



2026

The State of the US Commercial Insurance Market

TRENDS AND INSIGHTS

**B.F. SAUL
INSURANCE**

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Table of Contents

Introduction1

Commercial Property Insurance Continues to Stabilize, but Climate Pressures Persist2

Builder's Risk Still Driven by Location & Hazard Exposure.....3

General Liability Stabilizing, but Influenced by Litigation Trends..... 4

Cyber Insurance Rates Reflect an Evolving Threat Environment5

Commercial Auto Severity Driven by Repair Costs & Vehicle Technology6

Workers' Compensation Remains Stable, but Outlook is Cautious7

Umbrella & Excess Liability Pricing Pressured by Social Inflation..... 8

Management & Financial Lines Impacted by Sustainability Expectations, AI Governance, & Litigation Trends.....9

Emerging Exposures & Alternative Risk Drive More Captives & Parametric Solutions..... 10

The Importance of Partnering with an Independent Insurance Advisor.....11



2026 Outlook

FOR THE US COMMERCIAL

INSURANCE MARKET

What Mid-Market Business Leaders Should Expect in Premiums, Coverage, and Emerging Risks

After years of volatility driven by pandemic aftershocks, inflation spikes, unpredictable weather, and geopolitical instability, 2026 brings a steadier outlook, though significant challenges persist.


While capital is abundant and tech adoption is accelerating, certain persistent forces continue to influence the market. Global tensions disrupt trade routes, elevating cyber and political risk, while tariffs and regulatory shifts pressure supply chains and disrupt operations. New legislation and tax reforms continue to adjust corporate risk strategies and insurance demand.

Inflation in construction materials, auto parts, and medical services drives claim severity, and climate-driven

events remain significant loss drivers. Skilled labor gaps, especially in healthcare, technology, and construction, drive up wage costs and raise liability and workers' compensation exposure. Meanwhile, AI is reshaping the workforce and creating new risks for businesses.

Policyholder expectations are evolving too, with insureds expecting more transparency, convenience, and personalized value from their carriers & brokers.

This year's outlook explores the trends most likely to influence commercial insurance in 2026 and how they will influence coverage availability, pricing, and carrier appetite. It also offers guidance to help business leaders prepare for renewal decisions.



Carriers use aerial imagery, drones, GIS, and AI tools to validate roof condition, defensible space, maintenance quality, and surrounding exposures. Because this data has the potential to be incorrect, outdated, or mismatched, businesses need to monitor reported data and property records closely.

Commercial Property Insurance Continues to Stabilize, but Climate Pressures Persist

Commercial property conditions are more stable heading into 2026, and many policyholders, particularly those with well-maintained buildings and strong risk controls, are seeing more moderate rate adjustments. This is due, in part, to lower inflation, calming property valuations, and rebuilding costs starting to stabilize.

With climate-driven losses continuing to challenge the market, underwriters are incorporating climate resilience metrics into risk scoring models. Businesses in high-risk areas that invest in storm-resistant infrastructure, flood barriers, or wildfire mitigation, as well as those with documented business continuity strategies and disaster recovery protocols, may secure improved pricing and broader carrier interest.

Data quality is becoming a more influential underwriting factor. Carriers use aerial imagery, drones, GIS, and AI tools to validate roof condition, defensible space, maintenance quality, and surrounding exposures. Because this data has the potential to be incorrect, outdated, or mismatched, businesses need to monitor reported data and property records closely.

Older buildings, particularly those constructed before major code updates or lacking automatic sprinklers and modern electrical systems, remain more challenging to place. Occupancy continues to drive pricing: habitational risks (such as apartment buildings) are difficult for many carriers, and mixed-use buildings with higher-risk tenants, such as restaurants, childcare facilities, or retail, may see stricter terms. [Deloitte](#) notes that carriers are also watching cost volatility, since swings in labor and materials affect claims severity.

Overall, the property market is more stable than in recent years, although outcomes vary by region, occupancy, and exposure type. Businesses that work with an advisor and focus on maintaining clear improvement documentation, strong loss-prevention protocols, and accurate property data are best positioned for favorable results.

Builder's Risk Still Driven by Location and Hazard Exposure

Builder's risk insurance looks comparatively stable heading into 2026, with improved capacity and strong carrier appetite for new construction, especially ground-up projects in lower-hazard regions using modern materials and building methods.

New construction benefits from more predictable loss profiles, with current building codes and updated systems

reducing severity. Insurers offer more competitive pricing for projects with strong site management, clear subcontractor documentation, and tools that monitor water intrusion, temperature changes, or equipment malfunction.

Renovation projects are more challenging. Older structures with outdated plumbing, electrical, or mechanical systems and uncertainty about the structure or issues hidden behind walls often face stricter guidelines.

Location plays a central role in determining prices and capacity. Coastal, wildfire-prone, or historically loss-heavy regions often face higher costs and stricter policy rules. Adding to this difficulty, lenders frequently require larger coverage limits for flood and wind risks. Since individual insurance companies may only offer limited capacity in these high-risk areas, coverage must often be layered, using multiple insurers to meet the loan's requirements.

Construction delays from labor shortages, permitting challenges, and intermittent supply chain disruptions persist, particularly in sectors impacted by permitting backlogs and regulatory holdups tied to the 2025 government shutdown. However, carriers often offer coverage for policy extensions when necessary and work with policyholders to manage more complex timelines.

Despite these challenges, builder's risk is one of the more stable commercial lines, and early advisor involvement helps complex or higher-hazard projects avoid gaps during planning and construction.

General Liability Stabilizing, but Influenced by Litigation Trends

General liability conditions heading into 2026 reflect a mix of rate stabilization and continued caution, particularly for businesses with higher exposure to public interaction or historically volatile loss trends. Many low-hazard classes are seeing more moderate adjustments at renewal, although the [broader liability landscape](#) continues to be shaped by the growing severity of nuclear verdicts and litigation.

The frequency of nuclear verdicts (jury awards exceeding \$10 million) continues to push pricing higher. This is especially true in hospitality, retail, real estate, and entertainment as these sectors face increased risk from premises liability, assault and battery incidents, negligence allegations, and other claims that can escalate quickly in jurisdictions considered plaintiff-friendly. Even businesses with no recent losses may encounter higher retention rates or more restrictive terms due solely to the local legal climate.

Underwriters are also implementing stricter exclusions for high-stakes exposures. These include PFAS ("forever chemicals")-related environmental claims, biometric data usage (such as fingerprints or facial scans), and liability from assault, battery, or human trafficking allegations. The market has also become more difficult for clients providing armed security, with many carriers imposing specific firearms coverage restrictions on liability and umbrella policies.



[AI-related liability exposures](#) are emerging, with potential risks including AI-generated misinformation, automated decision-making that results in discrimination claims, or operational recommendations from AI tools that contribute to a loss event. These exposures are early-stage, but insurers are monitoring them closely and may adjust terms as patterns develop.

These widespread policy adjustments reflect market-wide concerns about regulatory uncertainty and increasing litigation, and ultimately mean that businesses must be more diligent about identifying and managing the risks that their insurance will no longer cover.

Cyber Insurance Rates Reflect an Evolving Threat Environment

Cyber insurance is entering a new phase of pricing and scrutiny in 2026 as digital threats evolve rapidly. After a brief period of softening in 2024-2025, the market is now seeing measured rate increases, coverage refinement, and risk-based pricing, especially as AI reshapes both threats and underwriting. The market is also experiencing growth not only from insureds who see the value of the coverage, but also from new carriers entering the cyber space.

AI-driven threats, including deepfake-enabled fraud, voice cloning, and machine-generated phishing, are becoming more sophisticated. Nearly half of all cyberattacks target small and mid-sized businesses, prompting carriers to reassess their underwriting criteria as new forms of cyber risk emerge.

As AI-related exposures evolve, carriers are refining policy language. Some are introducing AI-specific endorsements addressing algorithmic failure or unintended actions taken by automated systems and expanding definitions to include AI-enhanced phishing and impersonation tactics. Expect to see more generative AI clauses aimed at managing risks like hallucinated outputs, data leakage, copyright conflicts, and misinformation. Also, instead of relying on silent coverage, many carriers are revising their policy to clarify whether AI-related incidents are covered under existing policies.

Deepfake liability coverage is also emerging to help protect businesses from reputational harm, impersonation attacks,

and fraudulent transactions from deepfake audio and video. Additionally, some insurers are offering broader business interruption language tied to supply chain cyber events, including ransomware attacks on logistics or software providers.

Multifactor authentication, endpoint detection and response, email filtering, and documented incident response plans are now considered minimum requirements for most accounts. Carriers prioritize what a business can demonstrate—from response time to real-world control effectiveness—over its stated intentions alone. Most insurers now require proof of a tested incident response plan before quotes are even released and want to see regular, documented employee training around phishing, AI misuse, and data handling as well.

Vendor management remains a major focus area, as many incidents originate from vulnerabilities within software providers, cloud vendors, and managed service partners. Carriers are asking more detailed questions about third-party oversight, contractual obligations, and system redundancies. This reflects broader industry concerns about supply chain cyber risk, which continues to cause significant losses across multiple sectors.

A S&P Global Ratings survey found that about 75% of cyber incidents are targeted, underscoring the importance of maintaining strong cyber hygiene and regularly reviewing system controls and policy language.



In 2026, insurers increasingly expect fleets to adopt telematics, GPS tracking, dash cameras, and maintenance documentation as part of a baseline risk-control program.

Bigger Repair Bills Plague Commercial Auto Insurance

The commercial auto market will continue to be pressured in 2026, though rate increases have moderated from the steeper adjustments of recent years. Many insureds now see premium changes in the 10-15% range rather than the 20%+ rate hikes common in recent years.

Rising repair costs, parts shortages, and labor constraints will continue to influence [auto claim severity](#). The high cost of new vehicles, especially those equipped with advanced driver assistance systems (ADAS), means even minor accidents can require specialized parts, recalibration procedures, or full component replacement.

Loss frequency also persists, particularly in transportation, construction, and delivery. High driver turnover has made

it more difficult for businesses to maintain experienced fleets, and the increase in miles driven and distracted-driving events translates to higher risk. Nuclear verdicts also have a significant impact on fleet pricing.

Underwriters now expect insureds to implement a range of safety and monitoring tools as standard practice. In 2026, insurers increasingly expect fleets to adopt telematics, GPS tracking, dash cameras, and maintenance documentation as part of a baseline risk-control program.

As with other commercial lines, collecting accurate data and maintaining thorough documentation are important. Businesses that can demonstrate strong safety oversight, consistent hiring practices, and real-time driver monitoring will be best positioned for success.

Workers' Compensation Remains Stable, but Outlook is Cautious

Workers' compensation is one of the more stable commercial lines entering 2026. Capacity is generally strong, and many insureds with cleaner claims histories are likely to secure flat or modestly reduced premiums at renewal. However, several underlying factors suggest a cautious approach, as looming trends in workforce demographics, medical costs, and regulatory oversight are likely to affect long-term market conditions.

Rising healthcare costs, expanded treatment protocols, and longer recovery times for certain injuries drive higher overall claim expenses. Many industries are also implementing return-to-work programs in hybrid or evolving work environments, which can complicate liabilities.

The aging workforce adds further pressure. Many employees are postponing retirement or returning to the workforce, including in physically demanding sectors such as construction, warehousing, and utilities. Older workers are more likely to have pre-existing conditions and tend to experience more severe injuries and longer recovery times, so more frequent and costly claims are likely.

Regulatory developments are also beginning to reshape some aspects of workers' compensation. Several states have implemented or proposed new standards related to heat exposure, ergonomic risk, and workplace safety technology, especially in industries with higher claim frequency.

AI and predictive analytics are helping businesses identify repeat loss patterns and proactively prevent incidents, making them valuable tools for controlling claims costs. The increasing use of telehealth and nurse triage programs can also help reduce claim severity by ensuring employees receive timely guidance and avoid unnecessary emergency room visits.

Despite the generally favorable market environment, businesses should maintain strong safety protocols, invest in training, and draft clear return-to-work plans to ensure continued stability in workers' compensation pricing.

Umbrella and Excess Liability Pricing Pressured by Social Inflation

Caution remains warranted for umbrella and excess liability heading into 2026. Although the market is more stable than in recent years, carriers are still carefully managing their capacity and maintaining more conservative limit offerings, meaning multilayer umbrella and excess liability policies remain the norm for higher limits. With many carriers only willing to put up \$5 to \$10 million (or less) in the first layer, and often lowering capacity per layer, organizations may need to layer multiple insurers to achieve adequate limits.

Social inflation and nuclear verdicts remain among the most significant drivers of excess pricing, particularly for businesses with public-facing operations or higher exposure to premises liability or transportation. These trends influence both attachment points—the amount of underlying coverage an insured must carry before the umbrella policy begins to pay—and program structure.

Umbrella and excess policies were designed to activate when the limits of a relevant primary policy, such as general liability or commercial auto, are exhausted. However, the surge in lawsuit frequency and excessive jury awards has increased [the use of these policies](#) for severe, high-dollar claims. This shift has prompted many businesses to reassess whether their current limits align with modern exposures.

Underwriters are also monitoring changes in exposure around AI adoption, vendor management, cybersecurity, and data privacy. While [these risks are still developing](#), they are adding to a broader environment of liability uncertainty, particularly in cases where claim severity may be affected by regulatory action or unexpected litigation outcomes.

To mitigate these pressures, businesses should aim to become a more attractive risk to insurers through rigorous loss prevention, improved internal policies, and the effective use of available insurer resources. Businesses should review their existing excess limits, reassess retention strategies, and work with their advisor to confirm that coverage aligns with today's legal environment.



Management & Financial Lines Impacted by Sustainability Expectations, AI Governance, & Litigation Trends

Management and financial lines, including [directors and officers](#) (D&O), employment practices liability (EPL), and professional liability (E&O), will continue to see modest rate increases and evolving retention strategies entering 2026. Broader trends such as increased scrutiny of environmental, social, and governance (ESG), economic uncertainty, and rising litigation risks are key influences.

Retentions are increasing, particularly in sectors facing heightened regulatory or reputational exposure, such as healthcare, technology, and energy. Inflation and wage growth also contribute to higher claim severity, while companies with poor ESG disclosures face more shareholder suits and reputational claims.

AI governance has become an emerging focus area as carriers monitor the potential for allegations involving biased decision-making, flawed automated processes, or misinformation. Specifically, E&O policies are being tested by emerging risks tied to AI deployment and data governance failures, prompting tighter underwriting and higher deductibles.

Despite these considerations, the overall market remains stable compared to other lines. Consistent financial performance, strong governance practices, and well-documented operational controls are key factors in obtaining competitive terms. Many insureds are using the current stability to reassess whether their existing limits are adequate, particularly given rising verdict severity and increasing operational complexity.



Insurance is no longer just about transferring risk; it's about proactively and creatively managing it.

Emerging Exposures and Alternative Risk Drive More Captives and Parametric Solutions

One of the most significant business insurance trends for 2026 is the rise of alternative risk solutions, particularly captive insurance programs. Organizations facing volatile traditional markets or limited capacity are exploring captives for greater control, customization, and long-term cost efficiency.

Parametric solutions are gaining attention rapidly in global markets, particularly in the agriculture, energy, and tourism sectors, as traditional insurance models often fall short of their unique needs.

Interest is also rising in blended programs that combine traditional, parametric, and captive elements to optimize coverage and cost. Regardless of the specific alternative risk solution utilized, buyers are demanding more tailored solutions that reflect their unique risk profiles and operational realities. Insurance is no longer just about transferring risk; it's about proactively and creatively managing it.



The Importance of Partnering with an Experienced Independent Insurance Advisor

Businesses must adopt a strategic and proactive approach to risk management in 2026. Investments in key exposure areas such as cybersecurity, climate resilience, and governance can meaningfully influence outcomes at renewal. Businesses that demonstrate resilience, transparency, and innovation are not just staying insurable; they secure better coverage and pricing.

Against this backdrop, reducing organizational risk and protecting assets has never been more complicated. That's why many leading businesses partner with B. F. Saul Insurance.

Our commercial insurance team is highly skilled in navigating complex markets to help organizations reduce risk and obtain the best coverage to protect their assets. As an independent advisory firm, we deliver objective guidance and custom insurance solutions tailored to each client's unique needs. We also have access to the full commercial insurance market, employ professionals licensed in every state, and bring deep expertise in the entire spectrum of commercial coverages.

Our account managers take a consultative approach to recommending the optimal solutions to each business's risk issues, and our claims specialists help clients navigate complex situations and suggest the best course of action in the event of a loss.

If you own, operate, or advise businesses, [contact B. F. Saul Insurance](#) to learn how we can help reduce your commercial risks and secure the best coverage.

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