US PROPERTY INSURANCE REVIEW

MARKET OVERVIEW

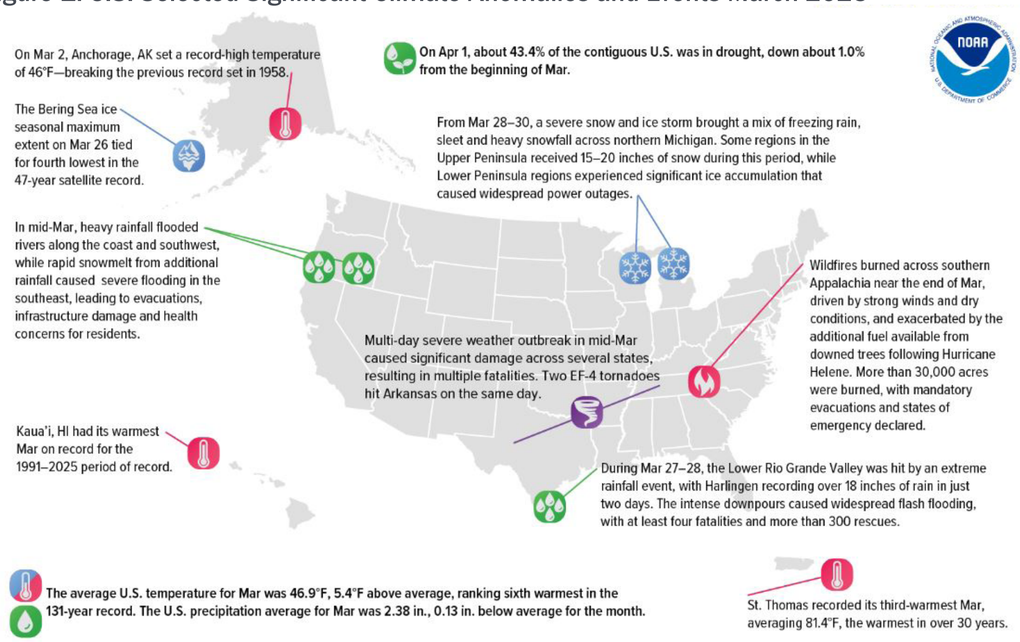
Thus far, 2025 has shown an active and noticeably more competitive market due to additional capacity and growth plans for many domestic insurers, MGUs and London. This has resulted in an improved market for insureds, where rate reductions, cautious relaxing of terms and increased capacity are achievable at a level exceeding most earlier projections.

The extent of the improvement varies according to risk profile, often a deal-by-deal basis, yet the market is, without debate, more favorable in comparison to the same period in 2024 and meaningfully better than 2023.This shift is happening while key risk factors remain unchanged from the prior two years and, going back further, when corrective action led to what became a protracted hard market. There are real reminders the market could change quickly.

Catastrophic (CAT) losses in 2024 were $151 billion, and the year ended with two sizable CAT events. A slight change in the storm path and Hurricane Milton would have yielded quite different results for insurers. Hurricane Helene was not insignificant, yet neither storm changed the trajectory of market rates. The California wildfires, while a $30 to $50 billion event, have not had a profound impact on the commercial market. There are still questions about where the final insured losses will end, yet the event itself, while meaningful, has not yet proved to noticeably offset the overall market.

March produced the year's first two major severe convective storm outbreaks (SCS), with early projections indicating the mid-March event to be $5.4 billion in insured losses according to Gallagher Re's 2025 Q1 Natural Catastrophe and Climate Report Preliminary Overview. With a third severe outbreak in the first week of April, these storms serve as a reminder of the frequency and severity exposure of SCS and the "new normal" of over $40 billion annual nominal insured losses according to Gallagher Re. See figure 1.

Figure 1: U.S. Selected Significant Climate Anomalies and Events March 2025



Source: NOAA National Centers for Environmental Information (NCEI), Assessing the U.S. Climate in March 2025, April 8, 2025

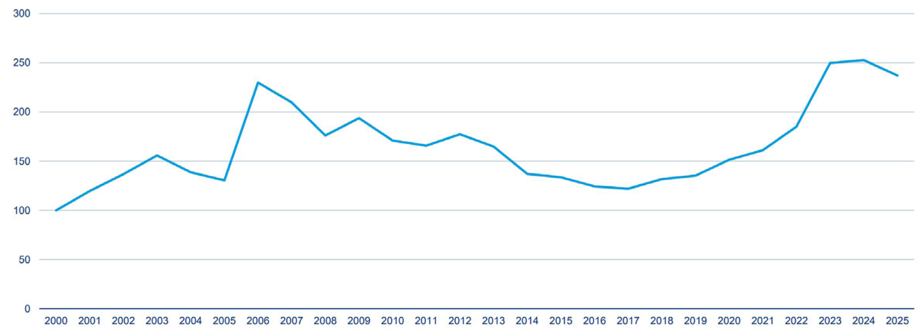
THE RT SPECIALTY PROPERTY COMMITMENT

"RT Specialty combines renowned industry experience and advanced technology as our foundation to deliver focused and creative solutions. Through our hands-on leadership, RT Specialty has a commitment to excellence with continued investment and development of exceptional talent. Our team is a key asset for our retail broker trading partners as they provide the top-notch solutions for the insured. The RT Property Team continues to shine through the ever-changing industry landscape," says *Brenda (Ballard) Austenfeld, President - RT Specialty & CEO - National Property Practice.*

CONTACT

For more information, please contact your local RT Property broker.

Figure 2: US Property Catastrophe Rate on Line Index 2000 – January 1, 2025*



The Guy Carpenter US Property Catastrophe Rate on Line Index decreased by an estimated 6.2% for January 2025 renewals.

GuyCarpenter

*SOURCE: Guy Carpenter, US Property Catastrophe Rate on Line Index, Preliminary January analysis, subject to updates; *The Guy Carpenter ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risk and changes in buying habits, as well as changes in market conditions.*

Over the past decade, severe convective storms (SCS), winter storms and wildfires have resulted in insured damages that are two-and-a-half times greater than those caused by hurricanes. Hurricanes have only surpassed these frequent perils in insured losses once in the last ten years, as stated in the March 10, 2025 "Rise of the Frequency Perils" article by Karen Clark with Carrier Management.

The Swiss Re Institute has stated in their sigma report titled "Natural catastrophes: insured losses on trend to USD 145 billion in 2025" that secondary perils such as severe convective storms (SCS), floods and wildfires are the main drivers.

On the economic side of the market equation, general uncertainty remains regarding supply chain constraints, tariff impacts, inflation and the cost of materials and labor post loss. Ongoing climate change questions and emerging risks are variables to account for. Uncertainty is the key word as companies look to grow while balancing increased rate pressure and risk selection.

It is likely the market will remain competitive through the first half of 2025. Insurers, brokers, and insureds will see what transpires following the 2025 hurricane season and further clarity around incurred losses year to date.

REINSURANCE

The U.S. property reinsurance market experienced a notable shift during the January renewal season, reflecting an ample supply of reinsurance. After years of hardening conditions characterized by significant rate increases and tighter terms due to major catastrophe losses, rising inflation, and constrained capital, the market began to ease, reversing some previous rate gains. This change was driven by healthy capitalization, renewed appetite for property catastrophe risk and increased competition among reinsurers, particularly in the per risk business.

Industry sources report that risk-adjusted rates for non-loss-impacted property catastrophe renewals decreased by 5% to 15%, indicating a slight oversupply of capacity. See figure 2. Reinsurer appetite grew by 10% to 15%, outpacing demand increases of around 5%. In the per risk environment, premium changes generally matched exposure movement, and proportional programs saw improved ceding commission terms, albeit moderated by prior year rate increases. The competitive shift was supported by approximately $500 billion in traditional reinsurance capital, $107 billion in third-party capital and strong earnings and reinvestment.

Despite softening rates, underwriting discipline remains crucial in 2025. Reinsurers maintained favorable terms, particularly around attachment points and coverage exclusions, to manage ongoing risks like the 2024 hurricane season. Hurricanes Helene and Milton, initially feared to cause $100 billion in industry losses, proved manageable due to weakening wind speeds and lower population density at landfall. Loss outcomes aligned well with modeled primary perils, providing stability, and allowing reinsurers to deploy capital selectively, favoring upper layers of coverage while remaining cautious about lower-layer frequency protection and aggregate covers.

Looking ahead, the U.S. property reinsurance market is poised for continued evolution in 2025, balancing competitive pressures with persistent uncertainties. Increased capacity and softening rates should benefit buyers, especially those with loss-free portfolios. However, reinsurers' focus on profitability may temper rate reductions due to emerging risks like California wildfires and other cat perils with improving secondary-peril modeling tools. The recent Los Angeles wildfires and other U.S wildfires are being monitored as to their effect on influencing market trends. While the market has moved away from its peak hard cycle, external factors such as geopolitical tensions, economic shifts or unexpected loss events could still disrupt this trajectory. For now, the post-January 1 renewal period marks a return to a more balanced supply-demand dynamic, with reinsurers and cedents navigating a complex risk environment through strategic adjustments and data-driven decision-making.

CATASTROPHE LOSSES

In 2024, the U.S. experienced twenty-seven major climate-related disasters, including hurricanes, wildfires, droughts, and heat waves, causing $182.7 billion in damages and 568 fatalities. This number is only second to the record twenty-eight "Billion Dollar Losses" in 2023. See figure 3.

Despite rate moderation, insurers remain cautious about exposure to catastrophe-prone properties. High-severity weather events are contributing to sustained claims pressure in commercial property, according to A.M. Best in their December 2, 2024, Market Segment Outlook: US Commercial Lines.

The Insurance Information Institute (Triple-I) states in their latest report, Insurance

Economics and Underwriting Projections: A Forward View, the combined ratio for commercial property insurance stood at 91.2% in 2024, reflecting slightly worse results than the previous year due to continued losses from catastrophic events.

The impact of these natural catastrophic events remains one of the most significant factors influencing the commercial property insurance market. In 2024, the industry faced substantial losses from severe convective storms, wildfires, and hurricanes. Hurricanes Helene and Milton alone resulted in combined insured losses nearing $50 billion, making them the worst catastrophe events for commercial property since Hurricane Ian in 2022.

As a result, insurers are constantly reevaluating their catastrophe risk models and refining their pricing strategies to account for evolving climate risks. Secondary perils, such as hailstorms and wildfires, are becoming a greater concern, prompting insurers to reassess exposure and adjust underwriting practices accordingly.

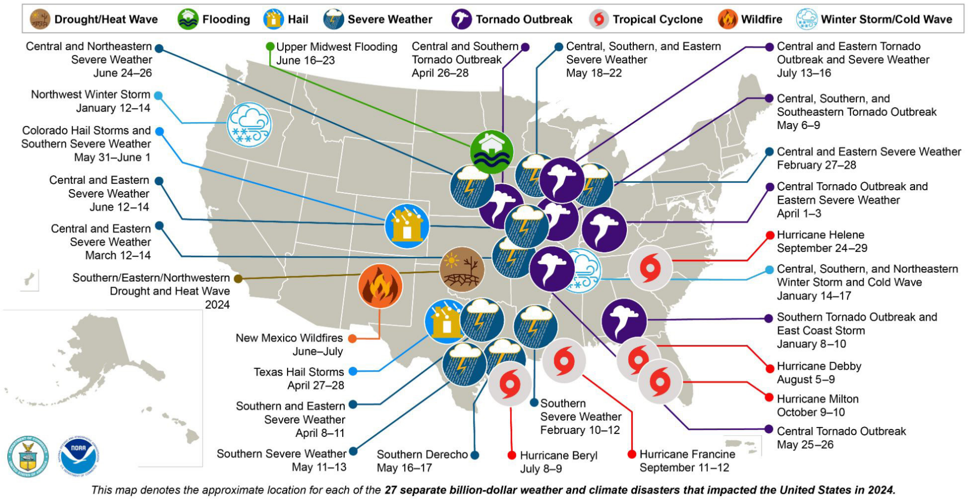
Underwriting remains stringent, with many insurers increasing deductibles for fire, wind and hail risks and structuring layered coverage programs to spread risk. These measures indicate that, while pricing pressures may be easing, insurers are still focused on maintaining financial stability in the face of rising claims.

2025 ATLANTIC HURRICANE SEASON

The 2025 Atlantic hurricane season, which runs from June 1 to November 30, is expected to be “above average,” according to preliminary forecasts by Colorado State University, Tropical Meteorology Project. The forecast is for seventeen named storms and nine hurricanes, with four hurricanes categorized as major hurricanes.

Accumulated Cyclone Energy (ACE) is forecast to be 26% higher than the thirty-year average. Factors cited include sea surface temperatures in the eastern and central tropical Atlantic are warmer than normal, and El Niño-Southern Oscillation (ENSO) phase is forecast to move from La Niña to ENSO neutral conditions.

Figure 3: U.S. 2024 Billion-Dollar Weather and Climate Disasters



Source: The National Centers for Environmental Information.

Figure 4: Costliest Tropical Cyclones to Impact the United States. Totals include insured and uninsured damage (cost values based on 2024 Consumer Price Index.)

Tropical Cyclone	Year	Category at USA Landfall	Adjusted 2024 Cost, $Billions	Cost at time of loss, $Billions
Katrina	2005	3	$201.3	$125.0
Harvey	2017	4	$160.0	$125.0
Ian	2022	4	$119.6	$111.8
Maria	2017	4	$115.2	$90.0
Sandy	2012	1	$88.5	$65.0
Ida	2021	4	$84.6	$73.6
Helene	**2024**	**4**	**$78.7**	**$78.7**
Irma	2017	4	$64.0	$50.0
Andrew	1992	5	$60.5	$27.0
Ike	2008	2	$43.2	$30.0
Milton	**2024**	**3**	**$34.3**	**$34.3**
Ivan	2004	3	$34.0	$20.5
Michael	2018	5	$31.2	$25.0
Florence	2018	1	$30.0	$24.0
Wilma	2005	3	$30.0	$19.0
Rita	2005	3	$29.4	$18.5
Laura	2020	4	$28.1	$23.2
Charley	2004	4	$26.6	$16.0
Hugo	1989	4	$22.7	$9.0
Irene	2011	1	$18.8	$13.5

SOURCE: NOAA National Centers for Environmental Information (NCEI), April 8, 2025

Last year, the Atlantic hurricane season saw eighteen named storms, including five major hurricanes, while the 2023 season had twenty named storms, ranking fourth for the most-named storms in a year since 1950. An average season typically has fourteen named storms, seven hurricanes and three major hurricanes. See figure 4.

Despite cooler sea surface temperatures in the Main Development Region (MDR), the Gulf and western Atlantic remain notably warmer. The Gulf of Mexico has experienced significant warming over the past decade, due to climate change and other factors. This warming trend, particularly in spring, raises concerns for the upcoming hurricane season, although it is not guaranteed to continue at record levels.

A weak La Niña event is expected to transition to neutral conditions later this spring. The forecast models suggest a slight tendency towards El Niño, yet overall, ENSO neutral conditions are anticipated. This shift, combined with cooler Atlantic Sea Surface Temperatures (SSTs) and a weakening La Niña, suggests an above-average hurricane season outlook, though not as severe as last year's predictions.

SEVERE CONVECTIVE STORM

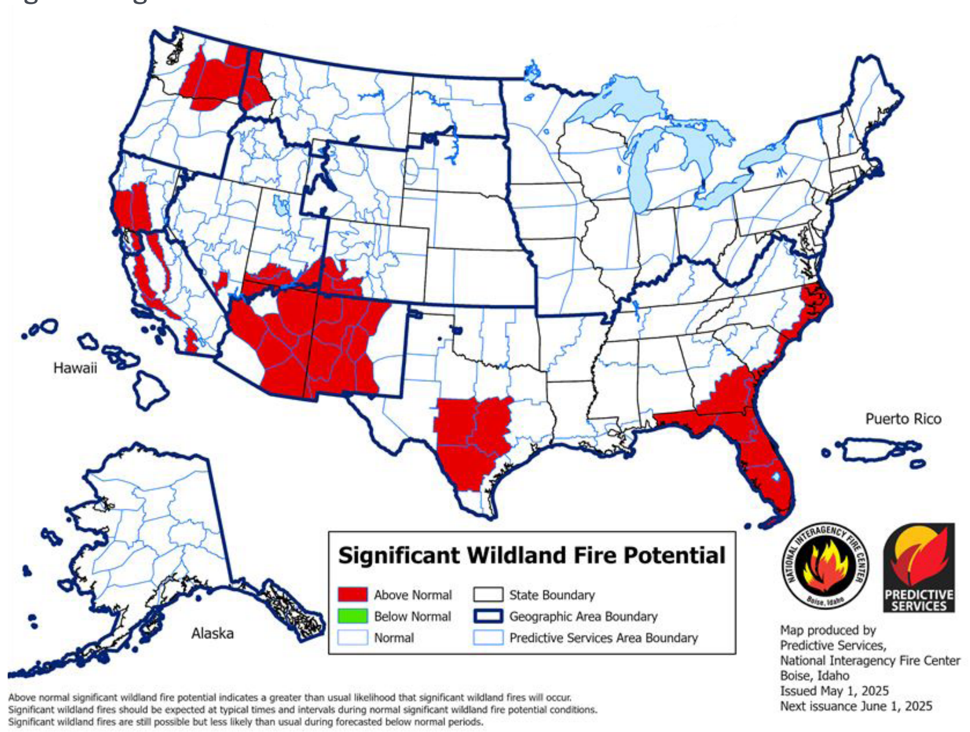
Like recent years, severe convective storms (SCS) in 2024 made up a large share of this year's aggregated losses. For the second consecutive year and second time on record, SCS-related insured losses crossed the $50 billion mark in 2024. With $54 billion and $69 billion in insured and economic losses respectively, as well as seventeen SCS-related billion-dollar disasters, all three figures recorded in 2024 remain only behind those set in 2023. May was an exceptionally busy month for severe weather, accounting for half of the top ten costliest SCS events in 2024. Early May also featured the costliest severe weather outbreak of the year, with roughly $6.6 billion in economic losses across the Great Plains, Midwest and Southeast.

Spring 2025 has brought several major SCS events, March 13th-16th a widespread and deadly tornado outbreak that affected much of the Midwestern and Eastern United States estimated to be $5.4 billion in insured losses. March 29th-April 1st brough straight-line winds, hail and tornados to the Midwest and Southern U.S. An April 2nd cold front over the Ohio Valley led to numerous supercells over southern Illinois and western Kentucky; and on April 29th severe thunderstorms and tornadoes affected southwest Missouri.

While much of SCS-related losses were attributable to hail, tornado-related impacts were also exceptional. Over 1,800 preliminary tornado reports were submitted to the Storm Prediction Center in 2024, the most since 2011. This encompassed multiple, large tornado outbreaks, including eight separate days with over fifty preliminary tornado reports. Straight-line wind impacts were also significant as at least five derechos occurred across the central U.S., causing notable damage in cities such as Houston and Chicago. The most significant drivers of rising insured losses, especially from severe convective storms, are wealth accumulation and urbanization in harm's way, particularly in hazard-exposed areas such as coastlines. Other factors include increasing insurance penetration and rising vulnerabilities such as from aging roofs and a growing number of rooftop solar power installations, which are often the most vulnerable part of a building. The frequency and geographic distribution of hail days, combined with tornado and extreme wind reports, revealed a trend towards more concentrated, high-severity events. This shift towards outbreak-type days often leads to a rapid surge in claims, overwhelming processing systems and resources.

The 2025 CoreLogic Severe Convective Storm (SCS) Risk Report highlights the increasing impact of severe convective storms on property insurance costs. These storms, which include straight-line winds, hail, and tornadoes, occur frequently and can cause significant cumulative damage over time. In 2024, the insurance industry faced significant concerns regarding severe convective storms (SCS), with these storms accounting for a substantial portion of insured losses, including damaging hail, straight-line winds, and tornadoes. These conditions led to increased premiums and deductibles, as well as potential challenges for insurers and policyholders.

Figure 5: Significant Wildland Fire Potential Outlook June 2025



SOURCE: Welcome to the Nation's Logistical Support Center | National Interagency Fire Center

The CoreLogic report also discusses the future implications of SCS risk, noting that changes in environmental conditions such as warmer temperatures and increased atmospheric moisture are altering the distribution of risk across the U.S. CoreLogic's Climate Risk Analytics (CRA) suite estimates that by 2050, regions in the South and Midwest could face disproportionately higher impacts from severe storms.

WILDFIRES

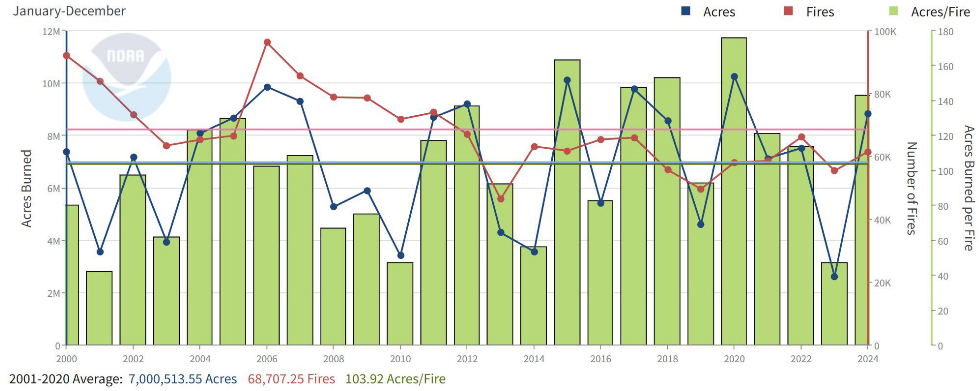
Recent years have witnessed an alarming increase in wildfire incidents, leading to significant economic losses. The Los Angeles wildfires in January 2025, for example, resulted in estimated insurance losses ranging from $30 billion to $50 billion. Such events have strained the insurance market, prompting some insurers to withdraw from high-risk areas like California. In response, the state imposed a $1 billion levy on private insurers to support its state-run program, highlighting the financial pressures within the industry.

According to the National Centers for Economic Information, there were 61,685 wildfires in the United States in 2024, burning over 8,851,142 acres. Through April this year, the National Interagency Fire Center States that total acres burned is 108% of the ten-year average, and count of wildfires is 147% of the ten-year average. See figures 5 and 6.

COVERAGE SPOTLIGHT: BUILDER'S RISK

The builder's risk insurance market continues to evolve, reflecting dynamic changes in construction trends, economic pressures, and competitive forces. As we move through 2025, a few key themes emerge, shaping both the opportunities and challenges within this specialized segment. As we are seeing in other areas of the industry, the builder's risk market has also seen a downward trend on rates, even impacting the frame market, over the past six months. This rate decline is a result of ample capacity within the market,

Figure 6: U.S. Wildfires



SOURCE: NOAA National Centers for Environmental Information, Monthly Wildfires Report for Annual 2024, published online January 2025

Figure 7: Frame Builder's Risk Fires, 12 months

Date of Fire	Location	Risk Under Construction	Time of Day, Cause of Loss
3/12/2025	Mishawaka, IN	H-shaped 4-story 226 unit Hab	3am. Under investigation
2/8/2025	Provo, UT	4-story Hab, four buildings	3am. Under investigation by AFT
1/25/2025	Ogden, UT	Five-story Hab	4:40pm. Arson suspect arrested
1/24/2025	Cleveland Heights, OH	Four-story 206-unit Hab with retail	7:30pm. Under investigation
1/13/2025	Baltimore, MD	4-story Hab, one of multiple buildings in phases	11am, Workday fire, cause unreported
12/11/2024	Savannah, TN	4-story Motel	4:48am. Under investigation, deemed 'suspicious'
12/6/2024	Olathe, KS	2 & 3-story, 208 unit Hab, eight buildings	4am. Cause not reported
9/8/2024	Auburn, ME	4-story, 102 unit Hab, two buildings	10:11pm. Suspected arson, under investigation
6/3/2024	Redwood City, CA	4 or 5 story frame on podium. 179 unit Hab, two buildings	10:15am. Workday fire but flame source was not identified
4/7/2024	Phoenix, AZ	1 &2 story SFD, multiple buildings	11:30pm. Origin determined to be 'human caused'
4/1/2024	Prescott Valley, AZ	5-story, 329 unit Hab with retail. Wings around parking structure	1:15am. Under investigation by ATF. Reward offered regarding person in security cam images
3/26/2024	Sacramento, CA	4-story frame on podium. 140 unit Hab, two buildings	12:45am. Investigated and cause was undetermined.
3/22/2024	Tallahassee, FL	4-story, 700 unit Hab	3:50pm. Workday fire, under investigation

driven by both existing carriers and MGAs expanding their offerings, as well as new entrants eager to gain market share. While this increased competition has benefited insureds through lower premiums, it has also forced carriers to rethink strategies to remain competitive allowing for improved terms and conditions and increased line sizes. Renovation projects, often considered a tougher segment within builder's risk, are seeing renewed interest as carriers relax security requirements and accept additional security vendors. This move not only broadens accessibility but reflects the carriers' willingness to adapt to market demands and innovate in response to client needs. Despite rising interest rates, commercial builders maintain strong project pipelines. However, concerns around material costs due to tariffs have added complexity to the underwriting landscape. Many companies have proactively prepared for these cost fluctuations, ensuring that projects remain financially viable. Homebuilders nationwide forecast a 15%+ rise in starts, with inflationary costs remaining manageable at 2-3%. This resilience indicates robust demand in the sector, even as challenges persist. See figure 7.

SUMMARY

The commercial property insurance market is reaching a level of stabilization marked by increased competition, the availability of terms and conditions and the rate environment. The industry's focus will likely remain on disciplined underwriting and maintaining rate adequacy, especially in high-risk areas.

Navigating the commercial property insurance landscape in 2025 can be more manageable with a proactive approach. By focusing on strengthening resilience against natural disasters, staying informed about legal and regulatory changes, and leveraging data-driven insights, businesses can better manage insurance costs and secure competitive coverage.

THE RT SPECIALTY ADVANTAGE:

- **Exceptionally Dedicated Claims Team**
- **Excellent Modeling / Analytics Team**
- **Professional Compliance / Legal Team**
- **Strong Technical Resources**
- **Incredible Market Relationships / Scale**

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"Out-Think. Out-Work. Out-Execute. Repeat!"