

2026 MID-YEAR MARKET REPORT



SENTINEL

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PERSONAL INSURANCE MARKET TRENDS

At mid-year 2026, the personal insurance market is no longer in freefall, but it is far from soft. Rate increases are moderating. Headlines are quieter. But beneath the surface, the market has fundamentally changed. Risk is being priced with greater precision, carriers are more selective, and coverage is no longer designed to be one-size-fits-all.

This is not a return to normal. It is a new operating environment, one that rewards proactive strategy over reactive buying.

Across personal lines, the market is entering a more disciplined phase:

- Pricing remains elevated, though increases are moderating
- Underwriting is highly data-driven and more exacting than in prior years
- Carrier appetite varies significantly based on risk characteristics and geography

For clients, this translates to greater predictability, but not necessarily reduced cost. The advantage now lies with those who engage early, present their risk thoughtfully, and adapt their strategy to align with how carriers are underwriting today.



Homeowners Insurance: From Coverage to Risk Strategy

Homeowners' insurance remains at the forefront of market disruption and structural change.

Premium increases continue, most notably in catastrophe-exposed regions, as carriers recalibrate portfolios and manage aggregate risk. At the same time, underwriting has become more intensive, driven by enhanced data, more frequent inspections, and stricter eligibility standards. Carriers are also shifting more responsibility to policyholders through higher deductibles, including percentage-based structures tied to insured values.

Equally important, coverage is becoming more fragmented. The growing use of exclusions, sublimits, and coverage carve-backs is creating gaps that are often not immediately apparent, particularly in areas such as water damage, secondary structures, and high-value contents.

KEY TAKE-AWAY:

Homeowners insurance can no longer be evaluated on premium alone. Coverage design, policy structure, and a detailed understanding of limitations are now critical to ensuring the program performs as intended when a loss occurs.

National Auto Insurance Rate Changes



ValuePenguin | lendingtree

Automobile Insurance: Stabilizing, Not Retreating

The personal auto market is beginning to find its footing following several years of sharp correction.

Rate increases persist, but at a more measured pace as carriers work back toward sustainable profitability. While the headline pressure has eased, the underlying cost drivers remain firmly intact including increased vehicle complexity, elevated repair costs, and ongoing litigation trends.

As a result, underwriting discipline continues. Carriers are refining segmentation, adjusting eligibility, and more closely aligning pricing with individual risk characteristics.

KEY TAKE-AWAY:

The environment is stabilizing but not softening. Premium relief may be incremental, and outcomes will increasingly depend on how well individual risk profiles align with evolving carrier appetite.



High-Value Collections: Specialty Coverage Required

High-value assets including art, jewelry, and collectibles are facing increased scrutiny from carriers.

Valuation volatility, rising replacement costs, and heightened theft exposure are driving more rigorous underwriting requirements. Updated appraisals are becoming more frequent, and carriers are placing greater emphasis on protective measures such as secure storage, alarm systems, and documentation.

In parallel, coverage is becoming more specialized. Standard policies are often insufficient for complex or appreciating assets, making tailored solutions increasingly important.

KEY TAKE-AWAY:

Collections should be managed with the same discipline as any other asset class; supported by accurate valuation, specialized coverage, and ongoing review to ensure alignment with both market conditions and carrier expectations.

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Flood Insurance: The Most Underestimated Exposure

Flood risk is expanding, geographically and financially, yet remains one of the most underinsured exposures across personal lines.

Because standard homeowners policies exclude flood, many individuals remain unintentionally exposed, particularly in areas outside historically designated flood zones where risk awareness is lower, but loss potential is increasing.

At the same time, the flood insurance market is evolving. The private market continues to gain traction, offering more flexible underwriting, broader coverage options, and, in many cases, more competitive pricing relative to traditional solutions.

KEY TAKE-AWAY:

Flood risk can no longer be viewed as a niche or location-specific concern. It requires deliberate evaluation and, increasingly, a tailored solution that aligns coverage with actual, not perceived, exposure.

COMMERCIAL INSURANCE MARKET TRENDS

At mid-year 2026, the commercial insurance market is no longer defined by broad-based disruption—but it has not fully transitioned to a soft market. Following several years of aggressive rate increases, conditions are shifting toward a more balanced phase. Capacity is returning, competition is increasing, and pricing is stabilizing.

Beneath that surface stability, however, risk complexity is increasing and outcomes are becoming far more differentiated.

The market is entering a measured correction phase:

- Overall commercial rates declined approximately 5% in early 2026, with competitive pressure continuing.
- Premium growth is moderating to the ~3–4% range, reflecting a more mature cycle
- Capacity is expanding across most lines, particularly in property and financial lines

Even so, this is not a broad-based soft market. Conditions vary significantly by industry, loss profile, and exposure, creating a highly segmented environment where results depend heavily on risk quality and how effectively it is presented to the market.

Property: Improving Conditions with Clear Boundaries

Commercial property is showing the most visible signs of improvement within the broader market. After years of hard market conditions, property insurance is stabilizing with increased capacity leading to moderate rate adjustments or even rate reductions for well-maintained accounts.

What's happening:

- Increased carrier capacity is driving greater competition
- Pricing is stabilizing, with modest decreases emerging for well-performing, well-protected risks
- Carriers are demonstrating more flexibility in program structure, limits, and terms

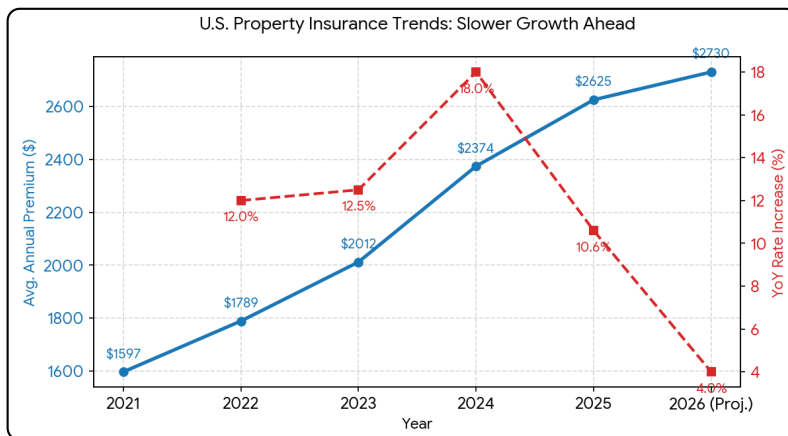
At the same time, discipline remains:

- Catastrophe-exposed assets continue to face sustained pressure
- Insurers are maintaining strict scrutiny around valuation adequacy, construction quality, and risk controls
- Climate-related risk is influencing long-term pricing assumptions and underwriting posture

Emerging and evolving risks are introducing new layers of complexity:

- Climate and catastrophe volatility are impacting both property portfolios and supply chain resilience
- Geopolitical instability is contributing to ongoing supply chain disruption and uncertainty
- While inflation is showing signs of cooling, high rebuilding costs and supply chain disruptions continue to exert upward pressure on replacement cost valuations

The result is a market that is improving but selectively. Favorable outcomes are increasingly reserved for risks that are well-engineered, well-managed, and clearly differentiated in the underwriting process.



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Casualty: Emerging and Structural Risks

The casualty market remains firm due to persistent social inflation, with carriers struggling to keep up with loss trends often cited between 12% to 15%. Large auto fleets continue to face steep hikes as carriers look for profitability in the auto sector. Overall, the commercial risk landscape continues to expand, reshaping how carriers evaluate, price, and manage exposure.

The market is responding with increased adoption of alternative risk solutions:

- Captives and alternative risk financing strategies are being utilized to manage cost and volatility
- Data-driven underwriting and AI-enabled claims are improving risk selection, pricing accuracy, and response time

Underwriters are focusing on stricter risk selection and disciplined pricing to manage portfolio profitability, moving away from the broad, industry-wide double-digit hikes of previous years.

KEY TAKE-AWAY:

Traditional insurance structures alone are often insufficient in this environment. Organizations that take a broader, more strategic approach to risk financing and mitigation will be better positioned to navigate increasing complexity and volatility.



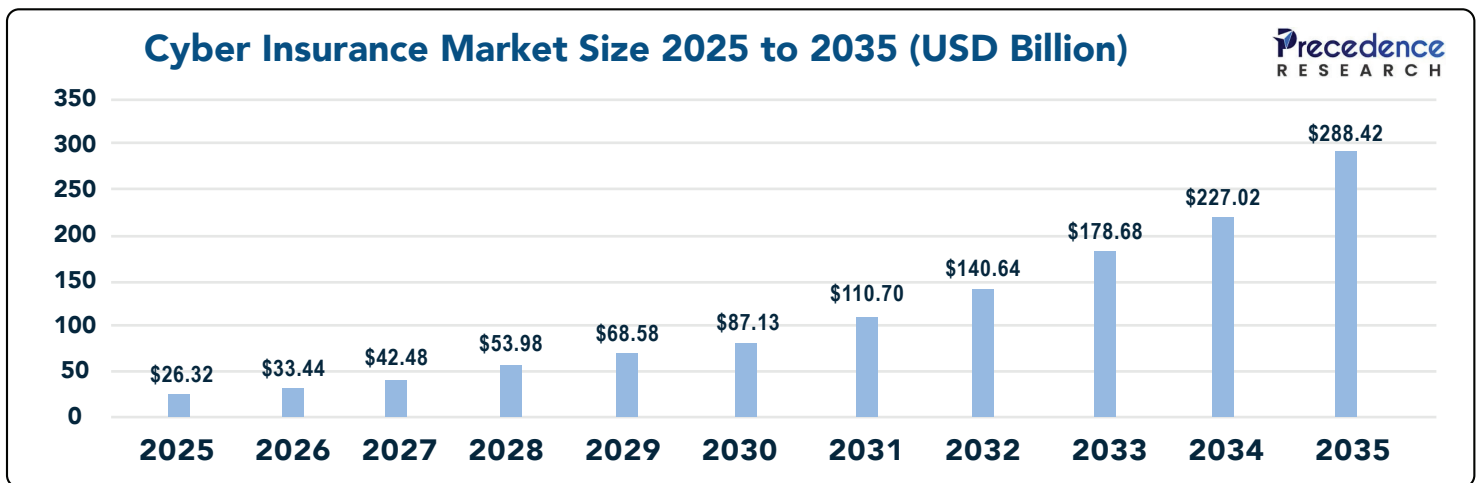
SPECIALTY MARKET TRENDS

At mid-year 2026, the specialty insurance market is evolving along a different trajectory than the broader property and casualty landscape. While many traditional lines are stabilizing, specialty risks are becoming more complex, more interconnected, and more challenging to underwrite. In response, carriers are deploying capacity with greater selectivity, pricing risk with increased precision, and requiring higher levels of transparency from insureds.

Across specialty lines, the market is best characterized as targeted and fragmented:

- Capacity is expanding in preferred niches, particularly where underwriting data and loss visibility have improved
- Pricing is stable to modestly decreasing in more competitive segments
- Challenging classes continue to experience rate pressure, tighter terms, exclusions, and reduced limits

Unlike standard lines, there is no single overarching trend. Outcomes are increasingly risk-specific, driven by exposure profile, data quality, and how effectively each risk aligns with carrier expertise and appetite..



SOURCE: <https://www.precedenceresearch.com/cyber-insurance-market>

Cyber: Stabilized Pricing, Elevated Risk

After a period of significant correction, the cyber insurance market has reached a more balanced state.

What's happening:

- Rates are flat to modestly decreasing for well-controlled risks
- Underwriting remains rigorous, with continued emphasis on core controls such as multi-factor authentication (MFA), endpoint detection and response, and robust backup protocols
- Coverage is gradually broadening, with clearer definitions and more structured policy language

At the same time, underlying risk remains elevated:

- Ransomware, business interruption, and systemic cyber events continue to be primary areas of concern
- Claims severity remains unpredictable, particularly for large-scale or interconnected events

The result is a market that is stable, but highly disciplined. Favorable outcomes are increasingly reserved for organizations that can demonstrate strong cybersecurity posture, operational resilience, and a clear understanding of their risk exposure.



Management Liability (D&O, EPLI, Fiduciary): Competitive but Scrutinized

Financial and professional lines continue to benefit from increased competition across the market.

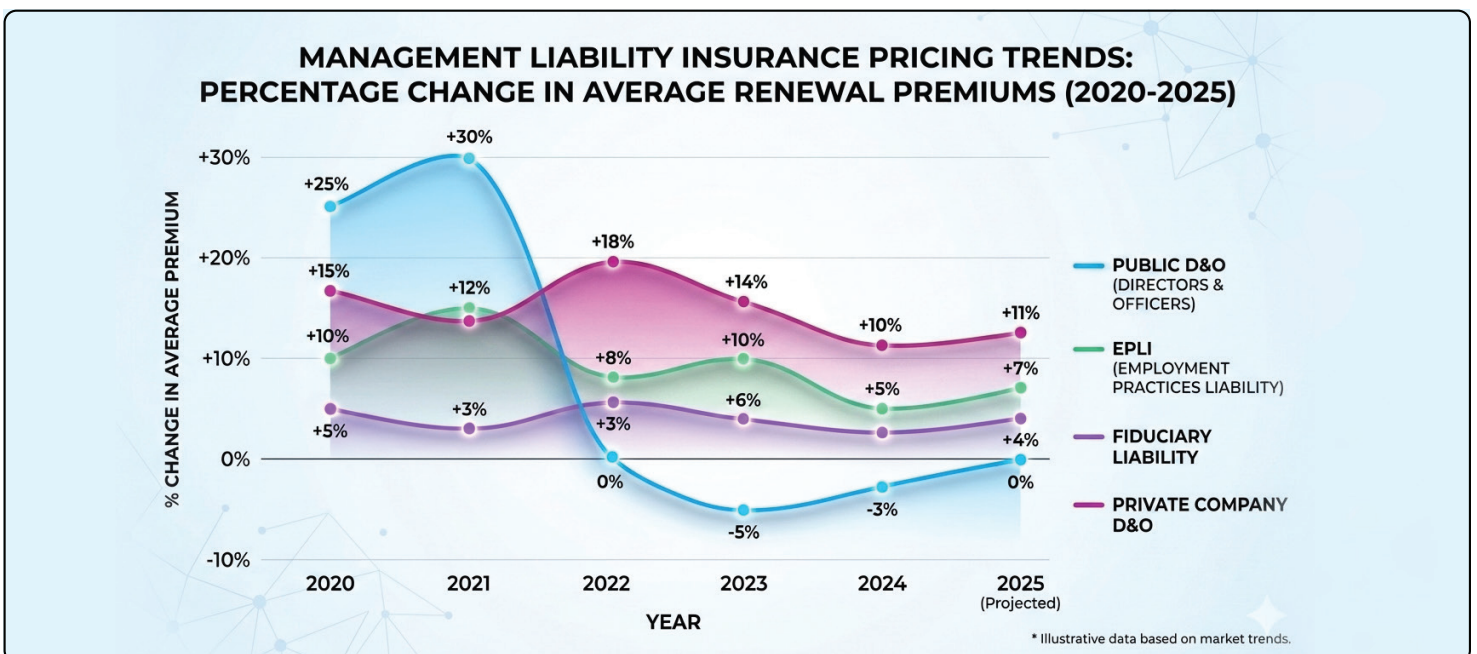
What's happening:

- Rate reductions across many segments, particularly for publicly traded and financially strong organizations
- Increased capacity and broader carrier participation, supporting more competitive program structures
- Continued underwriting scrutiny focused on governance quality, financial strength, and workforce management practices

At the same time, emerging pressures remain in focus:

- Heightened regulatory activity across multiple industries and jurisdictions
- Increasing frequency and severity of workforce-related claims, including EPL and fiduciary exposures
- Macroeconomic uncertainty influencing leadership decisions, disclosures, and strategic risk profiles

The overall result is a more competitive market but one that is becoming increasingly selective beneath the surface. Strong governance, disciplined financial reporting, and proactive risk management remain key differentiators in securing favorable terms.





Environmental & Pollution: Growing Relevance

Environmental exposures are gaining increased visibility across a wide range of industries.

What's happening:

- Rising demand for pollution and environmental liability coverage as organizations broaden their risk awareness
- Greater underwriting scrutiny focused on site history, operational practices, and regulatory compliance
- Continued expansion of coverage solutions addressing emerging risks, including PFAS and other evolving climate-related exposures

At the same time, underwriting discipline is intensifying. Carriers are increasingly differentiating between legacy exposures and ongoing operational risk, with terms and capacity closely tied to demonstrated controls and regulatory alignment.

The result is a market that is expanding in relevance but also becoming more precise in how risk is evaluated and transferred.

Professional Liability: Diverging by Industry

Professional liability markets are broadly stabilizing, but outcomes continue to vary significantly by sector.

What's happening:

- Competitive conditions in lower-severity industries, supporting more favorable renewal outcomes
- Continued pressure in higher-risk sectors, including healthcare, legal services, and design professionals, where loss experience remains elevated
- Heightened underwriting focus on contract language, scope of services, and the strength of internal risk controls

At the same time, carriers are becoming more selective in how they allocate capacity, with increased differentiation based on claims history, contractual risk transfer, and operational discipline.

The result is a market that appears stable on the surface. However, it is increasingly segmented beneath where structure and risk management practices drive as much of the outcome as pricing itself.

EMPLOYEE BENEFITS MARKET TRENDS

The employee benefits landscape in 2026 has reached a pivotal moment. After years of expansion and innovation, employers are now facing sustained cost pressure, shifting workforce expectations, and increasing complexity across benefit programs.



Escalating Cost Pressure

Healthcare costs continue to rise at a pace that outstrips general inflation, with pharmacy spend (particularly specialty drugs) emerging as a primary driver. Additional pressures include the growing prevalence of chronic conditions such as diabetes, cardiovascular disease, and obesity; provider price inflation fueled by health system consolidation; and increased utilization following delayed care in prior years.

If these trends persist over the next 12–24 months, employers should expect sustained double-digit pharmacy inflation, continued disruption from high-cost breakthrough therapies, on-going provider price escalation in concentrated markets, and increased volatility driven by catastrophic claims.



In response, employers are evaluating and implementing a range of defensive and strategic measures:

Defensive Moves (Most Common)

- Increasing deductibles and employee contributions
- Tightening plan design and eligibility
- Expanding prior authorization and utilization controls

Strategic Moves (Higher Maturity)

- Alternative funding (level-funded captives)
- Narrow / high-performance networks
- Centers of excellence for high-cost procedures
- Direct contracting with providers

Emerging Focus Areas

- GLP-1 and specialty drug management strategies
- Condition-specific programs (diabetes, MSK, cardiac)
- Data-driven population health management

In 2026, cost containment defines the benefits agenda. Reactive approaches are no longer sufficient. Employers must adopt a proactive cost strategy powered by predictive analytics, early intervention, and precision risk management. Organizations that elevate benefits from a traditional HR function to a strategic financial discipline will be best positioned to succeed.

Rise of Personalization

The traditional one-size-fits-all model is rapidly being replaced by more flexible and customizable approaches.

Key developments include:

- Tiered plan options based on employee needs
- Expanded voluntary benefits
- Lifestyle Spending Accounts (LSAs)

Financial Wellbeing takes Center Stage

Benefits strategies must address employees' total financial health, not just healthcare. Financial stress is increasingly recognized as a critical factor affecting employee performance and retention.

Employers are expanding support through:

- Student loan assistance programs
- Emergency savings solutions
- Enhanced retirement plan features

Evolution of Mental Health Support

Holistic wellbeing is becoming a core component of the employee value proposition. Mental health is expanding beyond traditional employee assistance programs into a broader “whole-person health” model. Organizations are integrating mental, physical, and financial wellbeing into cohesive strategies.

Technology and AI Transformation

Technology is now essential to delivering an effective and scalable benefits experience. Digital tools are reshaping both the administration and experience of benefits.

Employers are investing in:

- AI-driven decision support
- Personalized benefits navigation platforms
- Integrated ecosystems that simplify access, engagement and claim processing across multiple plans

STRATEGIC CONSIDERATIONS FOR EMPLOYERS:

• Balance Cost and Experience

Reducing costs without regard to employee impact can erode engagement and retention. Leading organizations are focusing on optimizing value rather than simply cutting spend.

• Adopt a Portfolio Approach

Segment benefits into:

- Core offerings (healthcare, retirement)
- Differentiators (flexibility, wellbeing programs)
- Optional benefits (voluntary and lifestyle options)

• Enhance Communication

As programs become more complex, clear communication and decision support tools are critical to ensuring employees understand and utilize their benefits.

• Target High-Cost Drivers

Focus resources on areas with the greatest financial impact, including specialty pharmacy and chronic condition management.

• Enable Personalization at Scale

Leverage technology and defined contribution strategies to provide flexibility without significantly increasing costs.

• Conclusion

The mid-year 2026 benefits landscape reflects a fundamental shift in employer priorities. The focus is no longer on expanding benefits programs, but on refining and optimizing them to deliver meaningful impact. Organizations that take a disciplined, data-driven, and employee-centric approach will be best positioned to navigate this evolving environment.

Sentinel is an independent consulting firm founded to fix what consolidation broke.

Designed around a culture where collaboration is not a concept, but a strategy, our multidisciplinary team is intentionally structured to provide connected solutions and proactive, year-round guidance across risk management, safety and employee benefits so clients feel supported at every turn – especially at their most vulnerable. And, free from outside influence, we're able to focus on what matters most 365 days a year: long-term relationships, clear advice, guidance, counsel with value-driven results.

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