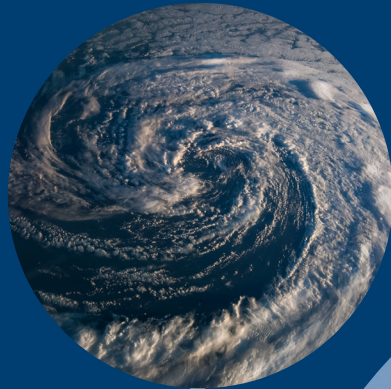


# Lawley

# 2025

## Understanding Current Market Conditions

COMMERCIAL INSURANCE



# Going into 2025, the market is finally **expected to stabilize** for certain lines of coverage, building off the momentum and easing conditions created in 2024.

Still, certain trends and uncertainty could create volatility, and some lines of insurance remain challenged. Losses stemming from the trends below have forced commercial property insurers to increase the majority of policyholders' premiums and introduce more restrictive coverage terms.

## 1 CATASTROPHIC LOSSES

Extreme weather events—such as hurricanes, tornados, hailstorms, and wildfires—continue to make headlines as they become increasingly devastating, costly, and impact businesses across the United States. As these catastrophes become more frequent, the insurance industry must keep up with weather-related losses.

In 2024, there were **24 WEATHER** and **CLIMATE DISASTERS** in the United States where losses exceeded or were expected to exceed **\$1 BILLION**.

### THIS INCLUDED:



**1 SEVERE WILDFIRE**  
Texas panhandle wildfire



**4 HURRICANES**  
Beryl, Debby, Helene & Milton



**17 SEVERE STORM EVENTS**  
Ex: Tornados, Hailstorms, Thunderstorms



**2 SEVERE WINTER STORMS**  
Located across the USA

The United States experienced a significant number of tornados, hailstorms, and wind events, which resulted in over **\$30 BILLION IN INSURANCE CLAIMS**.



The first half of 2024 was the second costliest on record in terms of losses from severe thunderstorms, and total losses hit

**\$42 BILLION GLOBALLY**  
(87% HIGHER THAN THE 10-YEAR AVERAGE)

**THE UNITED STATES ALSO EXPERIENCED TWO HEADLINE-STEALING HURRICANES: HURRICANE HELENE AND MILTON.**



IMAGE CREDIT: NY Times 9/28/24

Initial reports suggested that nearly

**162,000**

**COMMERCIAL PROPERTIES** with an estimated loss exposure of **\$425.9 BILLION** lay in the projected path of Hurricane Helene.

## 2 REINSURANCE

Going into 2025, expectations are mixed regarding reinsurance pricing trends. Despite an optimistic market outlook, there are concerns from reinsurers that rate increases in 2024 have not been sufficient to address rising loss costs, especially given CAT loss trends.

Given these substantial losses, property catastrophe insurance rates are unlikely to dip for 2025 as both primary insurers and reinsurers adopt more stringent underwriting practices to manage sustained risks in the reinsurance market.



## 3 ECONOMIC PRESSURES

Outside factors—like strong wage growth in service industries, rising oil and shipping costs and consistently high housing costs could still exert upward pressure on inflation.



**4.8%**

**WAGE INFLATION**, which refers to workers' rising salaries, rose from March 2023 to March 2024 per U.S. Bureau of Labor Statistics data.

## 4 GEOPOLITICAL UPHEAVAL

Additionally, geopolitical conflicts, like the ongoing Russia-Ukraine conflict, could disrupt global supply chains and reignite inflationary pressures, impacting claims costs and insurance rates.

Disruptions like these have global consequences that can affect the price, availability and quality of products. In some instances, replacement items or construction materials are harder and more expensive to come by, which can significantly increase replacement costs.



7%

IS THE AVERAGE INCREASE OF REPLACEMENT COSTS

experts suggest supply chain disruptions could increase for affected goods.



## 2025 RATE CHANGE LINE OF COVERAGE TRENDS:



### COMMERCIAL PROPERTY INSURANCE

**Non-CAT:** Flat to +10%  
**CAT-exposed:** +5% to +15%

The market appears to be stabilizing going into 2025 and most renewals with favorable loss histories will see single-digit rate increases.

Non-catastrophe (CAT) exposed assets with good loss histories can expect flat to 10% rate increases.



### CYBER INSURANCE

**2025 Rate change: -5% to +5%**

In 2025, insurers will continue to emphasize cybersecurity controls, leveraging advanced risk management assessment tools (e.g., AI-powered data analytics) to predict losses and price policies more accurately. More than anything, a strong cybersecurity posture and a deep understanding of the current threat landscape will best equip policyholders to navigate the coming year's cyber insurance market.



### COMMERCIAL AUTO INSURANCE

**2025 Rate change:** 5% to +15%

High increases from 2024 are expected to continue in 2025.

Most insureds—regardless of industry or vehicle class—can expect to encounter ongoing premium hikes going into 2025.



### WORKERS' COMPENSATION INSURANCE

**2025 Rate change:** -2% to +2%

While rates are still expected to decrease overall in 2025, insureds should prioritize risk management and safety initiatives to control workers' compensation costs and reduce their exposure to potentially higher rates in the future.



### EMPLOYMENT PRACTICES LIABILITY INSURANCE

**2025 Rate change: -5% to +5%**

In addition to AI concerns, the new EEOC guidance on workplace harassment, pay transparency considerations and the enforcement of the Pregnant Workers Fairness Act (PWFA) are expected to significantly influence the Employment Practices Liability (EPL) insurance market in 2025. With stricter regulations and heightened scrutiny in these areas, employers could face increased risks of litigation and regulatory action, leading to a rise in EPL claims.

