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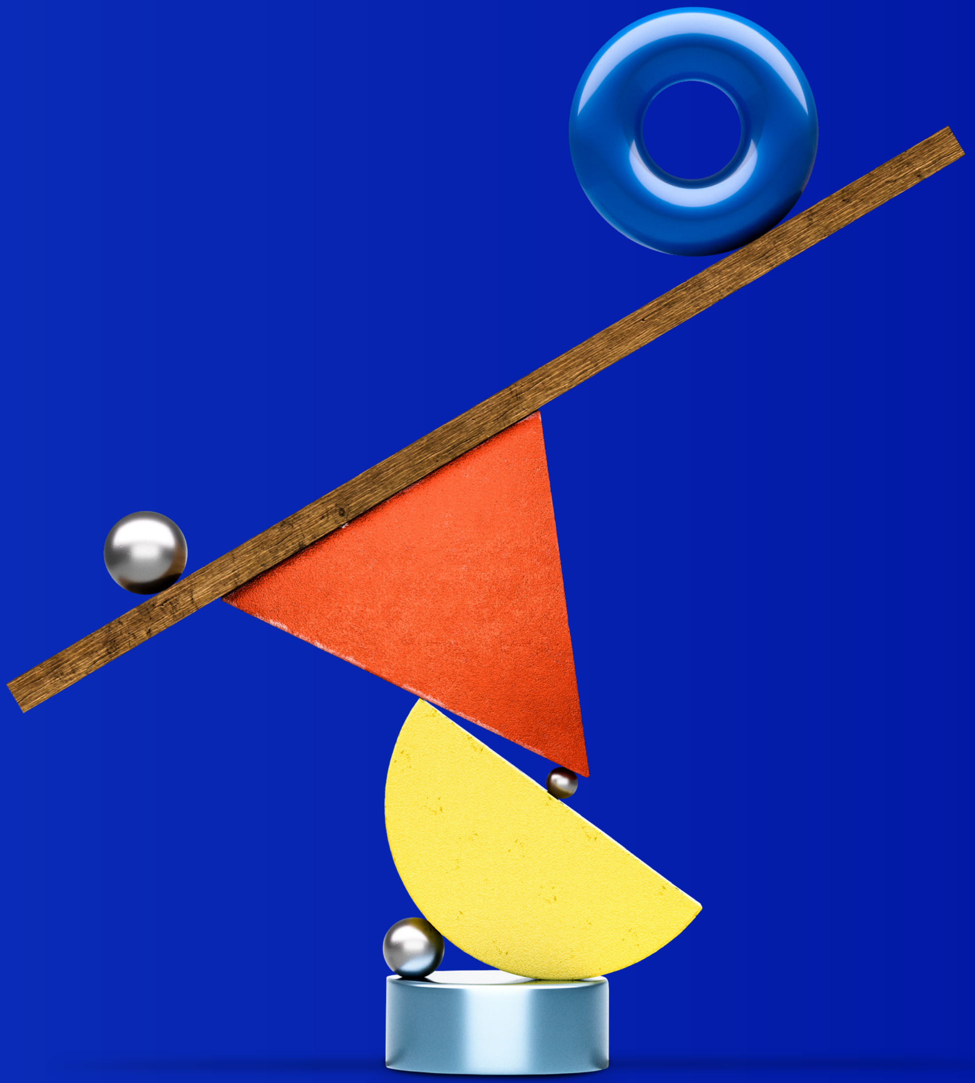
ICAT market update

Soft market, smart choices

Navigating the 2026 property insurance market

A guide for agents, brokers, and policyholders



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The market has shifted – and buyers are feeling it

After roughly seven years of climbing rates and tighter underwriting, the property insurance market has softened in a meaningful way heading into 2026. The balance of power has shifted back toward buyers: premiums are falling, capacity is abundant, and carriers are aggressively competing for business.

Three signals tell the story

- Q1 2026 brought the first overall decline in commercial insurance premiums since 2017 — and commercial property led the market down.[1]
- On larger, layered, and catastrophe-exposed programs, reductions of 10–30% or more over expiring terms are now common.[2]
- A quieter catastrophe year in 2025, strong insurer results, and record levels of reinsurance and alternative capital have all helped fuel a more competitive market.[3]

That is good news — especially for well-managed risks. But soft markets have a way of making cheap coverage look better than it really is. **The lowest premium today can quietly become your largest exposure when a complex claim hits or the market turns**. This guide explains how the insurance market cycle works, the five risks hiding inside a soft market, and the questions every buyer should ask before making a decision based on pricing alone.

[1] Council of Insurance Agents & Brokers, Commercial P/C Market Index, Q1 2026 — the first overall commercial premium decline since Q3 2017, with commercial property the sharpest-declining major line.
[2] Marsh Global Insurance Market Index, Q1 2026 (global property composite rate down ~9%); USI 2026 Property Market Outlook (shared/layered placements down 10–30%+ vs. expiring).
[3] Reflects 2026 industry outlooks (Alera Group, Cottingham Butler, Amwins): fewer 2025 catastrophe losses, improved insurer profitability, and record reinsurance and alternative capital expanding capacity.

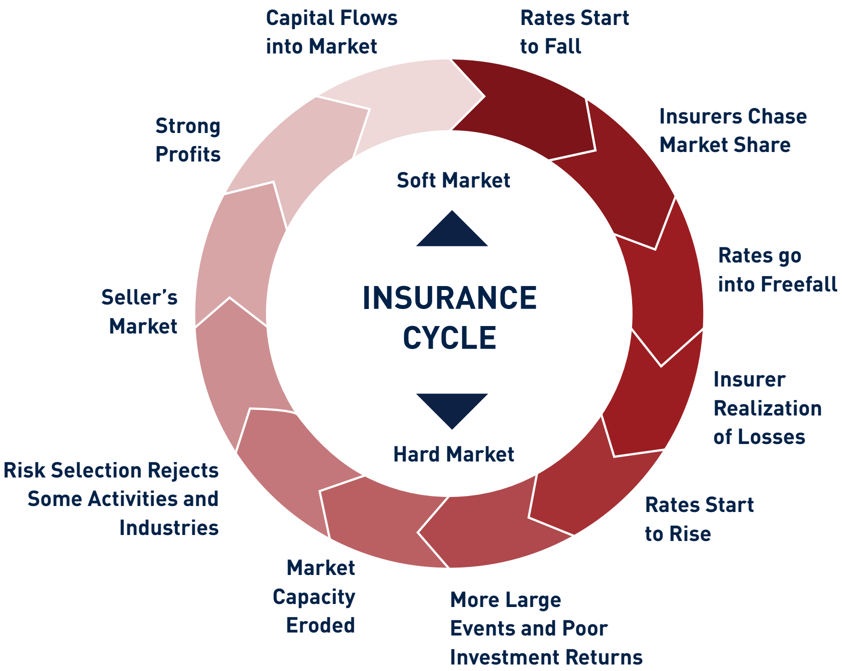
How the market cycle works

Insurance has always been cyclical — typically over a three-to-seven-year period — driven by carrier profitability, availability of capital, claims activity, and competition. Each cycle alternates between two phases:

- **Hard market:** losses climb, capital retreats, rates rise, underwriting becomes more selective and capacity shrinks.
- **Soft market:** profits improve or carriers chase market share, capital flows in, rates fall, underwriting loosens, and capacity expands.

Neither phase lasts forever. The key is not just recognizing where the market is today but understanding how to position for where it's headed. Right now, we are firmly in a soft market — and industry forecasters expect it to continue through 2026 unless a major catastrophe meaningfully erodes capital.[4]

That creates opportunity — but it also creates risk for buyers who confuse a favorable market with a risk-free one.



$ 'Hard' Market

A hard market is when there's high demand for insurance coverage and a low appetite to insure. During a hard market, rates are high and coverage is difficult to find.

$ 'Soft' Market

A soft market is when insurance is readily available. Rates are stable or falling because of healthy competition in the market.

[4] Cottingham Butler, 2026 Property Insurance Outlook — the E&S property market is not expected to reharden broadly in 2026 absent a severe, capital-eroding catastrophe.

Five risks hiding in a soft market

A softening market can create real opportunities with better pricing and broader options — along with a few tradeoffs. Here are five risks to watch, and considerations before you bind.

Risk 1: Underinsurance from reduced limits

To win the renewal, some underwriters trim premium by quietly lowering limits or stripping out inflation protection. But replacement costs have risen sharply in recent years. If the limits no longer match what it costs to rebuild, a total loss leaves you dangerously short.

Ask: *Are property limits independently verified against current replacement cost? Is an inflation guard included and set to adjust annually? What is the out-of-pocket gap if a total loss occurs at the proposed limit?*

Risk 2: Carriers that can't weather a storm

Aggressive pricing is easy to offer and hard to sustain. Newer or thinly capitalized carriers can win business on price, then struggle to pay when a single catastrophe hits many insureds at once. Guaranty funds, where they apply, carry caps and delays.

Ask: *What is the carrier's AM Best financial strength rating? How long have they underwritten property, and through how many market cycles? Who provides their catastrophe reinsurance, and on what terms?*

Risk 3: "Broad" coverage with narrow fine print

Policies marketed as broad can hide sublimits, restrictive definitions, and carve-outs that surface only mid-claim — when it is too late to fix. Broader terms are genuinely available right now, but breadth on the cover page is not breadth in the form.

Ask: Can we review the complete policy form before binding? Are there sublimits on business interruption, contingent business interruption, or equipment breakdown? How would the carrier handle a claim like the ones we are most likely to face?

Risk 4: Mistaking a label for security

It is tempting to treat "admitted" as safe and "non-admitted" as risky. In reality, that is far too simplistic. A great deal of the capacity for catastrophe-exposed and hard-to-place property — coastal, wind and hail, and other specialty risk — is written in the excess & surplus (E&S) market. Many E&S carriers are exceptionally strong and highly specialized. What matters is not the label on the paper; it is the financial strength, reinsurance, and claims performance behind it.

Ask: What is the carrier's AM Best rating and surplus — admitted or not? What guaranty fund or collateral protections apply? Does this carrier specialize in the specific perils and geography relevant to our risk?

Risk 5: Tomorrow's rate shock

Soft markets end. When losses spike or capital exits, rates can quickly move in the other direction. A program down sharply this year can just as easily rebound well into the double digits next year. That kind of swing is especially painful for buyers who planned only for the current year's savings.

Ask: Are multi-year terms or a rate collar available to cap annual increases? What is the carrier's track record on renewals and non-renewals when markets turn? How should we budget if conditions change next year??

Choosing the right partner: Price isn't everything

Price matters — equivalent coverage at a lower price from a stable carrier is a genuine win. But the lowest price is not the same as the best partner. A policy chosen on price alone becomes a liability the moment a complex claim arises or the market hardens. Four things separate reliable partners from risky ones.

A track record through multiple cycles

Carriers with decades of property experience have seen what newer entrants have not. They have underwritten through both soft and hard markets, paid catastrophe claims, managed capital through volatility, and learned when to stay disciplined. That kind of experience cannot be improvised.

Claims expertise that inspires confidence.

When a major loss happens, policyholders want responsive claims professionals with real authority, real expertise, and a clear process. Ask who handles claims — is it an outside claims handler managing the claims, or is it in-house? How experienced is the team? These details matter because if a loss occurs, you want reassurance your claim will be handled fast and fair.

Reinsurance clarity and financial strength

Strong underwriters should be able to explain their reinsurance clearly — who their reinsurers are, which perils are covered, and at what attachment points — and if they carry solid surplus and an AM Best rating of A- or better.

Consistent underwriting discipline

Prudent underwriters decline bad risks, even in soft markets and hold their standards across cycles. That discipline is what keeps them solvent — and keeps your coverage in force — when the market turns. Careless underwriting can sometimes equate to an insurer closing shop and not being able to pay out claims, especially if there is a large-scale catastrophe Underwriting discipline is not a nice-to-have. It is often the difference between long-term stability and short-term opportunism.

How to read an insurance rating

A financial strength rating is a clear indicator for a carrier's ability to pay claims — but not all ratings, or raters, are equal. Several agencies grade insurers, each on its own scale and standards.

RATER	SCOPE & FOCUS	STRONGEST GRADES	WHAT TO KNOW
AM Best	Insurance only; rates the broadest set of U.S. insurers	A++, A+ (Superior); A, A- (Excellent)	The most widely recognized insurance-specific standard. A- or better is the common benchmark required by reinsurers, lenders, and many states.
S&P Global	All industries; mostly large, national insurers	AAA, AA, A, BBB	Globally respected, credit-based scale with deep coverage of larger carriers.
Moody's	All industries; mostly large insurers	Aaa, Aa, A, Baa (1/2/3 modifiers)	Conservative credit analysis; common on larger, debt-issuing carriers.
Fitch	All industries; global insurers	AAA, AA, A, BBB	Strong emphasis on capital modeling and a global view of strength.
Demotech	Smaller, regional & specialty P&C — many in CAT-exposed states	A″, A′ (Unsurpassed); A (Exceptional)	Fills gaps the big agencies don't cover; widely used in Florida and the Gulf. Its scale differs — an "A" here is not an AM Best "A."
KBRA (Kroll)	Newer agency; insurers and structured finance	AAA, AA, A	Increasingly used as an alternative or second opinion in coastal markets.

Why the rater matters. AM Best, S&P, Moody's, and Fitch are the four federally recognized rating organizations. AM Best has focused exclusively on insurance for more than a century and is the benchmark most agents, reinsurers, and lenders default to. Because each agency scores on its own scale, the same letter can mean very different things — an "A" from one rater is not equivalent to an "A" from another.[5]

This matters most in catastrophe-exposed markets. Much of the capacity for coastal and wind/hail risk has historically been written by smaller carriers the largest agencies don't rate. That capacity is valuable — but the source of a rating deserves scrutiny: independent analyses have found that roughly one in five carriers holding a top "A" from one specialty rater became insolvent over a recent period, concentrated in storm-prone states. [6] The point isn't that any one agency is illegitimate — it's that a letter grade is only as meaningful as the scale behind it.

[5] AM Best, S&P Global, Moody's, and Fitch are Nationally Recognized Statistical Rating Organizations (NRSROs). Each uses its own scale and methodology, so a given letter grade is not equivalent across agencies.

[6] Independent analyses — including a 2024 Harvard/Columbia/Federal Reserve working paper and reporting by the Tampa Bay Times and The Wall Street Journal — found that roughly one in five carriers holding a top "A" Financial Stability Rating from Demotech became insolvent between 2009 and 2022, concentrated in catastrophe-prone states, and estimated such ratings often align with AM Best "B"-level grades. Demotech disputes these analyses and notes it has rated coastal carriers since Hurricane Andrew, when larger agencies would not.

When you see a carrier's rating, ask:

- Which agency issued the rating? Treat AM Best A- or better as the gold standard, and value carriers rated by more than one agency.
- What does that grade mean on that specific agency's scale — not by the letter alone?
- Is the carrier rated at all? An unrated carrier should always prompt scrutiny.

Why ICAT

For more than 25 years, ICAT has underwritten catastrophe-exposed property through every kind of market. Our in-house claims administrator, Boulder Claims, has paid over $3.4 billion in claims and successfully adjusted and settled more than 43,000 commercial and residential claims. Our underwriting discipline holds steady across cycles, so we'll be here now and in the future.

In a soft market, we compete on value and stability — not price alone. We are built to protect you today, and to renew your coverage when the market inevitably hardens.

The bottom line

A soft market brings real opportunity — lower premiums, broader terms, more capacity. But opportunity without discipline is just risk in disguise. Ask the hard questions. Demand transparency. Verify financial strength. Read the form.

The buyers who navigate this market carefully will carry intact coverage, predictable costs, and peace of mind during a disaster and into the next hard market. Those who chase only the cheapest price may not.

The best insurance partner is not always the cheapest today. It is the one who was here yesterday, will be here tomorrow, and puts paying claims ahead of chasing market share.

Your soft-market checklist

For agents & brokers

- ☐ Request current valuations before accepting any reduction in limits.
- ☐ Confirm an inflation guard or automatic limit adjustment is in place.
- ☐ Read the full policy form before binding — not just the proposal summary.
- ☐ Verify AM Best ratings and financial strength for every proposed carrier.
- ☐ Confirm which agency issued each rating and how that scale works.
- ☐ Ask direct questions about reinsurance, and on long-term pricing sustainability.
- ☐ Negotiate multi-year terms or rate collars for key clients.
- ☐ Document recommendations clearly for the client file.
- ☐ Educate clients about the cycle now, before a hardening market does it for them.

For policyholders

- ☐ Ask your broker directly: are we taking on risk to chase the lowest premium?
- ☐ Get a current valuation before reducing any limits.
- ☐ Confirm inflation or automatic-adjustment clauses are included.
- ☐ Request and review the full policy form before binding.
- ☐ Ask how long the insurer has underwritten property, their rating, and who handles the claims.
- ☐ Confirm the carrier’s rating and the agency behind it.
- ☐ Never accept “we’ll sort it out at claim time” — resolve coverage questions up front.
- ☐ Budget for the possibility of the next hard market.

Questions about your coverage or program?

Contact your ICAT representative, agent or broker.

Visit us at icat.com to learn more.