

# Insurance Buyers' News



## Joplin

1801 W 32nd Street, Building C, Suite 207  
Joplin, MO 64804  
Phone: 800-422-5275 • 417-887-3550  
Fax: 417-887-3252

## Nevada Insurance Agency

300 S Johnson Dr. Nevada, MO 64772  
Phone: 800-527-0808 • 417-667-6444  
Fax: 417-667-3041

## Springfield

PO Box 4207, Springfield, MO 65808  
Phone: 800-422-5275  
417-887-3550 • Fax: 417-887-3252

## Rolla

PO Box 1258, Rolla, MO 65402-1258  
Phone: 800-364-2212  
573-364-8888 • Fax: 573-341-2257

## West Plains

PO Box 964, West Plains, MO 65775  
Phone: 800-400-3896  
417-256-6162 • Fax: 417-256-6165

## River City Insurance

PO Box 127, New Madrid, MO 63869  
Phone: 800-899-7392  
578-748-5215 • Fax: 573-748-5392



Market Update

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## The Great Divergence: Why Property Is Softening While Liability Keeps Getting Harder

The commercial insurance market is entering a new phase—one defined not by a single trend, but by a widening split between property and casualty lines. For the first time in several years, businesses are seeing meaningful relief in parts of their insurance programs while facing continued pressure in others. Understanding this divergence is essential for budgeting, planning, and negotiating renewals in 2026.

Property insurance is benefiting from a rare combination of favorable conditions. Global reinsurance capital has surged, alternative capital has returned, and the 2025 hurricane season was far quieter than expected. These factors have increased capacity and encouraged carriers to compete again for well

managed property accounts. Many businesses with strong engineering, updated valuations, and credible CAT modeling are seeing flat renewals or modest decreases—something that would have been unthinkable just two years ago.

Casualty lines, however, are moving in the opposite direction. Liability, umbrella, and especially commercial auto continue to face rising loss severity. Litigation funding, nuclear verdicts, and broader theories of liability are driving up the cost of claims. Even when frequency is stable, severity continues to climb, putting sustained pressure on insurers' loss ratios. As a result, casualty underwriters remain cautious, selective, and disciplined.

This divergence is reshaping how businesses

## This Just In ...

After several years of relentless property insurance increases, many businesses are finally seeing the first signs of relief. A surge of global reinsurance capital—combined with a relatively quiet 2025 hurricane season—has improved capacity and softened pricing in many segments. For the first time since 2019, insurers are competing again for well managed property accounts.

But the relief is far from universal.

Carriers are drawing a sharp line between risks with strong controls and those with valuation or loss prevention gaps. Accounts with updated replacement cost valuations, documented maintenance, and credible CAT modeling are seeing flat renewals or even single digit decreases. In contrast, businesses with outdated property values, aging roofs, or secondary peril exposure are still facing increases or coverage restrictions.

Underwriters are also paying close attention to reconstruction cost accuracy. Even though inflation has cooled,

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think about risk. Instead of a uniformly hard market, buyers now face a patchwork of conditions—some favorable, some challenging, and some highly dependent on their individual risk profile. The result is a more complex renewal environment that rewards preparation and penalizes gaps in documentation or risk control.

### What's Driving the Split?

#### 1. Reinsurance Stability Boosts Property

Reinsurers have regained confidence after several profitable treaty cycles. With more capital available, carriers can offer broader capacity and more competitive pricing—especially for accounts with strong loss histories and accurate valuations.

#### 2. Casualty Severity Keeps Rising

Liability claims are becoming more expen-

sive due to litigation trends, medical inflation, and the high cost of defending complex cases. Even when claims settle, defense costs alone can strain insurers' profitability.

#### 3. Economic Forces Affect Lines Differently

Construction inflation has cooled, helping property insurers. But medical costs, wage inflation, and legal expenses continue to rise—factors that disproportionately affect casualty lines.

#### 4. Underwriting Scrutiny Remains High

Casualty underwriters are demanding more documentation, stronger contracts, and clearer safety protocols. Property underwriters, meanwhile, are rewarding well managed risks but remain firm on valuations and secondary peril exposure.

### This Just In

materials and labor costs remain elevated, and insurers are pushing for more precise reporting. Businesses that haven't updated their property schedules in several years may find themselves out of sync with carrier expectations.

What this means for your business: If your property program is well documented and proactively managed, this may be the best renewal environment you've seen in years. But if valuations or risk control measures need attention, now is the time to address them—before your next renewal cycle.

### What Businesses Should Do Now

- ✳ Leverage property improvements by documenting risk control measures and updating valuations.
- ✳ Prepare for casualty scrutiny with strong contracts, safety programs, and loss control documentation.
- ✳ Reevaluate liability and umbrella limits in light of rising verdicts and settlement values.
- ✳ Start renewals early, especially for casualty heavy industries such as transportation, construction, and manufacturing.
- ✳ Coordinate risk management efforts across departments to present a unified, well documented submission.

### The Bottom Line

The 2026 insurance market is no longer uniformly hard—but it is more complex. Property buyers with strong risk profiles may finally see relief, while casualty buyers continue to face upward pressure. Businesses that understand this divergence and prepare accordingly will be in the best position to manage costs, secure capacity, and negotiate favorable terms. ■

# Commercial Auto Losses Keep Rising — What Businesses Can Do Now

**C**ommercial auto continues to be one of the most challenging lines of insurance for U.S. businesses, and 2026 is shaping up to be no exception. While property insurance is finally showing signs of relief, commercial auto remains stubbornly unprofitable for insurers. Loss severity keeps rising, repair costs continue to outpace inflation, and litigation trends are driving larger settlements and jury awards. As a result, many businesses are seeing higher premiums, stricter underwriting, and increased scrutiny of fleet safety practices.

The core issue is that commercial auto losses are growing faster than premiums. Even with multiple years of rate increases, insurers are still struggling to keep up with the cost of repairing modern vehicles. Today's trucks, vans, and even light duty fleet vehicles are packed with sensors, cameras, and advanced driver assistance systems. While these technologies improve safety, they also make repairs far more expensive. A minor fender bender that once cost a few hundred dollars can now cost several thousand.

Litigation trends are adding further pressure. Attorneys are increasingly targeting commercial vehicles, and litigation funding has made it easier to pursue large claims. Nuclear verdicts—jury awards exceeding \$10 million—have become more common, especially in cases involving bodily injury. Even when claims settle, the cost of defense has risen sharply, contributing to overall severity.

These pressures have led insurers to tighten underwriting standards. Carriers are looking closely at driver selection, telematics data, maintenance records, and loss histories. Businesses with poor controls or frequent minor accidents may face significant increases or reduced capacity. Conversely, companies that can demonstrate strong fleet safety programs are in a better position to negotiate favorable terms.

## Key Challenges Driving Auto Loss Severity

### 1. Technology Driven Repair Costs

Advanced vehicle electronics, sensors, and ADAS systems have dramatically increased repair costs. Even low speed collisions often re-



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quire specialized parts and calibration.

## 2. Litigation and Social Inflation

Large jury awards, aggressive legal strategies, and third party litigation funding continue to push liability costs higher. Commercial vehicles are frequent targets.

## 3. Driver Shortages and Turnover

Many industries face difficulty hiring and retaining qualified drivers. High turnover increases training costs and raises the risk of accidents.

## 4. Distracted Driving Trends

Despite safety campaigns, distracted driving remains a leading cause of accidents. Mobile device use continues to be a major contributor.

### What Businesses Can Do Now

- ✱ Strengthen driver qualification standards and maintain clear hiring criteria.
- ✱ Implement telematics to monitor driving behavior and identify coaching opportunities.
- ✱ Document maintenance rigorously, including inspections, repairs, and preventive service.
- ✱ Provide ongoing driver training, especially around distracted driving and defensive driving.
- ✱ Review contracts and indemnification agreements to ensure proper risk transfer.
- ✱ Evaluate liability and umbrella limits in light of rising verdicts and settlement values.

### The Bottom Line

Commercial auto remains one of the toughest lines in the insurance market, and rising severity is likely to continue. While businesses cannot control every factor driving losses, they can take meaningful steps to improve their risk profile. Companies that invest in fleet safety, driver training, and telematics are in the best position to manage costs and secure favorable terms at renewal. ■

# Valuations Under the Microscope: Why Accurate Property Values Matter More Than Ever

Even as parts of the property insurance market begin to stabilize, one issue remains firmly in the spotlight: property valuations. Carriers across the country are scrutinizing reported values more aggressively than at any time in the past decade. For businesses preparing 2026 renewals, accurate valuations are no longer just a best practice—they are a prerequisite for securing competitive terms.

The pressure comes from several directions. Although construction inflation has cooled from its peak, it has not reversed. Materials, labor, and specialized equipment remain significantly more expensive than they were just a few years ago. Many businesses updated their values during the rapid inflation of 2021–2023, but others have not revisited their schedules in years. Insurers are increasingly unwilling to accept outdated numbers, especially when replacement cost gaps can lead to underinsurance and disputes after a loss.

Underwriters are also responding to lessons learned from recent catastrophe seasons. Even in years without major hurricanes, severe convective storms, wildfires, and secondary perils have produced costly losses. When valuations are understated, carriers may find themselves paying more than anticipated, which affects pricing, capacity, and underwriting appetite. As a result, insurers are demanding more documentation, more engineering detail, and

more evidence that reported values reflect current reconstruction realities.

For buyers, this heightened scrutiny can feel burdensome, but it also presents an opportunity. Businesses that invest in accurate valuations and transparent documentation often see better results at renewal. Strong data builds credibility with underwriters and can help differentiate a well managed account in a competitive market.

### Key Factors Behind the Valuation Push

#### 1. Persistent Construction Cost Inflation

Even with some stabilization, construction labor and materials remain significantly higher than pre pandemic levels. Underwriters expect values to reflect these realities.

#### 2. Secondary Perils Driving Losses

Wildfires, hail, and severe storms continue to generate large claims. Accurate valuations help carriers model these exposures more effectively.

#### 3. Underinsurance Concerns

When buildings are undervalued, insurers face unexpected loss severity. This has led to tighter underwriting and more rigorous review of property schedules.

#### 4. Greater Use of Data and Modeling

Carriers now rely on sophisticated tools to compare reported values against industry benchmarks. Large discrepancies trigger deeper review.

### What Businesses Can Do Now

- ✳ Conduct a valuation review using updated cost data or a professional appraisal.
- ✳ Document improvements and maintenance, especially roof replacements, fire protection, and structural upgrades.
- ✳ Review business interruption values, including updated revenue and expense assumptions.
- ✳ Ensure property schedules are complete, accurate, and consistent across locations.
- ✳ Engage early with your insurance advisor to identify gaps before underwriters do.



### The Bottom Line

Accurate valuations are no longer optional—they are central to how property insurers assess risk, allocate capacity, and price coverage. Businesses that take a proactive approach will be better positioned to secure favorable terms, avoid disputes after a loss, and navigate a market where underwriting discipline remains high despite improving conditions. ■

# Nuclear Verdicts: How Social Inflation Is Reshaping Liability Claims

**L**iability claims are becoming more expensive across the country, and one of the biggest drivers is the rise of “nuclear verdicts”—jury awards that exceed \$10 million. These outsized judgments, once rare, have become increasingly common in cases involving bodily injury, commercial vehicles, and allegations of corporate negligence. For businesses of all sizes, this trend is reshaping how insurers evaluate risk, price liability coverage, and structure umbrella and excess programs.

Several forces are contributing to this shift. Litigation funding has expanded dramatically, giving plaintiffs’ attorneys access to capital that allows them to pursue longer, more aggressive cases. Jurors are also more willing to assign large awards based on perceptions of corporate responsibility, even when the underlying facts are complex. At the same time, medical inflation and rising defense costs have pushed the baseline cost of claims higher, making even routine liability cases more expensive to resolve.

Insurers are responding with increased underwriting scrutiny. Carriers are examining contracts, safety programs, documentation practices, and loss histories more closely than ever. Businesses with strong controls and clear risk management protocols are better positioned to secure favorable terms, while those with gaps may face higher premiums or reduced capacity.

## Key Drivers Behind Rising Verdicts

- ✦ **Litigation Funding:** Third party investors finance lawsuits in exchange for a share of the settlement, encouraging longer and more aggressive litigation.
- ✦ **Social Inflation:** Jurors are awarding higher damages based on perceptions of fairness, responsibility, and corporate accountability.
- ✦ **Medical and Legal Cost Inflation:** Rising healthcare costs and defense expenses increase the severity of even moderate claims.
- ✦ **Public Sentiment:** High profile cases and media coverage have influenced expectations around compensation.

## What Businesses Can Do Now

- ✦ Strengthen documentation of safety practices and employee training.
- ✦ Review contracts and indemnification agreements for clarity and risk transfer.
- ✦ Maintain detailed incident reports and preserve evidence promptly.
- ✦ Reevaluate liability and umbrella limits in light of rising severity.
- ✦ Engage early with your insurance advisor to prepare for underwriting questions.



## Insurance Buyers' News



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