Cottingham & Butler

2026 | QUARTER 1

PROPERTY & CASUALTY

Marketplace Update & Trends

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2026 MARKET OUTLOOK

2026 Market Conditions/Projection: we are coming out of the 'hard' insurance marketplace conditions that we have been experiencing for several years now and are returning to more reasonable/competitive marketplace conditions – especially for risks with favorable exposure or loss profiles. Auto and Umbrella remain challenging, but most notably the Property marketplace has transitioned into a competitive and softening marketplace. 'Standard' Property risks are seeing no worse than flat rate renewals and Property risks in the E&S marketplace that had experienced the worst of the hard market are experiencing double-digit rate reductions.

Inflation continues to impact loss payout on both Property and Auto Physical Damage coverages, however this began to temper throughout 2024 and into 2025.

Workers' Compensation and Management/Cyber lines continue to be competitive.

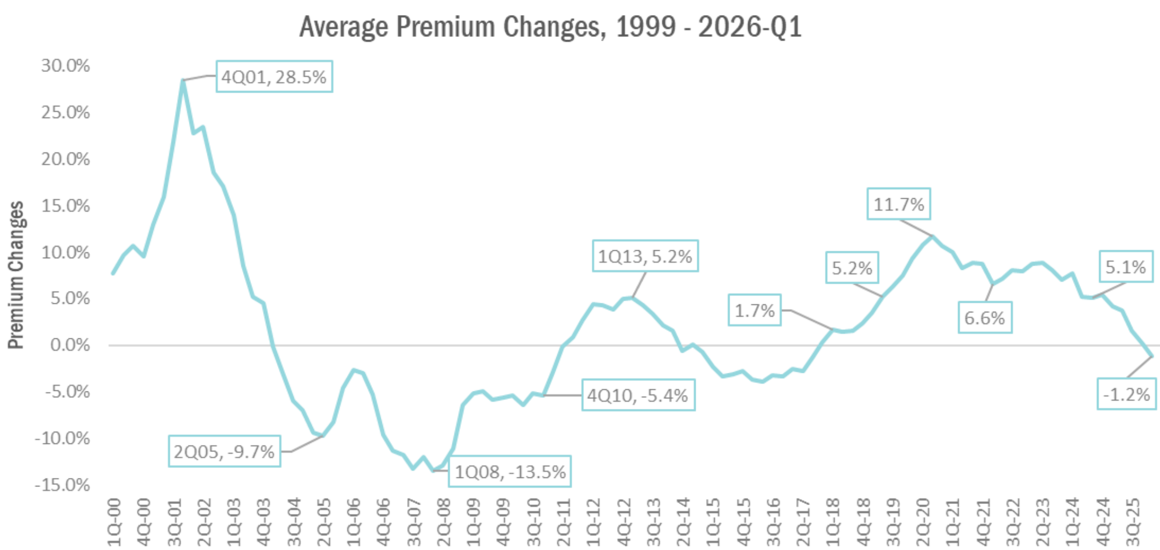
Lines that are experiencing continued firming in 2026:

- Auto (claims inflation due to liability severity and nuclear verdicts continues unabated, marketplace rate increases continue in the +5-10% range)
- General Liability (broad areas of increased loss severity (social inflation); contributing to an industry desire for rate lift in the +3-6% range overall)
- Umbrella (claims severity continues to be a real problem, especially relating to Commercial Auto claims; % of increase starting to temper somewhat)

General Market Conditions

32 consecutive quarters of marketplace rate increases from 2018 to 2025 Q4 came to an end, with the 2026 Q1 index reporting -1.2% overall reduction.

Multiple factors contributed to the historical level of marketplace rate increases; but we expect competitive market conditions to be present throughout 2026.



Pricing increases by market segment, rate increases had been hitting medium/large accounts harder than small accounts; but this has shifted.

Average Commercial Pricing Increases

	By Account Size			
	SMALL	MEDIUM	LARGE	AVERAGE
First Quarter 2026	1.1%	**-1.9%**	**-2.7%**	**-1.2%**
Fourth Quarter 2025	2.8%	0.0%	**-2.1%**	**0.2%**
Third Quarter 2025	1.2%	1.9%	1.6%	**1.6%**
Second Quarter 2025	4.2%	4.0%	2.9%	**3.7%**
First Quarter 2025	3.6%	3.7%	5.3%	**4.2%**
Fourth Quarter 2024	3.6%	6.4%	6.3%	**5.4%**
Third Quarter 2024	4.4%	5.6%	5.3%	**5.1%**
Second Quarter 2024	5.0%	5.1%	5.4%	**5.2%**
First Quarter 2024	7.3%	8.5%	7.3%	**7.7%**
Fourth Quarter 2023	6.7%	8.2%	6.1%	**7.0%**
Third Quarter 2023	7.9%	8.9%	7.5%	**8.1%**
Second Quarter 2023	7.2%	9.8%	9.7%	**8.9%**
First Quarter 2023	6.2%	9.0%	11.4%	**8.8%**

Source: The Council of Insurance Agents & Brokers (2026 Q1 Market Report)

MARKETPLACE UPDATE

Main P&C Lines Rate Change over past 20 Quarters

Property rate increases were significant throughout 2023; this trend tempered in late 2024 and throughout 2025; Auto/Umbrella rate increases persist, but at lower rate levels.

Line-by-Line 2021 Q1 - 2026 Q1 Rate Changes

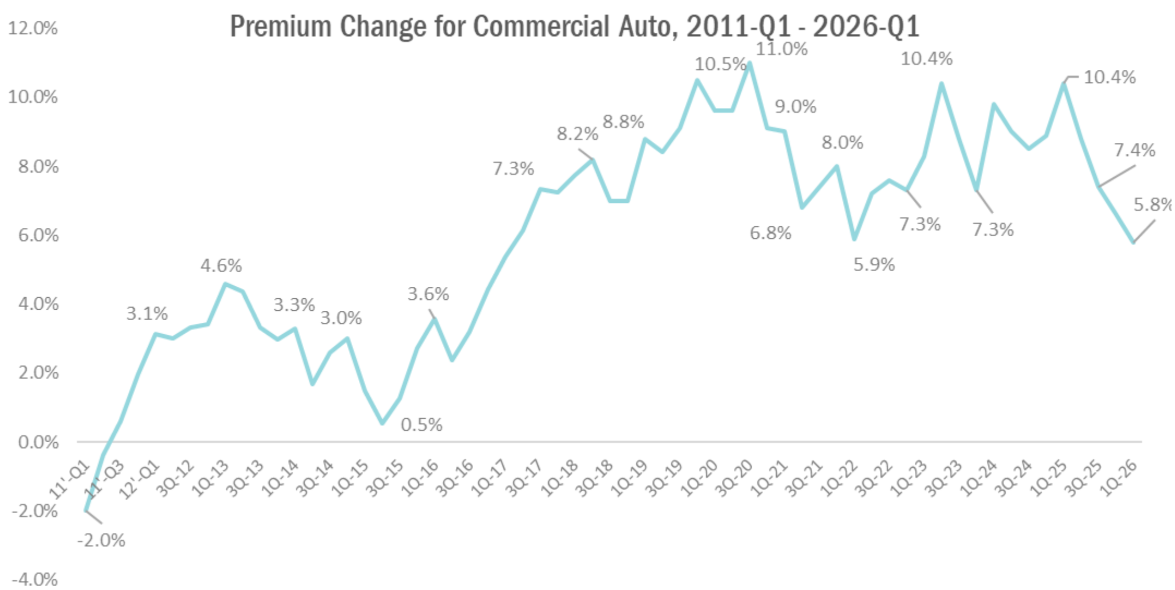
	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella
First Quarter 2026	5.8%	-3.7%	-5.5%	2.6%	4.8%
Fourth Quarter 2025	6.6%	-2.4%	-0.7%	1.6%	4.7%
Third Quarter 2025	7.4%	-1.9%	-0.2%	2.8%	5.5%
Second Quarter 2025	8.8%	-1.8%	1.9%	3.9%	11.5.%
First Quarter 2025	10.4%	-2.6%	2.9%	4.2%	9.5%
Fourth Quarter 2024	8.9%	-1.8%	6.0%	5.3%	8.7%
Third Quarter 2024	8.5%	-1.4%	7.9%	4.8%	8.6%
Second Quarter 2024	9.0%	-2.2%	8.9%	5.1%	7.2%
First Quarter 2024	9.8%	-1.8%	10.1%	4.1%	7.0%
Fourth Quarter 2023	7.3%	-1.8%	11.8%	3.8%	7.6%
Third Quarter 2023	8.8%	-2.0%	17.1%	4.2%	7.4%
Second Quarter 2023	10.4%	-0.7%	18.3%	5.2%	8.1%
First Quarter 2023	8.3%	-0.5%	20.4%	4.6%	8.5%
Fourth Quarter 2022	7.3%	-1.1%	16.0%	4.9%	9.6%
Third Quarter 2022	7.6%	-0.7%	11.2%	5.7%	11.3%
Second Quarter 2022	7.2%	-1.2%	8.3%	4.7%	11.3%
First Quarter 2022	5.9%	-5.0%	8.6%	3.9%	10.5%
Fourth Quarter 2021	8.0%	0.3%	10.5%	6.4%	15.0%
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%
First Quarter 2021	9.0%	1.0%	12.0%	6.2%	19.7%

Commercial Auto

There have been 59 consecutive quarters of rate increases (relentless, lessening). Auto rate increases will continue with ongoing increasing claims cost trends.

Contributing factors:

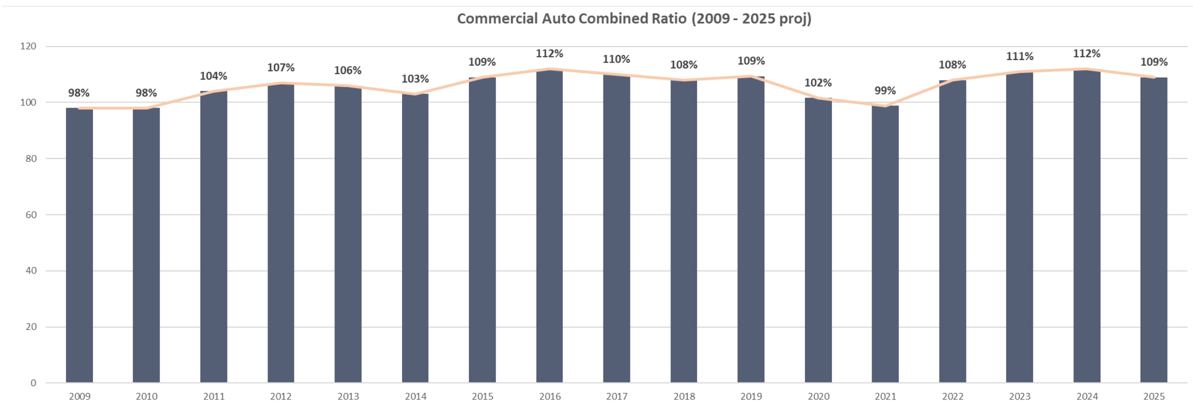
- Increased liability severity (lawsuits, litigation financing)
- Distracted driving
- Higher physical damage claims (technology & inflation)
- Driver shortage = less qualified drivers
- Relentlessly increasing claims cost trends



CARRIER PROFITABILITY ISSUES

Carriers continue to be unprofitable (14 of past 15 years), even with double digit rate increases over multiple years, the improvement (covid related) in 2020-21 was short-lived, unprofitable trajectory continues from 2022 to present.

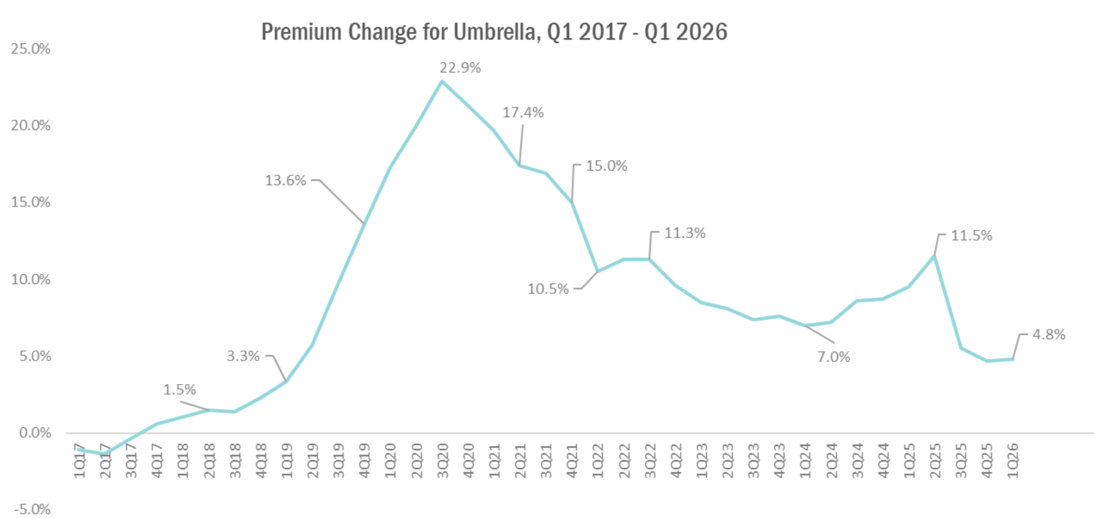
The 2025 Commercial Auto Combined Ratio of 109% shows only slight improvement from prior years, even after relentless rate increases. Ongoing profitability improvement is expected; market conditions are improving slightly.



Source: Commercial Auto Year-End Data from A.M. Best / S&P Global Market Intelligence

Umbrella

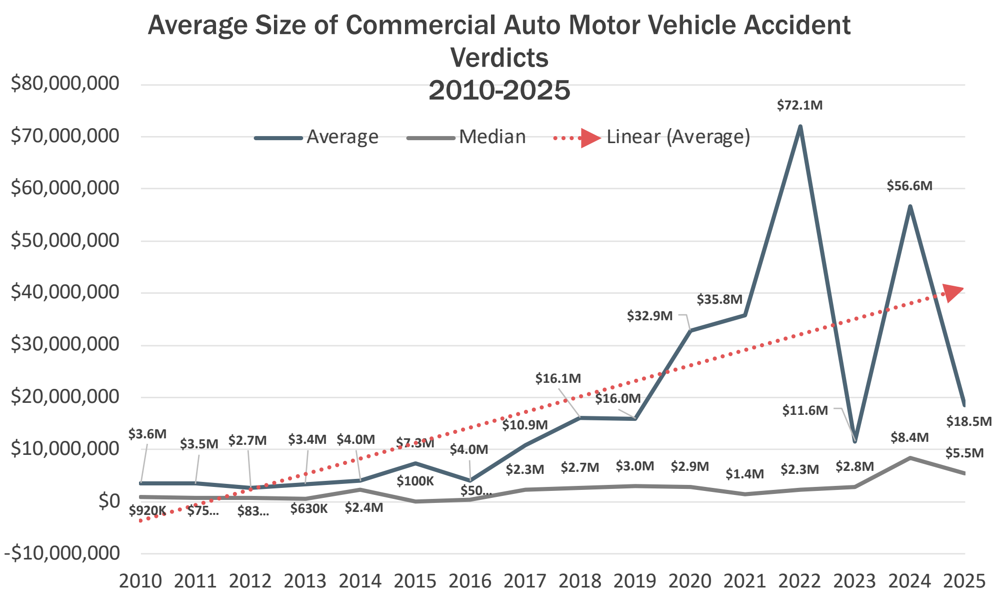
Dramatic firming starting in 2019 with ongoing rate increases continuing through 2025; driven by Auto severity claims (rate increases may have plateaued, but year-over-year impacts have added up, rate trend is still up). Limited appetite for carriers willing to put up $10M or $25M capacity layers. Improving rate trend, however rate increases can still be materially higher for larger fleet-exposed accounts.



UMBRELLA (AUTO) LOSS SEVERITY

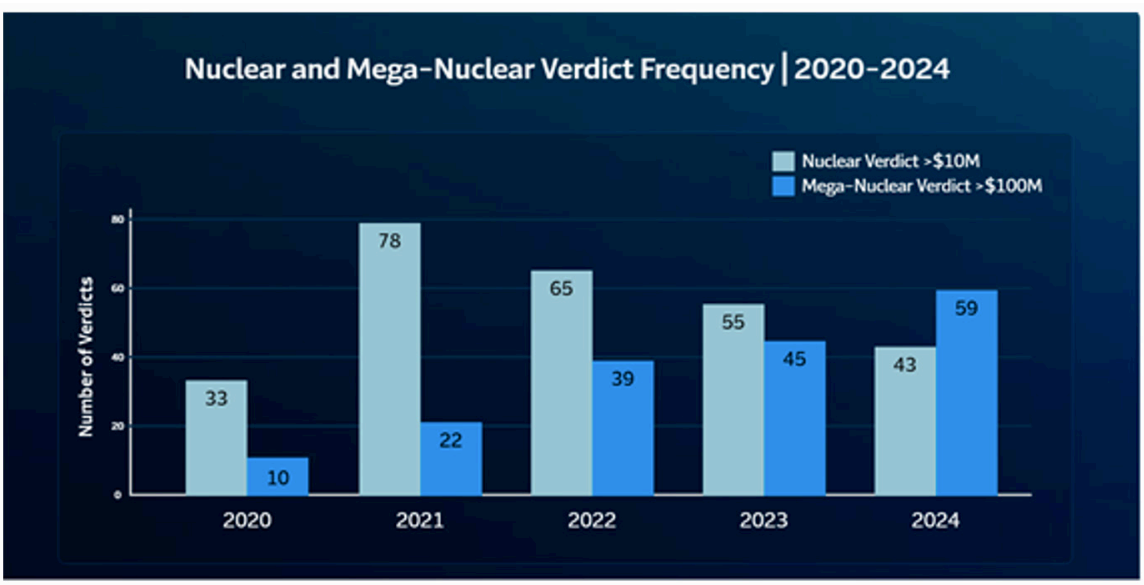
The average commercial motor vehicle accident verdict has increased from $3.6M in 2010 to over $30M in recent years (several large verdicts impacting this data, still concerning)

The average cost to settle a commercial auto fatality has increased from $1.9M in the mid 2000's to now over $4.0M (and growing). Median Verdict over $5M.



UMBRELLA LOSS SEVERITY

Nuclear verdicts continue to be driving Umbrella loss severity. Frequency of Nuclear verdicts ($10M-$100M) is leveling off after spiking during Covid, however Mega-Nuclear verdicts ($100M+) are increasing at an unrelenting pace.



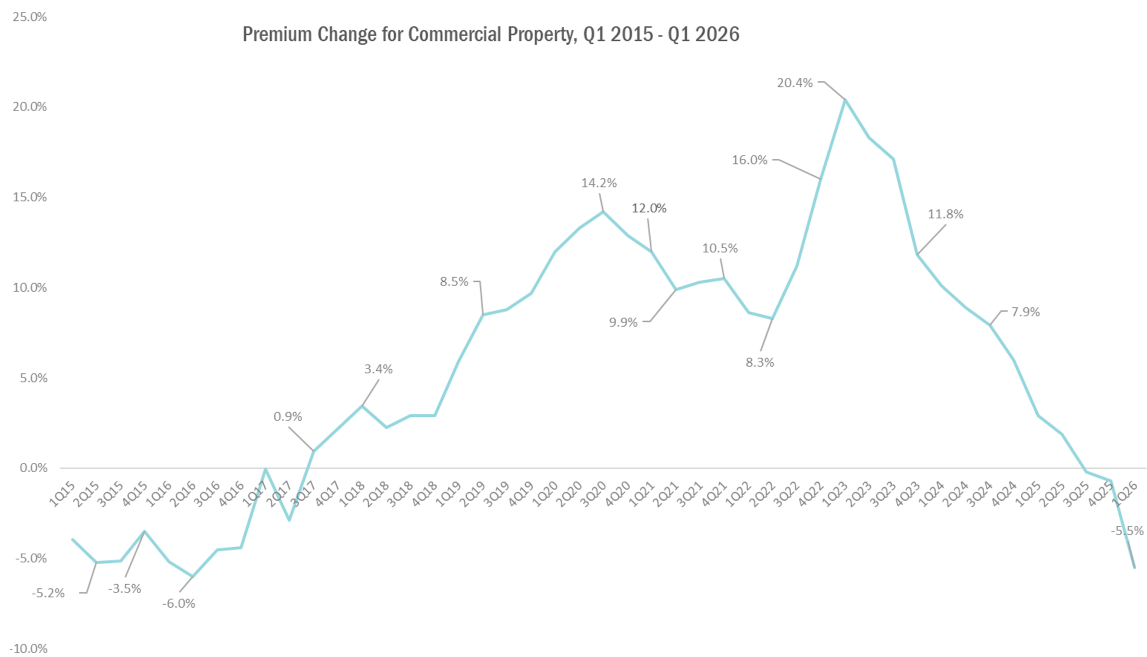
Source: Travelers Study: Top-100 Verdicts of 2024

Property

Property rate increases accelerated in 2022/23; began to temper in 2024 and began to soften in 2025 (most notably on accounts that were hardest impacted in previous years)

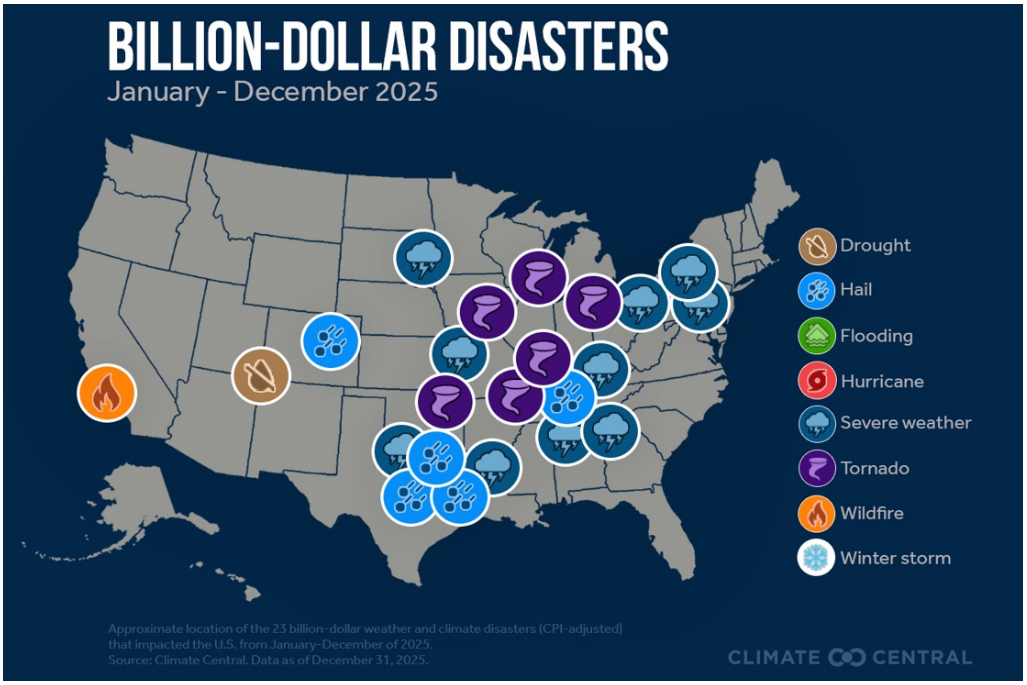
Multiple consecutive years of poor industry loss years, but more recent improving loss trends resulting in carrier profitability in Commercial Property.

Tale of two markets – London/E&S clients that were hit hard by this past market continue to see significant (double digit) reductions. Standard market risks are experiencing flat renewals to more moderate reductions (-5-10%). Every risk can be treated differently.



CATASTROPHE LOSSES – 2025

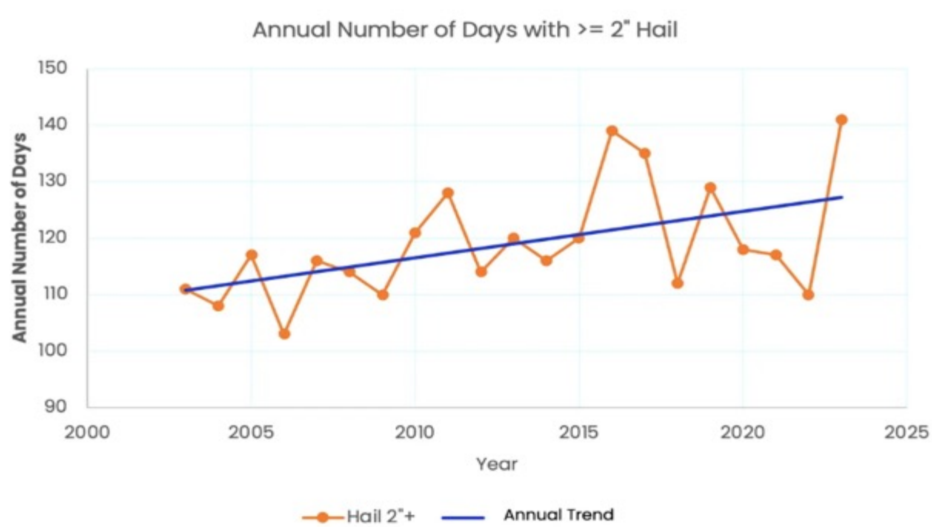
Improved severity losses; $101B projected losses vs. 2024 projected. $180B+ Midwest convective storm losses continue to be meaningful.



WIND/HAIL TRENDS

Frequency and Severity of Hail loss events are growing, resulting in carriers driving % wind/hail deductibles (1-3% of values at time/place of loss).

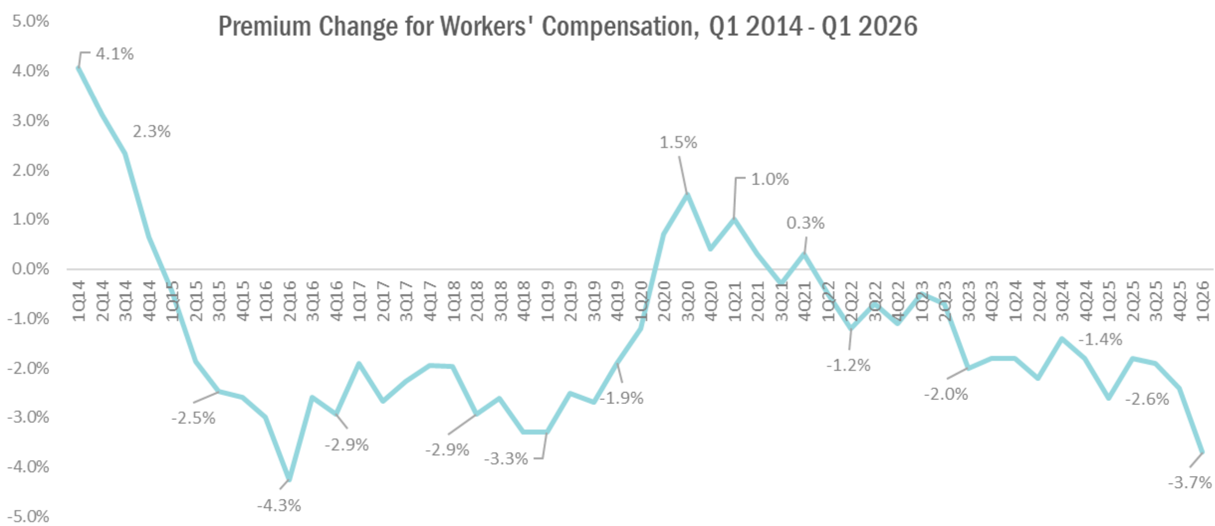
Figure 3: The number of days each year with >= 2" hail. Source: CoreLogic, 2024



Workers' Compensation

Loss severity trends are improving (increased safety / better management of claims); but improvements are tempered by rising medical costs (medical portion of WC claims now exceeds 60%) & rising wages (indemnity payments)

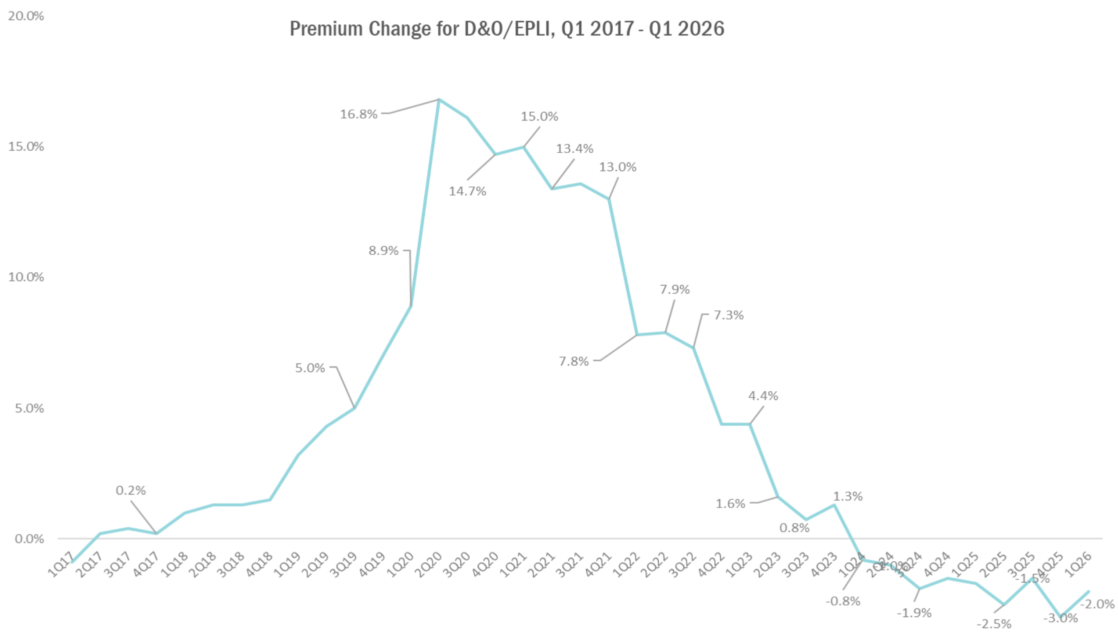
Medical Cost inflation is ongoing, eventually will apply pressure to rates.



Directors & Officers / EPLI

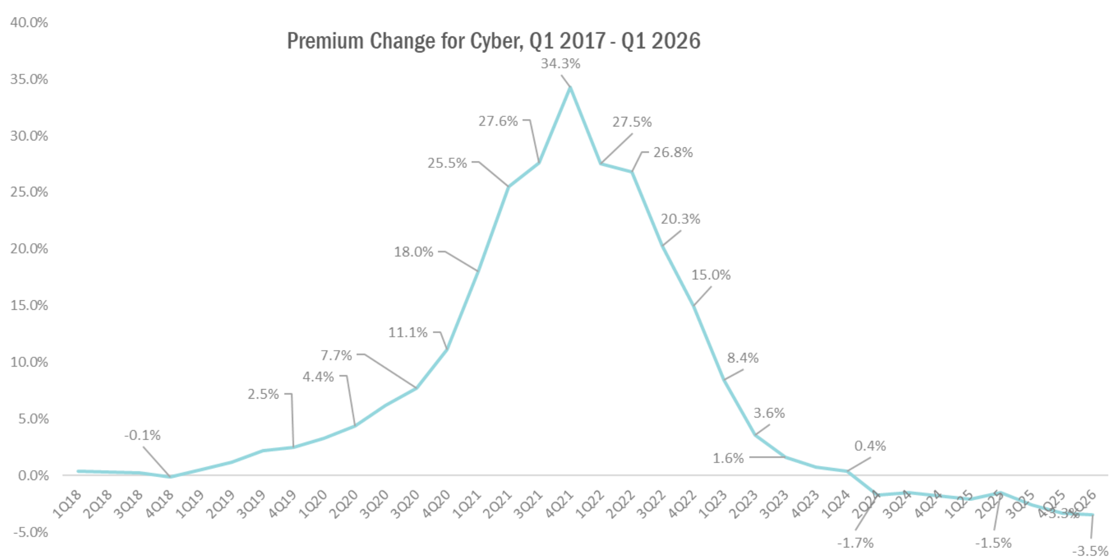
Ongoing claims frequency and severity; ongoing wage & hour litigation and social inflation impact on claims and overall elevated litigation environment.

Competitive market conditions persist along with broad terms and conditions.



Cyber

Cyber claims continue; driven primarily by Ransomware attacks. Insureds have responded with improved IT protocols, resulting in marketplace/pricing stability, possibly short-lived as claims trends are still concerning.



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Since 1887, our promise has been simple: Better Every Day. It's not just a slogan, it's a relentless drive to push boundaries, ignite innovation, and deliver superior results for our clients. We're not content with the status quo. We challenge conventional thinking, embrace fresh ideas, and constantly refine how we serve you. This unwavering commitment has fueled exceptional growth, propelling us to become the 3rd largest privately held brokerage in the country.

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Contact Us

The Cottingham & Butler Risk Management team understands the complexities of navigating today's insurance marketplace. With deep expertise, our professionals are dedicated to helping you secure comprehensive coverage at competitive rates while managing the unique risks your business faces.

Whether you're preparing for an upcoming renewal, evaluating your current coverage, or seeking strategies to mitigate rising insurance costs, our team is here to provide expert guidance and customized solutions.

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