

# 2026 Commercial Property Insurance

## Market Outlook

The commercial insurance market continues to soften across several lines, including commercial property, with average premiums falling by 7% in the third quarter of 2025—the sixth consecutive quarterly decline—according to professional services company Marsh. Several factors are contributing to buyer-friendly conditions, including intensified competition among insurers and increased underwriting capacity. Moreover, softening reinsurance pricing in 2025 paved the way for more favourable renewals among primary insurers, creating a trickle-down effect of softer conditions for policyholders. However, several challenges continue to weigh on the market, particularly macroeconomic pressures and extreme weather events. As such, premium hikes and cover restrictions may still apply to high-risk policyholders, such as those lacking documented loss control measures or situated in disaster-prone areas.

## Developments and Trends to Watch

### Macroeconomic Pressures

Inflation is expected to remain above the Bank of England's 2% target until 2027, according to the Office for Budget Responsibility, keeping upward pressure on labour and construction material costs. In fact, building costs are expected to increase by 15% over the next five years, according to a report by the Building Cost Information Service, which could impact commercial property repair and replacement claims. Furthermore, if interest rates remain elevated, financing costs could also climb. Consequently, insureds may scale back building improvements, which could increase their exposures should they fail to adequately maintain their properties.

### Supply Chain Volatility

Trade and tariff disputes in 2025 disrupted global supply chains, and further geopolitical tensions in the year ahead could intensify pressure on cross-border operations. This could hinder access to critical construction materials, such as steel and timber. Alongside global pressures, demand for brick and cement deliveries in the UK has slowed, according to government data. Should demand rebound suddenly, suppliers could be left scrambling to meet orders. Supply chain disruptions—both domestic and international—can delay building projects and inflate property repair and replacement claims.

### Underinsurance

A 2025 report by valuation company Charterfields Limited revealed that 88% of surveyed sites were underinsured for building cover, while 77% were underinsured for plant, equipment and contents. Inflation, supply chain issues and other pressures have made it harder for policyholders to keep sums insured aligned with true rebuild and replacement values, increasing the risk of partial claim settlements and significant out-of-pocket expenses in 2026. With this in mind, organisations should regularly review and update their commercial property valuations to confirm that sums insured accurately reflect current market conditions.

### Climate Change and Extreme Weather Events

Several bodies of research have noted that climate change is increasing the likelihood of extreme weather events. For instance, the number of properties in England vulnerable to flooding is expected to climb from its current figure of 6.3 million to 8 million by 2050, according to a recent Climate Change Committee report. Since floods, storms and other extreme weather events can increase claims severity, organisations with robust property management and risk mitigation measures may be best positioned to compete for favourable insurance terms in 2026.

## Tips for Insurance Buyers

- Proactively prepare for extreme weather events and the impact of climate change to reduce losses. Specifically, invest in property resilience measures and develop or review your business continuity plan to help your organisation remain operational and minimise damage in the event of an interruption.
- Ensure insurance to value calculations for commercial buildings and replacement cost valuations for plant and equipment are kept current to avoid underinsurance.
- Work with insurance professionals well in advance of your renewal date to ensure a smooth process. Doing so will make sure your application has ample time to be adequately evaluated by underwriters.
- Keep buildings well-maintained and address issues promptly to reduce the likelihood of associated losses and claims.

