

Commercial Lines 1: Market Trends, Valuation, Ordinance & Law

Big I Nebraska Expanded CE | Bill Harwood



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Session 1 Agenda: Where the Market Is and Where the Coverage Gaps Are

- Key commercial market issues and trends as of 3Q 2026
- Rate direction by line, carrier appetite, and capacity movement
- Commercial property valuation traps, with three claim scenarios
- Ordinance and Law: Coverage A, B, and C and how each one fails
- Documentation discipline that protects the agency from E&O
- Interactive poll, building-schedule breakout, and debrief

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Learning Objectives for This Session

Read the market	Describe current rate direction and capacity by major commercial line, and explain to an insured why property and casualty are moving in opposite directions.
Find the valuation gap	Identify the specific inputs that make a replacement cost estimate wrong, and quantify the coinsurance consequence of an understated limit.
Apply Ordinance and Law	Distinguish Coverage A, B, and C, and recognize the building characteristics that create code-upgrade exposure.
Document the file	Record recommendations, declinations, and valuation discussions in a way that survives a claim and an E&O review.

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Segment 1: Commercial Market Issues and Trends

40 minutes | Rate direction, appetite, and capacity as of 3Q 2026

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The Market in Four Numbers, Q2 2026

-2.0%

Average premium change across all account sizes, sixth straight quarter of softening

-6.3%

Commercial property, the largest decline of any line tracked

+5.3%

Umbrella, the 35th consecutive quarter of increases

+4.5%

Commercial auto, second-largest increase of any line

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Rate Direction by Line: A Two-Speed Market

- Property: US rates down 13% at Marsh; new domestic capacity entered in 2026
- Casualty: US casualty up 7%, the only region in the world still rising
- Umbrella and excess: increases persist against 12–15% loss-cost trends
- Commercial auto: increases finally fell below double digits, but stayed positive
- Workers compensation: 18th straight quarterly decrease, 91% combined ratio
- Cyber and D&O: soft, with D&O showing its first primary increase in 16 quarters

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What Is Actually Driving the Split

Property capital is abundant	Reinsurance capital hit a record \$688 billion at mid-2026 and property cat rates fell about 16% year over year, the steepest annual drop in roughly 25 years.
Catastrophe losses paused	Insured nat cat losses were about \$42 billion in H1 2026, 16% below the ten-year first-half average, after \$107 billion for full-year 2025.
Casualty severity did not	Other liability occurrence developed \$7.3 billion adverse in 2025, the worst of any line, concentrated in accident years 2021–2023.
Verdict risk keeps repricing	Nuclear verdicts against corporate defendants rose 40.7% in 2025 to about \$25.6 billion, the highest total since 2009.

Source: [Gallagher Re capital report via Artemis](#), [Swiss Re Institute H1 2026](#), [S&P Global via Carrier Management](#), [Marathon Strategies via Insurance Journal](#)

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Where Underwriting Scrutiny Still Bites Even in a Softer Property Market

- Valuation support: cost-estimator output, not a client-supplied round number
- Roof age, roof type, and documented maintenance on older buildings
- Vacancy and partial occupancy, including tenant turnover during the term
- Habitational and student housing: appetite is narrow even at lower rates
- Loss control recommendations from prior inspections, and proof of completion
- Contractual risk transfer language on any account with subcontractors

Source: [Renewing 2026 State of the Market: 400+ valuation study via Insurance Business](#)

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Renewal Strategy Implications: What Agencies Should Change Now

- **Start property renewals 120 days out, casualty 150 days out**
- Re-verify values annually; a soft market does not fix a wrong limit
- Market property broadly, but protect incumbent casualty relationships
- Build the submission narrative before the underwriter asks for it
- Set expectations early on umbrella and auto: decreases are unlikely
- Document every coverage recommendation the insured declines

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Segment 2: Commercial Property Valuation Traps

45 minutes | Concepts, failure points, and three claim scenarios



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Why Valuation Is Still the Number One Property Problem

90%

Share of buildings in an appraisal study found to be underinsured

68%

Share underinsured by 25% or more, based on 2020-2021 valuations

+4.8%

Construction input price increase year over year in Q1 2026

+4.0%

Total US reconstruction cost increase, July 2025 to July 2026

Source: [Enfil valuation study via Insurance Business](#), [Verisk 360Value via JA Magazine](#)

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Replacement Cost, Market Value, and ACV Are Three Different Answers

Replacement cost

What it costs today to rebuild the same building on the same site with current labor, materials, and code. This is what the policy limit should reflect.

Market value

What a buyer would pay, which includes land, location, income, and condition. It can be far below or far above rebuild cost.

Actual cash value

Replacement cost less depreciation. It is a settlement basis, not a valuation method, and it is where uninformed limit-shopping ends up.

Functional replacement

Rebuilding with modern, less costly materials. A legitimate option for obsolete buildings, but it must be a deliberate, documented choice.

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Four Valuation Inputs That Fail Most Often

Square footage	Original application figures that were never re-measured after additions, mezzanines, or build-outs. Mixed-use square footage is often coded to the cheapest use.
Construction class	Frame coded as joisted masonry, or the reverse. Class drives cost per square foot more than almost any other input.
Tenant improvements and betterments	Improvements paid for by a tenant that neither the tenant nor the landlord schedules or values, so no one insures them.
Soft costs and code	Debris removal, ordinance upgrades, architect and engineering fees, and permitting excluded from the estimate entirely.

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The Three Mechanisms That Turn a Valuation Error Into a Claim Loss

- Coinsurance: an 80% or 90% requirement tested at the time of loss, not at binding
- Inflation guard: a flat annual factor that trails real construction inflation
- Blanket limits with margin clauses: a per-building cap inside a blanket limit
- Each of these can reduce a partial-loss payment, not just a total loss
- Nobody discovers the problem until the adjuster runs the calculation

Source: [Verisk 2020Value via US Magazine](#)

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Claim Scenario 1: The Coinsurance Penalty on a Partial Loss

- *Illustrative scenario for discussion, not an actual claim file*
- Warehouse insured at \$2,000,000; true replacement cost at loss \$3,000,000
- 80% coinsurance requires a \$2,400,000 limit; the insured carries \$2,000,000
- Fire loss of \$600,000; the coinsurance factor is \$2.0M / \$2.4M, or 83.3%
- Recovery before deductible is about \$500,000, a \$100,000 gap
- The insured had asked to hold the limit flat "because rates were up"

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Claim Scenario 2: The Tenant Improvements Nobody Insured

- Illustrative scenario for discussion, not an actual claim file
- Tenant spends \$400,000 on a restaurant build-out in a leased shell
- The lease makes improvements the tenant's responsibility to insure
- The tenant's BOP carries \$150,000 of business personal property and no TI&B limit
- Kitchen fire destroys the build-out; the landlord's policy covers the shell only
- Result: an uninsured \$250,000+ exposure and two unhappy clients

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Claim Scenario 3: Debris Removal and Code Upgrades After a Large Loss

- Illustrative scenario for discussion, not an actual claim file
- 1968 masonry building, \$4,000,000 building limit, 40% loss from fire
- Debris removal sublimit is 25% of the loss plus deductible, and it is exhausted
- The jurisdiction requires the undamaged portion be brought to current code
- Sprinklers, egress, and electrical upgrades add roughly \$600,000
- Without Ordinance and Law coverage, most of that lands on the insured

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Segment 3: Ordinance and Law

35 minutes | Three coverages, three distinct failure points



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Ordinance and Law: Three Coverages, Three Failure Points



Undamaged portion

Loss to the undamaged part of the building that code forces you to tear down



Demolition cost

The cost of demolishing and hauling away that undamaged portion



Increased cost of construction

The added cost of rebuilding to current code rather than original specifications

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What Actually Triggers a Code Upgrade After a Partial Loss

- A local ordinance in force at the time of loss, not at the time of construction
- Damage exceeding a percentage threshold, commonly 50% of value
- Any permitted repair that opens walls, roof systems, or electrical service
- Change of occupancy or use during or after the repair
- Accessibility, energy, and wind or seismic provisions adopted since the last permit

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Why Older Buildings Create Hidden Agency E&O Exposure

The gap is invisible at binding

Nothing on the declarations page tells the insured that a code upgrade is uninsured. The conversation only happens if the producer starts it.

Grandfathering expires at the permit desk

Legally non-conforming buildings lose that status the moment a substantial repair requires a permit.

The sublimits are stale

Ordinance and Law limits set five years ago do not cover today's upgrade costs, with reconstruction costs up about 4% per year.

Silence looks like advice

If the file has no record of an offer and a declination, the insured's recollection becomes the record.

Source: [Verisk 360Value via IA Magazine](#)

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The Account Review Checklist: Six Questions on Every Property Renewal

- Use this as a standing agenda item, not an annual project
- When was the replacement cost estimate last run, and with what tool?
- What has changed physically: additions, build-outs, roof, systems, occupancy?
- Who insures tenant improvements, and what does the lease actually say?
- What is the adopted building code, and what would a 50% loss trigger?
- Are Ordinance and Law B and C limits sufficient and separately stated?
- Is the coinsurance requirement satisfied at today's replacement cost?

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Interactive Segment

35 minutes | Poll, building-schedule breakout, and
debrief



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Debrief: Documenting Coverage Recommendations

- Same-day written recap of every coverage recommendation and the client response
- Name the coverage, the limit offered, the premium, and the decision made
- Attach the cost-estimator output to the file, with the date it was run
- Use one standard subject line so the file is searchable years later
- When the insured declines, say what could happen, without predicting a claim
- Escalate any account where the insured refuses to discuss values at all

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Session 1 Wrap-Up

- The market softened on property; the exposure did not
- Umbrella and commercial auto keep rising: manage expectations early
- Underinsurance is the industry's most common and most fixable defect
- Ordinance and Law B and C need separate attention and current limits
- Bridge work: run the six-question checklist on three real accounts
- Bring one valuation gap you found to Session 2 for group problem-solving

Commercial Lines 2: Underwriting, Capacity and Umbrella

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Session 2 Agenda:
Getting Difficult Accounts Placed Well

- Commercial lines underwriting changes and how to manage them
- Submission quality standards, quote windows, and supplemental applications
- Reinsurance and alternate capacity: what it means for your insureds
- MGAs, wholesale, captives, parametric, and layered structures
- Completed operations exposure and why umbrella underwriters see it differently
- Case workshop: a contractor account through an umbrella underwriter's eyes

2

Learning Objectives for This Session

Improve hit ratios

Describe the submission elements that move an account to the front of an underwriter's queue, and build an internal workflow that produces them consistently.

Explain capacity

Translate reinsurance and alternative-capital movements into language an insured understands, in both softening and hardening conditions.

Use alternate markets

Identify when a wholesale, MGA, captive, parametric, or layered structure is the right answer, and what each one costs the client in service.

Think like umbrella

Explain completed operations exposure and the severity factors that make umbrella underwriters decline accounts primary carriers accept.

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Segment 1: Commercial Lines Underwriting Changes

40 minutes | Submission quality, timelines, and workflow

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What Changed in the Underwriting Process And What It Costs You

- Shorter effective quote windows, with quotes valid for days rather than weeks
- Supplemental applications by class: contractors, habitational, auto fleets
- Inspection follow-up with firm completion deadlines and interim cancellations
- Data pre-fill means underwriters see your account before you submit it
- Referral triggers: prior losses, roof age, vacancy, and contract language
- Incomplete submissions are not declined, they are simply deprioritized

Source: [Brimley 2026 State of the Market](#)

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Submission Quality Standards That Actually Move the Needle

Complete loss history with narrative

Five years of currently valued loss runs plus one paragraph per significant claim: what happened, what changed, what it cost.

Verified exposure data

Cost-estimator output for property, verified payroll and receipts for casualty, and a vehicle schedule that matches the DMV record.

Risk-control evidence

Written safety program, driver qualification files, hiring and MVR standards, and proof that prior recommendations were completed.

Contractual risk transfer

Sample contracts, indemnity and additional-insured language, and subcontractor insurance requirements with certificates.

6

Insured Storytelling for Difficult Placements

Lead with the change

Underwriters price the future. Open with what is different now: new management, new equipment, a discontinued operation, a completed loss-control program.

Quantify the intervention

Telematics installed on 40 units in March. Ten drivers exited on the new MVR standard. Sprinkler upgrade completed in May. Dates and numbers, not adjectives.

Own the bad news

Explain the large claim before the underwriter finds it. Surprises cost more than losses do.

Close with the ask

State the coverage, limits, and structure you want, and why this account merits them. Do not make the underwriter guess.

7

Internal Agency Workflow:
Six Changes That Improve Hit Ratio

- Fix the process once and it pays on every renewal
- Renewal calendar: casualty at 150 days, property at 120 days, no exceptions
- A pre-submission checklist that a CSR can complete without the producer
- One owner per submission, with a named backup for underwriter follow-up
- Standard narrative template so every submission reads like the agency wrote it
- Quote-expiration tracking with a client decision date set in advance
- Post-decline debrief: log the reason and feed it back into the checklist

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Segment 2: Reinsurance and Alternate Capacity

40 minutes | Where capacity comes from and what it means at the retail level



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Reinsurance and Alternative Capital, Mid-Year 2026

-16%

Global property cat rate-on-line change year over year at mid-2026 renewals

\$147B

Alternative and ILS capital, a record, up 9% in the first half of 2026

\$688B

Total reinsurance capital at June 30, 2026, a record, up 5% in six months

\$65.6B

Outstanding catastrophe bond market at June 30, 2026, also a record

Source: [Gallagher Re via Insurance Business](#), [Gallagher Re capital report via Artemis](#), [Artemis cat bond report](#)

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How Reinsurance Reaches Your Insured's Renewal

Pricing

Reinsurance is a primary carrier's largest cost input for cat-exposed property. When rate-on-line falls 12-16%, primary property pricing follows with a lag.

Attachment discipline

Carriers retain more risk before reinsurance responds, so they defend deductibles, wind and hail percentages, and per-location caps even while cutting rate.

Capacity appetite

Cheaper reinsurance lets carriers write more limit. In Q2 2026, 75% of brokers reported increased property capacity while 40% reported decreased umbrella capacity.

Volatility tolerance

Reinsurers absorbed a benign first half and returned about 20% ROE, which is why capacity stayed open. One large event changes that conversation.

Source: [Guy Carpenter via Reinsurance News](#), [CNA Q2 2026 Market Survey](#), [Gallagher Re capital report via Artemis](#)

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Alternate Structures and When Each One Fits

Wholesale and E&S

Non-admitted forms, manuscript wording, and appetite for tough classes. Trade-off: form variation, service distance, and no guaranty-fund backstop.

MGAs and program business

Class expertise, faster decisions, and tailored coverage. Trade-off: dependence on a single capacity provider that can exit at renewal.

Captives and group captives

Retained risk with real cost control for good performers. Trade-off: capital commitment, collateral, and a three-to-five-year horizon.

Parametric and layered towers

Fast, index-triggered recovery for deductible buy-downs and non-damage business interruption. Trade-off: basis risk when the index and the loss diverge.

Source: [Parametric market report](#)

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What to Say When Capacity Shrinks Language That Preserves Trust

- Explain the mechanism, not the mood: what changed, at what layer, and why
- Separate what you control, what the carrier controls, and what capital controls
- Give the insured decisions to make: deductible, limit, structure, timing
- Bring two structures, not one option and an apology
- Never promise next year. Describe what would have to change for a better result
- Confirm in writing the same day, including the options declined

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Segment 3: Completed Operations and the Umbrella View

45 minutes | Why umbrella underwriters see the same
account differently



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Completed Operations Exposure: The Basics, Precisely Stated

- Products-completed operations covers work after it is put to its intended use
- It responds to bodily injury and property damage arising out of finished work
- The occurrence must happen during the policy period, not the work
- Injury can surface years after the job closed, which is what makes it long-tail
- Subcontracted work is your insured's exposure unless transfer actually worked
- Products-completed operations aggregate is a separate, often overlooked limit

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Why Umbrella Underwriters See the World Differently

They price severity, not frequency

A clean loss history is a frequency statement. Umbrella underwriters are buying the tail: the one claim that reaches their layer.

Severity stacks

Multiple claimants, multiple policy years, and multiple coverage parts can converge on one excess tower from a single defective project.

Venue drives outcome

The same facts produce different verdicts by jurisdiction. In 2025, Georgia recorded \$4.9 billion and Nevada \$4.3 billion in nuclear verdicts.

Controls are the underwriting

Hiring standards, MVR criteria, subcontractor requirements, and documented job-site protocols matter more than five years of small claims.

Source: [Risk & Insurance](#) [RIS Umbrella & Excess Update](#)

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Accounts That Look Fine at Primary and Worry the Umbrella Market

The residential remodeler

Small, clean, profitable. Completed operations on occupied dwellings, multi-year defect exposure, and subcontractors with \$1 million limits and no umbrella.

The growing service fleet

Twenty vans, no at-fault losses. Young drivers, no telematics, no written MVR standard, and \$1 million underlying auto limits in a plaintiff-friendly venue.

The habitational owner

Stable, long-tenured, well-maintained. Premises liability severity, assault and battery exposure, and deferred capital projects.

The component manufacturer

One product, one customer, no claims. Vendor endorsements, downstream integration, and a recall exposure the insured has never quantified.

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Drafting a Better Underwriting Narrative For an Excess Placement

- Open with the severity controls, not the premium history
- Name the contract language you use and how you verify subcontractor coverage
- State the underlying limits and why they are adequate for the venue
- Describe the completed-operations footprint: what, where, how long, for whom
- Disclose the worst plausible claim and what would contain it
- Ask for the structure you want and identify the layer you expect resistance in

Source: [Brown & Brown market trends](#)

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Interactive Case Workshop

35 minutes | Contractor account, audience vote, and narrative drafting



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Case Workshop: The Contractor With Products and Completed Ops Exposure

The account	A \$14 million-revenue mechanical contractor: commercial HVAC installation, service work in occupied buildings, 60% of labor subcontracted, five-year clean primary loss history.
The ask	Renewal of a \$1 million primary GL, \$1 million auto, and a \$10 million umbrella, with the insured requesting a \$25 million tower for a hospital contract.
Your task, 15 minutes	Decide as a table whether the umbrella market's concerns are justified, and list the three facts you would develop before submitting.
The vote	Each table votes justified or overstated and defends the position in 60 seconds.

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Group Exercise: Draft the Underwriting Narrative

- Six sentences, no adjectives, 10 minutes
- Sentence 1: what the insured does and for whom, with revenue split
- Sentence 2: the completed-operations footprint and its duration
- Sentence 3: subcontractor controls and how you verify them
- Sentence 4: the severity control you would highlight first
- Sentence 5: the worst plausible claim and what contains it
- Sentence 6: the structure and limits you are requesting, and why

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Session 2 Wrap-Up and Bridge Assignment

- Submission quality is the variable you fully control
- Reinsurance capital is at a record, which is why property rate is moving
- Umbrella and auto remain the exception: severity, not frequency, sets the price
- Alternate structures solve real problems and create service obligations
- Bridge work: rewrite one live submission narrative using the six-sentence format
- Bring a completed-operations account you are unsure about to Session 3

Commercial Lines 3: Long-Tail, Verdicts, Cyber and AI

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Session 3 Agenda:
The Exposures That Are Repricing Fastest

- CGL long-tail liability: how claims emerge years after the policy
- Social inflation and nuclear verdicts, defined in plain language
- Venue sensitivity, limit adequacy, and account selection
- New cyber risk trends: funds transfer fraud, privacy, and vendor dependency
- AI updates as of 3Q 2026: carrier, agency, and insured use
- Poll, cyber and GL overlap tabletop, and an internal AI-use discussion

2

Learning Objectives for This Session

Explain long-tail risk

Describe how occurrence-based claims emerge years after a policy expires, and what an insured must retain to defend them.

Quantify social inflation

Use current verdict and severity data to justify a limit-adequacy conversation without using fear as a sales tool.

Update cyber advice

Identify the loss drivers actually producing claims today and match them to coverage parts and controls.

Govern AI use

Recognize the E&O, privacy, and silent-AI exposures created by AI-assisted work, and apply basic agency governance.

3

Segment 1: CGL Long-Tail Liability

35 minutes | How yesterday's policies become today's claims



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The Reserve Story Behind Casualty Pricing

\$7.3B

One-year adverse development in other liability occurrence during 2025

\$3.9B

Portion of that development from accident years 2021 through 2023

\$2.0B

Commercial auto liability reserve deficiencies recorded in 2025

~\$100B

Cumulative adverse development in GL plus commercial auto over eight years

Source: S&P Global via Carrier Management; AM Best; Moody's via Risk & Insurance

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How Long-Tail Claims Emerge And Why the Policy Year Matters

- Occurrence wording triggers the policy in effect when injury or damage occurs
- Construction defect, environmental, and product claims can surface a decade later
- Continuous or progressive damage may implicate several consecutive policy years
- Allocation disputes then determine which carriers pay and in what order
- The insured must produce the old policies, and often cannot
- Claims-made forms and retro dates behave completely differently: check both

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Three Long-Tail Classes Worth a Second Look

Construction defect

Multi-year damage from a single installation, statutes of repose that vary widely by state, and additional-insured obligations that outlive the project.

Environmental and PFAS

Historic operations, gradual pollution wording, and emerging chemical claims now appearing in verdict data alongside AI and climate attribution.

Products and recall

Downstream integration, vendor endorsements, and a recall exposure most middle-market insureds have never quantified. Product liability produced 47% of 2025 nuclear verdict dollars.

Source: [Marathon Strategies via Insurance Journal](#)

7

Record Retention and Legacy Exposure Review

What the insured should keep permanently

Declarations pages, endorsement schedules, and certificates for every occurrence-based liability policy, plus all completed-project documentation.

What the agency should keep

Proposals, coverage recommendations, declinations, and the dated cost or exposure data behind each placement.

Reserving mindset versus client expectation

Carriers reserve for a decade; insureds evaluate the policy on this year's premium. Naming that mismatch out loud is part of the advisory role.

The annual legacy question

Ask every commercial client one question each year: what work did you complete that could still injure someone in ten years?

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Segment 2: Social Inflation and Nuclear Verdicts

40 minutes | Definitions, data, and limit adequacy



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Define the Terms in Plain Language

Social inflation

The growth in liability claim costs beyond general economic inflation, driven by litigation behavior, jury attitudes, and legal financing. It averaged 5.4% annually in 2017–2022 against 3.7% economic inflation.

Nuclear verdict

A verdict of \$10 million or more against a corporate defendant. There were nearly 200 in 2025, up 40.7% year over year, totaling about \$25.6 billion.

Thermonuclear verdict

A verdict of \$100 million or more. There were 40 in 2025, the second straight year above 40, and four verdicts exceeded \$1 billion.

Litigation funding

Third-party capital financing plaintiff litigation. New US commercial commitments rose about 23% in 2025 across 39 active funders.

Source: [Swiss Re sigma 4/2025](#), [Marathon Strategies via Insurance Journal](#), [Westfleet via Risk & Insurance](#)

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What Changed Since 2020

+476%

Increase in nuclear verdict count since 2020

+422%

Increase in total nuclear verdict dollars since 2020

68

Industries hit by nuclear verdicts in 2025, up from 48 in 2023

8

States that enacted tort reform laws during 2025

Source: [Risk & Insurance](#), [Marathon Strategies via Insurance Journal](#)

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Venue Sensitivity: The Same Facts, Different Outcomes

- Georgia led 2025 with \$4.9 billion across ten cases
- Nevada followed at \$4.3 billion across only three cases
- Texas \$3.4 billion, California \$2.6 billion, Florida \$2.5 billion
- Florida fell to tenth in 2024 following its 2023 tort reform
- For Nebraska accounts, ask where the work is performed, not where the office is
- Interstate fleets and out-of-state projects import venue risk

Source: [Risk & Insurance](#), [Marathon Strategies via Insurance Journal](#)

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Limit Adequacy Without Fear Selling

Start with exposure, not headlines	Talk about the insured's own footprint: vehicle miles, venues, claimant counts, contract requirements. Use verdict data as context, never as a prediction.
Show the cost of the decision	Quote the next two limit increments and let the insured see the marginal premium. Buyers decline abstractions and accept arithmetic.
Document the declination	Record the limit offered, the premium, and the response. This is the single most valuable E&O habit in the casualty book.
Revisit annually	Limits set three years ago were priced against a different severity environment. Underlying auto requirements alone have moved to \$500,000-\$1 million.

Source: [Brown & Brown market trends](#)

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Segment 3: New Cyber Risk Trends

35 minutes | What is actually producing claims



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Cyber Claims Reality, 2025 Data

58% Share of cyber claims that were business email compromise or funds transfer fraud	+47% Increase in initial ransom demands, to an average above \$1 million
86% Share of ransomware victims that refused to pay, a record	\$20.9B Reported US cybercrime losses in 2025, up 26% year over year

Source: [Coalition 2025 Cyber Claims Report](#), FBI/ICJ 2025 Annual Report

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The Exposures to Underwrite and Explain

Funds transfer fraud and BEC	Payment instruction fraud following email compromise. Sublimits are often \$100,000 or less on a \$1 million policy, and social engineering wording varies widely.
Privacy liability	Website tracking and wiretapping theories are now mainstream: 72% of privacy claims cited the California Invasion of Privacy Act and 11% involved the Meta Pixel.
Vendor dependency and contingent BI	Downstream outages at a payroll, EHR, or cloud provider. Waiting periods and dependent-system definitions decide whether anything is payable.
Ransomware evolution	Encryption plus exfiltration in 70% of events, so a good backup no longer ends the claim. Extortion now targets data disclosure.

Source: [Coalition 2026 Cyber Claims Report](#)

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Controls, Questionnaires, and the Soft Market
A Dangerous Combination

- Cyber rates fell for nine consecutive quarters and reinsurance fell 32% at 1/1/2026
- Soft pricing has not relaxed control expectations: MFA and backups still gate coverage
- Questionnaire answers are warranties in practice; help clients answer accurately
- Verify who at the insured actually completes the application
- Callback verification on payment changes prevents the most common claim
- A cheaper policy with a \$50,000 FTF sublimit is not a better policy

Source: [CIB 02 2026 Market Survey](#); [CallaghanRe via Insurance Business](#); [Coalition 2026 Cyber Claims Report](#)

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Segment 4: AI Updates as of 3Q 2026

30 minutes | Adoption, regulation, and agency governance

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AI Adoption in Insurance, 2026

41%

Insurers actively using AI across core business areas

65%

Independent agents who used AI at least a few times in the past year, up from 37%

14%

Agencies that have actually implemented an AI tool or solution

25

Jurisdictions that adopted the NAIC AI Model Bulletin as of August 2026

Source: [AM Best AI survey](#), [Liberty Mutual Agency Growth Study](#), [NAIC AI Model Bulletin adoption map](#)

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Where AI Helps and Where It Creates E&O Exposure

Genuine productivity

Meeting summaries, submission narratives, loss-run abstraction, and first-draft client communication. Agents using AI report saving about four hours a week.

Hallucination risk

Fabricated coverage terms, invented endorsement numbers, and confident but wrong policy interpretation. Never let generated coverage language reach a client unreviewed.

Privacy and confidentiality

Client data pasted into consumer tools may leave the agency's control. Use enterprise tools with data agreements, and never upload loss runs to a public chatbot.

Silent AI in the book

Insureds are deploying AI agents under policies never written for them, with exposure concentrated in cyber, D&O, GL, and technology E&O.

Source: [Liberty Mutual Agency Growth Study](#), [Insurance Business](#), [Willis Research Network via Agency Checklists](#)

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Practical AI Governance for an Agency

- Only 8% of agents use AI daily, and most have no governance or training
- Write down which tools are approved and which are prohibited
- Prohibit client-identifiable data in non-enterprise tools, without exception
- Require human review of anything client-facing, with a named reviewer
- Never let AI generate coverage advice, limits, or policy interpretation
- Log AI-assisted client communications the same way you log any other advice
- Train annually and update the policy when tools change

Source: [Risk & Insurance](#)

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Interactive Segment

35 minutes | Poll, tabletop, and AI-use discussion



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Poll:

Which Risk Is Least Well-Covered in Your Book Today?

• Vote, then argue the case for your answer

• Long-tail completed operations on projects finished five or more years ago

• Umbrella limits that have not moved with severity trends

• Funds transfer fraud sublimits on cyber policies

• Privacy liability from website tracking technology

• AI use by insureds under policies that never contemplated it

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Tabletop: The Cyber and GL Overlap Scenario

The event	A mid-size distributor's AI-assisted customer service tool gives a client incorrect handling instructions for a chemical product. A worker is injured, and the vendor's system logs are breached the same month.
The question, 15 minutes	Which policies respond, in what order, and where are the gaps? Consider GL, products, cyber, technology E&O, and D&O.
The complications	The AI tool is a third-party vendor product. The insured cannot produce the output log. The injury occurred in a different state.
Report out	Each table names the first coverage it would trigger and the single endorsement it wishes the account had.

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Audience Discussion:
Acceptable Internal AI Use Rules

- What client data may never enter an AI tool at your agency?
- Who reviews AI-assisted client communication before it goes out?
- How do you document that a human made the coverage recommendation?
- What do you tell a client who asks whether AI touched their account?
- Which task would you never delegate to AI, and why?
- What is the one rule your agency will write down this month?

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Program Wrap-Up:
What to Do Monday Morning

- Three sessions, one theme: document the advice you actually gave
- Run the six-question property review on your ten largest accounts
- Rewrite your standard submission narrative using the six-sentence format
- Bring one limit-adequacy conversation to every casualty renewal
- Check the funds transfer fraud sublimit on every cyber policy you service
- Write one page of AI governance and get the principal to sign it

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