Brown & Brown

QUARTER 2 | 2025

Market Trends

Commercial Insurance & Risk Management

Growth Has No Finish Line

As a successful business, you plan for the future and adapt as circumstances change your course. At Brown & Brown, we help you navigate the path forward by taking a different approach to how you view, analyze and purchase insurance.

That's why, no matter where you are on your growth journey, we can help you find solutions to meet your ever-evolving insurance and risk management needs. If you are a highly complex multinational company, an individual or anything in between, our experienced teams can help every step of the way.

Founded in 1939 as a two-partner firm, Brown & Brown has risen to become one of the largest insurance brokerages in the world. As we've grown, we have maintained a focus on being as connected locally as we are nationally. We strive to provide the personalized, dedicated service you want from a boutique agency while delivering the peace of mind that you expect from a top brokerage.

Find your solution and explore Brown & Brown's additional capabilities and reports.

Employee Benefits

Brown & Brown has a robust National Employee Benefits practice. Explore our latest report that dives into employee benefits trends and provides a comprehensive analysis of how employers are adapting benefit offerings to attract and retain top talent.

READ OUR MOST RECENT REPORT

Personal Insurance

Whether you already have significant financial assets or are on the road to high net worth, Brown & Brown's Personal Insurance team offers comprehensive insurance for your lifestyle. Read the most recent report covering updates and innovations in personal insurance to help stay informed on the latest market shifts and how they may impact individual policyholders.

READ OUR MOST RECENT REPORT

MARKET SEGMENT

This report covers the trends in the middle to upper middle market with revenues ranging from $50M-$1B.

Our Goal

Brown & Brown's Market Trends allows you to connect quickly to key topics and notable updates in the insurance marketplace. Dive deeper on any topic with our Brown & Brown team to better understand how these trends may impact your business. We welcome the conversation.

Discover

Property

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The commercial property insurance marketplace is seeing further stabilization as rates and inflation continue to moderate.

Impacts of Natural Disasters

Since 2019, firm rate increases in the commercial marketplace have enabled commercial property carriers to stay ahead of loss cost trends and preserve underwriting profit. However, accounts in natural disaster-prone geographies, especially in hard-hit industries or severe convective storm locations, have continued to see premium increases, and continued growth will further enhance reserves. In contrast, those in geographies less prone to natural disasters have had higher bargaining power.

Impacts of Wildfires

This year began with large wildfires and significant losses in California. Most of the wildfire losses appear to directly impact the personal lines sector, less so the commercial lines sector. We expect the short-term impact to affect the personal sector, and anticipate properties located in wildfire-prone areas to experience retention at renewal.

We expect this to have a long-term impact on the reinsurance capacity, but that impact will not be known until we get back to the January 1st treaty renewals. If we have another benign wind season and the CAT losses stay within the treaty budget, we don't expect there to be an issue on the commercial market, but if we have an active CAT season, we could see a shifting of rates.

Underwriting Trends & Increased Competition

So far in 2025, carriers have continued to be practical regarding their underwriting guidelines as property carriers have pursued more growth and capacity. Competition has risen, especially on accounts with good loss prevention programs, lower natural catastrophe exposures and a favorable loss history.

Single carrier placements are experiencing slightly different results than shared and layered placements. More benign single carrier placements are experiencing rate changes averaging from +5% to -10%, while layered or shared placements are experiencing +5% to -25%.

Outlook

Property rates continue to soften compared to prior years and are expected to continue through 2025. So far, there has been slightly higher softening than anticipated on favorable accounts. This enhanced competition has benefited many, providing welcome relief from prior terms. It is possible this trend could continue to develop.

Casualty

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General Liability

Social inflation, litigation financing, regulatory changes and nuclear verdicts are driving rate increases, estimated at 5-10%. Carriers have increased focus on premises liability (assault & battery, sexual abuse and molestation and human trafficking), with underwriters specifically focusing on Real Estate and Habitational Accounts.

Auto Liability

The commercial auto insurance market in the United States is navigating a complex landscape characterized by escalating costs, evolving risks, and technological advancements. Rate increases over the last ten years have impacted the auto market, yet carriers still struggle with poor loss ratios. Anticipated rate increases range between 7.5-15%. Be proactive to ensure driver safety handbooks are up to date for any employee driving for company businesses.

The following factors have impacted auto pricing:

- Nuclear verdicts
- Inflation
- Distracted driving
- Increased scrutiny on hired and non-owned exposure

Umbrella / Excess Liability

Carriers in the excess liability space continue to reduce capacity and look to attach higher limits. Rate increases are anticipated between 10-20%. Inadequate reserves, larger jury awards, nuclear verdicts and litigation funding are the primary causes driving this trend.

ESTIMATED RATE INCREASES

5 – 10%	7.5 – 15%	10 – 20%
GENERAL LIABILITY	AUTO LIABILITY	UMBRELLA / EXCESS LIABILITY

Workers' Compensation

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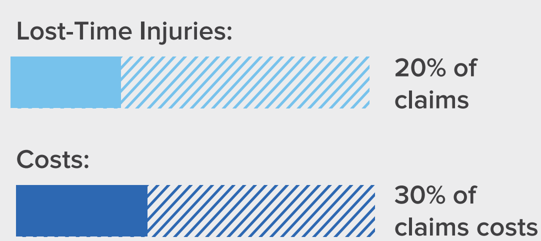
Middle-market workers' compensation results remain stable to favorable, with growing concern that emerging trends could become problematic later this year, resulting in potential rate increases. The current market trend is seeing -5% to flat rates for low loss risks and a 5%-8%+ rate for unfavorable loss histories and severe risks.

AGING POPULATION CLAIMS ACCOUNT FOR THE FOLLOWING:



Carriers remain concerned about issues such as opioid use, mental healthcare and workplace violence. However, the most prominent focus is on how the aging population directly affects claim costs. Claims associated with an aging population account for over 20% of lost-time injuries and over 30% of costs. Another concern is the cost of prescription drugs and the rising cost of hospital and physician services, which continue to rise, driving up the cost of workers' compensation claims.

In March 2024, the Department of Labor revised a rule regarding classifying independent contractors as employees under the Fair Labor Standards Act (FLSA). This legislation faces challenges, and an unfavorable outcome could cause greater emphasis on underwriting and additional rates until the marketplace truly understands the impact on the industry.

Executive Liability

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Political and Economic Shifts

While many of the trends in the executive liability market remain consistent with the previous quarter, the political and economic landscape changes provide some uncertainty. Carriers and underwriters continue to monitor these political and financial developments and their potential impacts.

Tariffs and supply chain disruptions will likely impact inflation and litigation costs. Companies facing financial pressures, historically increase claims exposures as a byproduct of cost-cutting strategies. Additionally, as companies choose to pivot away from diversity, equity and inclusion (DEI) initiatives and programs, there are increased exposures in the employment practice liability (EPL) space.

Emerging Technologies: Artificial Intelligence and Cryptocurrency

Cryptocurrency remains an emerging trend. Although, most crime policies do not extend coverage to cryptocurrency or other digital assets, it is prudent to consider the implications of this operational/financial risk.

Across several coverages, the impact of AI is becoming more evident. Social engineering incidents linked to AI are contributing to commercial crime risks. Other focuses include:

Directors and Officers (D&O): The D&O space may see an uptick in claims tied to emerging AI regulatory bills. "AI Washing" describes the practice of companies exaggerating or misrepresenting their AI products or services to gain a competitive advantage or appeal to investors. The SEC stated that AI washing may violate securities laws and have taken enforcement actions against companies they believe have engaged in this practice.

CLICK TO LEARN MORE

Employment Practice Liability (EPL): In employment practices, claims are rising due to the potential bias created by AI tools, alongside increased litigation in wage and hour disputes driven by AI-based management practices. As more AI-related employment cases are filed, employers should understand the potential impact from a business and insurance perspective.

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Cyber Risk

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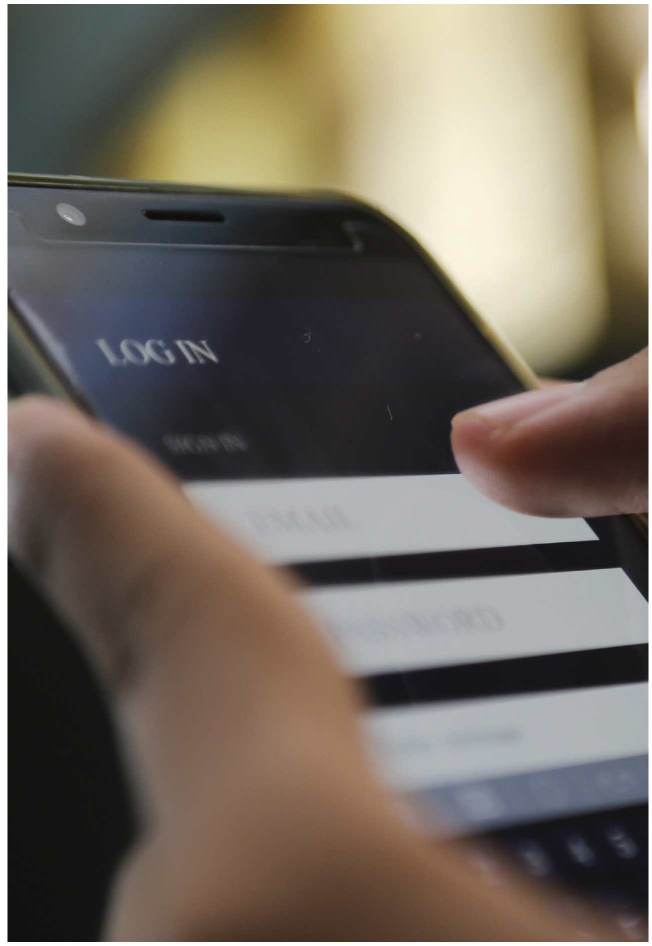
The cyber market is expected to remain stable through 2025, representing maturity previously unseen in the cyber marketplace. Carriers are closely monitoring claims activity as threat actors are becoming more sophisticated in using artificial intelligence (AI). Carriers remain focused on data privacy liability related to biometric data and tracking technology like Meta Pixel.



Claims Trends

Ransomware events are the most severe claims covered by cyber carriers, while the most frequent is social engineering. There is no sign of this trend easing, given shifting global dynamics and threat actors' increasing use of generative AI to carry out attacks.

Carriers are seeing significant activity related to privacy laws particularly those resulting from violations of the Biometric Information Privacy Act (BIPA) and tracking technology non-compliance. Carriers are emphasizing the need for customers to better understand these exposure.

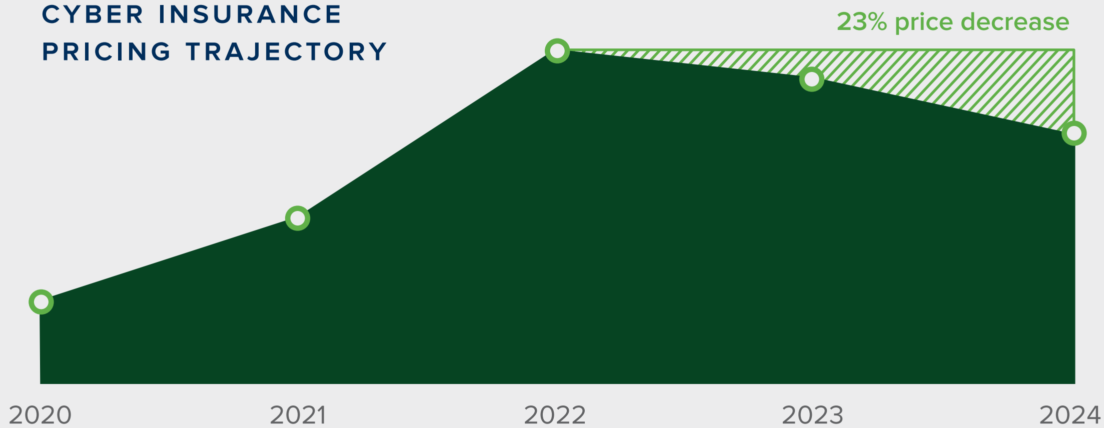
"With the rapid evolution of artificial intelligence, especially generative AI, and public demand for easy access to the new technology, cyber-crime is primed to make a big leap forward. Deepfakes – videos, pictures or audio made with AI to appear real – are the latest weapons in the cyber criminals' arsenal. There has been a notable rise in the use of deepfakes to commit cyber-crime, and the only things slowing the progress is the sophistication, expertise and effort required to effectively use the technology.

– AXA XL Report

Sustained Market Easing

Maturity in the cyber insurance market results in ongoing stabilization. Pricing has decreased ~23% from its peak in 2022. In Q1 of this year, buyers experienced flat rates at renewal on primary, ~5% decreases on excess and downward pressure on retentions. Increasingly, underwriters are considering offering broader coverage to gain a competitive edge. Many carriers have expanded their appetite by providing Technology Errors and Omissions combined with Cyber to attract more market share.

CYBER INSURANCE PRICING TRAJECTORY



Source: Brown & Brown premium data

Underwriting Standards

Cyber carriers evaluate several controls, with the most critical being multi-factor authentication (MFA), strong backup controls, security training and phishing simulations. Given the continued expansion of privacy laws, qualified counsel are encouraged to review business practices and websites to help ensure compliance and avoid lawsuits.

Multinational

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While specific segments of the commercial insurance market see signs of rate stabilization, ongoing challenges—including the increasing frequency and severity of natural catastrophes, the persistent effects of social inflation and the growing impact of climate risks—continue to shape global pricing dynamics. Specialty lines of business remain a primary driver of carrier profitability, benefiting from steady demand and disciplined underwriting.

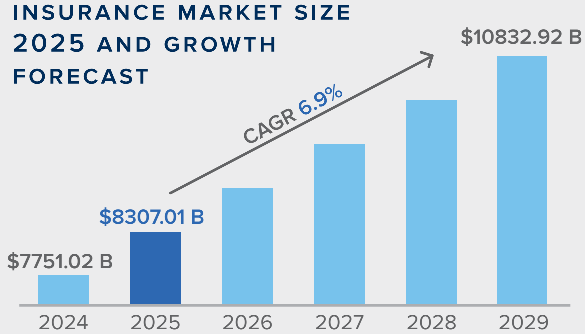
Global casualty contributes significantly to carrier profitability, yielding flat to moderate rate decreases, offering improved market capacity and driving competitive pressures. Conversely, volatility persists in the global property insurance market. Large-scale natural disasters, such the devastating wildfires and hurricanes, are challenging rate adequacy models. Carriers try to mitigate these challenges by reassessing risk appetites, adjusting underwriting strategies and refining pricing models to account for evolving loss patterns.

As businesses face an increasingly complex risk landscape, carriers and insureds focus on enhanced risk mitigation strategies, diversification of exposures and innovative coverage solutions.

Premium Growth and Market Expansion

The global insurance market is expected to expand from $7.75 trillion in 2024 to $8.31 trillion in 2025, reflecting a robust compound annual growth rate (CAGR) of 7.2%. Technology advancements, regulatory developments and rising risk management awareness are contributing to the market's upward trajectory.

INSURANCE MARKET SIZE 2025 AND GROWTH FORECAST



Source: The Business Research Company: Insurance Market Report 2025

Regulatory Developments

Regulatory bodies are working to adapt existing frameworks to focus on cybersecurity, data privacy and consumer protection. These developments aim to ensure a fair and stable insurance market while protecting consumers. The trends underscore the importance of remaining agile and responsive in a rapidly changing environment, balancing innovation with risk management to meet the needs of businesses and consumers.

For example, the Bank of England plans to relax certain carrier regulatory requirements, including reduced reporting obligations and allowing access to wider investments without prior approval. These initiatives seek to balance financial resilience with economic competitiveness, supporting growth while maintaining financial stability.

Surety

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Due to new tariff activity, the surety industry is experiencing increased demand for supply bonds, advanced payment bonds and customs import bonds. Private equity firms are adopting more conservative investment strategies, targeting sectors with predictable cash flow and lower default risks, such as infrastructure, renewable energy, healthcare and technology. The need to mitigate economic uncertainties and inflationary pressures drives this trend.

Tariff Impacts

New tariffs are causing inflationary pressure by increasing the cost of imported goods. When tariffs take effect, the prices of imported goods rise, leading to higher costs for businesses that trickle onto higher prices for consumers. Additionally, tariffs can disrupt supply chains, causing delays and increasing costs.

BEAD Program

The National Telecommunications and Information Administration (NTIA) launched the Broadband Equity, Access and Deployment (BEAD) Program in 2021. This program was designed to distribute over $40 billion of grant money to expand high-speed internet access. Grant recipients must provide a Letter of Credit or surety bond to guarantee the proper use of the award.

Because surety bonds provide greater cash flow, sureties have been providing performance bonds to internet service providers. However, plans to continue underwriting performance bonds to ISPs are in flux due to a proposed overhaul of BEAD, potentially diverting available funds from broadband to other technology-neutral providers, such as satellite internet providers.

Transportation

Q2 | 2025

Nationwide, auto liability for trucking continues to be a challenge. Accounts with 35% loss ratios and below are seeing +/- single-digit renewals, while more challenging risks anticipate increases in double digits, with limited markets available for placing coverage.

Driver Experience

When determining coverage qualifications, carriers are focused on driver experience. However, these restrictions typically come alongside lower rates. Unless a trucking company participates in an alternative risk program (captive, large deductible, qualifies self-insurer), a larger driver pool with less than two years of experience will see higher rates.

Commercial Auto

The combined ratio of commercial auto, measured by dollars paid compared to dollars earned, has exceeded 100% for 12 of the last 13 years, meaning the industry has been profitable only once in the past 13 years. While the combined ratio for 2024 has yet to be published, it will likely exceed 100%.

Excess liability for trucking continues to be the most challenging risk, with delayed reporting and attempts to maintain adequate reserve settings. This line of coverage has maintained increases since 2020 due to nuclear verdicts, higher loss activity and increased reinsurance costs. In 2025, the E&S market will likely remain hard due to the mentioned factors and natural disasters.

Rate Trends

Auto physical damage rates are gradually rising, driven by increasing technology and labor costs. Motor truck cargo remains fairly profitable across all carriers, depending on the commodities transported. For regular dry van/general freight commodities, cargo rates are competitive for low loss ratio risks.

Claims Trends

Social inflation and third-party litigation funding (TPLF) continue to impact claims outcomes. TPLF helps plaintiff attorneys fund cases for claimants seeking a payout following a truck accident. This has been an ongoing issue and is a driving factor in increased claim and insurance costs. The states feeling the brunt of the impacts include Florida, Illinois, Texas and Louisiana, as these states typically have high verdict payouts.

Aviation

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In recent years, the aviation insurance marketplace has endured challenges resulting in changes to capacity and pricing. While current capacity is strong, changing market dynamics suggest obstacles as the year progresses. Reinsurance secured in late 2024 allowed negotiation of terms before the focus shifted to recent large claims and overall sector upheaval in the first quarter. Renewals in the second quarter of 2025 will provide more insight into how the market reacts. Results will be monitored closely, providing insight into how the market will respond for the balance of the year.

As of mid-March, 19 aviation accidents occurred in the United States, resulting in 106 lives lost. In January, a CRJ700 operated by American Airlines collided mid-air with a U.S. Army UH-60 Black Hawk helicopter over the Potomac River near Washington D.C., marking the first deadly U.S. airline crash since 2009.

Rising Cost of Claims

Insurance claim costs across this sector are becoming some of the highest-valued and highest-profiled losses. Aircraft repair costs are soaring, with limited availability of aircraft parts, an increase in replacement part costs and a labor shortage of qualified mechanics. Another factor contributing to the rising cost of claims is due to changes in aircraft complexity, making repairs more technically difficult. These factors, combined with more sophisticated aircraft systems and high-value engines, are expected to increase aircraft valuations. Thus, premiums for physical damage or "hull" insurance will rise in tandem.

The industry is watching the rise in nuclear verdicts, jury verdicts exceeding $10M in punitive and compensatory awards, and legal expenses significantly increasing to defend or settle a lawsuit. Historically, settlements that may have cost $1M are now pushing into eight-digit figures. It's become commonplace for plaintiffs' attorneys to target the entire insurance policy limit, and lawsuits involving psychological harm or Mental Anguish (vs. Bodily Injury) are also increasing.

Artificial Intelligence

The aviation industry is witnessing significant technological changes as AI is now widely integrated into various aspects of the airline industry. They are well positioned to lead the charge on this new horizon with benefits ranging from crew management, in-flight food sales, fuel efficiency automation, flight experience enhancements with a real-time turbulence database to help pilots navigate smoother skies, real-time aircraft safety and inspection with autonomous drone and baggage delivery, to name a few.

Historical trends show a positive impact of emerging technologies, with new jobs created to replace those made obsolete by the new technology. Adopting this approach has a lower risk exposure from a financial perspective, with AI algorithms analyzing data to predict demand, adjust ticket prices accordingly, and boost overall industry revenue. Through research and development and engagement with the academic sectors, innovation is poised to accelerate in the near future. AI has revolutionized aviation and integrating it has become a necessary step in the industry's evolution. Data privacy and safety standards will be a top concern as increased cyber threats weigh heavily among aviation industry leaders. Additionally, AI could help drive continued innovation and expansion as we look to space as the new frontier.

Challenges and Opportunities Outlook

Carriers are expected to continue negotiating with those with a favorable loss history and implementing strong risk management practices unless another major aviation loss occurs. The aviation insurance marketplace has been profitable in recent years based on the industry's overall safety record. However, additional loss activity could impact this profitability and/or if reinsurance premiums increase for aviation carriers during their annual reinsurance treaty renewal. The market is unlikely to harden in the first half of 2025, with abundant capacity and early reinsurance negotiations underway.

How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving program.

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Find Your Solution at BBrown.com