

SOFT MARKET PLAYBOOK

How Top Insurers Protect Profitability When the Cycle Turns

Soft markets follow a familiar script. They constrain growth, compress margins, and test whether underwriting discipline is real or just rhetoric.

Insurance pricing follows cycles. In a hard market, capacity tightens, rates rise, and insurers hold leverage - they can be selective about which risks they write. In a soft market, the dynamics invert: capital floods in, competition intensifies, and pricing power shifts to buyers and brokers. Margins compress, underwriting standards face pressure, and the temptation to chase volume - just to keep the book moving - leads to decisions that erode profitability over time. Hard markets reward growth. Soft markets reward precision.

When this pattern emerges - premiums flattening, competition intensifying across major lines - the playbook tends to repeat. The most recent cycle is no exception.

Industry veterans have been here before. Rate declines in the mid-2000s after the capital inflows that followed post-9/11. The soft stretch that preceded 2018's corrections. And now, the most recent easing.

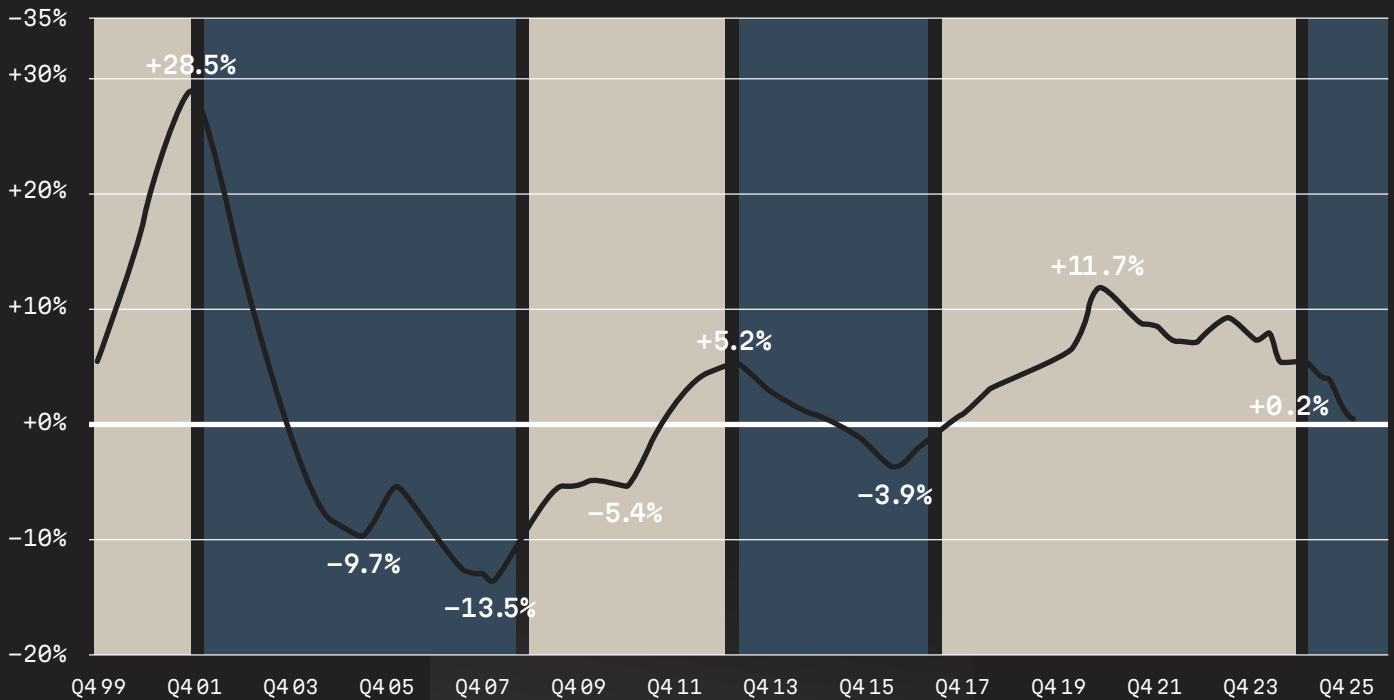
When rates soften, competition intensifies, standards slip, and the temptation to chase volume just to keep the book moving leads to thin margins, adverse selection, and years of rebuilding once the market turns.

The insurers that come out stronger don't just champion discipline. They build the operational precision to ensure it, responding faster and focusing on risks that actually improve the portfolio.

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U.S. COMMERCIAL P&C PRICING CYCLE
Q4 1999-Q4 2025



Source: The Council of Insurance Agents & Brokers (CIAB)



The uneven softening


The headline numbers tell a story of broad deceleration, but the market isn't softening across the board - and the divergence between lines matters as much as the overall trend.



commercial auto premiums

Commercial auto premiums rose 6.6% in Q4 2025, marking the 58th consecutive quarter of increases for the line, a streak stretching back nearly fifteen years.

Triage and prioritization look different when some lines are being shopped aggressively on price while others are capacity-constrained. Speed matters everywhere, but the margin for error is thinner in lines where pricing hasn't softened to absorb it.



umbrella premiums

Umbrella followed at 4.7%, driven by the same litigation dynamics pushing auto. Meanwhile, D&O premiums fell 3.8% for the eighth straight quarter, cyber dropped 3.3%, and commercial property turned negative for the first time since 2017.

Discipline is tested differently when half your book is under competitive pressure and the other half is still fighting claims inflation.



d&o premiums

For a CUO managing a multi-line book, this means the soft market playbook isn't one playbook - it's several running simultaneously.

The uneven nature of this softening makes precision more important, not less. An insurer that treats its entire portfolio as though it's in a single market condition will misallocate focus, underwrite based on the wrong signals, and emerge from the cycle with a book that drifted in directions it didn't intend.



cyber premiums

The property underwriter is navigating surplus capacity and aggressive competition. The auto underwriter is still fighting severity trends and shrinking limits. The team writing D&O is competing on terms in a market flooded with capacity, while the umbrella team is watching losses pierce primary layers with increasing frequency.

What's different from the last soft cycle is that AI has changed the operational infrastructure available to act on this - to triage systematically, enforce guidelines in real time, and monitor portfolio composition as it evolves - at a speed and scale that didn't exist in 2017.

The levers that follow in this piece apply across the board, but the pressure points differ by line.

The insurers who have this infrastructure in place before the cycle tests it will be the ones who come out ahead.

THE 4 LEVERS →



Systematic focus where it counts

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Can your team distinguish between a risk worth pursuing and one that will consume resources without converting?"

When submission flow slows, the cost of misallocated effort goes up. Every hour spent on a submission that was never in appetite - or one that's being shopped to fifteen carriers where you'll lose on price regardless - is an hour not spent on a risk your team could have won.

In a hard market, volume and pricing compensate for some of that inefficiency. In a soft market, they don't. Quality opportunities are more sparse, and each one that slips by or gets buried under lower-priority work costs more to replace.

The operational question is straightforward: how fast does a submission move from the moment it's received to the right underwriter's desk? And once it's there, does your team have the information to distinguish between a risk worth pursuing and one that will consume resources without converting?

Answering these questions requires more than gut instinct. It demands data: historical bind rates by risk profile, broker behavior patterns, competitive positioning signals.

Underwriters who've navigated multiple cycles develop this intuition over decades. The challenge is that many underwriting teams today haven't experienced a soft market - and the ones who have are aging out of the workforce.

The judgment gap widens exactly when you need it to narrow, and closing it means making that pattern recognition systematic rather than personal, so it's embedded in how submissions are evaluated, not dependent on who happens to be evaluating them.

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What I really like about Kalepa is its ability to triage our submissions - getting us to a point where we're finding the business we want, and also showing us the business we don't need. That gives us the ability to go back and educate our clients and brokers on what fits our appetite.

Speed as a competitive weapon

Competing on experience - how easy and fast you are to do business with - doesn't replace competitiveness on price and terms. But when price and terms are comparable, it's often the deciding factor.

Broker leverage increases in a soft market. When multiple insurers are roughly equivalent on price and coverage, the relationship tips the scale - and responsiveness is how that relationship is built and maintained.

This isn't about being accommodating for its own sake. It's about recognizing that the insurer who returns a quote first, with a clear and well-informed response, wins a disproportionate share of the business.

Quote turnaround time, broker hit rate, and bind rate are the metrics that tell you whether your team is capturing the opportunities in front of them or watching them go elsewhere.

The friction that kills speed is rarely dramatic: it's the re-entry of data that was already in the submission, the follow-up email asking for information that was buried in tab six of an SOV, the rush request that breaks the workflow because there's no bandwidth to absorb it.

Each of these adds hours or days to the process, and in a market where brokers have options, these hours matter.

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“The last time the market softened like this, most of today’s underwriting workforce hadn’t started their careers yet. The playbook from that era assumed tools and visibility that didn’t exist. This time, the tools exist. The question is whether the discipline does.

Paul Monasterio,
CEO, Kalepa

Discipline embedded in the workflow

Every CUO talks about underwriting discipline. The hard part is making it stick across a team of fifty or even hundreds of underwriters making hundreds of decisions a week.

The pressure from shareholders, investors, and growth targets is relentless - and it's loudest in a soft market when premium is hardest to come by.

This gap between intent and execution is where soft markets do their damage. Discipline can't survive as a mandate alone. It has to be embedded in the process: guidelines applied consistently to every submission, appetite boundaries enforced in real time, exposures flagged before they become losses.

When guidelines live in a fifty-page document on SharePoint that underwriters interpret differently, discipline erodes one decision at a time. When guidelines are encoded into the workflow - surfacing automatically as underwriters evaluate risks - discipline becomes structural, not aspirational.

The stakes vary by business model. For carriers, unchecked drift means a portfolio that no longer matches strategy. For MGAs, it's more acute - adherence to carrier guidelines isn't just an internal standard, it's the condition for keeping your pen.

Regardless of structure, the underlying problem is the same across insurers: discipline that exists as a mandate but not as a mechanism will erode one decision at a time, especially when the pressure to write is highest.

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One of the really hard things to quantify in this business is how valuable it is not to write bad risk.

Our book profile has improved with Kalepa because it helps us avoid heightened risk profiles with information that might not have been present in the broker's submission.

Derek Broaddus,
Head of Casualty, Bowhead Specialty

Real-time portfolio visibility

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What percentage of new business is in your target classes?

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Are you concentrating risk in segments where pricing has deteriorated most?

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Are your underwriters writing to the strategy, or writing around it?

Portfolio composition is what ultimately determines profitability through a cycle.

Soft markets tempt insurers to fill gaps with marginal business. A submission that would have been declined eighteen months ago gets a second look. An underwriter stretches the guidelines because the team is behind on its GWP target.

Each individual decision feels defensible. In aggregate, they reshape the portfolio - and portfolio composition is what ultimately determines profitability through a cycle.

The challenge isn't that leadership lacks a profitability mandate. It's that most insurers discover drift after the fact, when the quarterly review reveals a concentration they didn't intend or a mix that no longer matches strategy.

What percentage of new business is in your target classes? Are you concentrating risk in segments where pricing has deteriorated most? Are your underwriters writing to the strategy, or writing around it?

Strategy doesn't execute itself. Catching drift before it compounds - adjusting appetite thresholds mid-quarter, flagging concentration risk as it builds - is how the profitability mandate translates into actual portfolio outcomes.

Taking the long view

Soft markets always end, and there's reason to believe this one could play out differently.

The industry entered the current softening from a position of unusual financial strength - the strongest underwriting performance in two decades, with surplus levels at historic highs. That's a meaningful buffer.

The commercial market is also increasingly fragmenting into specialty niches where underwriters with targeted expertise may be less willing to trade profitability for volume than their predecessors were in broader, more commoditized cycles.

Financial strength doesn't automatically translate into operational discipline, though. A well-capitalized insurer can still chase volume, let guidelines erode, and discover portfolio drift in the rearview mirror.

Strong balance sheets buy time. They don't buy precision. The question isn't whether the industry can maintain discipline through this cycle. It's whether individual insurers have the mechanisms in place to ensure they actually do.

The chart at the top of this piece tells a story that's easy to miss in the moment: each of the last three soft cycles has lasted longer than the one before it. The mid-2000s soft market ran roughly three years. The 2011-2017 stretch ran six.

If the current easing follows the pattern, the window for compounding operational advantage - or for compounding operational debt - is wider than it's ever been.

The old calculus - ride it out and let the correction bail you out - is less reliable than it once was. What you do during the soft phase matters more, not less.

When soft cycles are short, "ride it out" is a defensible strategy - the hard market correction arrives before the damage fully materializes.

When they're long, the insurers who built precision during the soft phase emerge with meaningfully cleaner books, tighter operations, and broker relationships built on responsiveness rather than price concessions.

Those who chased volume emerge with adverse selection baked into the portfolio, years of cleanup ahead, and broker relationships that expect flexibility on standards indefinitely.

The soft market doesn't create these divergences. It reveals them.

Insurers that pull these levers - systematic triage, speed as a competitive weapon, discipline embedded in the workflow, real-time portfolio visibility - don't just protect their position through the cycle. They've stress-tested their operations when it was hardest to maintain discipline.

They've built the muscle memory to prioritize and execute with precision, and that muscle memory compounds when volume and pricing return.

At Kalepa, these are the levers we've built our platform around - because precision underwriting is the right strategy in any market. The insurers who invest in it now won't just survive this cycle. They'll enter the next one with a structural advantage that's very hard to close.



Get ahead of the next cycle while protecting your profitability.

BOOK YOUR DEMO



Outstanding underwriting is the foundation of Berkley, and Kalepa's advanced platform brings next-generation technology to drive lasting performance and value.

Dan Smyrl,
President, Admiral Insurance