US PROPERTY INSURANCE REVIEW

MARKET OVERVIEW

The U.S. commercial property insurance market has demonstrated notable resilience amid escalating climate-related challenges and record-breaking catastrophe losses during the first half of 2025. Despite strain imposed by severe wildfires, convective storms, and flooding, the market remains highly competitive with ample capacity. The pursuit of growth objectives remains a key focus for many insurance companies given acceptable underwriting conditions, increased capital/capacity availability, and strategic reinsurance activity.

Insurers are adapting to evolving risk landscapes as they continue to grow their property books in the surplus lines market and through alternative capital instruments. However, the increased frequency and severity of natural catastrophes driven by climate change, continue to shape underwriting practices, pricing strategies, and risk transfer mechanisms.

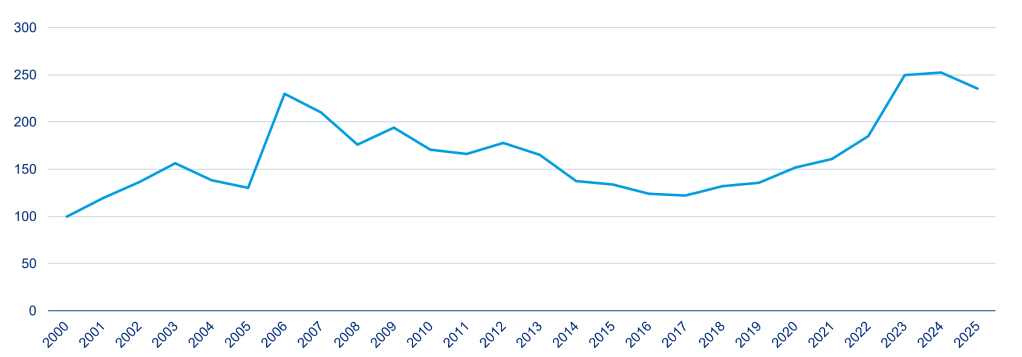
The excess and surplus (E&S) lines segment of the insurance market continues to be critical in providing important solutions to complex and high-risk exposures, with premiums rising 13.2 percent year-over-year to reach $46.2 billion per the Wholesale & Specialty Insurance Association (WSIA) 2025 Midyear Report. Commercial property insurance accounted for $15.7 billion in premiums through mid-2025, representing thirty-four percent of total surplus lines premium. This marks a 5.7% year-over-year increase, with transaction volume also rising by 16.1%, indicating both higher property valuations and construction expenses driven by inflation, and a growing need for E&S solutions. This growth underscores the importance of the E&S Market in providing flexible solutions for risks that fall outside the appetite of admitted carriers. The expansion of E&S lines has also been fueled by heightened demand for coverage in catastrophe-prone regions, where some traditional carriers have retrenched due to loss volatility.

Overall, the property market is transitioning from a prolonged hard market to a more advantageous market environment with more options for insureds. While rate relief is welcome for insureds, the underlying exposure trends and climate-driven loss patterns necessitate continued investment in data analytics, modeling, and mitigation.

THE RT SPECIALTY PROPERTY COMMITMENT

"Now more than ever, it is vital to work with a wholesale property brokerage team with strength and experience who understands the ever-changing landscape of the US commercial property arena. The RT Property team has worked hard to earn the trust of our trading partners and is well-positioned and prepared to assist retail brokers navigate the challenges faced today. Delivering customized, creative solutions is paramount to securing competitive options for insureds. Through collaboration, hard work and our commitment to excellence, the RT Property team stands ready to assist our trading partners." says *Brenda (Ballard) Austenfeld, President of RT Specialty and CEO of RT's National Property Practice.*

Figure 1: US Property Catastrophe Rate on Line Index | 2000-July 1, 2025*



The Guy Carpenter US Property Catastrophe Rate on Line Index decreased by an estimated 6.7% year-to-date.

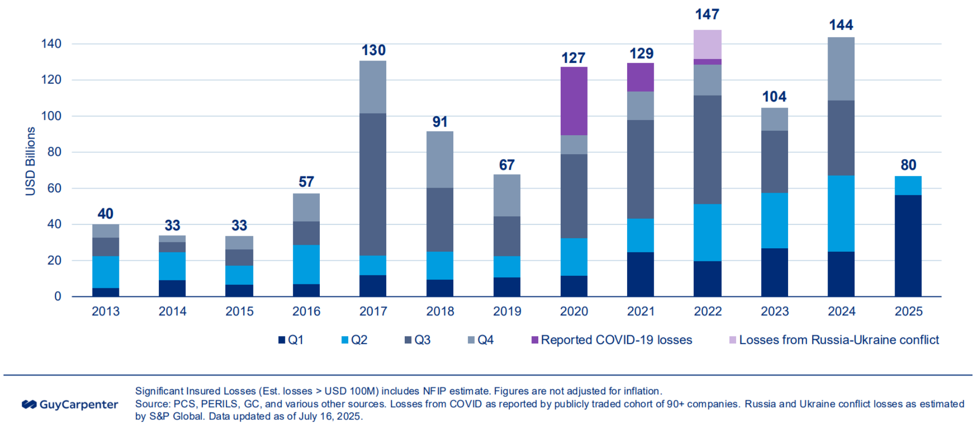
GuyCarpenter Source: Guy Carpenter. Preliminary mid-year analysis, subject to updates; *The Guy Carpenter US ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving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

Source: Guy Carpenter

CONTACT

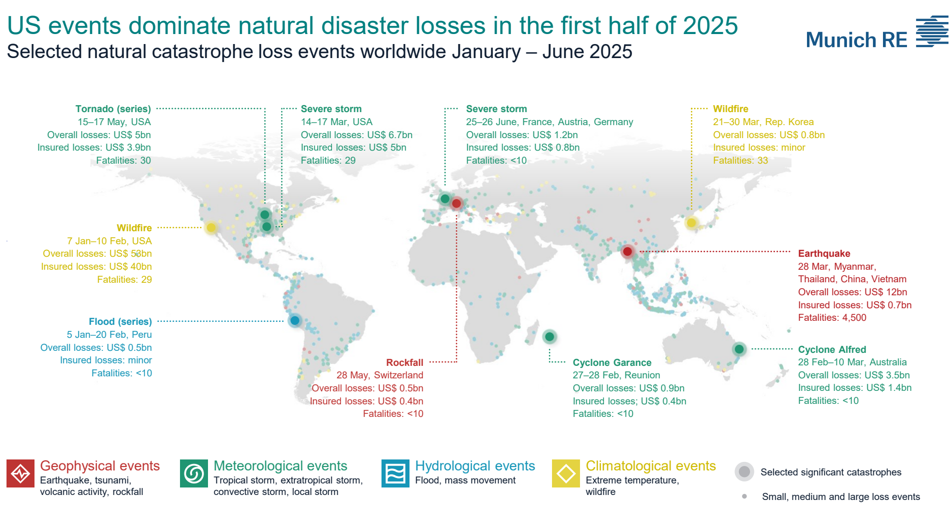
For more information, please contact your local RT Property broker.

Figure 2: Significant Insured Losses 2013 to 2025



Source: Guy Carpenter

Figure 3: US Events Dominate Natural Disaster Losses in First Half of 2025



Source: Munich Re, NatCatSERVICE, 2025

REINSURANCE

The reinsurance sector has played a pivotal role in stabilizing the U.S. commercial property insurance market throughout 2025. Mid-year renewals were characterized by a moderation in rate-on-line (ROL) for property catastrophe reinsurance, see figure 1. Risk-adjusted pricing declined by five to fifteen percent, with the most significant reductions observed in catastrophe excess layers, however, variability in pricing and terms persisted across regions and products, influenced by localized loss activity. Per-risk programs also benefited with stable to slightly reduced pricing, especially for cedants with favorable underwriting and loss histories.

This trend was underpinned by a record-setting influx of reinsurance capital, which reached an all-time high of $720 billion, according to Aon's Midyear 2025 Renewal Reinsurance Market Dynamics report. Investor confidence remains strong, buoyed by robust returns on equity averaging in the mid-teens since late 2022. This capital expansion has enabled reinsurers to increase capacity, offer more competitive pricing, and tailor treaty structures to individual insurer profiles. Performance-based differentiation has emerged as a defining theme, with reinsurers rewarding disciplined underwriting and proactive risk management.

Meanwhile, the catastrophe bond market has continued its rapid ascent. The first half of 2025 saw $17 billion in new issuances per Swiss Re's Insurance-Linked Securities Market Insights Edition XXXVIII, July 2025 report, bringing the total market size to $55.8 billion, a seventy-five percent increase since 2020. Cat bonds have become a preferred vehicle for transferring peak risks, offering uncorrelated returns and multi-year protection. Their growth underscores the rising importance of alternative capital solutions in the broader reinsurance ecosystem.

Despite significant catastrophe losses, over $40 billion from Hurricanes Milton and Helene in late 2024, and another $40 billion from the January 2025 California wildfires, reinsurers maintained their momentum. In California, reinsurers re-calibrated exposures and tightened capacity allocation in high-risk zones, while in Florida, improved legislative conditions impacting mostly the homeowners market encouraged greater participation.

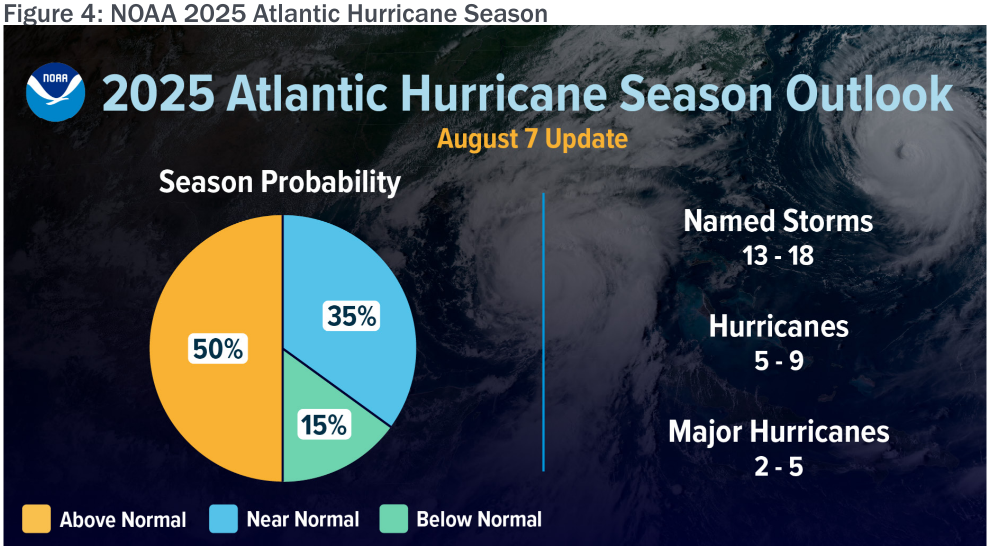
CATASTROPHE LOSSES

The first half of 2025 was marked by significant natural disaster activity. According to Munich Re's NatCatSERVICE, overall economic losses reached $131 billion, while insured losses totaled $80 billion, marking the second-highest first half total on record, surpassed only by 2011. These figures are slightly below H1 2024 ($155 billion overall, $64 billion insured) yet remain above the five-, ten-, and thirty-year averages. See figure 2.

The United States remains the epicenter of billion-dollar events, particularly from secondary perils. The most impactful event was the wildfire outbreak in the United States, specifically the Palisades and Eaton Fires (January 7–February 10), which caused $53 billion in overall losses and $40 billion in insured losses. This event alone accounted for over half of the global insured losses in H1 2025.

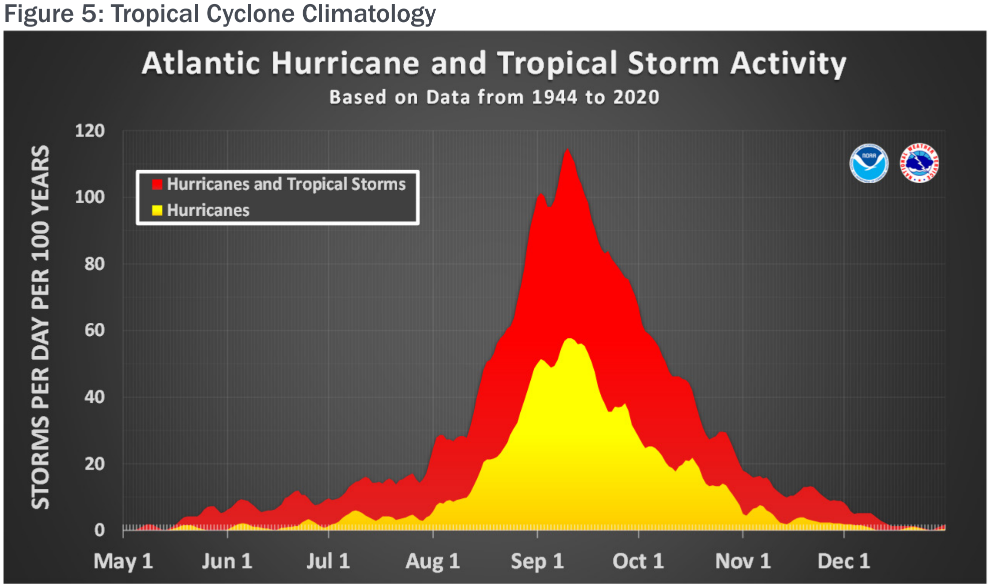
Other significant U.S. events included severe convective storms during March 14–17 with an estimated $8 billion insured losses and twenty-nine fatalities; and tornado outbreaks May 15th–17th and May 18th–21st with combined insured losses of potentially $6.8 billion insured and thirty fatalities.

Figure 4: NOAA 2025 Atlantic Hurricane Season



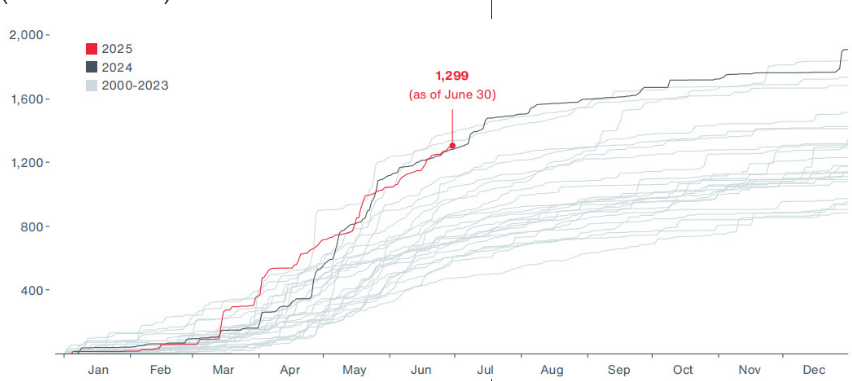
Source: NOAA, NOAA predicts above-normal 2025 Atlantic hurricane season, May 22, 2025

Figure 5: Tropical Cyclone Climatology



NOTE: September 1st falls near the midpoint of the 2025 Atlantic hurricane season and is also part of its peak period, when tropical storm and hurricane activity typically intensifies.
Source: National Hurricane Center and Central Pacific Hurricane Center, NHC.NOAA.GOV

Figure 6: Preliminary Annual Tornado Reports from the Storm Prediction Center (2000 – 2025)



Source: Aon Global Catastrophe Recap First Half (1H) of 2025.

While secondary perils dominate annual loss totals, primary perils (e.g., tropical cyclones, earthquakes) carry the greatest potential for extreme losses. Historical data shows five peak loss years since 1995 - 1999, 2004, 2005, 2011, and 2017, where insured losses exceeded trend by more than one standard deviation. In these years, primary perils were responsible for the majority of losses.

Modeling suggests that a repeat of events like Hurricane Katrina or Andrew today would result in insured losses of $100 billion or more, due to increased asset values and urban density. Similarly, a major earthquake in Tokyo could generate insured losses of $130–150 billion, with economic losses potentially reaching $1 trillion. Munich Re's report underscores the increasing frequency of billion-dollar events and high-fatality disasters including the growing impact of wildfires and severe storms in the U.S., which continue to dominate global insured losses. See figure 3.

2025 ATLANTIC HURRICANE SEASON

Hurricanes and tropical storms remain among the most significant drivers of insured losses in the United States highlighting the vulnerability of U.S. coastal regions and the importance of robust hurricane modeling and preparedness. The August 6th updated forecast from Colorado State University anticipates a highly active Atlantic hurricane season, with sixteen named storms, eight hurricanes, and three major hurricanes expected. NOAA's updated projections of August 7th are similarly elevated, predicting thirteen to eighteen total named storms; consisting of five to nine hurricanes and two to five of those becoming major hurricanes, see figures 4 – 5. These forecasts are driven by favorable sea surface temperatures, reduced wind shear, and ENSO neutral conditions, all of which contribute to an environment conducive to storm formation and intensification.

According to the recent peer-reviewed study Insured U.S. Hurricane Loss under a 2°C Warmer Climate published in the Journal of Catastrophe Risk and Resilience; climate modeling under a 2°C warming scenario suggests that U.S. hurricane-related insured losses could increase by thirty-nine to forty-two percent over the coming decades. Regional average annual losses (AAL) are projected to rise significantly, with Florida expected to see a forty-four percent increase, New York a sixty-four percent increase, and the Carolinas a sixty percent increase. These projections underscore the need for updated risk models, enhanced building codes, and strategic mitigation investments to reduce exposure and improve resilience.

SEVERE CONVECTIVE STORM

Severe convective storms (SCS) have emerged as a major contributor to insured losses in 2025, rivaling hurricanes in both frequency and severity. During the first half of the year, SCS events, including tornadoes, hailstorms, and high wind outbreaks, generated between $31 billion and $44 billion in insured losses. The United States recorded 1,299 tornado reports, see figure 6, and between twelve and fifteen events exceeded the billion-dollar threshold according to Aon's Global Catastrophe Recap First Half (1H) of 2025.

The March 13th–16th outbreak alone impacted fifteen states and resulted in approximately $8 billion in insured losses, making it the fourth costliest storm outbreak on record. Tornado activity has been particularly intense, with 2025 on track to be one of the top ten most active tornado years since 2000. Many factors including urbanization in hazard-prone areas, rising asset values, inflation, aging infrastructure, and vulnerable building materials such as asphalt shingles have amplified the financial impact of these storms.

SCS (severe convective storm) losses have historically been concentrated in the first half of the year, with June marking the end of peak thunderstorm activity across the central U.S. However, significant events can occur throughout the year, and the volatility of SCS risk necessitates continuous monitoring.

WILDFIRES

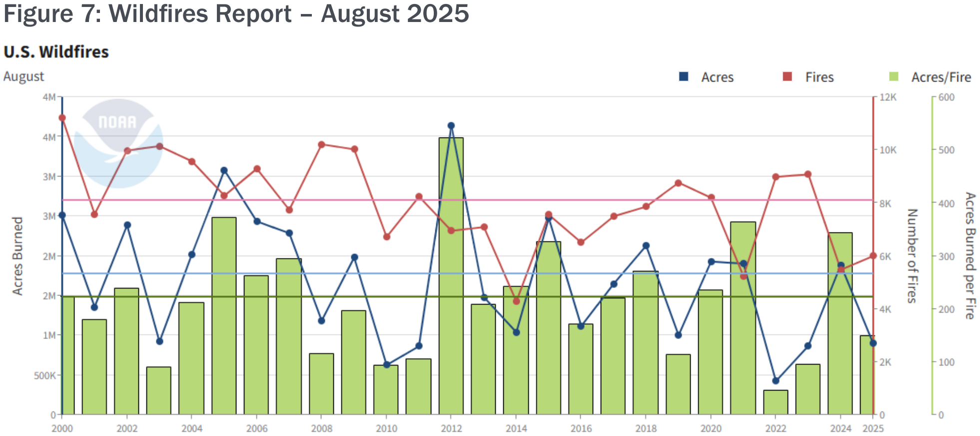
Wildfires have become an increasingly destructive peril, with the January 2025 events in California setting new records for insured losses. The Palisades and Eaton fires resulted in an estimated $40 billion in insured losses and destroyed more than 16,000 structures in Los Angeles County and burned more than 40,000 acres. These fires occurred during the state's traditionally wet season, highlighting the evolving nature of wildfire risk and the impact of climate anomalies. See figure 7.

The severity of the 2025 wildfires was driven by a prolonged Santa Ana wind season, lack of rainfall, and high concentrations of high-value residential properties in the affected areas. The convergence of these factors created ideal conditions for rapid fire spread and extensive damage. The event has been classified as the largest insured wildfire loss in history and ranks among the top ten costliest natural disasters globally.

Wildfire-related losses have risen sharply over the past decade, increasing from one percent of total natural catastrophe claims prior to 2015 to seven percent today and during that time eight of the ten costliest wildfire events have occurred. This trend is attributed to more frequent droughts, changing precipitation patterns, and urban expansion into wildland-urban interface (WUI) zones. In California, exposure growth in WUI areas has outpaced non-WUI zones by a factor of 1.9, further amplifying risk. Rising temperatures is also a factor as "the ten warmest years since 1850 have all occurred in the past decade (2015-2024) with 2024 the hottest on record, according to the World Meteorological Organization" as stated in Allianz' Commercial Wildfire Emerging Risk Trend Talk 4.

Insurers have responded by tightening underwriting standards, raising premiums, and in some cases, withdrawing from high-risk regions. Risk mitigation measures, such as defensible space creation, vegetation management, and fire-resistant construction, are increasingly required to secure coverage. The industry must continue to invest in wildfire modeling, satellite monitoring, and community resilience initiatives to manage this escalating threat.

Figure 7: Wildfires Report – August 2025



Source: National Interagency Fire Center, Monthly Climate Reports, Wildfire Reports, July 2025, per the NOAA

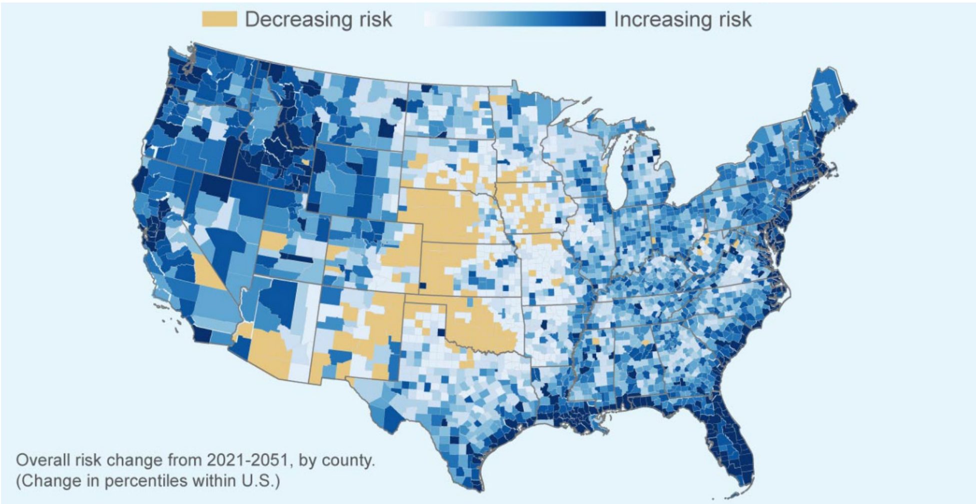
FLOOD

Flooding has emerged as a growing concern for the commercial property insurance sector, particularly in light of recent events in Texas. In July 2025, torrential rains caused catastrophic flash flooding across central Texas, resulting in economic losses estimated between $18 billion and $22 billion and significant loss of life. Despite the scale of the disaster, insured losses were minimal due to coverage exclusions and limited penetration of flood insurance.

The National Flood Insurance Program (NFIP), administered by FEMA, continues to face significant challenges. With only seven percent of U.S. residential properties insured against flood, the program remains underutilized yet financially strained. NFIP's debt burden stands at $22.5 billion, Katrina alone accounts for 20% of those NFIP payouts.

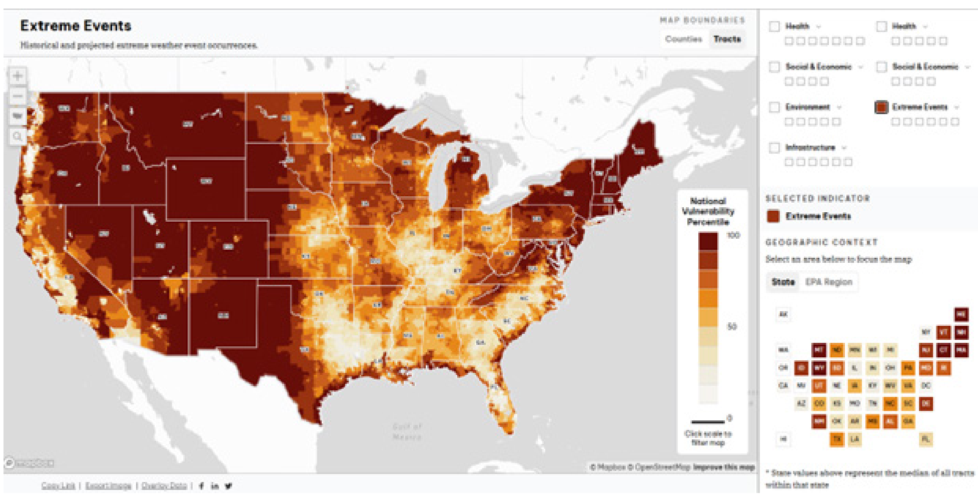
The private flood insurance market has grown slowly, now representing approximately ten percent of total flood coverage. Innovative products, including parametric solutions and AI-driven underwriting platforms

Figure 8: Change in Flood Risk Over the Next 30 Years



Source: First Street Foundation, The 3rd National Risk Assessment, Infrastructure on the Brink, Oct 2021

Figure 9: Extreme Events: Historical and Projected Extreme Weather Event Occurrences



Source: The U.S. Climate Vulnerability Index, Extreme Events

have been introduced. However, broader adoption remains limited, and many high-risk properties remain uninsured or underinsured.

The commercial sector presents a unique opportunity for flood insurance expansion, particularly for portfolios with multiple structures and complex exposures. Private carriers can offer tailored solutions that address business interruption, increased limits, and coverage for non-standard assets. As climate change continues to intensify rainfall patterns and expand flood zones, see figure 8, the industry must be aware of the coverage level and consider enhancing.

COVERAGE SPOTLIGHT: BUILDER'S RISK

The builder's risk insurance market continues to benefit from a favorable rate environment, supported by increased capital availability, expanded limits, and competitive underwriting for well-performing risks. However, while pricing remains attractive, activity has slowed considerably, particularly in the multi-family housing space. Student and senior housing projects are currently leading the way, while broader market rent developments remain largely stagnant.

Economic pressures are playing a significant role in dampening new construction starts. Rising interest rates, inflationary concerns, and regulatory changes have created uncertainty for developers and investors alike. The rollback of clean energy tax incentives under the OBBBA legislation has stalled solar project development, while material costs and tariffs, though not the primary issue, continue to be part of the conversation.

Recent government data offers a mixed view of construction activity. According to the U.S. Census Bureau, housing starts in July 2025 were up 12.9% year-over-year, signaling some resilience. However, building permits declined by 5.7%, and completions fell by 13.5%, suggesting that while new projects are being initiated, many are not reaching completion. This disconnect reflects the broader uncertainty in the market, where developers may be cautious about committing to long-term timelines amid fluctuating economic conditions. Inflation, reported at 2.7% in July by the Bureau of Labor Statistics, remains manageable yet continues to influence project feasibility and financing.

Despite these challenges, the builder's risk segment remains a vital component of the commercial property insurance landscape. The surplus lines and excess & surplus (E&S) market continues to expand its share in complex and high-exposure projects, offering flexible solutions where admitted carriers have pulled back. RT Specialty remains committed to supporting its retail broker trading partners with innovative coverage strategies and expert guidance. As the market navigates economic headwinds and evolving risk profiles, RT Specialty stands ready to deliver value through collaboration, adaptability, and a deep understanding of the builder's risk space.

SUMMARY

The 2025 U.S. commercial property market (YTD) is marked by competitive pricing and expanded capacity, with a cautious outlook. With thirteen catastrophe events exceeding $1 billion in losses during the first half of the year, the upcoming hurricane season will be pivotal in shaping fall market sentiment.

Reinsurance has been a stabilizing force throughout the year, with mid-year renewals reflecting moderated pricing and increased capital availability. The influx of reinsurance capital, reaching an all-time high of $720 billion, has enabled reinsurers to offer more flexible treaty structures and reward performance-based underwriting. The catastrophe bond market has also surged, with $17 billion in new issuances in the first half of 2025, underscoring the growing importance of alternative risk transfer mechanisms.

Catastrophe losses have been substantial, with thirteen events exceeding $1 billion in insured damages during the first half of the year. Wildfires in California, severe convective storms across the Midwest, and flash flooding in Texas have all contributed to elevated loss totals. The Palisades and Eaton fires alone accounted for $40 billion in insured losses, making them the largest wildfire-related insurance event in history. These events highlight the increasing frequency and severity of secondary perils, and the need for enhanced modeling, mitigation, and preparedness strategies across the industry.

The 2025 Atlantic hurricane season is anticipated to be highly active, with forecasts predicting up to eighteen named storms and several major hurricanes and will be closely monitored during the second half of the year.

As climate-driven volatility continues, see figure 9, RT Specialty remains committed to innovation and collaboration to support the long-term sustainability of commercial property insurance.

THE RT SPECIALTY ADVANTAGE

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

The RT Property Team is prepared to assist throughout all areas of this challenging property market. We continue to shine for our retail broker trading partners.

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

THE VALUES & BENEFITS OF WHOLESALE
from WSIA (Wholesale & Specialty Insurance Association)

WHOLESALE – ADDED VALUE AND BENEFITS!

Wholesale Value is the tremendous benefit that the wholesale distribution system delivers to retail insurance agents and insurance buyers. WSIA member wholesale brokers and underwriters are specialists in creating value and innovative solutions for the most unique and complex risk. They bring technical expertise to this unique segment of the insurance industry, and they offer retail agents access to stable market capacity in the non-admitted market. Retail agents, and insurance buyers, can count on WSIA members to deliver cost-effective solutions for clients that are not "one size fits all," yet are instead skillfully tailored to meet specific needs for non-standard risks. That is the added value of the wholesale distribution system.

SOURCE: Wholesale & Specialty Insurance Association, What is a Wholesale Value

THE RT SPECIALTY CLAIMS

As part of our commitment to better serve you, a vital part of our services is providing powerful and convincing advocacy for insureds in the unfortunate event of a claim. RT Specialty's dedicated claims team, led by industry veteran Todd Mannschreck, provides unparalleled expertise during the claims process. With over 75 years of combined experience, the team includes highly skilled professionals like David Gleason, who brings over 35 years of complex claims handling and litigation management expertise. This proactive and customer-focused approach enables competitive solutions for insureds' risks, from for clients' risks, from coverage strategy to claim resolution. RT Specialty's claims management services are a unique asset in the wholesale industry, offering retail brokers and their clients superior support and a critical differentiator in achieving favorable outcomes.