-to-place exposures, alternative options like parametric insurance or a captive program can fill gaps traditional policies leave behind.
- **Don't be seduced by today's rates:** Markets are cyclical, and insureds who prioritize price alone could be tested when pricing hardens. Current conditions reward those who build efficient, resilient programs now.
- **Close the flood gap:** With more than half of business owners worried about flooding and fewer than a third carrying coverage, this is an obvious gap to tackle at renewal.



KEY TREND #2

Benefit cuts, AI hiring and rising EPL risk for US employers

A softer labor market may be influencing benefit decisions for some employers. Before changing paid leave or parental leave policies, employers may wish to consider consistency, communication strategy, workforce impact and applicable legal requirements.

That matters from an ethics and succession planning perspective, and because Employment Practices Liability (EPL) claims historically track broader social and economic shifts. If benefit reductions are perceived as targeting protected classes, such as parents or caregivers, that erosion of trust can carry lasting consequences.

If labor market conditions change, employers that made benefit changes without a clear and consistently applied rationale may face increased workforce or employment-practices concerns.

The use of AI in hiring and layoffs is compounding the exposure. Litigation is now testing exactly how far employer liability extends when an algorithm, not a person, makes the call and courts are making it clear that liability doesn't shift to the vendor just because the decision was automated.

"The Equal Employment Opportunity Commission's guidance is that if an employer decides to use AI, the employer is liable if there's discrimination in the output. They can't push it onto a third-party AI chatbot," says Emily Loupee, area senior vice president in Gallagher Executive and Financial Risk practice.

Recent federal litigation has addressed whether an AI screening provider may act as an employer's agent for purposes of employment discrimination claims. In early 2026, a federal court also addressed claims brought by job applicants under federal anti-discrimination law.

A separate lawsuit filed in 2026 alleges that AI-generated candidate scores should have been disclosed to applicants. The lawsuit raises questions about transparency and disclosure obligations associated with the use of automated candidate-ranking systems.

ACT NOW

- **Review and enhance your EPLI policy:** Third-party Employment Practices Liability Insurance (EPLI) coverage is an extension that protects companies and their employees, directors and officers against non-employee claims for alleged discrimination or harassment, brought by customers, vendors, business guests or other non-employees. Gallagher's guide to [avoiding common EPLI mistakes](#) outlines potential sources of coverage gaps and how to avoid them.
- Confirm coverage scope against benefit reductions, RIFs, and AI-assisted HR decisions, and audit who is named on the policy. Passive holding companies and affiliates often get sued but may not be listed as insureds.
- **Increase limits while the window is open:** EPL capacity is accessible and excess is currently competitively priced.
- **Put guardrails on AI-assisted HR decisions:** Require bias audits and algorithmic transparency whenever AI touches hiring, performance management, or reductions in force (RIFs), and keep a human reviewer in the loop on every consequential decision. It's your best defense if a decision is challenged.
- **Review your third-party EPLI extensions:** Especially for retail, hospitality, healthcare and any client-facing operation where the Commercial General Liability exclusion leaves a gap.

KEY TREND #3

The data center boom is leaving standard coverages behind

US data center construction starts hit a historic \$25.2 billion¹ in January 2026 alone, with more than \$100 billion earmarked for the year, making data centers the largest revenue source in the entire construction sector. The average data center project's value has grown to **\$633 million**, a 70% year-over-year increase, with costs exceeding \$1,000 per square foot, nearly double the level of two years ago.

That combination is as compelling as it is demanding. Performance expectations are absolute and timelines are unforgiving, exposing contractors to risks that trigger severe owner/operator penalties and reveal costly gaps in builder's risk, general liability and professional liability coverage.

"Site selection, power availability and insurance solutions need to be aligned in the early stages of data center development so the risk is financeable and insurable on predictable terms, rather than retraded late in the process when deadlines and capital expenditure pressure are highest," explains Tom Harper, managing director of Gallagher Data Center practice.

At the same time, **supply chain volatility** and increased competition for key materials are adding additional logistical pressures. As a result, construction schedules are becoming more exposed to geopolitical disruption, inflation, currency movements and capacity constraints across specialist equipment markets.

Stockpiling is one way of getting around this. But where high-value specialist components are purchased ahead of schedule and stored off-site, insured values can rapidly exceed traditional storage limits.

¹Guckes, Michael. "March 2026 Data Center Report: Year Begins with Record Construction Starts," *ConstructConnect News*, 4 Mar 2026.

ACT NOW

- **Quantify your exposure:** With delay costs running high and projects often finishing late, confirm your delay-in-startup (DSU) and business interruption coverage reflects that reality, not a limit set before construction costs and timelines moved to today's timelines.
- **Audit builder's risk, general liability and professional liability policies:** Focus on any coverage gaps specific to data center scale and complexity.
- **Pressure test the contract language:** Check fire, water, completion delay and natural catastrophe provisions against the owner/operator penalty and liquidated-damages terms in the contract.
- **Get educated on the unique exposures:** Leverage insurance solutions crafted specifically to protect this type and scale of investment.



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Connect with your Gallagher team to help you navigate uncertainty, strengthen your insurance strategy and move decisively toward a more resilient future.