

Commercial property

It's been a fascinating 12 months in commercial property. Insurers posted a combined ratio of 84% in 2025 – an improvement on the 91% recorded last year. This result is driven by past premium increases flowing through and catastrophic losses coming in below expectations.

As we look to the future, three key themes stand out:

1. A softening commercial market
2. Insurers investing more in tools to help policyholders understand their specific risk
3. The transition to renewable energy.

I'll take you through each of these in a bit more detail:

1. The softening commercial market has been assisted by the softening reinsurance market. These conditions are leading to more generous policy terms, including lower deductibles, and placing pressure on premiums. Looking ahead, we expect the market will continue to soften over the next 12 months. Insurers will need to pay close attention to the technical or true cost of individual risks as they balance growth and profit objectives.
2. Insurers are investing more in tools to help policyholders better understand their specific risks and the actions they can take to reduce these. While flood, fire and storm exposures have been in focus for several years, this year cyber risk management maturity is receiving increased attention. Cyber risk impacts an entity's physical risk profile. For example, a manufacturing plant with weak cyber security may be more susceptible to equipment failure and have a higher risk of fire relative to a plant with strong cyber controls.
3. The transition to renewable energy continues to keep insurers on their toes, with new technologies also introducing new risks for insurers to consider:
 - Solar panels and lithium-ion batteries present new ignition points for fires and can be in hard-to-access areas. This combined with the combustibility of roof structures and the batteries themselves is leading to more total-loss claims.
 - On solar panels, the industry is also grappling with the trade-off between the durability and efficiency of solar panels, with thinner glass coverings driving efficiency, but leaving panels more exposed to damage from natural hazards, particularly hail. Insurers should prepare for increasing exposure to hail-related losses.

A comprehensive understanding of the factors impacting individual risk and pricing discipline will help commercial property insurers weather the softer market conditions ahead.