Q3 2026

Property & Casualty Outlook

The Turn: Softening Property, Hardening Casualty, and the Cyber–AI Inflection

In This Issue:

- Global commercial rates fall ~5%; U.S. market turns for the first time since 2017
- Property softening 7–9% while umbrella jumps 8.2%
- Cyber paradox: prices down ~11% as incidents climb ~129%
- AI exposure moves from ‘silent’ to explicitly excluded
- Commercial auto at record highs; telematics as the cost lever

The Turn: Why It Matters to You

For the first time since 2017, commercial insurance prices are falling. That is good news, but only for buyers whose programs are actually built to capture it. Q1 brought declines across every account size (CIAB), with property down 7–9% and well-run programs getting 10–30% reductions. So if your last renewal simply came back a little lower, the odds are you left money on the table. The market is also splitting in two: property, financial lines and workers' comp are softening, while casualty keeps climbing due to nuclear verdicts and litigation, with umbrella up 8.2%. And AI is rewriting what cyber covers. The question for a CFO is not what the market is doing — It is whether your own property, casualty and cyber programs still reflect it.

Three things to remember: property is finally softening, significant casualty lines are still increasing,and AI is upending cyber. The only question that matters is whether your coverage reflects all three.

QUESTIONS WORTH ASKING YOURSELF

- How certain are you that your property program reflects today's market, not last year's?
- Do you know your cyber social-engineering and funds-transfer sublimits?
- Has anyone tested whether your casualty structure holds up in today's litigation environment?
- When your broker says, "the market is the market," how would you know if that's true?

KEY METRICS AT A GLANCE

–5% Global commercial rate change, Q1 2026 (Marsh)	**Since 2017** First U.S. premium decline across all accounts	**+8.2%** U.S. umbrella pricing increase
–11% Cyber premium change	**+129%** Rise in 'significant' cyber incidents	**10–30%** Property relief on well-run accounts

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What's Moving the Market

Property: Relief Arrives

Reinsurance capital and a calmer 2025 CAT season pushed catastrophe reinsurance down 10–25% at June renewals, with shared and layered placements down 10-30%+. If your property renewal simply rolled over at a small decrease, without a significant change in your losses or risk profile, that gap is savings you never captured.

Casualty & Umbrella: Still Hardening

Nuclear verdicts, medical inflation and auto losses kept U.S. casualty climbing 9% (12% ex-comp), with umbrella up 8.2% and some carriers capping capacity at $10M. Rate is only half the story: how your program is structured dictates coverage terms and price.

Cyber: A Rare Divergence

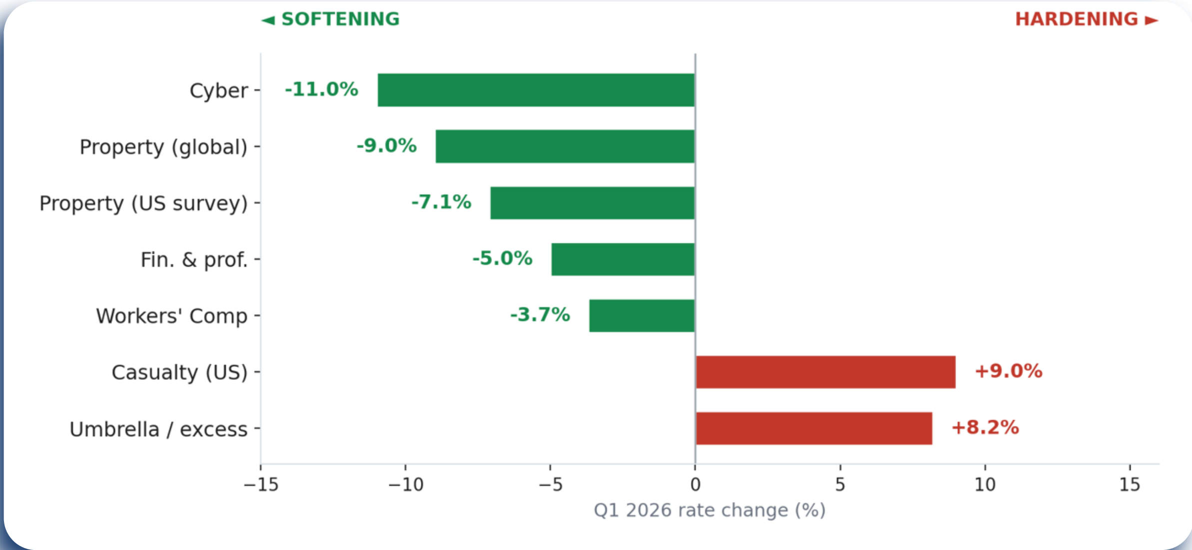
Premiums fell ~11% even as significant incidents rose ~129%. Rating agencies expect the market to return to increases as severity is outpacing prices, and a cheaper premium can hide a sublimit that won't cover a real loss. Knowing your sublimits is key.

Commercial Auto: Severity Crisis

Costs hit record highs and experts expect auto to remain unprofitable through 2026, driven by claims severity rather than accident frequency. Your safety data increasingly decides your rate.

Rate Environment by Line

Q1 2026 Rate Change: A Sharply Split Market



Where rate is coming back

Property (–9% global), financial & professional lines incl. D&O (–5% globally) and workers' comp (–3.7%) are all softening. Workers' comp remains the bright spot, a 12th straight year of sub-100% combined ratios.

Where cost is still rising

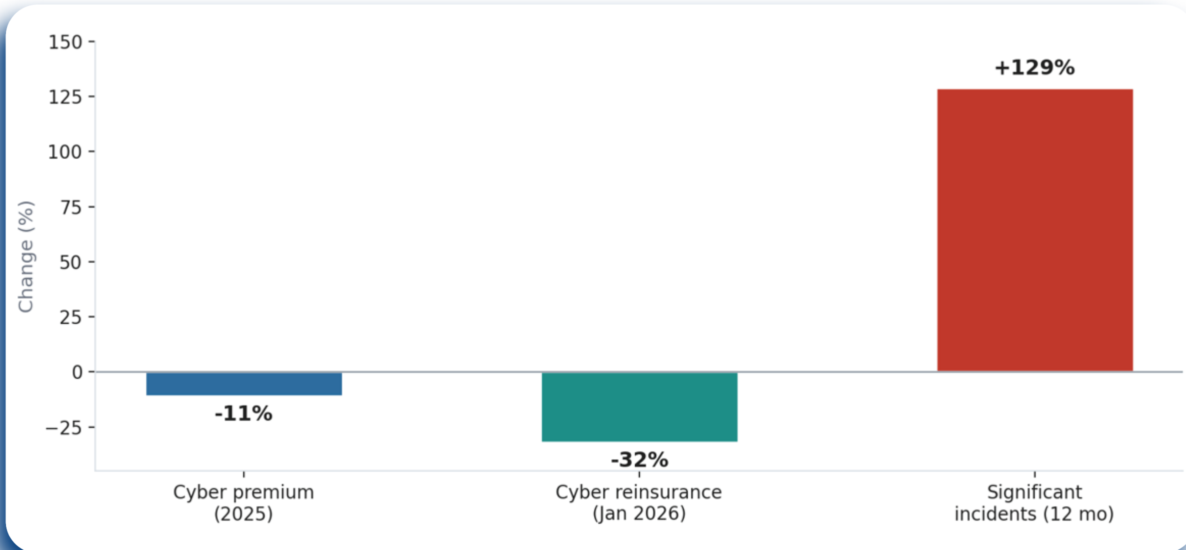
Umbrella (+8.2%) and U.S. casualty (+9%; +12% ex-comp) keep hardening. Social inflation and nuclear verdicts are pushing attachment points and pricing higher.

What It Means, and What to Verify

- Confirm your property renewal 'doesn't just reflect a token decrease off last year's hard-market pricing.
- On casualty and auto, look past the rate: scrutinize retentions, attachment points & structure.
- Consider redeploying savings from softening lines to loss control efforts aimed at shoring up hardening lines.

Strategic Deep Dive: Cyber & AI Exposure

Cyber prices are falling while cyber risk is rising, and executives should not read a cheaper premium as a safer one. Premiums dropped about 11% across Lockton's book in 2025, and cyber reinsurance fell 32% at January renewals. Over the same year, significant incidents climbed roughly 129%. The losses cluster in ransomware, which caused only about 16% of claims but three-quarters of what insurers actually paid.



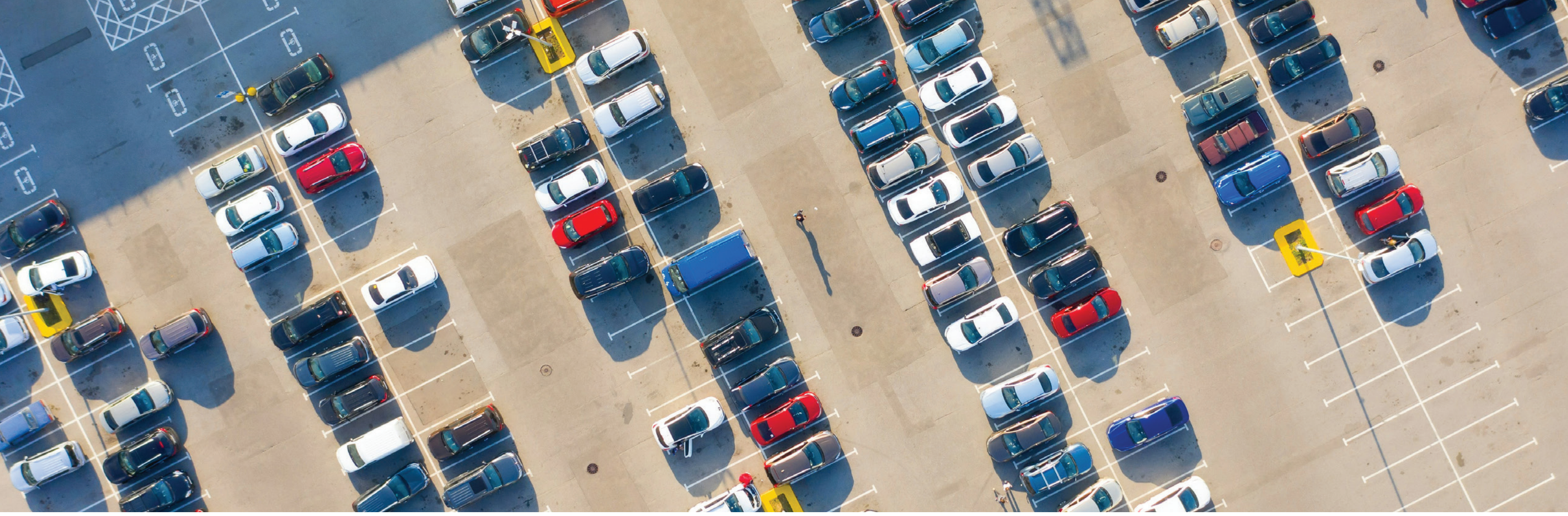
The headline is misleading at the account level: roughly **70% of companies still saw higher costs** at 2026 renewals, because individual risk profile, not the market average, drives price. The window to strengthen controls is now, before the market turns.

CASE IN POINT: PERRY & PERRY BUILDERS V. COWBELL CYBER (2026)

- A contractor wired $874,000 in two payments to a fraudster impersonating a vendor.
- The insurer applied a $250,000 sublimit; the court held it capped all losses for the period.
- The lesson: coverage can be undisputed and a claim still gutted by a sublimit. Do you know yours?

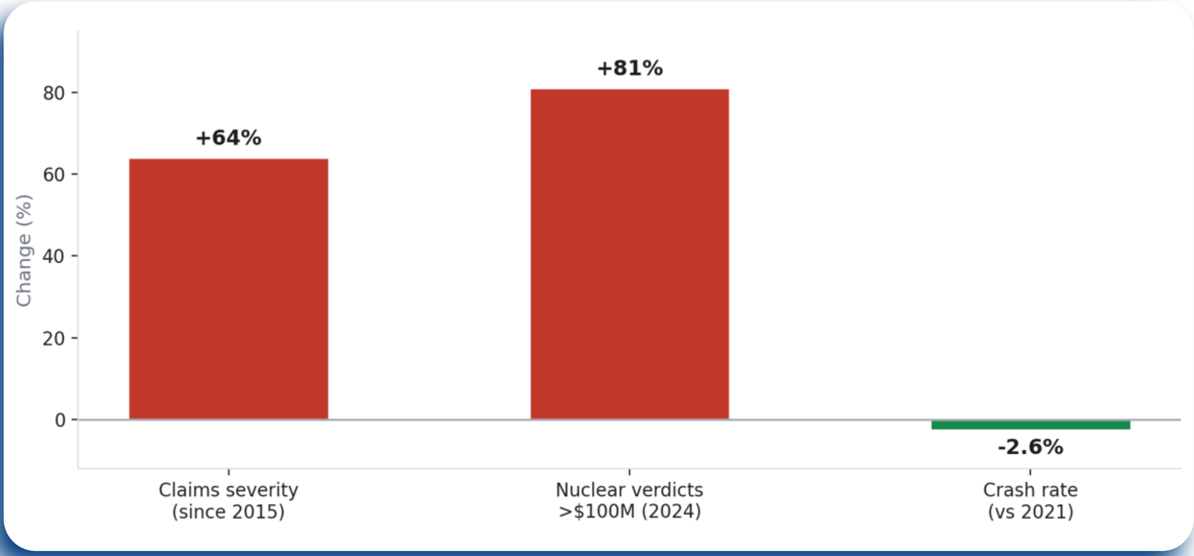
AI Is a Double-Edged Exposure

AI cuts both ways. Before market on the liability side, it is turning from a hidden exposure into a named one: ISO's AI exclusions took effect at the start of 2026, and hiring is the first pressure point, since AI-screened candidates invite discrimination claims. EPLI underwriters are already adding AI questions for renewal. Carriers, for their part, are using AI technology to cut their own costs through real-time underwriting, location intelligence and fraud detection which is market that's expected to grow from $8.5B to $20B by 2031. Most are not yet lucrative: only about one in ten insurers have scaled AI. The same gap was cited in our last Benefits Bulletin, where just 28% of employers had a formal AI policy, and that is exactly what turns AI into an insurable exposure.



Spotlight: Commercial Auto & Fleets

Commercial auto is the mirror image of property: costs hit record highs in 2026, and yet the line is expected to stay unprofitable through the year. The the most significant cost driver is severity, not frequency: claims severity is up ~64% since 2015 and 'thermonuclear' verdicts above $100M rose 81%, even as crash rates fell.



The Lever: Telematics

- Fleets with strong telematics score commonly result in 15–30% premium reductions; ~60% of insurers now use telematics in underwriting.
- AI dashcams have cut crash rates by up to ~73% in deployed fleets.
- Bring six months of clean telematics data to renewal; documented safety beats a verbal claim, and capacity is selective.

On the Radar

Tort Reform: Casualty Counter-Pressure

North Carolina became the first state to ban third-party litigation funding (HB 315, signed June 2026, passed 112–0 / 45–1). Analysts expect other states to follow, an early counter-pressure on the social inflation driving casualty rates.

Hurricane Season: Mild Forecast, Real Tail Risk

NOAA forecasts a below-normal Atlantic season (8–14 named storms).Reinsurance is well-capitalized, but a below-normal storm count is not a below-normal loss year; a single major landfall can exceed $100B.

Interconnected Risk & Critical Infrastructure

Triple-I / Munich Re RiskScan 2026 flags persistent flood and cyber underinsurance and cascading exposures. Four converging threats (geopolitical risk, extreme climate, cyber and aging assets) are leaving critical infrastructure increasingly fragile.

Buyers Are Turning Proactive

Gallagher's 2026 survey finds 94% of business owners fear insurance gaps and are shifting from reacting to risk to planning around it, validating a proactive, data-led approach to total cost of risk.

WATCH: EMERGING DEVELOPMENTS

- AI liability shifting from 'silent' coverage to explicit ISO exclusions across GL, PI, cyber, EPLI and D&O.
- Boards escalating AI: 56% of directors now rate it very/extremely important (WTW D&O 2026).
- Deferred auto maintenance driving insurability questions; every $1 deferred can cost $4–5 later.
- Looking ahead: Deloitte projects insurance value shifting from risk transfer toward prevention and resilience by 2035.

Recommended Actions for the Upcoming Renewal

1. **Capture the Soft-Market Savings**
   Re-market property and financial lines now while capacity is abundant; target the available property relief and convert it into a lower total cost of risk.

2. **Defend the Hard Lines with Resilience Structure**
   Meet casualty & umbrella increases with retentions, attachment points & quota-share, not marketing alone. Rate is non-negotiable here; and risk control structure is where cost is managed.

3. **Audit Cyber Sublimits & Map AI Exposure**
   Review social-engineering, funds-transfer and ransomware sublimits before a loss, and map AI exposure across GL, PI, cyber, EPLI and D&O before ISO exclusions leave a gap.

4. **Make Fleet Telematics a a Priority**
   Deploy telematics and bring six months of clean data to renewal to earn 15–30% reductions and avoid non-renewal on commercial auto.

5. **Stress-Test Catastrophe & Protection Gaps**
   Model a single major-landfall scenario despite the mild forecast, and close persistent flood and cyber underinsurance.

6. **Reallocate Savings into Controls**
   Fund the defense (cyber controls, fleet safety, risk engineering) with the offense (property & financial-lines savings) & reconcile results against next quarter's outlook.

A Second Set of Eyes

Here's the good news: most of these questions have a clear answer. The hard part is that no one has had the time to ask them. An independent review checks your property, casualty and cyber programs against today's market, flags where you may be leaving money on the table or carrying unintended exposure and does it independently of who places your coverage. If any of the questions in this issue gave you pause, that's the conversation worth having. **A short program review with ERA is the place to start.**

About the authors

Stephanie Scarola and Paula Kaeser are insurance specialists with ERA Group. They come from opposite sides of the industry and have over 35 years of collective experience in insurance. They assist clients in evaluating their insurance and benefit programs. ERA utilizes its in-depth subject-matter expertise to evaluate arrangements, negotiate and deliver best-in-class sourcing solutions for their clients.

Sources: Marsh, Global Insurance Market Index (Q1 2026), Aon, Q1 2026 Global Insurance Market Overview, Lockton, Global Cyber Threat Report 2026, WTW, 2026 Global Directors' & Officers' Survey, Gallagher, 2026 Business Owners Survey, Amwins, 2026 State of the Market, HUB International, Deferred Maintenance Risks (2026), Capgemini, World Property & Casualty Insurance Report 2026, Deloitte, The Future of Insurance in 2035, Risk & Insurance; Insurance Journal; Insurance Business, Triple-I / Munich Re, RiskScan 2026.

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