Risk Coverage Hub • Field Operations Series

Hard vs. Soft Market Quick Card • 2026 Commercial Underwriting Cycles

FREE FIELD SUMMARY
Current version — Oct 31, 2026. Update history: https://riskcoveragehub.com/insurance-underwriting-cycles-hard-soft-market-coverage-pricing/

EXECUTIVE TAKEAWAY: THE 2026 BIFURCATED PLACEMENT MARKET

A **hard market** is scarce capital relative to perceived risk (rates surge, terms tighten, retentions rise, capacity thins). A **soft market** is excess capital competing for premium (rates decline, broader terms, flexible guidelines). In 2026, the market has officially **bifurcated**: aggregate commercial P&C fell −1.2% (Q1) and −2.0% (Q2) ending 33 quarters of hikes, but **property (−6.3%)** and **workers' comp (−3.2%)** are softening while **commercial auto (+4.5%)** and **excess casualty (+5.3%)** remain severely hard under social inflation and nuclear verdicts.

2026 CIAB COMMERCIAL RATE DIVERGENCE MATRIX (Q1 VS. Q2)

COMMERCIAL LINE	Q1 2026 RATE	Q2 2026 RATE	CAPACITY DYNAMIC	PRIMARY UNDERWRITING DRIVER
Commercial Property	**−5.8%**	**−6.3%**	Surplus (~75% brokers report expansion)	Reinsurer stability, new MGA capacity, benign hurricane years.
Workers' Compensation	**−3.7%**	**−3.2%**	Abundant across nearly all sectors	18 straight declining quarters; robust payrolls & medical controls.
Standalone Cyber	**−2.1%**	**−3.2%**	Competitive for controls-vetted accounts	Widespread adoption of MFA, EDR, and backup segmentation.
Commercial Auto	**+5.8%**	**+4.5%**	Constrained / highly selective	59 consecutive quarters of rate increases; ADAS repair & bodily injury.
Umbrella & Excess Casualty	**+4.8%**	**+5.3%**	Severely restricted (~40% broker cuts)	35 straight quarters of hikes; nuclear verdicts >$10M, litigation finance.

ACCOUNT-SIZE INFLECTION & BENCHMARK TARGETS (Q2 2026 CIAB)

Large Accounts (>$100k Commission/Fee) **−3.7% Avg**

Aggressive carrier competition for blue-chip balance sheets and sophisticated risk management controls. Underwriters deploy significant lead capacity to defend high-revenue accounts.

Medium Accounts ($25k–$100k) **−1.9% Avg**

Moderate carrier competition. Rate relief achieved when insured documents formal loss control, telematics fleet cameras, or enhanced property sprinkler maintenance.

Small Commercial Accounts (<$25k Commission/Fee) **−0.5% Flat**

Standard small-business package pricing floors restrict substantial discounting. Manual underwriting flexibility is minimal; automated underwriting algorithms dominate.

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KEY UNDERWRITING INDICATORS & CAPITAL REALITIES

Combined Ratio (The 100% Rule)

Formula: (Incurred Losses + Expenses) / Earned Premium.
• **<100%:** Underwriting profit.
• **>100%:** Underwriting loss (reliant on investment yield).
2025 Aggregate: 92.9% net combined ratio. *Vulnerability:* Masked casualty lines operating at 100%–105%+ combined ratios.

Capital Cushion & Reinsurance Lags

• **Cat Bond / ILS Record:** $17.98B issued in H1 2026 (per Artemis). Stabilized property catastrophe treaties, but provides zero relief to casualty.
• **Treaty Cycles:** Jan 1 & July 1 reinsurance renewals lag primary pricing adjustments by 6–12 months.

THE SOFT-MARKET BUYER'S TRAP VS. HARD-MARKET REALITIES

CYCLE CONDITION	WHAT POLICYHOLDERS EXPERIENCE	HIDDEN PITFALLS & ACTION REQUIRED
Hard Market Lines (Auto & Excess)	• Double-digit rate increases • Line-size cuts (e.g. $10M trimmed to $5M) • Mandatory higher retentions & deductibles • Multi-carrier co-insurance towers required	**Action:** Start marketing 120–180 days out. Assemble 5-yr verified loss runs, telematics fleet cameras, fire suppression upgrades. Model buffer attachments.
Soft Market Lines (Property & Cyber)	• Flat or declining renewal premiums • Competing carrier quotes & expanded limits • Looser underwriting guidelines	**Trap:** Chasing cheap unrated E&S paper, silent cyber exclusions, water sublimits ($25k), roof ACV depreciation, midterm retrenchment. *Audit wording before binding!*

DANGEROUS RESTRICTIVE ENDORSEMENTS BITE-LIST

Do not evaluate renewals on headline rate alone. Restrictive policy provisions bite balance sheets just as hard as price increases:

• **Coinsurance Penalties & Margin Clauses:** Strict limits on building recovery.
• **Water Damage & Sewer Backup Sublimits:** Slashed to cosmetic $25k–$50k.
• **Roof ACV Schedules & Cosmetic Exclusions:** 40%–70% haircut on hail/wind.
• **Hammer Clauses:** Forcing insureds to settle liability claims prematurely.
• **Defense Cost Erosion:** Legal defense costs eroding policy liability limits.
• **Carrier Solvency:** Verify AM Best 'A−' or better before switching to cheap surplus lines.

RISK MANAGER RENEWAL ACTION RULE

Never shrink core property limits merely to capture temporary soft-market savings. Instead, leverage soft conditions to lock in multi-year agreements, eliminate restrictive manuscript riders, and re-allocate premium dividends into building casualty buffer attachments.