



SENTINEL

2026 Budget Planning Guide

Built to be more than a broker

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Bending the Cost Curve

James L. Holmes, Jr.,
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Cost containment strategies are at the forefront of every conversation we have with business leaders. Whether the discussion is around property and casualty coverage or health and benefits, the costs tied to these programs are placing significant pressure on organizations. Fortunately, there are strategies available to mitigate these impacts and help businesses regain control of their financial future.

One of the most effective approaches is Alternative Risk Financing. While the phrase sounds complex, at its core it means taking on more risk in order to access the financial advantages of “self-insuring” a portion of your program. Among the various mechanisms available, the most common is a captive.

Captives can be deployed in both property and casualty as well as employee benefits programs, but it's important to recognize that they function very differently across these lines. There is no direct correlation between the risks in each, which means strategies must be tailored to the unique dynamics of the program being evaluated.

If you are considering a captive strategy, it's essential to understand that success requires an active, engaged approach. The upside of a captive structure depends on disciplined participation and commitment to long-term planning. To achieve meaningful results, the following must be integral parts of your deployment:

- **Organizational commitment** – Participation from the top down, ensuring alignment across leadership and staff.
- **Robust and consistent internal communication** – Keeping all stakeholders informed and engaged throughout the process.
- **Leadership's investment of time and focus** – A clear understanding of the mechanics and the patience to achieve long-term success.
- **Data-driven loss prevention and analytics** – Using insights to guide decisions, improve performance, and reduce variability.
- **Active engagement in claims adjudication and review** – Ensuring accountability and accuracy in how claims are handled.
- **Participation in third-party cost containment** – Leveraging external partners to drive efficiency and control spend.

The simple fact is that continuing to do the same things and expecting a different result is destined to fail from the outset. If you want to bend the cost curve in your organization, you must think differently and evaluate alternative strategies that position you to take advantage of risk retention and its potential upside.

2026 COMMERCIAL PROPERTY MARKET TRENDS

Likely Trends and Forecasts in 2026

Moderate Premium Growth

Growth will likely continue but at a more moderate pace. Expect commercial property premiums for many standard or lower-risk accounts to increase more slowly, perhaps mid-single digits, or even to experience flat to mild declines in favorable cases.

Stronger Differentiation by Risk

The gap between risk exposed properties and well insured, lower exposure properties will widen further. Those with strong mitigation, good maintenance, lower catastrophe exposure, and favorable locations will see better terms; others will pay significantly more or may face nonrenewal and/or limited options.

More Restrictive Policy Terms

To manage losses and exposure:

- Deductibles will more often be higher, especially for catastrophe or peril exposed risks.
- Coinsurance clauses or sublimits (e.g., for ordinance and law, debris removal, flood, wind, wildfire) will be more stringent.
- More exclusions or “conditional coverage” may become standard.

Replacement Costs vs. Inflation

Replacement costs recovering/rising faster than headline inflation in many areas. Thus, underinsurance risk remains serious; property valuations will need to be updated more frequently to avoid potential gaps.

Regulatory and Disclosure Pressure Increasing

Governments at state and possibly federal levels will continue to push for greater transparency in how insurance companies model catastrophe/climate risks. Building code upgrades or mandatory risk disclosures (wildfire, flood zones) likely will factor into underwriting decisions.

Softening Market for Some; Hard Market Persists for Others

The “hard market” (where rates are high and underwriting is stricter) that’s existed for many exposures is easing in some segments (lower-risk properties, non-catastrophe exposed, good claims history), but for high-risk exposures, the market will remain hardened.

Reinsurance and Capital Markets Still Key Wildcards

If there are large catastrophic events or if reinsurers’ costs rise sharply, those shocks will be passed down. Alternative capital (cat bonds, insurance linked securities, etc.) will continue to play a role in shaping capacity and pricing.

IMPLICATIONS/WHAT PROPERTY OWNERS SHOULD DO

To manage risk and cost in this environment, property owners and managers should consider:

- Regularly update property valuations and ensure coverage limits reflect replacement cost including regulatory, labor, and material increases.
- Invest in mitigation and risk reduction: fire suppression, improved roofing, waterproofing, and structural upgrades in areas exposed to wind/wildfire/flood.
- Maintain a clean loss history. In the event of a loss, keep detailed claim records.
- Avoid small frequent losses, as high claims frequently hurts negotiations with the insurance market.
- Work with brokers to explore competitive markets, possibly use shared or layered placements.
- Be proactive with regulatory changes: know if your property is in a high-risk zone for flood or wildfire, stay ahead of any code or disclosure requirements.
- Consider higher deductibles or self-insured retention if financially feasible, but with a good understanding of exposure and what is at risk.

2026 COMMERCIAL AUTOMOBILE INSURANCE MARKET TRENDS

Key Drivers and What's Happening Now

Rising Loss Frequency and Severity

- Claims are increasing both in number and cost. Distracted driving, inexperienced drivers, and a shortage of qualified operators are contributing to higher accident rates.
- Repair costs are rising, especially with more advanced driver assistance systems (ADAS), sensors, calibration requirements, and more expensive parts.

Underwriting Losses and Profitability Pressure

- Commercial automobile has long been one of the weakest performing lines in the P&C (property and casualty) sector.
- Insurers have responded with rate increases. For example, core commercial automobile rate increases of almost 17% were reported by some insurers in recent years.

Rate Increases and Premium Growth

- Premiums for commercial automobile are rising to compensate for loss cost inflation and adverse trends.
- Commercial Lines Insurance Pricing Survey (WTW) shows commercial automobile had its highest price increase in that survey's history as of Q4 2024.

Technology and Telematics

- Use of telematics to monitor driver behavior, route patterns, braking/acceleration, etc., is increasing. This supports more accurate underwriting, pricing, and reward for safer behavior.
- Advanced analytics, advanced driver assistance systems (ADAS), and data (vehicle diagnostics, sensors) are being leveraged more in loss prediction and prevention.

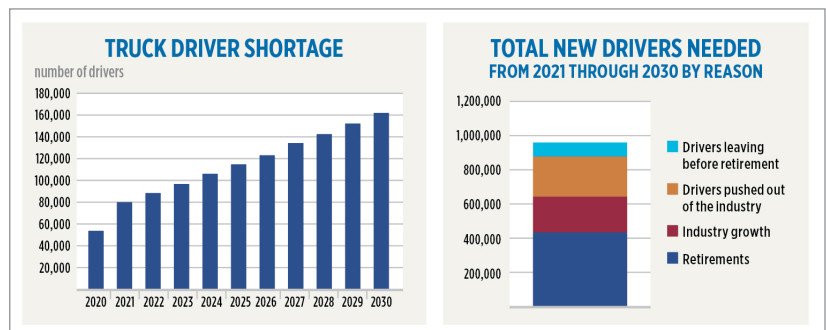
Fleet Electrification and New Vehicle Technology

- Increasing adoption of Electric Vehicles (EV) in commercial fleets is underway. While EVs bring benefits (lower fuel cost, and potentially lower maintenance), they also bring new risk costs including expensive battery components and fire risks.
- More complex vehicles mean higher repair/maintenance costs, more calibration (for ADAS), and possibly longer downtimes all adding to costs at time of a claim and passed down to consumers by the insurance carriers over time.

Driver Shortage and Quality Issues

- The commercial driving workforce is aging, with high turnover, and it has been difficult to recruit and retain experienced drivers. Companies in some cases are hiring less experienced drivers, which increases accident risk.

Source: American Trucking Associations,
Driver Shortage Update 2021, Oct. 25, 2021



Social Inflation and Litigation Environment

- Liability claims are being pushed upward by "social inflation" (higher jury awards, litigation costs, broader scope of claims).
- Insurance reserve losses (where past year's claims cost more than estimated) are also contributing to underwriting losses.

Regulatory and Legal Impacts

- Laws involving liability, tort reform, state regulation of insurance rates, and definitions of negligence (for example, involving ADAS behavior) are increasingly relevant. Regulatory changes in some states may affect premium levels and claim exposure.

Inflation of Repair Costs, Parts, Labor

- The cost of labor, spare parts, diagnostics, etc., especially for newer, tech-heavy vehicles, continues to increase. Delays and supply chain issues also factor in.

2026 COMMERCIAL AUTOMOBILE INSURANCE MARKET TRENDS

What We're Likely to See or Intensify in 2026

Trend	Expected Change/Magnitude	Implication for Insurers/Policyholders
Further rate increases	Expect continuing upward pressure on premiums, especially for high-risk fleets, or fleets with poor safety, or high exposure. Rates may increase in the +8-20% range in many cases, depending on exposure type.	Companies will need to budget for larger insurance cost increases; better safety/telemetry programs will become more valuable.
Sharper differentiation by safety and tech adoption	Fleets with strong safety programs, telematics, ADAS adoption, driver training will receive more favorable terms; others will be penalized more.	Investments in safety and technology will become not just optional but essential for cost control.
More restrictive underwriting, higher deductibles	Expect stricter driver hiring standards, more detailed safety audits; deductible sizes might creep up; coverage terms may include more exclusions or tighter liability limits.	Some smaller or lower margin operations may have trouble meeting stricter requirements; possibility of nonrenewal for riskier fleets.
Growth in EV fleet exposures	As more commercial vehicles electrify, the mix of risk changes. EV specific risks (battery fire, charging infrastructure, specialized repairs) will be more central. Pricing models will need to adjust.	Fleets and insurers will need to adapt; training, parts, repair shops, and safety protocols will shift. Premiums for EV fleets may initially be higher until more data becomes available.
Increasing use of data analytics, telematics, nearmiss/proactive behavior metrics	More insurers will use real world driving data, ADAS/near miss events, route risk, driver fatigue, etc., to rate risk more dynamically. May see more usage based or behavior based pricing.	Fleets will be motivated to deploy data capture, monitor driver behavior, invest in preventive maintenance. Good behavior could lead to meaningful discounts.
Stronger focus on loss prevention and risk management	Safety training, maintenance, route planning, driver monitoring, scheduling that reduces fatigue will get more emphasis. Insurers may require more stringent safety measures for favorable underwriting.	Risk managers and fleet operators will need to be proactive; those who lag will see cost penalties.
Regulatory developments	More state regulation of insurance rates, claims, liability; possibly more mandates around safety equipment, driver hours, EV charging safety. Tort reforms or legislation around nuclear verdicts may continue to affect severity.	The legal environment will be a bigger part of risk modeling; insurers will push for legislative relief in some states; fleets may need to comply with more safety and reporting requirements.
Profitability improvement (or continued pressure)	Some improvement likely where insurers have raised rates, but many pressures remain. Loss severity, litigation, and repair costs are likely to keep combined ratios elevated.	Insurers may be more selective; some may withdraw from riskier classes; pricing discipline will remain important.



RISKS AND WILDCARDS TO WATCH

- A major spike in litigation or jury awards (“nuclear verdicts”) in a particular state could sharply increase liability costs.
- Significant regulation changes (e.g., stricter safety mandates or caps on liability) could compress margins or shift risk.
- Supply chain disruptions (parts, labor) could worsen repair costs or delays in claim resolution.
- Rapid change in technology (e.g., autonomous vehicle deployments) could shift liability from driver toward OEMs, altering the risk model.
- Economic downturns that reduce vehicle utilization might affect premium volume and also reduce loss frequency for some fleets.

WORKERS' COMPENSATION TRENDS FOR 2026

Projected Trends and What's Likely in 2026

Rate Adjustments (Upward Pressure, Variable by State and Industry)

- Given rising costs (medical, indemnity, and wages), many employers will likely receive moderate rate increases. States where cost pressures are more acute (higher medical inflation, aggressive litigation, increased wage inflation) will see higher upward rate pressure.
- Those places that have already seen strong declines in claim frequency or improved safety may continue to show modest rate decreases or flat rate behavior (as we see in New Hampshire and some parts of Colorado).

Increased Claim Severity and Rising Medical Costs

- Expect continued growth of medical costs per claim (e.g., more expensive procedures, rising provider fees, pharmaceuticals).
- Indemnity costs are rising via wage inflation, increasing rehabilitation costs and long tail medical components.

Labor and Workforce Demographic Pressures

- More short-tenured employees - often resulting in a higher risk of injury (onboarding, training issues).
- Aging workforce in some industries tends to have longer recovery times and more severe outcomes.

Regulatory/Judicial/Litigation Trends

- Increased litigation (especially in some states) around workers' compensation (e.g., medical disputes, benefit disputes) could increase costs.
- Regulations in some states may force expanded benefits (mental health, rehabilitation) or tighter timelines, which affect cost.

Risk Management and Technology Use

- More emphasis on safety, ergonomics, wearables, early injury intervention, and return to work programs. These help reduce claim frequency and length.
- Use of predictive analytics, telemedicine, and technology to manage claim cost, reduce delays, and potentially reduce fraud.

Reserve and Underwriting Pressure

- As favorable reserve development (past years where claims turned out lower than expected) diminishes, some insurers may see margins tighten.
- Underwriting discipline matters: class codes, payroll exposure, and loss history, safety controls will be more heavily scrutinized.

Variation by Jurisdiction and Industry

- Some states will be much more exposed to cost increases due to state specific medical inflation, regulatory cost pressures, or local labor costs.
- Industries with higher physical hazards (construction, manufacturing, logistics) will likely see worse trends vs low hazard sectors (office, tech, etc.).





Umbrella/excess liability covers liability above the primary limits, often for catastrophic exposure, large claims, or “nuclear verdicts.” This part of the market is under distinct kinds of pressure.

Projected Trends and Likely Developments in 2026

Continuing Premium Pressure and Rate Increases

- Expect umbrella/excess liability renewal premiums to continue rising, especially in industries or states with frequent large claims. Probably double-digit increases will be common, particularly for increased limits and high exposures to higher risk exposures.

Reduced Capacity and Stricter Underwriting

- More restrictive terms: lower lead limits, more structured layers (i.e., more participation from reinsurers, multiple carriers), and stricter attachment points.
- Carriers will be more selective about what underwriting exposures they will accept (e.g., operations with high risk of catastrophic liability, operations with high risk of catastrophic liability or litigious environments, geographic risk).

Exposure to Nuclear Verdicts and Legal/Social Inflation

- Jury awards continue to grow. Legal costs, punitive damages, class actions, and reputation risk will factor more heavily.
- Insurers will scrutinize defense cost practices, damage caps, and coverage forms for limitations.

Attachment Point Review/Underlying Policy Strength

- Umbrella policies require strong underlying primary insurance. Insurers will more strictly enforce minimum underlying limits, ensure underlying policies are solid, well-rated, up to date, with few exclusions. If underlying policies are weak, insurers may adjust premium or exclude coverage.

Risk Transfer and Reinsurance/Excess Layers

- Use of reinsurance or excess reinsurance will be increasingly important to spread risk.
- Might see more purchases of excess layers or shared umbrella programs.

Growth of Market Size and Demand

- Given rising liability risks, businesses will demand more umbrella coverage, especially larger enterprises, or those in litigious sectors. The market growth forecasts are positive.
- Regulatory or contractual requirements (e.g., real estate leases, vendor contracts, and service contracts) will increasingly demand higher liability limits, pushing more businesses to carry umbrella/excess.

Policy Terms and Exclusions Tightening

- Stricter policy wording: exclusion of certain emerging risks, more emphasis on claims made or occurrence definitions, limits on indemnity plus defense cost, sublimits, etc.

HIGH-LEVEL DRIVERS ACROSS SPECIALTY LINES

Before diving in by line, several forces are common and shaping the whole specialty space:

- **Social inflation:** rising jury verdicts, higher defense costs, broader liability claims increase loss severity.
- **Regulatory pressure:** expanding laws (data privacy, environmental, employment law, fiduciary duties) are increasing exposures.
- **Technological change:** AI, automation, large data sets, remote work, cloud computing are creating new risk vectors.
- **Claims volatility:** more severe, unpredictable losses; exposures which used to be rare are more frequent (cyber attacks, environmental events, employment suits).
- **Capacity and underwriting discipline:** some insurers are pulling back; others tightening terms, increasing retentions, or raising premiums.

Specialty Lines	Trends/Current State (2024-2025)	What's Likely in 2026
Cyber Liability	• Continuing high frequency and severity of cyber incidents. Ransomware remains a major driver. • Growing regulatory obligations: data privacy laws, breach notification, minimum cybersecurity standards. Compliance is now a liability driver. • Insurers are pushing more for better security hygiene, stronger controls, require MFA, regular patching, third party risk management. • Premiums have been rising. Market growth is rapid: S&P Global estimates premiums reaching ~\$23B globally by 2026.	• Continued premium growth, especially for high exposure sectors (finance, healthcare, software, critical infrastructure). • More restrictive policy terms: narrower sublimits, higher deductibles, more exclusions (for certain technologies, third party vendors). • AI/quantum risks will begin being factored more explicitly (e.g. "harvest now, decrypt later" threats). • Tougher underwriting: more scrutiny of incident response plans, vendor management, cloud security posture. • More market segmentation: Middle market vs large enterprise will see diverging trends; middle market may pay more per unit of coverage due to less sophistication in risk management. • Possible stabilization in pricing pressure if competition increases, but margin risk remains. • Pricing is likely to rise (i.e., renewed upward pressure on premiums) for companies with weaker governance, financial instability, and exposure regulatory risk.

Specialty Lines	Trends/Current State (2024-2025)	What's Likely in 2026
Directors and Officers (D&O) Liability	• In recent years, buyers saw some softening: premiums and rate increasing moderately in certain areas. Insurers have been somewhat willing to compete. • Loss potential remains high: litigation, regulatory enforcement, shareholder suits, ESG exposures, insolvencies. • Insurer appetite has been good, but selectivity is increasing. • Demand is growing globally. Market forecasts show strong CAGR, driven by risk awareness.	• More stringent underwriting: more attention to financial condition, governance, ESG or sustainability disclosures, and risk oversight. • Expanded coverage areas or endorsements (e.g., entity investigations, regulatory investigations) may become more common but perhaps with higher cost or stricter eligibility. • The market will provide an ideal opportunity to negotiate broader terms and conditions – Removal of antitrust exclusions, increased limits on Side A coverage. • Pricing will remain stable so long as awareness of need for strong personal asset protection remains top of mind. • Insurers may reduce aggregate capacity in certain sectors (tech, energy, financial services) or require higher retentions. • Claims from shareholder activism, ESG failures, 'governance lapses' will be more material. • Possible tightening of terms around insolvency/bankruptcy exposures.
Employment Practices Liability (EPL)	• Claims frequency increasing for harassment, discrimination, wrongful termination, and newer risks like pay transparency, AI in HR, remote work challenges. • Corporate pullbacks in ESG and DEI initiatives are expected to lead to a rise in discrimination, retaliation, and wrongful terminations into 2026. • Regulatory developments (federal and state) are adding new liabilities (e.g., pay equity, transparency laws, rights regarding accommodations). • Pricing is relatively stable so far in many places, though trending toward increases as exposures worsen.	• Expect rate increases in many industries (especially where claims history is poor or where HR practices are evolving rapidly). • New kinds of claims: AI use in recruitment or performance management, remote work missteps, bias in algorithmic decision making, and misclassification of employees/contractors. • More regulatory litigation or scrutiny, especially in states with more aggressive worker's rights or antidiscrimination legislation. • Insurers will demand stronger HR policies, training, documentation, and proactive risk management (e.g. culture audits, complaint processes). • Insurers are very focused on hot button issues – pay equity, employee privacy, ESG related disclosures, and sexual harassment claims. This will likely lead to insurers requiring supplemental questionnaires. • Higher deductibles/retention, sublimits for certain emerging risk areas possibly.

2026 SPECIALTY LINES INSURANCE MARKET TRENDS

Specialty Lines	Trends/Current State (2024-2025)	What's Likely in 2026
Fiduciary Liability	- Relatively stable market in recent years. Some softening or modest premium decreases have been observed in lower risk segments (e.g., smaller plans, good performance). - But pressure from plan fee litigation, regulatory scrutiny (ERISA), and class actions. - Carriers managing exposure via retentions and underwriting discipline. - Some insurers are reentering or increasing appetite.	- Likely moderate premium increases, especially where excessive fees or mismanagement risks are present. - Retentions/deductibles possibly rising - More rigorous oversight of underlying plan governance, service provider contracts, disclosure, and documentation. - Regulatory developments or court decisions (e.g. excessive fee cases) could shift pricing or trigger new exposures. - Larger or more complex plans (higher assets) will be more in focus; small plans may benefit by "flat to modest" changes.
Pollution/ Environmental Liability	- Standard markets retreating somewhat for certain exposures (e.g., sudden, and accidental pollution); many risks shifting to excess and surplus or specialty market. - Costs rising, especially cleanup, regulatory compliance, and new environmental risks (PFAS, climate driven events, and site contamination). - Underwriting tightening: higher deductibles, more exclusions, shorter policy terms. - Strong interest from carriers in environmental lines due to ESG and regulatory drivers.	- Premiums for pollution liability expected to increase, particularly for high risk industries (manufacturing, chemical, energy, and real estate development). - More of the risk shifting to excess markets, with standard carriers pulling back in certain risky classes. - Underwriting and exposure assessment will intensify: more attention to legacy site risk, unknown contamination (Brownfields), climate impact, and regulatory risk. - Shorter policy terms or more frequent renewals to allow updating of exposures. - Possible increase in demand for riders or endorsements dealing with emerging contaminants (PFAS etc.). - More regulatory uncertainty is a wildcard: changes in environmental regulation (state/federal) could shift risk dramatically.



Specialty Lines	Trends/Current State (2024-2025)	What's Likely in 2026
Professional Liability (Errors and Omissions, Malpractice, etc.)	• Growing demand in many sectors, especially healthcare (telehealth, digital health), legal, and financial services. • Claims driven by higher expectations, increased complexity of service delivery, and digital transformation. • Insurers offering more tailored products, higher limits, specialized endorsements. • Market projections: Professional market is expected to grow at 6-7%.	• Premiums will continue rising, particularly in high litigation sectors (healthcare, legal, financial, consulting). • Increased pressure on claims costs: defense and settlement will rise due to social inflation, cost of expert witnesses, etc. • More need for policies to cover emerging risk: telehealth, AI malpractice, remote consulting, and digital services failures. • Underwriting tightening: more attention to past claim history, financials, quality controls, and professional credentials. • Higher limits, but also higher retentions for riskier practices. • Some consolidation among providers or specialized insurers to manage risk; more competition among those who can show strong risk mitigation (< e.g. good documentation, peer review, etc.). • Markets: Miscellaneous E&O – The market will remain soft with significant capacity as new entrants come into the space. • Architects & Engineers – Project specific offerings will continue to become more readily available. Residential and condo exposures will remain some of the more challenging. • Lawyers – Insurers will remain cautious and sensitive to application changes.

RISKS AND WILDCARDS TO WATCH

- Court rulings or regulatory changes (e.g., around AI liability, environmental regulation, fiduciary duties, employee rights) that could suddenly expand exposures.
- The evolution of AI (agent type, autonomous) and “silent” technology risk (things not explicitly addressed in policies) could produce disputes about coverage.
- Economic downturns/insolvency waves: more bankruptcies can trigger D&O claims (creditors, shareholders) or reduce coverage availability.
- Environmental disasters or high profile pollution events: combination of climate events and environmental contamination could cause loss spikes.
- Regulatory uncertainty: shifting policies (state/federal) can make underwriting riskier (e.g., environmental, privacy, employment).
- Reinsurance pricing/capacity: if reinsurers push back on certain exposures, specialty lines may see cost spikes or capacity constraints.

Prepaid Legal Services

Encompassing Employment Law, Human Resources, and Contractual Risk Transfer, the Prepaid Legal Services Plan is designed to provide added depth and resources for your internal infrastructure.

Sentinel has partnered with Jacqueline C. Hawkins of Executive Legal, to serve clients in an engaged capacity for employment and contract related advice, guidance, and counsel. The Prepaid Legal Services Plan is broken down into multiple tiers, billed on a prepaid, quarterly basis. Members may modify their plan selection at the end of each quarter with each incremental plan selection, requiring a minimum of four quarters participation before selecting a lower-tiered plan.

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HR Consultancy

Grounded in collaboration, technical excellence, and strategic alignment, our human resources consultancy functions as both your internal HR partner and external advisor—supporting your business objectives while upholding the highest standards of service.

We empower organizations by integrating scalable HR infrastructure, leadership development, talent strategy, and compliance expertise. Through innovation, responsiveness, and measurable impact, our model helps optimize operations, elevate performance, and create lasting workplace value.

Services include:

- Organizational Needs Assessment
- Executive People – First Strategy
- Organizational Strategy
- Talent Acquisition and Retention
- Compensation and Benefits Strategy
- Compliance and Employment Risk Management



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KEY DRIVERS

Several factors are pushing the market in certain directions:

- Climate change and natural catastrophes: more severe weather, wildfires, hurricanes, storms, etc.
- Inflation: especially in materials, labor, construction costs, and medical costs.
- Changing risk exposures: more EVs; more digital and connected devices in homes; remote work affecting auto usage; changing legal and liability environment (e.g., more litigation, attorney involvement).
- Regulatory dynamics: rate approval delays; scrutiny of insurer pricing; laws around housing, building codes, disclosure, etc.
- Technology and InsurTech: use of data, smart devices, sensors, telematics, usage-based insurance, etc.
- Consumer behavior: more shopping/quoting multiple carriers; sensitivity to premium increases; desire for more customization.

2026 Trends by Line

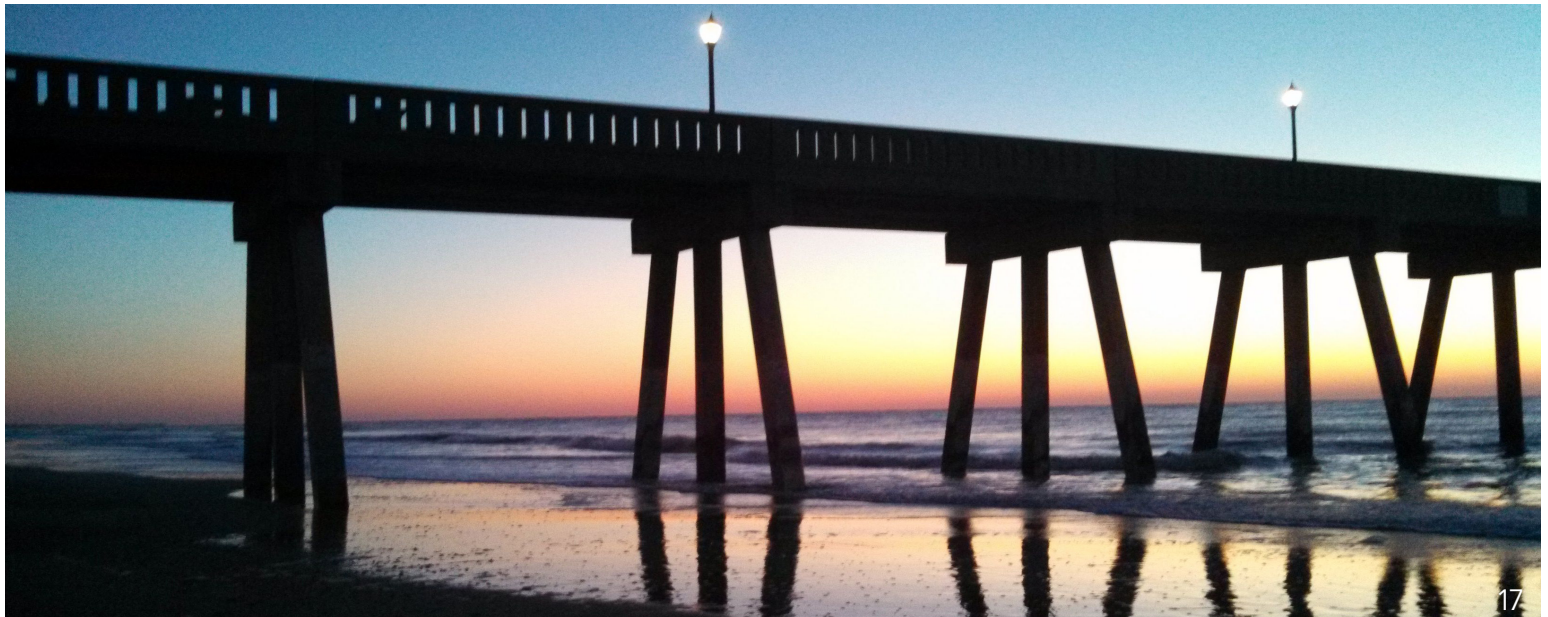
Below are expected trends in 2026 for each line: homeowners, personal automobile, personal umbrella/excess liability.

Insurance Lines	What Has Happened Recently/Current State	What to Expect in 2026
Homeowners Insurance	- Premiums have been rising sharply in many states. For example, base rate increases of 15% by mid 2026 in North Carolina. - Premiums are rising faster than inflation in many locations. The U.S. Department of the Treasury report shows homeowners in high-risk ZIP codes (20% with the highest expected losses from climate hazards) pay much more, and nonrenewal rates are higher in those areas. - Insurers are using more customization/endorsements: addons for items like storms, wildfires; smart home devices and sensors; coverage for solar panels, etc. - Insurtech is getting more traction; digital quoting, better risk assessment tools, IoT for loss prevention.	- Continued premium increases: generally, 15 to 20% for “normal” homes; much larger hikes (or even non-renewal) for catexposed homes or homes with prior losses. - More nonrenewal or coverage restrictions in high-risk areas (wildfire zones, flood zones, coastal storm zones). - Higher deductibles, more sublimits or exclusions for catastrophes (wildfire, flood, wind) or optional coverage riders. - More incentive programs and risk mitigation policies (e.g., building code-compliant roofs, wind mitigations, fortified standards) to reduce risk and thus reduce premiums. IBHS’s “FORTIFIED” program expansion is one example. - Greater use of detailed risk-based underwriting using ZIP level risk, home construction details, materials, age of home, etc. Pricing will get more granular. - Insurtech and data analytics will help improve underwriting and claims handling, but consumers will push back on affordability. - Replacement cost inflation will continue to outpace general inflation, pressuring insurers’ loss costs.



2026 PERSONAL LINES MARKET TRENDS

Insurance Lines	What Has Happened Recently/Current State	What to Expect in 2026
Personal Automobile Insurance	- Recent increase in premiums and loss severity. According to LexisNexis, auto premiums rose ~10% YoY in 2024 (compared to ~15% the year before), showing some moderation but still upward pressure. - Driving violations are rising including major/minor speeding violations, DUI, etc. Higher violation rates post-pandemic. - Usage of EVs increasing; EVs are introducing new risk patterns: higher repair costs, special parts, battery-related issues. - Policy shopping is up: many consumers are comparing auto insurance more frequently. - Underwriting loss ratios are improving somewhat as frequency is still below some pre-pandemic levels, but severity remains a challenge.	- Continued premium increases in many areas, likely in the range of +15 to 20% (or more) for riskier drivers or high-loss regions. - Severity of claims (cost per claim) will keep rising – due to repair cost inflation, parts, labor, EVs, and more complex vehicle technology. - More differentiated pricing using telematics, driver behavior, and usage patterns (e.g., miles driven, where driven, time of day). - Regulatory pressure may dampen rate increases in some states (rate approval processes, consumer protection). Some states may limit how much inflation or loss costs can be passed through. - More programs or discounts for safe driving, for lower usage, for EV safety. - Market softening for good risks, but risk of high volatility in bad risks (drivers with violations, accidents). - Longer time to get rate approvals in some jurisdictions; filings may be challenged or reduced. - Continued increase in policy shopping; customers are more price sensitive; insurers need to manage loyalty.



Insurance Lines	What Has Happened Recently/Current State	What to Expect in 2026
Personal Umbrella/ Excess Liability	• Loss experience for umbrella/"other liability occurrence" lines has shown adverse reserve development, meaning historical losses were higher than insurers had expected. S&P Global reported the "other liability occurrence" line had nearly \$10B in adverse reserve development in 2024, which includes personal umbrella business, among others. • Underlying exposure is increasing: more litigation, greater jury awards, and more liability claims arising from home/auto combined exposures. • Insurers are tightening underwriting and scrutinizing underlying home/ auto policies when issuing umbrella coverage (because umbrella kicks in after underlying limits). Also, they are increasing attachment points (i.e., the minimal underlying coverage needed before umbrella cover begins).	• Premiums for personal umbrella policies will continue to rise (maybe 20-25% or more in many areas, especially for higher limits or in areas with increasing liability exposure). • Underwriting will become stricter: requirements for strong underlying coverages, better risk behaviors (home safety, auto driving records etc.). • Higher required underlying policy limits will become more common. • Some coverage exclusions or policy wording tightening (limiting coverage for certain liability risks, activities, or exposures). • More consumers may reconsider which umbrella they need, given the cost; may push down to only essential excess coverage for some. • Markets may shrink somewhat for high limits or high-risk customers unless they have excellent underlying exposures/loss history.

RISKS AND WILDCARDS TO WATCH

- A series of large natural disasters (major hurricanes, wildfire seasons, and storm systems) could further exacerbate homeowners' losses and push rates even higher, or lead to more insurer exits/nonrenewal.
- Inflation resurgence: if labor, materials, medical costs or auto repair inflation accelerates, insured loss costs could rise more sharply than expected.
- Regulatory backlash: consumer pressure, political pressure could push regulators to limit rate increases or impose reforms, possibly reducing insurer margin. Conversely, regulators might increase approvals of risk-based pricing.
- Technological shifts: more autonomous vehicles (though still farther out), shifting liability models; smarter home tech or connected devices (with cyber or malfunction risk), more dependency on IoT and data.
- Affordability and coverage gaps: as premiums rise, some homeowners or drivers may reduce coverage, increase deductibles, or in some cases forego coverage entirely — leading to underinsurance risk and potential for public policy intervention.
- Reinsurance cost and capacity: rising catastrophe losses, capacity constraints, and reinsurance rate increases will feed into personal lines, especially homeowners.

2026 EMPLOYEE BENEFITS MARKET TRENDS

Key Drivers and Pressures

Healthcare Cost Inflation

- Employers are facing major increases in health benefit costs. Mercer forecasts a 6.5% average rise in 2026 per employee, which is the highest since 2010.
- Without changes to plan design, the cost trend could be closer to 9%.
- Drivers include increasing drug costs (specialty and brand name), greater utilization of health services (especially behavioral health, chronic disease), rising provider wages, and general inflation in medical care. GLP1 drugs (for obesity/diabetes) are a noted contributor.

Plan Design Changes and CostSharing / Benefit Redesign

- To manage cost pressures, many employers are adjusting plan designs (higher deductibles, more out-of-pocket cost sharing, narrowing networks, more HDHP/HSA options).
- Employers are also trying to shift some cost burden to employees or offering more plan options to spread risk/cost.

Voluntary and Flexible Benefits Expansion

- As benefits costs rise, optional/voluntary benefits are getting more attention because they allow choice without purely increasing employer costs. These include critical illness, hospital indemnity, disability enhancements.
- Benefits are becoming more personalized/flexible to accommodate life stage, demographics, and employee preferences (e.g., childcare, rent assistance, credit counseling).

Financial Wellness and Total Rewards Broader Than Just Health

- Employers are investing more in financial wellness support: debt/student loan repayment, emergency savings programs, retirement planning.
- Non-health benefits (mental health, well-being, flexible work arrangements) are increasingly important for attracting/retaining talent.

Regulatory and Tax Policy Changes

- New or expanded tax credits/provisions (for example under recent legislation) are changing the economics of benefits. Example: increases in employerprovided childcare credit and dependent care FSA limits under "One Big Beautiful Bill" starting in 2026.
- Minimum standards, disclosure, and regulatory scrutiny over benefit offerings (especially health, retirement, family/leave) continue to increase.

Talent, Retention and Competition for Employees

- In a tight labor market, benefits are key differentiators. Employees expect more than just salary: flexibility, work/life balance, meaningful benefits matter.
- Employers that lag on benefit offerings may face retention challenges or struggle to attract skilled workers.

Use of Data, Technology, and Alternative Care Models

- Telehealth, virtual care (especially in behavioral health), remote/hybrid benefit provision are increasingly adopted.
- More analytic tools, predictive health programs, care navigation, population healthtype approaches to try to control utilization and cost.

What's Likely/What to Expect in 2026

Trend	Expected Direction and Impact
Steep increase in employers sponsored health benefit costs	Employers should plan for double digit (or near double digit) increases in many cases, especially for fully insured plans or where drug costs are high. Even with design changes, costs may rise significantly.
More aggressive cost containment strategies	Expect more use of high-deductible plans, narrower provider networks, preferred provider arrangements, wellness/disease management programs. More cost sharing shift to employees in many settings.
Benefit customization and flexibility growth	Employers will likely broaden benefit menus to give more choice: voluntary benefits, a la carte or modular offerings, benefits tied to employee life-stage or needs. Personalized benefits will be more common.
Emphasis on mental health, behavioral health, chronic disease management	The rise in utilization and cost of these areas will put them front and center in benefit strategy. Virtual care and hybrid models will be more prominent. Employers will invest in preventive/early intervention.
Financial wellness and nontraditional benefits continue expanding	Student loan repayment, emergency savings, rent/mortgage assistance, childcare support, elder care support, legal services, etc. will be more common. These help employees feel supported beyond basic health/retirement.
Focus on transparency and employee communication	With costs rising, employees will push back or be concerned. Employers will need to be more transparent about what benefits cost, what tradeoffs are involved, and provide tools to help employees choose among plans or understand out-of-pocket exposure.
Regulatory/tax policy benefits shape design changes	New tax credits, family/childcare benefits, changes to retirement savings law (e.g., catchup rules, autoenrollments etc.) will play a role. Benefit plans will be modified to take advantage of favorable tax/treatment.
Pressure on smaller employers	Large firms have more leverage and scale to negotiate, absorb costs, offer variety. Smaller companies may feel the squeeze more: fewer plan options, higher peremployee costs, more pressure to pass cost to employees or reduce benefits.
Competitive differentiation via benefits	As salary growth slows in many sectors, benefits become more of a differentiator for recruiting. Employers with strong, innovative benefit packages may gain talent advantage.

2026 EMPLOYEE BENEFITS MARKET TRENDS

KEY DRIVERS

- Drug pricing/specialty drugs surprises (new expensive therapies, or unexpected adoption) could spike costs more than forecast.
- Regulatory changes or litigation around health benefits (e.g., surprise billing, network adequacy, prescription drug coverage, mental health parity) could force benefit design shifts or cost increases.
- Inflation and labor costs continue to rise in the healthcare delivery sector, possibly faster than anticipated.
- Economic downturns: may force employers to cut benefits or shift more cost to employees; might also change employee expectations.
- Talent market shifts: If remote work or hybrid become more ingrained, expectations around benefits (flexibility, wellness, mental health) may accelerate faster than employers can adapt.
- Technological disruptions: telemedicine gains, AI tools in care navigation, remote monitoring etc. might help cost control but also bring new compliance/risk issues.



SENTINEL MEDICARE AND INDIVIDUAL HEALTH INSURANCE SOLUTIONS

Are you planning to enroll in Medicare for the first time?
Are you under the age of 65 and considering early retirement?
**Is your current employer-sponsored group plan
too expensive to cover your dependents or family?**
**Are you exploring the Health Insurance Marketplace
for more cost-effective coverage?**

EMPLOYER STRATEGIES TO ADDRESS COST INCREASES

Individual health insurance offers value and flexibility for those who want to select plans that best fit their unique healthcare needs and budget. However, choosing individual health insurance or enrolling in a government-run program like Medicare can be a complex and challenging process.

Sentinel Medicare and Individual Health Insurance Solutions can help.

Our consultants provide education and guidance on the benefits of individual marketplace plans and Medicare to make informed decisions. We deliver dedicated support to help individuals enroll in comprehensive and cost-effective marketplace plans best suited for your individual needs.

Built to be more than a broker

Our firm was founded to fix what consolidation broke: the erosion of service and trust. As personal connection and strategic counsel were replaced by transactional models, we forged a better way forward.

Independent by choice

Founded in 2013 by industry veterans determined to restore humanity to risk management. We chose independence intentionally and, have expanded our independence-driven philosophy to offices in Raleigh, Charlotte, and Greensboro, serving companies of all sizes across the globe. Our independent model fuels a people-first culture, one that unlocks talent, earns trust, and delivers better outcomes.

Culture, talent, and experience

Our commitment is guided by our clients' needs, not short-term metrics. Every decision we make prioritizes lasting relationships and meaningful results. We built a culture that puts people first. Here, culture is not a buzzword; it is our business model. We assemble and empower elite talent, fostering mutual respect, autonomy, and high standards to empower and serve our clients.

Our integrated, team-based approach eliminates silos by bringing together specialists in risk, claims, legal, safety, and employee benefits to operate in sync year-round. We believe the best results come when top talent is free to innovate and lead without departmental or transactional constraints, so clients gain full-service advocates who guide and stand by them through every decision and challenge.

At Sentinel, the client experience is our strategic advantage, not a transitional touch point. We deliver specialized year-round guidance that earns trust, delivers results, and builds peace of mind into every moment. With a shared mindset and mutual accountability, every client benefits from proactive, aligned support, not fragmented service.

Sentinel Risk Advisors

Tailored Risk Solutions
Risk Mitigation Methods
Elevated Service Commitment
Value Driven Results

Sentinel Risk Performance Group

Safety Risk Consulting
Risk Management Systems
Transportation Risk
Claims Adjudication and Consultancy
Public Adjusting

Sentinel Benefits Consulting

Strategic Planning
Financial Consulting
Technology Consulting
Communications
Implementation and Ongoing Support

Value Added Services

Prepaid Legal
HR Consultancy
Medicare Insurance Solutions
Crisis Management



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