



QUARTERLY
UPDATE

Q2 2026

Top Risks & Trends for Healthcare

Healthcare P&C risks are evolving in ways that directly influence renewal pricing, limits, and capital volatility. This update highlights the Q1–Q2 trends that leaders in finance and risk should prioritize to better align coverage, structure, and risk tolerance in the months ahead.

What to Expect?



**Sprinkler Protection
Design Standard**



**Medical Malpractice
Severity**



**Telehealth
Liability**

Strategic Takeaways

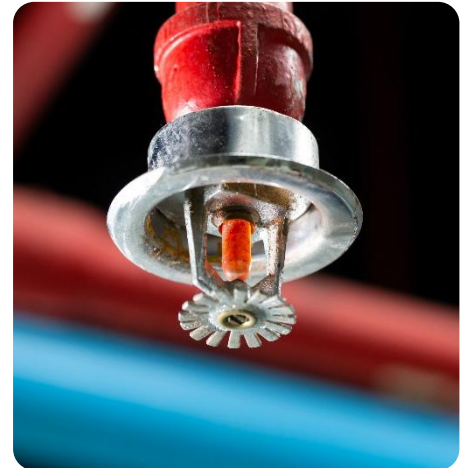
Risk Area	Impact on Business Strategy	Recommended Actions
Fire Protection and Insurability	NFPA 13R can exclude concealed spaces, creating significant fire exposure	Design new construction to NFPA 13; assess retrofit options for high-risk areas
Medical Malpractice Claims	Verdict inflation drives volatility and program stability	Adjust retentions and structure; consider alternative risk transfer
Telehealth Risk	Regulatory extensions persist, but liability and coverage gaps remain	Coordinate MPL, tech E&O, and cyber; track licensure changes

Current Trends

Sprinkler Protection Design Standard (NFPA 13 or NFPA 13R)

Fire protection gaps drive underwriting friction: Insurers increasingly differentiate between NFPA 13 and NFPA 13R sprinkler designs, particularly in senior housing. NFPA 13R's exclusion of concealed spaces heightens fire loss potential, often resulting in excess and surplus (E&S) placement, higher premiums, reduced limits, and more restrictive terms — even for newer, code-compliant properties.

Actions: Focus new construction on NFPA 13 where feasible. For existing 13R properties, evaluate targeted retrofits at high-risk locations and reinforce interim controls such as hot-work permitting, fire watches, enhanced detection, infrared electrical testing, and disciplined housekeeping to support underwriting confidence.



Medical Malpractice (MPL) Market

Severity inflation reshaping program stability: Medical malpractice severity continues to climb, driven by large indemnity losses and nuclear verdicts. Carriers are responding by reducing available limits, pushing higher attachment points, and reassessing deployed capacity — increasing volatility for insureds reliant on traditional layered structures.

Actions: Reassess retentions against venue-specific verdict trends and stress-test limit adequacy. Consider captives, quota shares, or other alternative risk solutions for working layers. Strengthen underwriting narratives with clinical governance, staffing controls, escalation protocols, and closed-claim analytics.

Telehealth Liability

Evolving regulation expanding liability scope: Telehealth utilization remains elevated as regulatory extensions continue, but liability frameworks lag operational reality. Cross-state licensure rules, prescribing controls, platform reliability, and remote patient monitoring introduce exposures that extend beyond standard MPL policies as hybrid care models mature.

Actions: Coordinate MPL, technology E&O, and cyber coverage to address platform failures, data integrity, and care delivery gaps. Maintain licensure and DEA workflows, prepare for Medicare rule changes, and confirm coverage alignment as digital therapeutics and RPM become embedded in care models.



Trends and Updates in the Mid-West

Why are HIPAA breaches increasing despite greater awareness of compliance?

HIPAA breaches continue to rise despite increased awareness of compliance largely due to the rapid digitization of healthcare data and the growing sophistication of cyberattacks. While greater HIPAA awareness has reduced breaches caused by lost or stolen devices, the shift to cloud computing has changed the risk landscape. Fewer organizations now transport unencrypted data on physical devices, but cloud-based systems and networked environments have introduced new vulnerabilities that are more frequently exploited by attackers.

How can healthcare organizations mitigate data breaches? Healthcare organizations can reduce the risk of data breaches through a combination of technical and operational controls. The most effective measure is encrypting protected health information (PHI), which renders data unreadable and unusable if it is compromised. Proper encryption can also eliminate the need to report certain breaches to the Office for Civil Rights. Additional mitigation strategies include enabling multi-factor authentication for privileged accounts to limit the impact of stolen credentials, regularly auditing cloud and on-premises storage to ensure correct permissions, monitoring networks for unauthorized open ports, and eliminating shadow IT systems created as informal workarounds.



AI in healthcare is starting to be part of our day-to-day practice. Making sure you are protecting yourselves during this phase in healthcare is important.

Here are six USI recommendations for AI Adoption:

- Validate before you adopt. Ask vendors — and your partnered health systems — the hard questions. Find out what data and information were used to train and test models, how performance was validated and what guardrails exist. All providers should be cautious about adopting technologies before seeing the validation method.
- Lock down governance. Create or update policies for AI use, including change management, training, and audit trails.
- Document like a future jury will read it. When an AI tool informs your thinking, make a note of it. If you use an ambient scribe, review and correct the note yourself. Anticipate the possibility of future AI-related litigation by documenting clearly with the expectation that these records may be scrutinized in court.
- Practice proportionate transparency. Disclose AI's role when it materially shapes diagnosis or treatment. If patients opt out, have a manual alternative ready.
- Train for judgment, not replacement. AI can reduce cognitive load, speed up documentation and save time on administrative tasks. It can also deskill physicians who let skills atrophy. Keep your clinical skills sharp alongside AI adoption.
- Call your carrier before you're in court. Ask how your policy treats AI-related incidents and whether supplemental riders make sense.

Healthcare Staffing Organization: Insurance Program Optimization

The client—a healthcare staffing organization—was facing substantial cost increases across all insurance policies.

Our team conducted a thorough review and analytic modeling of their risk portfolio. We improved their overall protection by more than \$17 million through strategic restructuring.

The new insurance program solution resulted in a direct cost of risk savings of over 22%.

Outcome: The client not only reduced expenses significantly, but also enhanced coverage and risk management, positioning them for sustainable future growth.



Bottom Line for Q2

Healthcare organizations are facing a convergence of property, liability, and regulatory pressures that directly affect pricing, capacity, and volatility. Fire protection design choices, rising medical malpractice severity, and maturing telehealth exposures are increasingly interconnected underwriting considerations. Risk managers should focus on proactive program design, disciplined risk controls, and tighter alignment between operational decisions and insurance structure to protect capital and maintain market access.



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