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Commercial Insurance
2026 Midyear Market Outlook

Executive Summary

The commercial insurance sector has faced various headwinds for several years, with rising claims frequency and severity driving a prolonged hard market. However, improved underwriting profitability and healthy competition across multiple lines of coverage have caused a shift in this complex landscape. At the end of 2025, the market was poised to enter broad softening territory for the first time since 2019. In the first half of 2026, this softening has largely materialized, but conditions are not uniform across all coverage lines. As has historically been the case, the casualty segment remains an outlier, with ongoing rate increases tied to worsening loss trends, especially for excess coverage layers.

At the midyear point of 2026, several major cross-cutting forces are shaping nearly every line of coverage under review. Despite softening conditions for many policyholders, these forces continue to put upward pressure on overall coverage pricing and capacity. Namely, tariff-driven inflation for imported goods is influencing property construction expenses, vehicle repair costs and medical supply prices, affecting claims trends across the commercial property, auto and workers' compensation segments. Additionally, social inflation (societal trends that influence the ever-rising costs of insurance claims and lawsuits above the general economic inflation rate) continues to impact the commercial general liability (CGL), auto liability and umbrella/excess casualty segments—evidenced by rising attorney involvement in claims, third-party litigation funding (TPLF) and nuclear verdicts (jury awards exceeding $10 million). Further, widespread adoption of artificial intelligence (AI) tools and other technological advancements, both in the boardroom and amid employment processes, have created new exposures across the directors and officers liability (D&O), employment practices liability (EPL), and cyber segments, motivating many insurers to deploy stricter underwriting standards and heavily scrutinize topics such as AI-related operational risks and corporate governance protocols in their coverage questionnaires.

> **This report compiles midyear developments for eight primary lines of coverage: commercial property, commercial auto liability, CGL, workers' compensation, umbrella/excess casualty, cyber, D&O and EPL.**

It summarizes each segment's current pricing and capacity patterns, highlights the latest market trends and cost drivers, and outlines what policyholders can expect for the remainder of 2026. Keep in mind that this report contains general market predictions based on the most recent industry data. Specific pricing, capacity and underwriting conditions may vary significantly across coverage lines and policyholders' unique risk profiles; outcomes will depend heavily on geography, industry, loss history and risk quality. As always, policyholders who work with trusted insurance professionals to stay on top of evolving market trends and adjust their risk management strategies and coverage selections accordingly will set themselves up for success.

Contact us today for additional coverage insights and resources.

Table of Contents

2026 Midyear Market Outlook
Forecast Trends

Price forecasts are based on industry reports and other proprietary data for individual lines of insurance. Forecasts are subject to change and do not guarantee premium rates. Insurance premiums are determined by a multitude of factors and differ between businesses. These forecasts should be viewed as general information, not insurance or legal advice.

Line of Coverage	Price Forecast
Commercial Property	**Non-CAT:** -5% to Flat **CAT-exposed:** Flat to +5%
Commercial Auto	**Overall:** +5% to +20%
Commercial General Liability	**Overall:** +2% to +8%
Workers' Compensation	**Overall:** -3% to +2%
Umbrella/Excess Casualty	**Overall:** +8% to +18%
Cyber	**Overall:** -5% to +5%
Directors and Officers Liability	**Public companies:** -5% to Flat **Private companies:** Flat to +5%
Employment Practices Liability	**Overall:** -5% to +5%

RATE TRENDS

CAT-exposed: Flat to +5%

Non-CAT: -5% to Flat

Commercial Property Insurance Midyear Market Outlook

The commercial property insurance market continues to shift toward stabilization after years of poor underwriting results and hardening conditions. By the end of 2025, industry experts reported that premiums were trending flat to slightly downward among policyholders with limited natural catastrophe (CAT) risks, while CAT-exposed accounts saw flat to modest rate increases. This market softening is tied to a rebound in reinsurer profitability, bolstered carrier competition for the most desirable accounts and greater underwriting stability.

Segment moderation has largely persisted in the first half of 2026, especially for clean, non-CAT accounts. However, the overall pace of such softening has slowed, and high-risk policyholders are encountering less flexibility than initially anticipated during year-end projections.

> **As the market remains susceptible to sweeping CAT losses, inflationary pressures and other emerging exposures, carriers are applying increased underwriting scrutiny at policy renewals, particularly for wildfire- and wind-related risks.**

Policyholders who demonstrate sound mitigation strategies and a commitment to combatting their unique CAT exposures will be best positioned to succeed in this evolving environment.

Current Market Trends and Cost Drivers

CAT Losses and Secondary Perils

While extreme weather events continue to compound CAT losses across the commercial property space, overall loss activity has fallen below original estimates in recent months. At the end of 2025, reinsurance brokers revealed that global insured CAT losses totaled nearly $108 billion for the year, which is still above the annual average but far below the previous projection of $145 billion. What's more, no major hurricanes made landfall in the United States during 2025, helping keep related CAT losses at bay. Even so, secondary perils are still making headlines and driving up insured losses nationwide. In fact, reinsurance brokers reported that the Los Angeles wildfires and severe convective storms (i.e., thunderstorms, hailstorms and tornadoes) contributed to a record-setting 92% of total losses in 2025.

> **Moving into 2026, global insured CAT losses reached approximately $20 billion in the first quarter, according to industry data. These findings remain elevated, but still below last year's wildfire-distorted debut.**

U.S. events were responsible for over 75% of these losses, primarily due to some intense winter weather in January and a severe convective storm outbreak in March, the latter of which is the nation's costliest convective event of 2026 to date. Although CAT losses could jump in the coming months, Colorado State University researchers are forecasting a "somewhat below-average" Atlantic hurricane season of 13 named events, with an increase in vertical wind shear brought on by El Niño expected to help suppress peak storm activity throughout the summer and fall. Regardless, many insurers continue to readjust their risk assessment frameworks and pricing models to better account for CAT losses.

Reinsurance Capacity and Treaty Dynamics

The reinsurance sector plays a valuable role in the broader insurance landscape, enabling primary insurers to effectively allocate their risks and provide additional capacity. In recent years, the reinsurance segment has faced considerable setbacks. This is because rising market demand and large-scale losses have forced reinsurers to make significant payouts, threatening their overall profitability and creating hardened conditions across several lines of coverage, particularly among commercial property insurers handling sizeable CAT claims. In 2025, many reinsurers saw their profits rebound, paving the way for favorable renewals among primary insurers and causing a trickle-down effect of softening conditions for their policyholders. According to industry data, the property reinsurance market reached $500 billion in traditional capital amid the latest renewal cycle, while reinsurer appetite grew by 10% to 15%.

So far in 2026, however, these favorable conditions are being tested by last year's cumulative loss activity, mainly due to the Los Angeles wildfires. As a result, reinsurers are approaching midyear renewals with increased caution, ultimately leading many to reassess attachment points and coverage terms for CAT-heavy and wildfire-exposed programs. Capacity for insurance-linked securities—financial instruments that permit reinsurers to transfer certain risks directly to capital market investors—remains available, yet pricing is firming across higher-loss layers. Going forward, the upcoming renewal cycle will likely have a substantial bearing on primary property insurance market conditions for the rest of the year.

Property Valuations and Tariff Impacts

Between mounting inflationary pressures and rising tariffs for a range of essential construction materials (e.g., steel, aluminum and lumber), many policyholders failed to maintain valid insurance-to-value (ITV) calculations for their commercial properties throughout 2025. An accurate ITV calculation represents the closest possible equal ratio between the amount of insurance a policyholder obtains and the estimated value of their property. With property values fluctuating and insureds struggling to keep up, many carriers tightened their valuation protocols and began penalizing incomplete or unsupported data. Furthermore, coinsurance penalties due to invalid ITV calculations and partial claim payments were flagged as escalating risks for underinsured accounts.

In 2026, tariff-driven construction cost increases have started to become more concrete. Industry experts reported that material cost inflation in the commercial property space is currently running ahead of the general consumer price index, which indicates that replacement cost valuations established during 2025 renewals may already be understated. Consequently, most carriers are now requiring third-party property appraisals or updated cost models and pushing back on self-reported values, especially for larger accounts. In this environment, it has become increasingly important for policyholders to conduct frequent and diligent ITV calculations, leveraging honest and reliable data.

Looking Ahead

For the remainder of 2026, most commercial property policyholders, particularly non-CAT accounts, can expect to see continued market moderation, characterized by flat to slight rate decreases and expanded capacity. Alternatively, wildfire-prone and additional high-risk policyholders (e.g., those along the Gulf Coast) may encounter pricing challenges, coverage limitations and other hardening conditions as carriers anticipate future CAT losses, with signs of a segment reversal already underway in various pockets.

> **Although the below-average hurricane forecast may provide some market relief in the second half of the year, it's worth noting that El Niño can carry some degree of uncertainty; even one major storm making landfall could trigger large-scale losses and prompt a swift change in coastal conditions.**

Midyear reinsurance renewals represent the next significant inflection point in the commercial property landscape. As such, policyholders in disaster-prone areas should begin renewal preparations early, ensure detailed documentation of their unique exposures and mitigation measures, and, if they are facing tightened capacity in the standard market, consider securing layered or alternative structures.

RATE TRENDS

+5% to +20%

Commercial Auto Liability Insurance Midyear Market Outlook

The commercial auto liability insurance segment has faced ongoing difficulties for over a decade, marked by poor underwriting results and steady rate hikes. These hardened conditions primarily stem from pervasive litigation issues and inflated accident and repair expenses, especially amid rising tariffs for various auto parts and evolving vehicle technology. According to industry data, average premium increases peaked at 10% to 15% in the beginning of 2025, then shifted to the upper single digits between year-end and the first quarter of 2026. This slight moderation is tied to reemerging carrier competition for low- to moderate-risk accounts and, in turn, expanding capacity.

> **Nevertheless, the segment continues to face widespread profitability concerns, evidenced by 14 consecutive years of underwriting losses and 36 back-to-back quarters of rising premiums.**

Industry experts confirmed that, while average rate jumps aren't currently in the double digits, the commercial auto liability market is still one of only two lines of coverage that has defied broader softening trends in the first half of 2026, with the projected combined ratio for the year (104.4) once again representing a lack of profit. Similar to previous years, policyholders' renewal experiences will vary significantly based on loss history, fleet profile and jurisdiction. While most insureds can expect upper single-digit premium increases for the rest of 2026, those with greater fleet exposures and insufficient risk management strategies could continue to encounter double-digit rate hikes and limited capacity.

Current Market Trends and Cost Drivers

Litigation and Social Inflation

The commercial auto liability insurance space has been experiencing mounting losses due to social inflation and a continued surge in nuclear verdicts. This is especially true in the trucking sector, where large-scale accidents can cause extensive third-party injuries and property damage. Complicating matters, financing trends such as TPLF and shifting attorney tactics are fueling more frequent and complex commercial auto liability litigation, particularly in plaintiff-friendly jurisdictions (e.g., New York, Pennsylvania, Georgia, California and Louisiana).

> **According to the latest data from communications firm Marathon Strategies, 2024 recorded the highest number of nuclear verdicts (135) since 2009, representing a 52% increase in frequency and a 116% rise in severity year over year.**

Additionally, reinsurance brokers reported that social inflation compounded total liability claims in the United States by 57% over the past decade, with TPLF identified as a primary cost driver that often contributes to larger jury awards, longer cases and higher legal expenses. As it stands, credit rating agency AM Best estimates that such inflation has caused the commercial auto liability segment to be under-reserved by as much as $5 billion. Going forward, these trends are expected to continue influencing the commercial auto liability market for months and years to come, driving higher premiums, larger retentions and more selective underwriting guidelines. Consequently, policyholders facing costly litigation, especially in high-risk jurisdictions, could experience serious underinsurance issues and enduring financial struggles.

Elevated Accident and Repair Costs

Motor vehicle accident expenses have been on the rise for several years, exacerbating claims costs across the commercial auto liability segment. According to a recent report from the American Transportation Research Institute (ATRI), surging crash claims fueled a 33.1% increase in per-mile liability losses from 2021-24, with premium costs outpacing consumer inflation by 5.4 points during the same period. These rising expenses are largely tied to worsening accident severity and auto parts inflation, both of which have made it increasingly costly to repair damaged vehicles and resolve associated claims. For example, fluctuating tariffs on imported vehicles and parts are actively influencing crash claims, with steel and aluminum body panels and frames being hit the hardest by these taxes.

In addition, the growing adoption of electric vehicles (EVs) and advanced driver-assist systems (ADAS) has begun reshaping the commercial auto liability landscape in multiple ways, further compounding accident severity and claims costs. Although EVs can help reduce carbon emissions on the road, their large batteries and custom parts make them riskier to operate and more difficult to repair than traditional vehicles. In fact, industry experts are projecting the average weight of a new vehicle to surpass 4,600 pounds by the end of 2026, mainly due to EV battery mass. Given that heavy vehicles are linked to increased bodily injuries and property damage in accidents, EVs have the potential to turn minor collisions into total losses and, in turn, large-scale claims. Furthermore, certain ADAS features (e.g., automated steering, lane-keeping assistance and emergency braking) have become standard in new fleets. While these features are intended to bolster driver safety, they also lead to complex liability disputes following accidents, often resulting in higher claims severity. As tariffs and technological advancements in vehicles continue to drive up accident costs, many insurers are reassessing their existing pricing models to help offset rising expenses.

Telematics and Evolving Underwriting Standards

Despite litigation challenges and surging accident costs in the commercial auto liability market, various technology solutions are helping insurers and policyholders improve operations and minimize potential losses. Telematics—namely GPS trackers, mobile applications and in-vehicle camera systems—are at the forefront of these advanced solutions, allowing insureds to monitor their drivers and fleets in real time. Using telematics data, policyholders can better assess drivers' on-the-road habits and address risky behaviors during routine safety training, potentially reducing bodily injury exposures. Even when accidents occur, telematics can provide valuable evidence to defend against liability disputes, reducing the likelihood of inflated claims costs.

For insurers, telematics can enhance the underwriting process by providing comprehensive fleet data and creating a clearer picture of policyholders' unique risk profiles. This can help insurers leverage data analytics to proactively identify their emerging exposures and ensure more accurate premium calculations than traditional rating factors. According to vehicle software firm SambaSafety, more than three-quarters of fleet operators now use this technology to monitor their drivers and operations, while over half of commercial auto insurers currently have a dedicated telematics team.

> **What's more, ATRI research revealed that commercial fleets using six or more technology solutions (like telematics) are experiencing fewer per-mile liability losses and have seen a 2.4% reduction in combined losses and premium costs compared to their less advanced counterparts.**

In this evolving environment, telematics is no longer a recommended practice but a major price differentiator, with many insurers actively segmenting tech-enabled fleets from other policyholders during the underwriting process.

Looking Ahead

For the rest of 2026, escalating claims severity and underwriting struggles will likely continue to create challenges across the commercial auto liability segment. Although industry experts anticipate mild market moderation and single-digit rate increases of 5%-9% to persist among standard accounts, elevated loss intensity and ongoing litigation pressures are keeping the larger liability sector an outlier relative to other softening coverage lines. This means that adverse portfolios, especially those demonstrating poor loss history and operating in litigation-prone jurisdictions, may encounter double-digit rate hikes of up to 20% and limited capacity for the foreseeable future. As seven-figure jury awards pose greater underinsurance issues, policyholders facing substantial nuclear verdict exposures should routinely evaluate and adjust their coverage levels as needed to limit the likelihood of such litigation exceeding policy limits.

In this difficult landscape, industry experts are voicing increased concerns about a lack of ample reserves, with the segment's combined ratio expected to surpass baseline predictions and reach 106.3 by 2029. This will likely prompt ongoing underwriting scrutiny, particularly as it pertains to documented driver safety programs and accident prevention measures. Continued innovation, primarily the adoption of telematics and other data analytics tools, will now play a vital role in the underwriting, coverage pricing and claims management processes. Policyholders who prioritize open communication and work closely alongside insurers to improve their loss mitigation strategies can better position themselves to handle emerging risks.

RATE TRENDS

+2% to +8%

Commercial General Liablity Insurance Midyear Market Outlook

At year-end 2025, average rate increase projections for the 2026 CGL insurance market stood at 1%-6%. Pricing data through the first half of this year suggests rates are tracking toward the upper end of that range, with industry sources forecasting renewal rate changes of 5%-8% for many accounts. However, certain sectors, such as construction, habitational and retail, are experiencing above-average rate pressure, as insurers apply greater underwriting scrutiny to higher-risk accounts.

> **While admitted capacity remains ample for preferred accounts, appetite is narrowing for higher-hazard and loss-affected businesses, with excess and surplus (E&S) insurers providing capacity where admitted markets are more selective.**

Overall, carriers are increasingly differentiating by industry, loss history, and jurisdiction, and the gap between well-performing and challenging risks is widening. Businesses that demonstrate strong loss control and documented risk management practices may be best placed to secure favorable pricing and terms. While CGL rates will likely remain within predicted ranges for most businesses, conditions may be more challenging for some accounts.

Current Market Trends and Cost Drivers

Social Inflation and Nuclear Verdicts

Social inflation continues to drive up CGL claim costs, with nuclear verdict activity remaining elevated. According to Marathon Strategies, nuclear verdicts totaled $31.3 billion in 2024, with no clear signs of moderation to date. These verdicts were recorded across 34 states and 77 courts, suggesting that nuclear verdict exposure is extending beyond historically high risk jurisdictions. Plaintiff tactics include heavily appealing to jurors' emotions, known as reptile theory, and joinder—adding additional parties to lawsuits—to expand the scope of claims and amplify perceived harm. According to Marathon Strategies, nuclear verdicts are also increasingly influenced by shifting jury pool demographics, including an influx of Millennial and Gen Z jurors, who are typically more pro-plaintiff and less trusting of corporations. TPLF is further driving social inflation and subsequent nuclear verdicts.

In response, several U.S. states enacted legislation addressing TPLF in 2025. Additionally, the Litigation Funding Transparency Act was introduced in February 2026, which, if enacted, would require disclosure of third-party funding in mass tort and class action lawsuits. However, these developments have not yet produced a measurable change in claim behavior or broader litigation dynamics. Consequently, policyholders facing increased claims severity may encounter higher retentions, tighter terms and closer scrutiny at renewal.

Coverage Exclusions for Emerging Risks

Policy exclusions for per- and polyfluoroalkyl substances (PFAS), biometric data, and active shooter incidents are now widely established in the CGL market. A more recent development is the introduction of a human trafficking exclusion by the Insurance Services Office (ISO) in January 2026, which carriers may now incorporate into policies at renewal. Under U.S. law, businesses can face civil claims if they are found to have knowingly benefited from trafficking activity, even if they were not directly involved. Industries such as hospitality, retail and transportation are particularly vulnerable. According to the Human Trafficking Legal Center, civil claims under the Trafficking Victims Protection Reauthorization Act increased from six in 2004 to 280 in 2024, and court decisions on whether standard CGL policies respond to these claims have produced inconsistent outcomes. The new ISO exclusion is a direct response, allowing carriers to explicitly remove this coverage going forward. Businesses in vulnerable sectors should check whether their carrier has applied it at renewal to reduce exposure.

The ISO also introduced new AI-specific exclusionary language in January 2026. Previously, businesses using AI in service delivery could reasonably expect standard CGL policies to respond to AI-related claims. Some carriers may now exclude coverage for bodily injury, property damage, and personal and advertising injury arising from AI use. Organizations should scrutinize policy wording at renewal and consider whether additional coverage is necessary, particularly as a growing number of states have introduced legislation creating new rights of action for individuals harmed by algorithmic decision-making, which may expand the pool of potential claimants.

Tariffs and Inflationary Pressures on Claims Costs

Economic and inflationary pressures continue to affect CGL claims costs. Industry data points to rising costs across energy, materials and services, including tariff-related pressures. Construction material costs have risen, increasing the cost of repairing damaged property in premises liability claims. Broader increases in service-sector costs may also place upward pressure on bodily injury claim values.

Within the construction sector, tariff-driven increases in material costs may contribute to project delays and cost overruns, increasing the likelihood of disputes and creating additional exposure under premises liability and completed operations coverage. Across industries, these pressures may drive premium increases at renewal as insurers respond to higher claim costs. Additionally, because CGL premiums are calculated using measures such as revenue, payroll and asset values, inflation may push those bases higher, leaving businesses facing premium increases at audit even where rates remain stable.

Looking Ahead

CGL pricing is expected to see single-digit rate increases for most accounts, tracking toward the upper end of the year-end prediction. Factors such as tariff-driven cost inflation and nuclear verdict activity may push rates above the predicted range, particularly for businesses in higher-risk sectors such as construction, habitational, retail, hospitality and transportation. Lower-risk accounts with strong loss histories are likely to benefit from more favorable pricing and terms.

At the same time, the introduction of new ISO exclusions may leave policyholders facing new or expanded coverage gaps at renewal. Organizations should scrutinize policy wording to understand how these exclusions are being applied and assess whether additional coverage or alternative risk management strategies are needed to mitigate exposure.

RATE TRENDS

-3% to +2%

Workers' Compensation Insurance Midyear Market Outlook

The workers' compensation insurance market entered 2026 from a position of sustained strength. According to the National Council on Compensation Insurance's (NCCI) 2026 State of the Line report, the combined ratio for 2025 was approximately 91, continuing a prolonged period of underwriting profitability that has defined the line for much of the past decade. However, this figure was partly driven by insurers releasing funds set aside for prior-year claims that proved less costly than anticipated.

> **When isolating the performance of more recent claims, the combined ratio rises to approximately 102, implying that current underwriting conditions are marginally unprofitable.**

Rising medical costs, increasing claim severity and other market trends are putting upward pressure on loss costs and prompting greater underwriting scrutiny, particularly for high-hazard classes. As such, while preferred accounts may continue to achieve rate decreases of 2%-3%, accounts with higher exposure to workplace injury may experience flat to modest rate increases.

Current Market Trends and Cost Drivers

Medical Inflation and Tariff Exposure

Medical inflation continues to be a key factor shaping workers' compensation claims costs. The Centers for Medicare and Medicaid Services estimates that national healthcare spending will rise at an average annual rate of 5.8% through 2033, a modest increase on earlier forecasts, and ahead of general economic inflation. By comparison, workers' compensation-weighted medical prices have increased more moderately. According to the NCCI, workers' compensation medical costs rose by 1.8%, well below general medical inflation. Factors behind this more subdued growth include slower price increases or stable pricing in key areas such as hospital outpatient care and physician services, alongside the continued influence of fee schedules that set or limit the rates providers can charge for treating injured workers. While some states have begun updating fee schedules, workers' compensation reimbursement rates may still lag behind medical cost inflation, particularly in jurisdictions where fee schedules are tied to general inflation. As the gap between healthcare providers' costs and reimbursement widens, further adjustments to fee schedules may be needed to better reflect underlying cost trends, potentially leading to higher workers' compensation costs over time.

Additional cost pressures are also emerging. The NCCI found that medical equipment and supply prices increased by 4.1% year over year in March 2026, indicating that tariffs on imported medical goods are beginning to be reflected in the underlying cost of care delivery. Additionally, hospital inpatient care prices rose 3.7%, while a growing share of claims requiring more intensive treatment is adding further cost pressure. As such, strong safety programs and effective return-to-work protocols are essential to prevent workplace injuries from developing into more complex, treatment intensive claims and to reduce exposure to higher-cost care and tariff-related cost pressures.

Mental Health Presumption Laws

Mental health concerns also continue to shape workers' compensation claims. Traditionally, most states only recognized mental health-related claims when accompanied by a physical injury, and standalone psychological coverage was reserved for first responders, such as firefighters and emergency medical personnel. However, a growing number of states have expanded coverage for pure psychological injuries, such as post-traumatic stress disorder (PTSD), to a wider range of employees. For instance, Connecticut expanded its PTSD coverage to all employees in January 2024, and New York introduced similar legislation in January 2025. This expansion has significant cost implications, since mental health claims typically remain open longer and are more costly than physical-only claims. Consequently, underwriters may increasingly scrutinize workplace mental health risks, particularly in states where coverage for psychological injuries has expanded, which may place upward pressure on pricing. Early behavioral intervention and proactive workplace mental health support may be critical to reducing claim duration and containing costs.

Cumulative Trauma Litigation

Cumulative trauma—injuries that develop gradually through repeated physical stress rather than a single incident—is a growing source of workers' compensation claims. These injuries, including repetitive stress injuries and musculoskeletal disorders, may be more difficult to diagnose and treat and lead to longer claim durations than acute injuries. The rise of hybrid working may be contributing to this trend, as home-based work environments can introduce additional ergonomic risks.

Illustrating the growing prevalence of these injuries, cumulative trauma claims now account for nearly a quarter of all indemnity claims in California, according to the Workers' Compensation Insurance Rating Bureau of California. Underwriters may scrutinize certain classes where cumulative trauma exposure is more common, such as construction, warehousing and manufacturing. Employers should consider ergonomic assessments and early intervention programs to identify and address repetitive-stress risks before they develop into more complex, costly claims.

Heat Exposure and Workplace Violence Legislation

Another emerging area of concern is the expansion of legislative oversight around specific workplace safety exposures, particularly heat-related injuries and workplace violence. NCCI closely monitors legislative and regulatory developments affecting workers' compensation and identified both risks in a March 2026 report as growing areas of focus. As climate change increases the likelihood of extreme temperatures, several states are considering regulatory proposals to reduce heat-related risks, including requirements for written heat illness prevention programs, emergency response protocols and employee training. Additionally, OSHA is evaluating a federal rule that, if enacted, would establish a national standard for occupational heat exposure.

Workplace violence is also receiving increased policy attention. For example, a proposed bill in New York that would entitle employees injured as a result of workplace sexual offenses to workers' compensation benefits is currently with the state Senate. Federal lawmakers are also considering legislation requiring certain healthcare and social service employers to implement formal workplace violence prevention programs. Such developments signal a broader shift in how workplace harm is defined, regulated and compensated. As regulatory frameworks evolve, insurers may increasingly incorporate these exposures into underwriting evaluations, potentially leading to reduced appetite, tighter terms or pricing adjustments, particularly in higher-risk industries.

Looking Ahead

Workers' compensation pricing is expected to remain favorable, with preferred accounts likely to continue experiencing modest rate decreases as the line maintains its position as one of the more stable segments of commercial casualty. However, accounts with higher exposure to workplace injury or those operating in jurisdictions with evolving legislative environments may face increased underwriting scrutiny, potentially leading to flat renewals, reduced rate decreases or, in some cases, modest increases. Organizations should stay abreast of regulatory developments and implement robust safety practices to help secure the best pricing and coverage outcomes.

RATE TRENDS

+8% to+18%

Umbrella/Excess Casualty Insurance Midyear Market Outlook

The umbrella and excess casualty segment remains the line seeing the steepest rate increases, despite the broader commercial market softening. Risk-adjusted rates in the umbrella and excess liability market rose approximately 18% in the first quarter of 2026, according to industry data. While pricing has moderated slightly from peak levels, these lines remain under sustained pressure relative to the broader commercial market, driven by several factors, including rising claims severity and an increasingly challenging litigation environment. However, pricing outcomes vary significantly by attachment point, class and jurisdiction. High-hazard and litigation-exposed accounts continue to face the steepest increases, while well-managed accounts with clean loss histories typically see more moderate outcomes. For more challenging risks, insurance programs may require additional layers, greater E&S participation, and, in some cases, alternative risk transfer solutions to secure adequate limits.

Current Market Trends and Cost Drivers

Litigation Issues

Persistent social inflation and elevated nuclear verdict activity continue to drive up claims severity significantly. In this environment, thermonuclear verdicts, those exceeding $100 million, have become more prevalent. According to Marathon Strategies, these verdicts rose to a record high (49) in 2024, with five cases surpassing $1 billion. Several factors are sustaining verdict levels. Some legal analysts suggest that changing demographics may contribute to greater skepticism toward corporate defendants and a willingness to award substantial damages, and plaintiff counsel are increasingly deploying tactics that frame cases around safety risks and community protection to heighten jurors' sensitivity to potential harm and support larger awards.

TPLF is also playing an increasingly significant role by removing cost pressure on plaintiffs and enabling more cases to proceed to trial. According to Marathon Strategies, attorney advertising aggressively seeking plaintiffs for mass tort litigation now eclipses $2.4 billion annually. As nuclear verdicts increasingly push losses beyond the underlying liability limits of primary policies, such as CGL and commercial auto liability, losses are migrating into excess and umbrella layers with greater frequency. While some jurisdictions have introduced or are exploring reforms to TPLF, progress remains uneven. At the federal level, the proposed Litigation Funding Transparency Act signals further scrutiny of litigation funding, but it has not yet been enacted, and its impact may be limited in the short term. Overall, broker surveys consistently identify TPLF as a primary driver of umbrella rate increases, with sustained claims severity and litigation activity expected to keep pricing under pressure through 2026.

Capacity and Underwriting

Capacity in the umbrella and excess liability market remains constrained, and the structure of how programs are built is evolving. Many carriers continue to limit deployed capacity, often to $10 million per layer. Alongside this, underwriting is becoming more selective, and policy exclusions continue to expand. Specifically, biometric exclusions are now widespread as insurers respond to data privacy liability concerns; PFAS exposures face heightened scrutiny given their environmental persistence and potential for long-tail risks; ethylene oxide exposures are increasingly subject to restriction or exclusion due to their classification as a carcinogen and links to cancer-related claims; and human trafficking exclusions, sublimits and underwriting scrutiny are becoming more common in the real estate and hospitality sectors following a rise in high-profile civil claims.

In response to capacity constraints and tighter underwriting, many insureds are reconfiguring their insurance programs. Buffer layers (additional coverage layers inserted within programs to manage risk distribution), quota-share retentions (in which a portion of the risk is retained), and captive solutions (in which companies fund part of their own coverage) have become increasingly common for mid-market and large accounts. As such, umbrella and excess liability programs may require more layers and more active management going forward.

At the same time, data-centric submissions are increasingly expected, as carriers assess accounts more closely by jurisdiction and operational class. Underwriters typically expect tangible proof of risk management and loss controls, including detailed training logs and safety and telematics data. Insureds that proactively share safety metrics and evidence of effective loss control may be best placed to secure favorable coverage terms.

E&S Market and Alternative Structures

The E&S lines market is playing an important role in umbrella and excess liability placement, as some admitted carriers pull back capacity or tighten terms on higher-hazard and litigation-exposed accounts. New managing general agents and E&S carriers have entered the market, increasing capacity, although carrier appetite is greater in higher excess layers, typically above $10 million. Lead and lower excess layers may continue to experience capacity constraints as carriers remain cautious around claims severity and nuclear verdict exposure, which are driving more losses into the excess layers. Insureds may need to access both admitted and E&S markets to secure optimal outcomes. Although E&S capacity remains available, pricing and attachment requirements may remain challenging for loss-affected and litigation-exposed accounts.

Looking Ahead

Conditions heading into the second half of 2026 are expected to remain firm in the umbrella and excess segment, with no broad softening emerging despite a moderation in the pace of rate increases. Underlying liability loss costs continue to rise at low- to mid-double-digit levels annually, driven by sustained claims severity and litigation activity. Consequently, insurers may remain cautious about pricing adequacy, and upward pressure on premiums could persist, even as the pace of rate increases moderates from previous highs.

Market conditions continue to vary by risk profile. High-hazard and litigation-exposed accounts may face sustained pressure, while well-managed risks may experience more stable outcomes. Organizations should strengthen risk management practices, provide clear evidence of effective loss control and regularly review program structures to secure the best coverage terms.

RATE TRENDS

-5% to +5%

Cyber Insurance Midyear Market Outlook

The cyber insurance segment has remained largely buyer-friendly since late 2022, driven by strong insurer competition and abundant market capacity. Through 2025, average rate decreases hovered around 2%, while select low-risk accounts saw double-digit reductions. This trend continued into early 2026, with rates declining by approximately 3.5% on average in the first quarter, according to industry data. Additionally, reinsurance brokers confirmed that cyber reinsurance rates fell approximately 32% during the latest renewal cycle, supporting continued capacity in the primary market.

However, several prominent insurers have signaled a shift toward portfolio stability and profitability over aggressive growth, as increasing claims severity is putting pressure on margins and prompting closer scrutiny of whether current pricing levels remain sustainable.

> **The pace of softening has already begun to slow, with fewer accounts achieving the double-digit decreases that were more common in 2024 and early 2025, and this trend may continue into the second half of 2026.**

Moreover, higher-risk accounts, such as those in the healthcare and critical infrastructure industries, may witness flat renewals or single-digit increases as insurers apply greater underwriting discipline in response to recent loss trends in these sectors. While pricing conditions remain favorable for many insureds, rising claims severity and shifting insurer priorities signal that the soft market may be approaching an inflection point.

Current Market Trends and Cost Drivers

AI Risks
AI-enabled threats continue to evolve in novel ways, with AI-generated deepfakes and voice cloning increasingly common forms of social engineering. Compounding security concerns, threat actors are using AI to automate reconnaissance, scale phishing campaigns, and accelerate the time from initial intrusion to lateral movement. The rise of agentic AI is accelerating this further by enabling attackers to execute coordinated, multistage operations autonomously, increasing both the frequency and speed of attacks. At the same time, organizations face exposure to "shadow AI"—the unauthorized use of AI tools—which could lead to unintended data exposure, privacy issues and other regulatory concerns. In response, insurers are increasingly scrutinizing how policyholders govern their AI use, and documented risk management protocols are becoming essential for favorable terms at renewal.

Ransomware
Ransomware remains one of the most costly and complex cyber risks, though underlying dynamics are shifting. According to Coalition's 2026 Cyber Claims Report, the average ransom demand rose to more than $1 million in 2025, a year-on-year increase of 47%, yet 86% of organizations refused to pay, highlighting improved resilience, backup and recovery capabilities. As encryption-only tactics become less effective, data-theft-only extortion and dual extortion—where attackers both encrypt systems and exfiltrate data—are increasing, the latter accounting for 70% of claims in 2025. This shift is moving the primary risk from operational disruption to longer-term legal, regulatory and reputational impacts linked to data exposure. In response, insurers are placing greater emphasis on tested incident response plans and business continuity capabilities as conditions of coverage.

BEC and FTF Losses
Two social engineering schemes, business email compromise (BEC) and funds transfer fraud (FTF), also continue to account for a significant share of cyber insurance claims, representing 58% of all claims observed by Coalition in 2025. BEC was the leading cause, at 31% of claims, with frequency rising 15% year on year while severity fell 28% to an average loss of $27,000, suggesting improved detection and response among organizations. BEC increasingly serves as a gateway to further fraud, with 52% of FTF claims originating from BEC events. As email-led fraud continues to drive claims, insurers are tightening sublimits for social engineering losses and placing greater scrutiny on payment controls, including dual authorization, independent verification of payment requests and secure invoicing processes.

Infostealer Malware and Credential Theft
Infostealer malware and credential theft have emerged as key factors in major enterprise breaches. Infostealer malware quietly harvests passwords, cookies, session tokens and other data to help threat actors log into company systems, impersonate legitimate users, and launch larger attacks. According to Flashpoint, a threat intelligence firm, 1.8 billion credentials were stolen in the first half of 2025 alone, with session cookies accounting for a significant share, allowing attackers to authenticate without a password and bypass multifactor authentication (MFA) controls entirely. In particular, the theft of session tokens allows attackers to hijack active sessions, bypass certain MFA controls and potentially evade detection. The connection to ransomware is direct. Verizon's 2025 Data Breach Investigations Report found that 54% of ransomware victims had corporate credentials previously exposed in infostealer logs. As a result, carriers are increasingly incorporating dark web monitoring and identity exposure scanning into underwriting conversations to better assess the risk of credential theft.

Looking Ahead

Cyber pricing is expected to remain broadly flat through the remainder of the year. As the market approaches a period of stabilization, modest rate increases could occur for higher-risk accounts. While current competition and capacity continue to support favorable terms, pricing may firm, making now an opportune time to secure broader coverage before the market begins to shift. However, systemic cyber events affecting shared providers, such as cloud platforms or managed service providers, can result in widespread losses across organizations and may drive further market correction.

Organizations with strong cybersecurity controls, effective AI governance and tested response and recovery plans are likely to secure the most favorable terms, as insurers increasingly differentiate between well-managed and poorly managed accounts.

RATE TRENDS

Public companies:
-5% to Flat

Private companies:
Flat to +5%

Directors and Officers Liability Insurance Midyear Market Outlook

The D&O insurance segment has encountered softening conditions for the past several years, characterized by new market entrants, competitive pricing structures and expanded capacity. Public companies continue to experience the most favorable segment conditions, evidenced by consistent year-over-year rate reductions across primary layers. Industry data revealed that some policyholders even encountered double-digit premium decreases in the beginning of 2025; however, the pace of such fluctuations slowed significantly by the end of the year.

Amid rising claims frequency and severity, average rate reductions for public companies compressed to low single digits in the first half of 2026, with many carriers keeping firm on base pricing and retentions.

> **Even so, industry experts reported that average total D&O limits have risen to $66 million as many policyholders leverage the softening environment to rebuild their insurance programs and expand upon previously restricted coverage offerings.**

While overall capacity has somewhat tightened in recent months due to increased merger and acquisition activity among D&O insurers, it remains broadly available, with market competition holding strong for excess and Side A layers.

Because private companies are often deemed higher risk by insurers than their public counterparts, they usually face more varied pricing structures and coverage availability. So far in 2026, industry data confirmed that pricing among private companies has split: While policyholders with minimal loss history continue to see modest rate reductions, distressed and litigation-prone accounts are now facing flat to mild premium increases. For all insureds, more stringent underwriting standards have become the norm, accompanied by greater focus on financial controls, AI usage and corporate governance processes. As litigation and regulatory shifts continue to influence claims costs, policyholders who stay informed and adjust their risk management strategies accordingly will be more likely to secure favorable coverage pricing and terms.

Current Market Trends and Cost Drivers

Securities Class-action Litigation and Tariff Exposures

As stakeholders and the public demand greater transparency and accountability from corporate executives, these leaders are facing a surge in securities class-action lawsuits and associated D&O claims for their alleged wrongdoings in the boardroom. According to economic consulting firm Cornerstone Research, 207 federal securities class-action lawsuits were filed in 2025. While this represents a drop from 229 filings in the previous year, the financial severity of such lawsuits hit record highs, with the Disclosure Dollar Loss surging 61% to $694 billion and the Maximum Dollar Loss jumping 75% to $2.86 trillion. Moving into 2026, reinsurance brokers reported 65 filings during the first quarter, suggesting that litigation volume is reaccelerating after the previous year's dip.

Securities class-action lawsuits against business leaders have historically been tied to allegations of data privacy and technology failures; poor financial controls; and environmental, social and governance misstatements. However, tariff-related filings are now an expanding litigation category. These lawsuits mainly allege that executives downplayed tariff exposures to investors and other stakeholders in public statements about supply chain resiliency or revenue stability, prompting unexpected losses when those taxes materialized. Any sector could face this litigation, but manufacturers, retailers, logistics providers and any other import-reliant businesses may be particularly exposed due to the nature of their operations. Industry data revealed that four tariff-related filings occurred throughout 2025, and two more have already been recorded in the first quarter of 2026, indicating a quickening pace for such litigation. What's more, 43% of securities class-action filings in 2025 involved missed earnings allegations—a five-year high—ultimately following the same litigation template that tariff-related filings are now using. This signals an even greater potential for additional lawsuits involving tariff exposures in the coming months. Altogether, this litigation could pose persistent underwriting challenges across the D&O space, exacerbating claims costs and leaving insureds with considerable out-of-pocket expenses. Policyholders who neglect to demonstrate proper board oversight of emerging litigation topics or face repeated claims stemming from securities class-action lawsuits could be subject to higher rates and coverage restrictions.

AI-washing and Governance Failures

As more companies deploy AI across their operations and decision-support functions, this technology is fueling new D&O exposures. Specifically, business leaders who misrepresent how AI solutions are used in the workplace (commonly known as AI-washing) or fail to address operational errors caused by this technology (e.g., algorithmic bias, intellectual property infringement and harmful synthetic content) may be vulnerable to shareholder derivative lawsuits and associated D&O claims. Complicating matters, regulators and plaintiff firms have begun challenging both the actions and inactions of business leaders in their use of AI tools, holding them accountable for inaccurate AI disclosures and for poor oversight and governance. This, in turn, has created a complex liability landscape and expanded the types of allegations that may implicate D&O coverage.

A growing number of states and foreign entities are also implementing AI-related laws that require businesses to follow varying data privacy and antidiscrimination standards when establishing inputs for such technology. In the first half of 2026, both Texas and California introduced new AI laws, while Colorado is seeking to enact such legislation shortly. Furthermore, the European Union's AI Act has already entered into force and is being implemented through a phased compliance schedule. This law includes several requirements for high-risk AI systems—namely the use of AI tools in employment processes, credit decisions and educational settings—that may require board-level oversight and documentation among businesses with international operations. Companies that neglect to comply with this evolving legislation could leave their boardrooms exposed to substantial regulatory scrutiny, shareholder claims and related defense costs. With AI-related D&O exposures on the rise, many insurers are adding AI governance questionnaires to coverage applications and flagging undocumented executive oversight of this technology as an underwriting red flag. This means that policyholders who fail to manage their AI risks in the boardroom could face major coverage setbacks.

Insolvency Risks

For the past few years, the country's economic climate has become increasingly complex, characterized by both uncertainty and resilience. In particular, rising inflation and elevated interest rates continue to pressure public and private companies' balance sheets. Making matters worse, tariffs are compounding economic challenges for many companies, especially those in the manufacturing, retail and logistics sectors. As a whole, these headwinds are contributing to heightened corporate bankruptcy and insolvency risks, with economic experts confirming a 37% year-over-year increase in Chapter 11 filings in the first quarter of 2026 and a further 42% year-over-year increase in April. This is particularly concerning, as 2025 filing activity was already elevated.

These filings can lead to D&O claims in the form of creditors and shareholders alleging that company leaders breached their fiduciary duties. Because creditor-side D&O claims generally lag bankruptcy filings by up to 18 months, 2025 filings are now translating into active claims, with this year's filings expected to generate additional claims going forward. With this in mind, ongoing economic volatility may prompt increased D&O claims for the foreseeable future, particularly among financially vulnerable companies or those with weak governance practices. In response, many insurers are increasing underwriting scrutiny of policyholders' financial controls, earnings guidance accuracy and debt management measures.

Looking Ahead

After an extended period of favorable conditions, industry experts are suggesting that the D&O segment is nearing the end of its softening cycle. For the remainder of 2026, low-risk public companies can expect to encounter somewhat firming conditions, with premiums trending flat to slightly downward. On the other hand, private companies, primarily those with elevated exposures or poor loss history, could see moderate rate hikes. Capacity remains accessible, albeit somewhat more selective than in previous years, as some insurers are steadily reducing their risk appetites to maintain maximum underwriting profitability and avoid large-scale losses.

Moving forward, it's critical for insureds to monitor the latest litigation trends, AI-related legislation, tariff fluctuations and any other economic headwinds that could influence claims patterns in the coming year and to enhance their risk management strategies as needed to limit potential losses. Especially considering securities class-action lawsuits are on a trajectory to surpass 2025 filings, it's possible that carriers will push harder on pricing for litigation-exposed accounts. Additionally, policyholders in tariff-sensitive sectors and those with recent earnings guidance revisions may face more in-depth underwriting reviews during upcoming renewals. In any case, those who promote strong corporate governance measures, ensure compliance with applicable laws and prioritize proactive claims management can be better positioned to navigate this complicated liability landscape.

RATE TRENDS

-5% to +5%

Employment Practices Liability Insurance Midyear Market Outlook

Healthy competition, expanded capacity and consistent underwriting profitability have led to softer conditions across the EPL insurance market in recent years. According to industry data, premiums generally flattened for most policyholders throughout 2025. Some low-risk insureds even began seeing modest rate reductions, while adverse accounts continued to face selective firming. At year-end, many observers suggested the segment was approaching a pricing floor, with ongoing competition and underwriting discipline (e.g., strict documentation requirements for HR controls) fostering stable conditions. In the first half of 2026, industry experts confirmed that flat to slightly downward premiums have persisted for clean accounts, while policyholders operating in loss-prone sectors—mainly healthcare, hospitality and retail—are still seeing modest rate jumps.

Capacity remains stable, largely due to a lack of meaningful market exits or appetite contractions. As such, carrier competition continues to place downward rate pressure on preferred accounts, especially those demonstrating robust employment practices and limited claims activity. Despite market stability, multiple cost drivers continue to influence the EPL space.

> **In particular, the U.S. Equal Employment Opportunity Commission (EEOC) reported that it processed over 88,000 new employment charges in 2025, securing roughly $660 million for more than 17,000 victims. This represents the EEOC's third-highest monetary recovery in recent history, signaling increased severity in EPL claims going forward.**

Amid these challenges, insurers will likely maintain stringent underwriting standards and place greater focus on hot-button topics such as diversity, equity and inclusion (DEI) documentation and the use of AI in HR processes in the months ahead.

Current Market Trends and Cost Drivers

Reverse Discrimination Claims

The EEOC enforces Title VII of the Civil Rights Act, which prohibits employers from discriminating against individuals based on protected traits (e.g., race, color, national origin, religion and sex). Such discrimination is illegal regardless of whether individuals belong to minority or majority groups, the latter of which is called "reverse discrimination." Reverse discrimination claims were previously subject to a heightened evidentiary standard, making it harder for majority group members to substantiate them. However, in 2025, the Supreme Court unanimously held that reverse discrimination claims should be subject to the same evidentiary standard as traditional discrimination claims. This has made it easier for individuals to allege reverse discrimination, prompting associated EPL claims. For instance, job candidates and past and present staff may target employers' selection criteria, DEI programs, antiharassment and antiretaliation policies, and other employment-related decision-making processes and documentation for any components that could be perceived as favoring minority groups.

According to industry data, reverse discrimination filings have risen notably in 2026, especially among industries with public DEI commitments. Complicating matters, some states have shielded DEI programs from these filings, while others have done the opposite. This, in turn, has created both coverage and compliance tensions for multistate employers, in which decisions made to comply with one jurisdiction may generate claims in another. In response to these evolving risks, a growing number of EPL insurers have begun addressing reverse discrimination exposures in their coverage questionnaires, placing greater underwriting scrutiny on policyholders' documented rationales for employment decisions (e.g., hiring, promotions and dismissals) and ensuring that any such rationales are applied consistently to all individuals, regardless of protected trait or group membership.

DEI Rollbacks and Regulatory Whiplash

In addition to the Supreme Court's ruling on reverse discrimination, 2025 also brought a series of executive orders (EOs) from President Donald Trump aimed at significantly restricting or dismantling DEI-related programs among federal agencies and contractors. These EOs encouraged the private sector to follow suit, leading many companies to reassess, modify or scale back certain DEI initiatives. Nevertheless, these actions are facing substantial legal challenges and political pushbacks, increasing the likelihood of EPL losses. For example, industry experts reported that 2026 has seen an uptick in wrongful termination and retaliation allegations from employees whose DEI-focused job roles have since been eliminated. Some state laws surrounding DEI programs also conflict with the latest federal guidance. Specifically, regulators in California, Illinois and several other jurisdictions have warned employers that following federal DEI rollback directives does not insulate them from state antidiscrimination regulations. Consequently, employers are now at risk of workplace discrimination lawsuits and EPL claims from various angles, depending on the nature of their DEI programs (or lack thereof).

These developments have pushed many insureds to reevaluate their current DEI practices and associated coverage needs. As DEI-related claims continue to impact the EPL space, policyholders can expect insurers to conduct more thorough reviews of their DEI program language and frameworks during renewals to ensure compliance with applicable requirements and minimize potential losses. Insureds with poorly structured or recently stripped programs, as well as those found to be inconsistently enforcing their programs, could face additional coverage challenges.

AI Exposures and Evolving Employment Legislation

The past few years have seen companies invest in AI tools to automate certain workplace processes and make important employment decisions, particularly in areas such as hiring, staff surveillance and performance management. Although this technology can be beneficial, it also poses EPL exposures. Namely, the collection and processing of sensitive employee data through AI tools can raise significant ethical and privacy concerns, whereas algorithmic biases in these tools could perpetuate discriminatory or otherwise adverse employment actions. While federal laws governing the use of AI tools in employment decisions have recently been scaled back by the Trump administration, state and local regulators continue to develop strict standards, leaving noncompliant employers at risk of EPL claims.

States such as Illinois, Texas and Colorado have led the way in enacting AI-related employment legislation in 2026. Effective Jan. 1, Illinois now prohibits employers from using AI tools that discriminate against protected classes, regardless of intent, whereas Texas requires them to implement certain safeguards to prevent algorithmic discrimination, but doesn't permit disparate impact alone to establish discriminatory intent. Effective June 30, Colorado requires employers to take reasonable care to protect against algorithmic discrimination amid hiring, promotion and termination processes. While New York City implemented similar legislation last year, a recent regulatory audit found that enforcement has been ineffective, evidenced by poor complaint handling and inaccurate compliance reviews. Moving forward, local regulators stated they are committed to addressing these gaps, indicating more active enforcement for the remainder of 2026.

As AI tools continue to advance, more jurisdictions are expected to introduce their own legislation, allowing for ongoing EPL claims activity. Even so, federal preemption of these laws has become murky. While Trump issued an EO in late 2025 calling for a review of all state and local laws inconsistent with federal AI-related employment policies, courts have not yet acted on it. In the interim, many employers have been contending with a patchwork of conflicting regulatory obligations, leaving them increasingly susceptible to future EPL losses. In light of these developments, insurers are carefully evaluating how policyholders govern AI-driven employment decisions during the underwriting process and may request further documentation regarding oversight, testing and compliance controls.

Looking Ahead

While the current claims environment is exerting more selective pressure on the EPL insurance segment than year-end projections anticipated, the majority of policyholders can expect continued pricing moderation for the rest of 2026. Well-controlled accounts in low-risk classes and jurisdictions may experience flat to slight rate reductions, whereas those with elevated exposures and poor claims history could face mild premium hikes and higher retentions. Although insurers may be hesitant to deploy larger limits on specific risks, capacity is projected to remain stable for most policyholders.

In this landscape, reverse discrimination filings, DEI rollbacks, and state and local AI-related employment mandates represent the most prevalent pricing hurdles. This means that accounts facing increased EPL exposures across multiple cost-driving fronts could encounter additional coverage challenges. It's also worth noting that, according to EEOC data, retaliation charges continue to dominate total claim volume, accounting for nearly half of the agency's filings in 2025. As a result, policyholders planning workforce reductions may experience increased underwriting scrutiny during the upcoming renewal cycle. Overall, insureds with clean loss history, documented HR practices and a clear AI governance posture will be better positioned to secure favorable coverage terms and pricing. In the second half of the year, renewals for accounts across loss-prone sectors will provide the best indication of whether the latest segment trends have begun hardening carrier appetite.

For More Information

This report is not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice. For more details regarding the information contained in this report, contact us today.

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