BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

March 27, 2026

Market Segment Outlook: US Commercial Property Insurance

Despite the substantial increase in premiums, exposure growth remained modest, reflecting continued underwriting discipline across the market; the outlook remains at Stable

AM Best's outlook for the US commercial property segment remains Stable, owing primarily to the following factors:

- Strong risk-adjusted capitalization and sufficient liquidity
- Effective underwriting diligence around capacity deployment, risk selection, and terms and conditions
- Pricing decreases have been moderating, although higher-risk properties that have generated past losses are still experiencing pricing increases.

Partially offsetting factors include:

- Increased frequency of severe weather events, particularly from secondary perils and flooding
- Economic inflation, albeit more moderate in recent quarters.
- Inaccurate building valuations, leading to underestimation of risks.

In 2024, the commercial property market experienced a significant increase in written premiums, rising 9.9% on a direct basis and 8.3% on a net basis. Premiums continued to grow into 2025 as rate actions take time to fully earn through the book, though growth in net premiums moderated to 4.5% through three quarters of the year as 2025 rate actions moderated. Despite the substantial increase in premiums, exposure growth remained modest, reflecting continued underwriting discipline across the market.

Strong underwriting discipline was evident in year-end 2024 results as commercial property insurers achieved an average profit margin of 8.6%, the highest level in the past decade. Through the third quarter of 2025, profit margins continued to improve, exceeding 9%, while the combined ratio further improved from 87.9% at year-end 2024 to approximately 85% through 3Q 2025. These results reflect premium growth, restrained exposure growth, and disciplined underwriting, despite early 2025 California wildfires and notable severe convective storm activity and wildfires throughout the remainder of 2025. While overall storm activity in 2025 was more moderate than in prior years, primary carriers remain focused on maintaining a robust and accurate assessment of risks in storm-prone regions.

Accurate valuation of commercial property risks has been a critical driver of improved profitability. Although inflation has moderated since mid-2024, correct property valuations remain essential to estimating potential losses accurately, particularly as building replacement values have reached all-time highs. Insurers continue to emphasize valuation accuracy alongside risk mitigation and strong risk management practices with insureds. Buyers with well-maintained properties and robust safety and loss prevention features can generally expect more favorable terms.

Analytical Contacts:
Josie Novak, Oldwick
+1 (908) 882-2207
Josie.Novak@ambest.com

Carlos Wong-Fupuy, Oldwick
+1 (908) 882-2438
Carlos.Wong-Fupuy@ambest.com

2026-008

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Pricing began to moderate throughout 2025 and is expected to stabilize in 2026, as profitability grows, with most commercial property risks seeing flat to low single-digit rate increases. However, properties located in high-hazard areas, particularly flood- and catastrophe-prone zones, continue to experience higher rates and more conservative pricing, leading to increased premiums more commensurate with the risks presented. Additionally, loss-affected accounts will continue to see rates increase. Carriers will place continued emphasis on accurate valuation and disciplined underwriting as these factors will remain critical to sustaining profitability trends in the commercial property market.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

A market segment outlook reflects AM Best's forward-looking assessment of the expected operating environment and conditions within a segment over the next 12 months. It is based on factors such as economic conditions, the regulatory environment, the competitive landscape, as well as performance trends and other considerations. The outlook provides context for how these factors collectively shape the segment's trajectory.

A Best's Market Segment Outlook, like a Best's Credit Rating Outlook for a company, can be Positive, Negative, or Stable.

Best's Market Segment Outlook	
Positive	A **Positive outlook** indicates that market conditions are expected to improve or support operations and strong performance within the segment over the next 12 months.
Stable	A **Stable outlook** suggests that market conditions are expected to remain broadly consistent with the current environment, with no material positive or negative shifts anticipated with the segment over the next 12 months.
Negative	A **Negative outlook** signifies that market conditions are expected to deteriorate or present challenges to operations and performance within the segment over the next 12 months..

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Published by AM Best

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A.M. Best Company Inc.
Oldwick, NJ
CHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & TREASURER **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald**

A.M. Best Rating Services Inc.
Oldwick, NJ
PRESIDENT **James Gillard**
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EXECUTIVE VICE PRESIDENT & CIO **James F. Snee**
SENIOR MANAGING DIRECTOR & CRO **Kenneth Johnson**
SENIOR MANAGING DIRECTOR & CCO **Edward H. Easop**

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG
A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
A.M. Best Asia-Pacific (Singapore) Pte. Ltd
8 Cross Street, #21-03 Manulife Tower
Singapore 048424
Phone: +65 6303 5000



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Version 011624