AMWINS ACCESS

State of the Market

2025 Outlook

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As we anticipate 2025, capturing the nuances of an ever-changing market remains a challenge. Some areas are seeing a competitive rate environment and better underwriting conditions, while others are contending with the exact opposite.

This comprehensive State of the Market report presents expert analyses from personal lines and small business specialists on the factors shaping these market conditions. They provide critical insights into rate trends, capacity and shifting coverage patterns across the United States.

At Amwins, our goal is not merely to predict market trends but to uphold our commitment to you. With five core divisions, 100+ underwriting programs and a worldwide reach, our dedicated practice groups, brokers and underwriters have the expertise, knowledge and relationships of the firm at their fingertips — giving you a distinct advantage.

We are committed to delivering the best products and services available, regardless of prevailing trends and market conditions, and to help you navigate the challenges and changes that lie ahead.

We help you win.

Property

The outlook for 2025 is much more optimistic than it was a year ago for the small business commercial property sector. Pricing has become more stable, and we are starting to see some rates drop slightly – although, this is nuanced by region. Rates and terms are not shifting as dramatically as in the open market; however, the stability of the traditional binding authority market should bring some much-needed relief following several years of rate increases.

Claims for recent hurricanes Helene and Milton have resulted in minimal market impact. Consequently, there has been little to no significant movement in terms. And, unlike what we saw two years ago with Hurricane Ian, there has been no retraction from capacity. If anything, it has made markets feel more comfortable about this space. Much like the broader commercial property market, carriers have been profitable in the property space for the most recent accident and calendar years; these late 2024 storms have not been detrimental to these gains.

When it comes to additional capacity, carriers that had been pensive about the market leading into 2023 saw an opportunity and took advantage through 2024 as the markets that had pulled back capacity through 2023 largely re-entered the market in 2024. We expect 2025 will not see a reduction of capacity and will yield more options for small insureds as we move through the year – even for those in coastal areas that haven't seen any new capacity in quite a while. We do not see a complete departure from pricing discipline.

Terms and conditions

Most insurers have expressed intentions to maintain current terms and conditions and aren't looking to make drastic changes to guidelines in the short term. Standard exclusions will remain in play, particularly when it comes to roof limitations and exclusions and most insurers are very measured when it comes to conversation concerning the potential softening of percentage deductibles relating to wind perils.

A prolonged period of carriers arbitraging risk assumption through lower catastrophe excess of loss attachment points saw a sudden halt over the most immediate renewal cycles. We do not envision this changing dramatically and thus carriers will need to be incredibly disciplined with respect to their retained risk.

Insight provided by:
– **Nicola Golder** – Amwins Access Property Practice Leader

Be on the Lookout

For most carriers this is an opportune time to write new business. We have begun to see insurers work harder to meet premium expectations, trying to keep renewal pricing from going too low but not pricing themselves out of the opportunity.

Where we used to see traditional binding authority markets cap limits at $2.5M, we have seen some creating more availability of per risk limit options. These insurers are working to address gaps in coverage between the top of the contract bind offering and the entry point into smaller middle market brokered risks. As a result, most bind markets are actively developing new products as a result. As they continue to work to find their sweet spot – ensuring there are enough accounts to offer the service – we expect even more options will become available.

Valuations are less of a hot button issue, especially for markets that took corrective action over the last couple of years as they feel better about the valuations on their portfolios. However, it is important that insureds consider inflationary increases year over year to address the rising costs of materials. This will help prevent drastic increases in the future.

Casualty

Looking forward to 2025, the general liability marketplace will continue to address rate inadequacies and improve risk selection by refining guidelines and appetite. We expect that loss costs will continue to rise, and carriers will continue to feel the pressure of profitability on portions of their liability portfolio.

Portfolio diversification will remain an area of focus for markets in the small business space. And, while on balance we will see continued increases in the E&S Small Business sector, there will continue to be acute focus on stressed classes where there is a perception that pricing adequacy relative to trending loss costs is not at a point of generating predictable returns.

Terms and conditions will also continue to be a tool utilized to manage risk while offering E&S solutions. Classes such as daycare facilities, hotels/motels and habitational businesses will remain in the spotlight given the small business track record over the preceding 10 years. We will also see a focus on areas considered to have a tougher legal climate, including Florida, Georgia and New York City.

Despite being measured as described, many carriers will continue to pursue business mix diversification (mainly aimed at balancing against volatility). This will create a dynamic where certain exposures/classes that carriers individually consider profitable could see rate decreases and/or coverage broadening. This will help position these markets positively in a competitive environment, enabling them to win more business. However, you can expect to broadly see continued terms tightening on assault & battery and weapons coverages. Sexual abuse and molestation coverages are also expected to be tougher to secure in the small business space.

New capital has been attracted to the small business space as a result of the overall profitability and stickiness of transactions. At the same time, we are seeing new markets building both brokerage and binding authority products to break into and gain market share in the small to middle market space. Additional markets will bring new small business excess liability products to the marketplace in an effort to expand and diversify product offerings. We do not, however, see that there is enough new capital emerging to yield a lack of market discipline.

Insight provided by:
– **Kelly Carney** – Amwins Access Casualty Practice Leader

Be on the Lookout

The number of submissions in the space can be overwhelming for underwriters so it is important for insureds to differentiate themselves. In short, good submissions still matter. Be sure to have applications completed, copies of all required loss runs and any information that will help get your risk to the top of the pile.

Despite challenges, we are seeing more new entrants in the space than we have in the past two years. With a handful of new markets in the small business excess liability space expected in 2025, it will be important to work with your Amwins underwriter to gain access to exclusive new products.

Reinsurance

Estimated global reinsurer capital stood at $695B as of June 30, 2024. That is an increase of $25B to $30B, relative to year end 2023. This capital growth was driven by retained earnings and recovering asset values, as well as new capital inflows to the alternative capital market which is made up of the following components:

- Collateralized reinsurance (i.e., reinsurance limit that is posted as cash or a letter of credit vs. a traditional reinsurance “promise to pay”)
- Sidecars
- Industry Loss Warrants (ILW)
- CAT bonds

The first half of 2024 also saw a continuation of trends established in 2023, with the average combined loss ratios for most large global reinsurers below 90%. This resulted in global reinsurers achieving an average common return on equity (ROE) well above ROEs generated by most primary insurers and roughly double the average estimated cost of equity.

Primary insurers shoulder bulk of catastrophe losses

Despite insured losses reaching more than $58B in the first half of the year, the fiscal outcome for reinsurers was positive. This is a direct result of major structural changes to excess of loss reinsurance structures in 2023, including:

- Higher attachment points (i.e., the point at which funding of CAT losses shifts from primary insurers to reinsurers)
- Reinsurer capital re-allocation away from offering “frequency” or “aggregate” covers that help protect primary reinsurers from the volatility associated with multiple smaller CAT events that occur in the same fiscal period

These structural changes within the reinsurance market have resulted in U.S. primary insurers shouldering the bulk of catastrophe losses over the past 18 months. For example, nearly 100% of all severe convective storms (SCS) are now largely retained by primary insurers. This is material because 75% of global insured CAT loss in the first half of 2024 were attributed to SCS.

Similarly, smaller CAT events (i.e., industry loss events of less than $10B) are generally “non-attaching” events to the reinsurance market. That means the primary insurer not only pays a premium for reinsurance protection, they retain all the losses from smaller CAT events and receive no offsetting reinsurance recovery.

Pricing to remain stable

Against this backdrop, we expect reinsurance rates, structures and availability to remain stable with the possibility of a slow reduction in reinsurance pricing in 2025 as competition broadens. Better performing programs with consistent reinsurance purchasing and good loss results over time could well see double-digit risk adjusted rate decreases at 2025 renewal – despite recent hurricane activity.

Insight provided by:
- **Tim Graff** – EVP, Amwins Access

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Offsetting the additional capital in the reinsurance market is increasing demand for reinsurance protection from primary insurers whose exposures grew materially over the past 18 months.

The anticipated adoption of updated RMS and AIR models as well as rating agency pressure for primary insurers to purchase higher limits to reflect higher modeled losses generated by the new model versions is expected to drive greater reinsurance demand in 2025.

Personal Lines

Flood

The personal lines market for flood is experiencing an ongoing shift driven primarily by the evolving role of the National Flood Insurance Program (NFIP) and an increasing focus on private market solutions.

Across the U.S., flood risk continues to increase as climate-related flood events become more frequent. Despite the risk, there remains a notable lack of awareness and perceived necessity for flood insurance among homeowners.

With expanded options, insurers and brokers alike face the challenge of communicating the reality of flood risk and the value of these policies to consumers who may not see flood coverage as a priority.

Key market dynamics

Due to the NFIP's capped premiums and restricted primary flood policies, insurers are increasingly turning to excess flood options. This trend is providing insurers with more flexibility in pricing and coverage offerings compared to the limited NFIP structure. Carriers also differentiate their primary flood products by adding coverages not typically offered by the NFIP, such as business interruption or protection for specific property elements like pools and finished basements.

Floods caused by hurricanes, particularly along Florida's coast, demonstrate the need for comprehensive flood coverage and precise risk assessment. The surge from recent hurricanes have spurred significant regional flooding across broader areas than usual, highlighting the challenges of accurately assessing and managing flood risk on a geographic scale. The cumulative effect of these hurricanes has reinforced the importance of localized flood coverage in high-risk areas, particularly as consumers seek clarity on coverage adequacy beyond NFIP limits.

Capacity and pricing

Capacity for flood insurance remains abundant outside of Florida, with insurers actively interested in coastal and non-coastal flood risks alike. Rising demand for flood insurance, combined with the presence of more private market players, has contributed to rate stabilization in many states. The market has transitioned from a period of rate inflation to one of rate normalization, reflecting more accurate pricing as technology and data analytics become more sophisticated.

Although recent hurricane activity brought higher claims in certain areas, these events have not drastically impacted reinsurance pricing or capacity, which remains healthy. Many carriers anticipate only marginal price adjustments rather than significant hikes, marking a stable outlook for flood insurance pricing in most regions.

Coverage opportunities

Private flood insurers have been enhancing their policies to offer broader protection. Traditionally excluded elements—such as landscaping, pools and finished basements—are beginning to be covered by some carriers, aiming to meet the needs of homeowners seeking comprehensive flood insurance solutions. Additionally, private market carriers are incorporating benefits like loss of rents and additional living expenses, making these policies more appealing in high-risk areas and competitive against the NFIP's limited offerings.

Technology and risk selection

Advancements in technology are allowing insurers to move away from the broad flood zone classifications historically used by the NFIP. New data tools and resources, such as risk mapping and risk scoring technologies enable more accurate risk assessments and streamlined policy processing. This approach allows a more granular understanding of individual property risks, moving beyond traditional flood maps to more specific, property-level analysis. Brokers who adopt these resources will be better positioned to tailor flood coverage to meet clients' unique needs.

Digital quoting platforms enable clients to quickly input and validate information, reducing the application burden. This technological advancement supports a smoother, more user-friendly experience for both brokers and consumers, ultimately enhancing transparency and accessibility in flood insurance.

You can **learn more about Amwins' online marketplace, Amwins IQ, here**.

Insight provided by:
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– **Eric Weber** – EVP, Amwins Access, The Flood Insurance Agency

Be on the Lookout

Despite flood insurance advancements, there remains a significant challenge in educating homeowners on flood risk, particularly in regions with less perceived exposure. As the NFIP continues its gradual premium adjustments under Risk Rating 2.0, private carriers must effectively communicate the unique value of private flood insurance. The growing flood risk in non-coastal and traditionally "low risk" zones underscores the need for ongoing consumer education.

While rates in 2025 may see modest increases due to recent hurricane impacts, the flood market is anticipated to remain steady. Retailers should anticipate competitive rates as the market continues its shift toward more robust, nuanced risk assessments.

Florida

The Florida personal lines insurance market is navigating a period of change as recent hurricanes, legislation reforms and evolving underwriting practices take hold. Insurers are already adapting to these changes, but several trends and challenges are emerging as we look ahead to 2025.

Hurricane disruptions

In the past few years, insurers have made strides toward profitability. Many players, including Lloyd's of London, are finally seeing positive results after years of challenges. However, the occurrence of two major hurricanes within a short period of time has caused a market pause.

Following hurricanes Helene and Milton, insurers continue to assess the full extent of the damage and risks posed by an extended season that saw a tropical storm form mid-November. This disruption underscores the volatility of the Florida market, which remains highly dependent on weather events. The long-term effects of these hurricanes will likely continue to shape market conditions in the coming years.

Legislative reforms

In response to years of market volatility, Florida has enacted several legislative reforms designed to help provide stability. These reforms include measures to streamline claims processing and reduce delays, which have historically driven up premiums and limited market capacity.

While the full impact of these reforms has yet to be felt, they aim to mitigate the challenges posed by future storms, improve pricing stability and restore confidence in the market. If successful, these changes could help stabilize both the cost and availability of coverage over time.

Regional impacts

Historically, the tri-county area—Miami-Dade, Broward and Palm Beach counties—has been the focal point for Florida's personal lines insurers. However, recent shifts in weather patterns have prompted insurers to focus more on the West Coast, which is seeing an increased frequency of storms.

This regional shift is making it harder to secure coverage for homeowners, particularly in flood-prone areas, as insurers reassess their exposure in the Gulf of Mexico. While the overall market remains relatively stagnant, insurers are becoming more selective in underwriting practices.

Capacity and pricing

In terms of capacity and pricing, the market has largely remained flat. However, insurers are becoming more selective in the risks they underwrite. Those with strong risk management practices are able to secure better pricing and increased capacity, while others may face difficulties accessing the same level of support.

This shift towards more selective underwriting means that pricing is increasingly influenced by the quality of the business being written. Insurers that focus on profitable books of business and demonstrate effective risk selection are likely to thrive in the current environment, while less disciplined underwriters may struggle to maintain capacity.

Another of the most noticeable changes in Florida's personal lines insurance market is the increase in wind/hail and hurricane deductibles. Deductibles that were once set at 2% to 3% have risen to 5% to 10%, adding a layer of financial strain for many policyholders.

In response, insurers are introducing new products such as wind deductible buyback programs, allowing policyholders to mitigate the impact of higher deductibles by purchasing additional coverage. These products provide alternative solutions, allowing policyholders to maintain coverage levels despite the rise in deductibles.

Emerging risks

Several emerging risks are influencing the market, particularly as insurers adopt more advanced technologies. Companies utilizing predictive analytics and sophisticated risk modeling tools are gaining an edge in underwriting, helping them make better-informed decisions and improve profitability.

Additionally, the demand for high-net-worth insurance solutions is rising as insurers face increasing challenges in underwriting high-value homes. With limited capacity for such properties, specialized programs catering to affluent individuals are becoming more common.

Inflation is also playing a significant role as rising costs for goods and services drive up premiums. The replacement value of damaged properties, especially luxury homes, has surged, pushing premiums higher. This, along with social inflation, the rising costs of claims due to litigation, is contributing to the overall upward pressure on premiums.

Insight provided by:
– **Morgan Domingue** – SVP, Amwins Access

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As the Florida market adapts to these changing conditions, retailers will need to stay agile to succeed. The market is likely to remain dynamic in 2025, with continued focus on regional risk shifts, evolving coverage products and the growing demand for high-net-worth solutions. While new market entrants may struggle to maintain capacity, some may adjust successfully and strengthen their position in the market.

Retailers should focus on building strong relationships with insurers and staying informed about legislative reforms and new market trends. The key to success will be adaptability—ensuring that both consumers and insurers are equipped with the right solutions to navigate an increasingly complex environment.

High-Net-Worth

The high-net-worth personal lines (HNW) insurance market is undergoing a significant transformation, driven by new entrants, emerging risks and economic pressures. As insureds continue to seek more comprehensive and tailored coverage for their valuable assets, carriers are adapting to meet rising demand. At the same time, challenges such as social inflation, cyber liability and property valuation continue to reshape the landscape.

New market entrants and increased capacity

One of the most notable trends in the HNW insurance sector is the influx of new carriers and the expanding capacity to insure high-value homes, luxury vehicles and fine art collections. Historically, the HNW market was underserved due to complex underwriting processes and high risks involved in covering such assets. However, in recent years, several new players have entered the space, targeting affluent regions like California, Florida and the Northeast, and offering coverage limits that start at $5M.

This influx of new insurers and resulting competition has expanded options for HNW clients, enabling brokers to secure more flexible terms and more comprehensive policies. While pricing is generally improving, it is still subject to regional variations and specific risk factors, particularly in high-risk areas like California, where wildfires and seismic activity pose significant challenges.

The overall trend points toward greater competition and improved terms for clients seeking HNW coverage. Despite this shift, many HNW clients remain loyal to their existing insurers due to long-term relationships and personalized service. This loyalty, combined with the need for insurers to carefully manage their risk appetite in high-risk areas, means that gaining traction in this market can be difficult for new entrants. Still, brokers and clients alike are increasingly seeking more competitive pricing and better coverage options, signaling a clear shift in market dynamics.

Social inflation and liability coverage

While competition is on the rise, insurers are also facing growing concerns over social inflation. For high-profile individuals, such as celebrities, influencers, athletes and business owners, the exposure to high-cost legal cases is growing, making liability coverage more expensive and complex.

Social inflation has had a particular impact on personal lines insurance, where the costs of personal injury claims, defamation suits and other civil actions can escalate quickly. The trend is also affecting long-tail liability risks, such as those associated with car accidents or slip-and-fall lawsuits, which can follow individuals or businesses for years. These prolonged claims periods add uncertainty to underwriting, leading carriers to adjust pricing and sometimes reduce coverage limits to offset the risk of large settlements.

In this climate, insurers are also looking for ways to better assess risks and manage exposure overall. Brokers must carefully evaluate the liability needs of HNW clients, balancing comprehensive coverage with the realities of rising litigation costs.

Property coverage and underwriting challenges

Economic inflation has also had a significant impact on the HNW property market. Throughout 2022 and 2023, the market responded to surging construction costs, labor shortages and supply chain disruptions – all challenges exacerbated by the pandemic. These factors led to substantial increases in the replacement cost of high-value homes and luxury properties, which in turn required insurers to raise policy limits to match the inflated costs of rebuilding.

As the economy stabilizes, insurers are reassessing pricing models to ensure that they reflect the current realities of the market. It's crucial for HNW clients to regularly update property valuations and verify that policies accurately reflect the current replacement costs of their assets. Failure to do so could result in either over or underinsurance, both of which carry significant financial risks. Brokers play a vital role in guiding clients through this process, helping to ensure that adequate coverage is maintained while avoiding unnecessary premiums.

Cyber liability and environmental risks

Emerging risks are also playing an increasingly prominent role in the HNW insurance market. For example, cyber liability coverage has become an essential part of any HNW individual's risk management strategy. With an increasing amount of sensitive personal and financial data held by affluent clients, the threat of cyberattacks is ever-present. Cyber liability policies are evolving to address specific risks such as identity theft, data breaches and cyber extortion, making it critical for brokers to provide tailored coverage solutions.

Additionally, environmental risks such as wildfires and flooding are top of mind for many clients, especially in regions like California and Florida. As climate-related risks continue to escalate, insurers are increasingly offering more specialized coverage to meet the needs of clients in vulnerable areas. Similarly, homeowners in areas not traditionally considered flood-prone are increasingly opting for private flood insurance, recognizing the growing unpredictability of environmental hazards.

Insight provided by:
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The HNW insurance market is experiencing rapid change, with increased capacity, emerging risks and growing competition reshaping the landscape. As brokers and clients navigate these complexities, a tailored, relationship-driven approach will be key to securing the most effective coverage solutions in this dynamic market.

Wildfire

In wildfire-prone states, insurers continue to wrestle with the increased presence of risks exposed to the peril and how to best assess and assume these risks. The inherent challenges with building confidence around frequency, severity and true loss costs has yielded a fluid environment of continually evolving carrier underwriting guidelines. In addition, scarcity of solutions for insureds has become a very real issue. This is most acute in states like California, where legislative constraints have compounded underwriting difficulties.

For example, California insurers face pressure to cover more wildfire-prone risks and provide discounts for those who have implemented vegetation management practices and use building materials designed to resist flame damage, regardless of their location. Meanwhile, in areas like the Midwest that face less exposure to wildfire risk, demand remains relatively stable. This geographic disparity underscores the heightened difficulty of writing policies in high-risk states, where wildfire frequency and severity persist, creating an uneven landscape within the market.

Homeowners market and rate constraints

For insurers in high-risk states, balancing rates with wildfire risks remains difficult. Admitted insurers in California, for instance, face regulatory restrictions that prevent them from factoring reinsurance costs into ratemaking. This regulatory environment has led many carriers to limit or cease new business in the state.

The California FAIR Plan, designed to act as a last-resort insurance option, has grown exponentially. This has increased potential insolvency due to an increase in wildfire incidents, claims and insufficient funding. Should another catastrophic wildfire season occur, there is concern that the FAIR Plan may lack adequate funds, and remaining admitted insurers in California would be liable for shortfalls. This situation puts additional pressure on insurers, contributing to the restricted availability of admitted homeowners' insurance.

Challenges in surplus lines and capacity shifts

In response to market constraints, business previously written by admitted insurers is increasingly moving into the surplus lines market, which allows for more pricing flexibility. However, new market entrants in the surplus lines space are “cherry-picking” smaller, lower-risk accounts, avoiding high-value and high-risk wildfire areas. This approach, while beneficial in the short term, does not fully address the broader wildfire exposure challenges.

At the same time, we have seen some mid-sized insurers cautiously reentering markets; however, they are also limiting their exposure by focusing on low-risk, low-value homes and implementing coverage limitations and exclusions. Additionally, catastrophe models are evolving to include property specifics, such as roof type, to improve risk assessments, though they remain imperfect and often require manual validation.

Challenges in surplus lines and capacity shifts

The market has largely exhausted immediate solutions for mitigating wildfire risk, such as implementing wildfire deductibles, sub-limits and loss-limiting policies. However, these adjustments have yet to adequately stabilize the market. Coverage limitations remain in place, and in cases where policy limits cannot meet lender requirements, insureds face further complications in securing sufficient coverage for their homes.

Insight provided by:

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Currently, only five of the 12 Western States (including Hawaii) at risk for severe wildfires have FAIR plans. Colorado is set to offer property coverage through a FAIR plan in 2025.

Given the heightened wildfire activity and ongoing rate constraints, there is industry speculation about the potential establishment of a wildfire insurance fund similar to the National Flood Insurance Program (NFIP) or equivalent for wildfire-prone regions. However, this would require adequate reinsurance support, which is currently limited in California.

Small accounts face continued difficulty in achieving adequate wildfire coverage in high-risk areas. Insurers are expected to prioritize hazard mitigation, regulatory advocacy and technological refinement as the industry works to balance affordability with risk in wildfire-prone regions. In the meantime, reduced capacity, stricter underwriting standards and rising premium costs are anticipated to persist as defining characteristics of the wildfire insurance market in 2025 and beyond.

Catastrophe and individual risk modeling are increasingly incorporating additional real-time data and property-specific factors. Yet, achieving the precision needed to replace manual verification remains a work in progress, particularly in assessing updates to plumbing and other internal systems critical for accurately determining policy risks.

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