

## How Lenders Are Changing Insurance Requirements in 2026

### *What Owners, Developers, and Investors Need to Know*

In 2026, insurance is becoming a more critical part of the commercial real estate lending process. As insurers tighten underwriting standards and catastrophe losses continue to rise, lenders are strengthening insurance requirements to better protect the collateral behind their loans.

For borrowers, this shift means insurance compliance is no longer just a closing formality, it is a key part of financing and ongoing risk management. Understanding how lender expectations are evolving can help owners and investors avoid delays, unexpected costs, and coverage gaps.

### **Why Lenders Are Increasing Insurance Scrutiny**

The insurance market has changed, significantly, over the past several years. Rising catastrophe losses, higher construction costs, and more restrictive underwriting have led insurers to increase deductibles and tighten policy terms.

In response, lenders are taking a closer look at borrower insurance programs to ensure properties remain adequately protected throughout the life of the loan. This is why many transactions now involve a more structured **risk management assessment** and detailed review of insurance documentation before closing.

### **Key Trends Borrowers Are Seeing in 2026**

Several insurance trends are becoming more common across commercial real estate financing.

#### **Greater scrutiny of deductibles**

Many property policies now carry significantly higher deductibles—particularly for wind, flood, and earthquake exposures. Lenders are reviewing these deductibles more closely to ensure borrowers have the financial capacity to absorb potential losses.

#### **More detailed coverage requirements**

Lenders are requiring broader insurance protection, including higher umbrella liability limits and expanded property coverage such as ordinance and law, equipment breakdown, and business interruption.

#### **Closer review of policy endorsements**

Policy wording is receiving greater scrutiny. Provisions such as cross-liability exclusions, restrictions on additional insured coverage, or limitations on waiver of subrogation can conflict with loan requirements and must be carefully reviewed.

#### **Greater focus on certificate of insurance compliance**

Lenders are also increasing their focus on **certificate of insurance compliance** to ensure that the coverage represented on certificates accurately reflects the underlying policies and loan requirements. Inconsistent or incomplete certificates can delay financing or trigger additional review.



### **What This Means for Borrowers**

Insurance issues that were once discovered late in the closing process are now being identified earlier and reviewed in greater detail. Borrowers who evaluate insurance requirements early—and coordinate closely with brokers and risk advisors—are far more likely to avoid last-minute delays.

A proactive **risk management assessment** can help identify potential coverage gaps, endorsement issues, and compliance concerns before they affect financing timelines.

### **A Strategic Approach to Insurance**

Stronger lender requirements may seem like an administrative hurdle, but they also highlight the importance of a well-structured insurance program.

When designed properly, insurance does more than satisfy lender requirements—it protects asset value, strengthens lender confidence, and supports long-term portfolio stability.

At The ALS Group, we believe effective risk management is about more than insurance — it is about helping organizations anticipate challenges, strengthen protections, and improve business outcomes. Understanding how evolving risks impact your operations allows you to make more informed decisions and avoid costly surprises. If you would like to discuss how these issues may affect your organization or evaluate your current risk strategy, please contact Albert Sica at [asica@thealsgroup.com](mailto:asica@thealsgroup.com) or [732.395.4251](tel:732.395.4251)

