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MONTE CARLO TODAY

Oak eyes further growth after flying Lloyd's start with \$1bn GWP in sight

TO RAISE CAPITAL AND LAUNCH A NEW balance sheet reinsurer has been difficult in recent years – capital has so many easier entry points. Doing so in London, operating through Lloyd's, would have been an even harder sell. Yet Oak Global did just that – and two years on, is proving the appetite for its unusual proposition, from both clients and investors, is strong.

Since its launch at the end of 2024, the business has grown rapidly. Its next major landmark will be \$1 million of gross written

premium (GWP) – and it is profitable. Syndicate 2843, writing primary reinsurance, wrote some \$400 million of GWP in 2025 and achieved a net combined ratio of 83.9%. For 2026, Oak expects its two syndicates, including Syndicate 1440 launched in January writing retrocessional business, to underwrite more than \$900 million of premium.

Its trajectory can be measured in other ways. It now supports around 600 clients across approximately 40 countries and underwrites just under 1,500 programmes. Its **3** →



Cathal Carr

REINSURANCE BUYERS seeking a 'break-glass' strategy



David Flandro

REINSURANCE RATES ARE FALLING DESPITE an elevated risk environment, giving buyers an opportunity to build protection just as reinsurers edge closer to the point where further softening could begin to affect economic value creation.

Reinsurance buyers can use today's abundant capacity to build a "break-glass" strategy – having protection options ready if conditions suddenly turn – says Howden Re's

David Flandro, as falling rates collide with a more volatile risk environment.

At the same time, reinsurers are approaching another threshold. The average economic value-added spread, used to measure a company's return generated in excess of its cost of capital, is now close to zero, raising the prospect that further rate reductions could push some in the sector into negative economic value creation. **4** →

INSIGHTS AND ANALYSIS FROM THE INDUSTRY'S MOVERS AND SHAKERS INSIDE



Caroline Wagstaff



Christa Schwimmer



Christian Silies



Jen Daffron

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COVER STORY

Oak eyes further growth after rapid start at Lloyd's

➡️ workforce will likely reach 90 people by the end of 2026.

For Cathal Carr, its founder, CEO and group CIO, it is a case of a vision becoming reality. After two decades at RenaissanceRe, he wanted to build a reinsurer from scratch. "Part of the decision to leave was an entrepreneurial desire to build something from the ground up, working with great people and great talent," he told *Monte Carlo Today*.

The Lloyd's advantage

He explained some very specific reasons he felt this was a unique opportunity. One was the changing nature of risk. The other was the attraction of Lloyd's as a platform.

Carr had noted the proportion of global reinsurance business written through Lloyd's had declined from its historical peak. There were various reasons for this, but he identified this as an opportunity. "There are other very good reinsurance businesses at Lloyd's, but we felt there was room to build a reinsurance business at scale and to bring a stronger reinsurance profile back into the market," he said.

Working through Lloyd's, allowed Oak Global to tap into different forms of capital. Bain Capital provided cornerstone private equity backing, but Oak has subsequently added traditional Lloyd's Names through members' agents, including Hampden and Argenta, alongside trade capital and other financial investors.

"From 2022 through to our launch at the end of 2024, there were very few de novo reinsurance start-ups; raising capital was difficult. We were very appreciative of Bain Capital's support in helping us get off the ground," he said.

"We believe the hybrid structure available at Lloyd's – combining private equity, Names, trade capital and other financial investors – is an important differentiator. It helped us launch, and it should also help us be there for clients in periods of volatility and grow when clients need us and the margins justify it.

"The three attributes we want from the capital stack are permanence, scalability and flexibility," Carr said. Permanence means having capital that remains available over the long term; scalability enables Oak to expand when underwriting conditions are attractive; and flexibility allows it to use different structures for different opportunities, he explained.

KEY POINTS:

- Lloyd's offers advantage
- Nearing \$1bn in GWP
- Targets changing risks

Global risks, global partner

That flexibility is increasingly evident in Oak's development. It launched Syndicate 1440 in January to complement Syndicate 2843 by moving it into property and specialty retrocession business. Oak initially targeted \$75 million of premium from Syndicate 1440 in 2026 but increased that ambition to \$95 million following strong engagement at the January renewals.

Carr sees operating across both areas as part of a wider ambition to become a global risk partner. "Many of our clients increasingly have both insurance and reinsurance portfolios," he said. "Those firms are also thinking about capital management across their businesses, not looking at insurance and reinsurance in isolation." The ability to offer both primary reinsurance and retrocessional solutions therefore broadens the relationship Oak can have with those clients.

“The three attributes we want from the capital stack are permanence, scalability and flexibility”

The business has also diversified its own approach to managing capital and volatility. This year it entered the catastrophe bond market for the first time with Quercian Re 2026-1, providing \$150 million of North American protection to Syndicate 2843. The transaction was upsized from an original \$75 million target and issued through Gallagher Securities' Arthur Re platform.

Oak intends cat bonds to sit alongside, rather than replace, other forms of protection, including traditional ultimate-net-loss retrocession and index-based products such as industry loss warranties. "The aim is to maintain the best hybrid approach for managing the net portfolio," Carr said.

With this structure, Carr believes Oak is well positioned to deal with risks he believes

will evolve significantly over coming decades, spanning climate and environmental exposures, technology, geopolitics and economic risk. "In many of those areas, historical data alone is not sufficient to understand or price the future," he said.

For Carr, a greenfield underwriting business has the advantage. Rather than inheriting existing systems and processes, Oak has been able to construct its technology platform around the environment it expects to encounter.

"What a greenfield business does give us is the ability to create the technology stack at this point in time without legacy technical debt," he said. "With the onset of AI, we believe that is a significant competitive advantage."

Discipline is key

That advantage must also be disciplined, however, especially as reinsurance conditions soften. Carr describes 2023 as a "generational high" in the attractiveness of reinsurance, both in rates and structures, following several years of inadequate returns. Rates have since fallen, and that downward movement has continued during the past 12 months.

Supply is increasing as established reinsurers retain earnings from recent profitable years, while alternative capital is also entering through a variety of structures. Demand is increasing too, particularly in property, political violence and terrorism, marine and credit.

But the balance currently favours buyers. "The increase in supply is greater than the increase in demand, so there is continued downward pressure on pricing," Carr said.

He nevertheless remains comfortable with current rate adequacy and sees scope for Oak to continue growing if returns remain attractive.

Much could still change before January 1, 2027. The wind season remains unfinished, conflicts continue in the Middle East and between Russia and Ukraine, while interest rates and inflation could affect both sides of reinsurance balance sheets. "The downward trend is clear, but there is also considerable volatility," Carr said.

For Oak, that makes the combination of underwriting discipline, diversified capital and close client relationships especially important. "We will continue to look to grow into 2027 if rates remain at levels we believe are adequate," Carr said. "But we will do that responsibly, based on whether we can generate an appropriate return for investors." ●

STRATEGY

Reinsurance buyers seeking 'break-glass' strategy

❏ "Rates are falling really quickly at the same time that the world seems to be getting riskier," Flandro, head of industry analysis and strategic advisory at Howden Re, told *Monte Carlo Today*.

Property catastrophe pricing has fallen sharply from its 2023 peak as retained earnings and fresh capital have increased capacity. Flandro said the resulting conditions give buyers room to rethink how much protection they purchase and how they prepare for a sudden reversal.

"How do I, the buyer, optimise my reinsurance purchase, and what is my break-the-glass strategy in the event something goes sideways?" he said.

Those contingencies could sit across reinsurance purchasing, capital management and underwriting strategy. Flandro also believes AI could eventually make more standardised reinsurance risks tradable, helping create a secondary market that has so far proved difficult to establish.

"What we learn from history is that the widely accepted assumptions that everybody has are right until they're suddenly wrong," Flandro said.

He pointed to previous turns in the cycle, including 2022, when inflation, sharply higher interest rates, bond-market losses and Hurricane Ian combined to transform conditions rapidly. Howden's risk-adjusted property catastrophe rate-on-line index rose 37% at 1/1/23.

Economics 'close to even'

Three years after that hardening, the economics have shifted considerably.

Reinsurer economic value creation is now "very close to even", Flandro said, leaving little room for another material fall in pricing if other factors remain unchanged.

Flandro favours economic value-added as a measure of whether reinsurers are generating sufficient returns after taking account of their cost of capital. It compares return on invested capital with the weighted average cost of capital and, Flandro says, correlates most closely with carrier valuation metrics.

"The economic profitability of the reinsurance sector is close to even at the moment," he said.

"If pricing falls further and nothing else changes, then in theory, the average reinsurer's economic value-added spread will go negative."

That is different from saying reinsurers

KEY POINTS:

- Buyers planning for volatility
- Further rate falls affect economic value
- Underwriting discipline back in focus

will become unprofitable, he hastened to add. Companies might still produce accounting profits and meet internal performance targets while failing to generate a sufficient return relative to the capital supporting the business.

Howden Re has previously said that another comparable leg down in pricing could put parts of the industry below their cost of capital by 2027.

Flandro said reinsurers are increasingly conscious of how quickly they could return to the economics that prevailed before the 2023 reset.

"If current trends continue, some carriers will be back to where they were before 2022; we know that in that scenario, things can become economically unprofitable," he said.

“If pricing goes down and nothing else changes, then in theory, economic value-added spread of the sector will go negative.”

The pricing tailwind is gone

The change in conditions will also make underwriting decisions more visible.

"There is no pricing tailwind, so forward underwriting profitability will be based on actions taken now," Flandro said.

He described this point in the cycle as the moment when underwriters "show their mettle", with performance beginning to separate those that maintained discipline from those that chased business aggressively.

"We will be able to sift quite clearly, in terms of different performance metrics, the wheat from the chaff," he said.

Casualty provides a warning from the previous soft cycle. Some insurers and reinsurers that wrote too aggressively when pricing was inadequate are still dealing with the consequences.

The difficulty now is balancing underwriting discipline with pressure to maintain growth.

"I used to be an equity analyst," Flandro said. "There's a lot of pressure on reinsurers to grow top line, even as the cycle softens. But a good investor will understand that growth must be profitable."

AI making reinsurance tradable

A separate change could alter how some of that risk is ultimately placed.

Flandro believes AI could help create a functioning secondary market for reinsurance risk, an idea the industry has explored repeatedly without achieving widespread adoption.

The obstacle has always been complexity. Reinsurance contracts differ by structure, attachment point, exposure and modelling assumptions, making them difficult to standardise and trade in the way equities or bonds can be traded.

Flandro believes AI could lower some of those barriers. "Could AI be part of the mechanism here to make secondary trading more viable? I think it will," he said.

He does not expect technology to remove the need for brokers or for negotiations around complex programmes. Bespoke risks will continue to require experienced people and established relationships.

More standardised risks could develop differently. "You'll have something more akin to the equities market or the DCM markets, where there will be plain vanilla risks that can be quickly intermediated using AI at a lower cost," he said. "I think that is coming. I don't know exactly when or how."

AI is already beginning to affect other parts of the broking and underwriting process. Flandro expects administrative costs to fall and modelling and analytics to change significantly as companies become able to build and update models faster.

"I think modelling and analytics are going to change markedly," he said.

For the immediate renewal, however, pricing remains the more pressing issue.

Buyers have more options and more available capital. Reinsurers have less economic margin for error. Both are making decisions against a backdrop that could change quickly before 1/1.

Flandro's advice is simple: "It pays to challenge the prevailing wisdom." ●

PROPERTY CAT

Cat retentions come under pressure

With property catastrophe rates falling and inflation eroding cedant retentions, AXA XL Reinsurance CUO Jonathan Gale explains why disciplined attachments, selective casualty deployment and third-party capital are critical to sustainable earnings.



“Earnings are important, but quality of earnings is also important.”

The reinsurance market should remain profitable in 2027, but falling rates and rising claims costs are putting greater emphasis on where and how capacity is deployed, according to AXA XL Reinsurance.

Jonathan Gale, Chief Underwriting Officer for Reinsurance at AXA XL, said the market was in the second year of transition after several strong years, with conditions diverging across classes as competition increases. While discipline remains broadly intact, the focus is shifting towards cycle management and understanding how far reinsurers can adjust without compromising long-term sustainability.

Assuming loss experience remains broadly unchanged, he thinks the market could move closer to softer conditions in 2028 or 2029, although he cautioned that reinsurance conditions can change quickly.

Hold firm on attachment points

Property catastrophe is already coming under particular scrutiny. Rates are reducing while compounding inflation has eroded the real value of cedants' retentions, he noted, increasing the importance of maintaining appropriate attachment points. Nominal retentions look unchanged on paper, but once adjusted for several years of elevated inflation, the true risk-sharing between cedant and reinsurer can shift significantly.

As claims costs rise, lower and fixed attachment points (be it aggregate or each and every) produce a gearing effect, leaving reinsurers with a greater, and sometimes unexpected, share of mid-level losses rather than purely supporting against severe events. Gale said underwriters' factor in the gearing effect of expected claims inflation, as well as loads for perceived model deficiencies for perils such as wildfire.

This makes pricing for these covers look high relative to expectations. Reinsurers are cautious about any drift in structures that would reduce their ability to provide true catastrophic coverage to clients in the future.

KEY POINTS:

- Attachment and structure discipline vital
- Casualty growth depends on rate adequacy
- Third-party capital preserves client relevance

“I believe reinsurers' primary value is preserving capacity for true catastrophic years rather than mild changes to frequency and severity,” Gale said.

While property catastrophe excess of loss business has produced strong results in recent years, he said the combination of falling rates and inflation meant that this line required careful cycle management.

Selective growth in casualty

US bodily injury exposed casualty business is another area receiving close scrutiny. Rates are increasing overall, Gale said, but loss trends remain “high and prior development

“Earnings are important, but quality of earnings is also important to us.”

uncertain” including in more recent years, and underwriters increasingly need to factor in loads for systemic claims or mass torts.

Reinsurers prefer to see more obvious profitability with underlying rate matching trend, a track record, higher levels of risk sharing, strong claims handling and careful limit management before materially expanding participation.

The approach is part of a wider focus on maintaining diversified and sustainable earnings across the cycle.

“Earnings are important, but quality of earnings is also important,” Gale said. “The

market knows it cannot just be dependent on the wind not blowing, the earth not shaking or cities not burning. We need sustainable, appropriate profitability through the cycle to be of use to our clients and brokers when they most need us.”

Staying relevant

As market conditions fluctuate, reinsurers are increasingly using third-party capital to manage how much risk is retained while maintaining capacity for important clients. This includes both traditional retrocession and broader capital markets solutions, enabling the reinsurer to calibrate its net position more dynamically while keeping gross line sizes meaningful for cedants.

Gale said the approach allows reinsurers to remain consistent with their preferred cedants. They can spread the risk more widely across the market and beyond, while preserving direct relationships and service levels; ensuring clients have continuity of support.

“We make extensive use of third-party capital. We always have a lot of skin in the game ourselves, but we make use of knowledgeable third-party capital to keep our gross relevance to clients, so we can preserve consistency through the cycle.”

Client quality will also influence where capacity is deployed- we remain focused on those clients with meaningful risk retention, proven underwriting and claims, risk management, data quality and stable buying.

For AXA XL Reinsurance, he pointed to its financial strength, AA stable (recently upgraded) and its position within the wider AXA group as giving the reinsurer flexibility as the cycle develops. “Ability to pay coupled with a willingness to pay is evidenced by our multi-decade track record delivered by excellent people, expert, experienced and well liked, provide a strong selling proposition to our valued clients and brokers.” ●

Jonathan Gale is the chief underwriting officer for reinsurance at AXA XL. He can be reached at: jonathan.gale@axaxl.com

TALENT

Who's hiring young people? asks LMG

London is seeing encouraging signs of growth in reinsurance, progress on new sources of capital and a more responsive approach from regulators. But Caroline Wagstaff's attention is also firmly on a problem that could take much longer to fix – who will run the market in the decades ahead.

There are now as many over-50s working in the London Market as there are under-30s. More concerning for the London Market Group (LMG) chief executive is what happens if current trends continue. Its modelling suggests the proportion of under-30s could fall from 24% to just 7% within a decade.

"That is a very alarming statistic because," Wagstaff told *Monte Carlo Today*. "First of all, who is going to be running your business 10 years after that? And second, think how expensive that 7% are going to be. They're literally going to be able to write their own cheque because there aren't going to be very many of them."

It is a problem she believes the market needs to confront now, not in five years. And Wagstaff challenges one of the assumptions often made about why it exists. "It's an urban myth. It absolutely fries my brain, this idea that everybody 'falls into insurance'," she said.

The cost of not hiring

Entry level vacancies advertised through London Insurance Life receive applications, sometimes so many that employers ask for them to be taken down. LMG's own programmes are oversubscribed, she said. "This is not a supply problem. It is a demand problem. We are not hiring."

AI has provided one explanation for the slowdown in recruitment, as insurers look for efficiencies and reassess future workforce needs. Wagstaff is unconvinced. "If you ask people what's driving it, they will tell you it's AI. I'm less confident about that. I think it's being driven by a good old-fashioned soft market," she said.

Even where technology does reduce costs, she questions whether the longer-term consequences of hiring fewer people are being adequately priced in. "That's great, you're making some short-term cost savings," she said.

"But have you thought about what the cost of your people is going to be in five years' time if you've got a decreasing pool to hire from?"

KEY POINTS:

- Under-30s could shrink to just 7%
- Soft market might be slowing hiring
- Specialism supports London growth

time if you've got a decreasing pool to hire from?"

The other side of the demographic problem sits further up the organisation. The large over-50 population carries an "amazing wealth of experience and expertise", she said, but is expensive and can also create a blockage to promotion for those behind it.

Wagstaff argues for an "intelligent retirement process" that protects expertise while allowing businesses to bring younger



“This is not a supply problem. It is a demand problem. We are not hiring.”

people through. "This is not a simple debate. I'm not trying to say it is," she said.

"But we do need to be thinking about all of those issues. Who's hiring the young people? How are we managing the exit process for older people?"

"What's happening to this sort of doughnut hole in the middle we're going to have in five to 10 years' time if we don't hire people now?"

Complex risks draw business

That warning comes at a stronger moment for London itself. LMG's latest London Matters data shows the market's global share moving upwards again after a period in which reinsurance had dipped and then stagnated.

Wagstaff sees a return to the qualities on which London built its position. "People are coming back to the London Market for reinsurance for the same reasons they come for insurance: it's a specialist market. It's where you come for solutions to complex and difficult problems."

New reinsurance businesses are also appearing, with Wagstaff pointing to Oak Re as one example. On the capital side, progress with London Bridge 2 has given her greater confidence that London can develop a functioning ILS market after five years in which efforts had, in her words, "not gone as well as they could have".

"If you look at insurance and reinsurance overall, London is the global centre for risk transfer," she said. "It is bigger than its next three competitors combined – that's what the data tells us. So that's a great position to be in, but we're not complacent."

The next gains could depend as much on how easy London is to deal with as on the expertise it offers. Wagstaff is less worried about another market suddenly solving insurance's technology problems than about jurisdictions capable of moving more quickly.

"Of all the reasons we lose out, I think sometimes it's because other jurisdictions and regulators are more nimble than we are," she said. "Their regulators respond better and faster. I think that's a bigger risk than technology."

There are encouraging signs. She points to the PRA's proposed four-to-six-week approval timeline for captive insurers, which she says would put the UK alongside established domiciles such as Vermont and Guernsey.

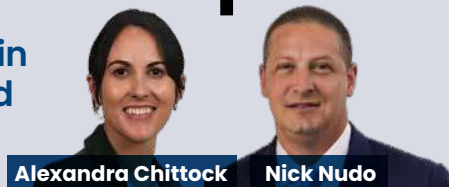
For Wagstaff, the significance lies not simply in writing new rules but in how regulators behave when firms come through the door.

"What we're seeing is a genuine understanding by the regulators that, particularly in areas where there isn't systemic risk to the system, they can move faster and be more responsive." The proof will come when the first applications are tested. But she describes the early signs as "very positive". ●

CASUALTY

Casualty markets move at two speeds

International casualty competition is building faster than in the US, where returning capacity remains disciplined amid persistent liability pressures, Aon's casualty leaders say.



Alexandra Chittock

Nick Nudo

International casualty buyers are heading into 1/1 in a stronger position as new carriers enter the market and existing reinsurers move into growth mode, increasing competition for business.

US casualty is encountering a similar dynamic; however, the capital is more cautious. Capital is returning, but persistent social inflation, nuclear verdicts and an improved but uneven tort-reform landscape are keeping reinsurers cautious about how they deploy it.

"Competition is broadening across international casualty, with reinsurers pursuing wider growth and portfolio objectives," Alexandra Chittock, head of international casualty product strategy at Aon's Reinsurance Solutions, told *Monte Carlo Today*.

“Different reinsurers are pursuing different portfolio objectives, creating competition across a broader range of business.”

Alexandra Chittock

"International casualty has benefited from favourable loss development, portfolio repositioning and attractive diversification at a time when reinsurers remain focused on liability uncertainty elsewhere in the market."

Chittock traced the shift in reinsurance conditions to mid-2025 and expects buyers to remain in a stronger position at 1/1. "Capacity is coming from both new entrants and existing markets looking to grow, giving buyers access to a broader range of potential partners. There's a lot of supply versus the traditional demand."

US casualty has experienced a slow but steady return of capital. Nick Nudo, senior managing director and US head of casualty at Aon's Reinsurance Solutions, said this return of supply has resulted in a stable to slightly improved market for buyers over the past 12 to 18 months and includes both traditional

KEY POINTS:

- Lower loss development attracts capacity
- New carriers add to international supply
- Tort reform remains state-specific

reinsurance capacity and non-traditional in the form of ILS.

Years of compounded primary rate increases, tighter terms and portfolio re-underwriting have improved the underlying business, attracting more capacity to the US market. Some reinsurers are also turning towards long-tail classes as conditions soften in property catastrophe, while others want to support casualty as part of broader relationships with important clients, he explained.

"I think there is a sizeable segment of reinsurers and capital providers that have come back to the US casualty market because they see it as a profitable space," Nudo said. "There's a great deal of capital returning to the market."

Capital returns, caution remains

So far that capital influx has produced only moderate improvements to terms as reinsurers factor in the US legal environment. Florida, Georgia and Louisiana have introduced reforms, while New York is considering changes, but Nudo said these remained state initiatives.

"Insurers and reinsurers welcome these reforms. But it's not federal reform. It's still very state-specific, and capital providers want to see the reform proved out."

The difficult tort environment constrains capacity and reinforces pricing and underwriting discipline, furthering a firm US casualty market. "The US legal environment is clearly not in insurers' reinsurers' favour," Nudo said. "This dynamic rewards insurers and reinsurers being conservative with their capacity. This environment also keeps buyer demand for casualty reinsurance high."

But he expects US casualty to remain profitable, despite reports that rates in some pockets are not keeping pace with loss trends.

Nudo said Aon's analysis of underlying

business within our reinsurance placements show improved profitability at each renewal in aggregate, which he regarded as evidence that the industry at large is moving in the right direction.

"Reinsurers are recognising underlying improvements and beginning to expand in this space with those they want to do business with," he said. "There's a lot more competition in the market, but most actors are still pretty responsible and conservative in their capital deployment."

The same selectivity applies internationally. Greater capacity does not mean reinsurers will compete equally for every casualty portfolio. Their appetite depends on whether new business fills a gap in their existing book or adds to a concentration, Chittock noted.

“Capacity has returned to the US market, but [reinsurers] are conservative in their capital deployment.”

Nick Nudo

For reinsurers, that assessment includes where claims could be brought, not simply where the policy was written.

"Some of the most attractive international casualty portfolios are not those that avoid US exposure entirely, but those that have developed a proven strategy for writing it selectively and managing it effectively through the cycle." ●

Alexandra Chittock is the head of international casualty product strategy at Aon's Reinsurance Solutions, and can be reached at: alexandra.chittock@aon.com

Nick Nudo is the senior managing director and US head of casualty at Aon's Reinsurance Solutions, and can be reached at: nick.nudo@aon.com

SPECIALTY

Specialty needs a bigger platform

Specialty risks are receiving too little attention amid the wider P&C pricing debate at the Rendez-Vous de Septembre, despite recent losses and geopolitical uncertainty creating opportunities in classes including marine and aviation.

“Specialty generally doesn’t get the platform at all,” says Christa Schwimmer, chief executive for specialty reinsurance, Lloyd’s & Bermuda at Munich Re.

The market has become more varied over the past two years, with individual specialty classes and geographies moving at different speeds, she told *Monte Carlo Today*. Schwimmer described the overall environment as “constructive, with growth in agriculture and stable conditions in parts of marine”.

Marine and aviation are among the areas where she sees opportunities following a run of losses and heightened geopolitical uncertainty.

Losses in marine have made some corrections necessary, she said, while aviation has experienced numerous losses over the past two to three years. “There is room to manoeuvre, and I think the London market has been very good at adapting when prices needed to. So I’m positive there,” she said.

Competition is nevertheless increasing in some areas. Schwimmer said abundant capacity had brought additional competition into composite marine over the past year, drawing a comparison with property catastrophe.

KEY POINTS:

- Growth in agriculture
- Marine and aviation offer opportunity
- Profitability priority over growth



“The real differentiator is the underwriting know-how in specialty lines.”

Against that backdrop, she expects underwriting expertise to become a bigger differentiator. “There are some new entrants coming into the market,” she said. “The real differentiator is the underwriting know-how in these specialty lines, much more so than in commodity P&C.”

Munich Re is not setting a growth target for the specialty portfolio. “To be honest, there are no growth objectives. We have a

profitability objective we want to adhere to,” Schwimmer said. “We do want to deploy our capital, but I think good underwriting tells us where we deploy it, and that’s where we make the difference.”

One concern as competition increases is that some underwriters have never worked through a soft market. Schwimmer said Munich Re is investing in training and sharing lessons from previous cycles with its specialty teams. “We have underwriters who haven’t seen a soft market. If you joined after 2017 or 2020, you haven’t really experienced one the way we have before.”

The exercise includes revisiting previous cycles and asking “what have we learned? What are we not going to do again?” Schwimmer expects those lessons to become more important as capital remains plentiful and pressure to grow increases. “I think those who manage it best will win, and won’t deploy capital for capital deployment’s sake,” she said.

Recent specialty losses will also feature in discussions in Monte Carlo. Schwimmer pointed to the Baltimore bridge loss and said affected placements would see a reaction, while M&A activity is raising questions about its implications for reinsurance programmes.

But the market impact of the next event will not necessarily depend on its headline cost. “I don’t believe it’s the size of the loss that matters as much. Is it a surprise loss? Is it one we expected, or one that fits into the models? Is it in the place we wanted it to be or not?” ●

RISKS

89% of firms feel exposed to cyber risk, uptake low: Munich Re

Almost nine in 10 companies do not feel adequately protected against cyber risk as AI adds further complexity to an already evolving threat landscape, according to Munich Re.

Studies by the reinsurer found that 89% of companies felt inadequately protected, while uptake of cyber insurance remains low despite it being described as one of the greatest risks facing businesses.

Munich Re said the growing professionalism of attackers, combined with AI, geopolitical tensions and systemic interdependencies, was driving cyber crime

costs higher and increasing the need for new risk management solutions and enhanced cover.

The complexity of these exposures requires independent and innovative modelling alongside specialist AI expertise, it said.

While standards in cyber insurance to address risks and provide appropriate cover have become established, Munich Re believes the equivalent development for AI risk was yet to take place.

Demand for AI risk cover is growing, but its complexity requires in-depth expertise, a strong understanding of the underlying risks

and clear contractual wording, according to the reinsurer.

The findings form part of Munich Re’s wider assessment of a risk landscape becoming more global, volatile and interconnected.

Thomas Blunck, a member of Munich Re’s board of management, said understanding risks and strengthening resilience would be increasingly important as exposures evolve. “The value of reinsurance has never been more evident than it is today,” he said. “A resilient reinsurance sector is capable of absorbing increasingly complex and globally interconnected risks.” ●



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MGA market shifts towards specialism

Europe's MGA market is maturing, but growth remains uneven, highly localised and depends increasingly on specialism, disciplined underwriting and sustainable capacity relationships, an Inner Circle panel concludes.

KEY POINTS:

- Soft markets put MGA quality to test
- Specialism must come before scale
- Carrier alignment matters more today

Europe's MGA market is moving beyond its early growth phase, but the opportunity is becoming harder to generalise. Mature domestic markets, abundant capacity and softer pricing are putting greater emphasis on specialism, underwriting discipline and sustainable relationships with capacity providers.

That was the broad view from an *Intelligent Insurer* Inner Circle roundtable in Monte Carlo, held in partnership with SiriusPoint on Monday September 7. The discussion brought together Alex Hardy, director of delegated and distribution at SiriusPoint; Tobias Andersson, head of Continental Europe at Howden Re; Paul Dilley, chief underwriting officer and CCO at Bridgehaven; Alessandro Girelli, underwriting manager, London International Market at Descartes Underwriting; Lee Ellis, managing partner, capital solutions at Augment Risk; and Matt Harvey, global head P&C and CPM at Oneglobal Broking. It was moderated by Aditi Mathur, editor of *Intelligent Insurer*.

Hardy said changing conditions had brought greater scrutiny to where carriers put their capital and which MGA relationships they support. "We've seen a massive shift away from just volume to value, to what's my point of difference? Why do we exist? Almost, what's our reason to be?" he said. "In current conditions, I think that becomes even more important."

Europe is not one MGA market

Any assessment of European MGA growth has to account for considerable differences between individual markets. "If you look at the European market, it's a collection of markets, and they're different maturities," Dilley said. "You can't say one question answers all."

Scandinavia and the Netherlands have

relatively mature MGA sectors, he said, while parts of Eastern Europe remain much less developed.

Ellis said treating Europe as a single opportunity had been one of the mistakes made during the rush into the region. "Probably 12, 18 months ago, everybody was rushing in. Europe was the holy grail for everybody," he said.

After investment in teams and infrastructure, some firms are now questioning the likely return, particularly as the market softens and

opening up across Europe, with interest from local carriers, entrepreneurs and investors. France and Iberia are seeing considerable activity, while Germany still offers room for further development.

Hardy also pointed to France and Iberia, where much of the activity SiriusPoint sees is heavily specialty-led. "Not trying to go head to head with local markets on exactly the same things is one way of doing it," he said.

Product can matter as much as geography. Dilley highlighted cyber as a relatively



established domestic insurers remain powerful. "People are starting to say, 'Is the juice worth the squeeze?' Is the investment we're making really going to see a return?" Ellis said.

Harvey agreed. "A lot of people are now adding up the frictional cost across the capital and everything that goes with that, and saying, where are we going to be in three years' time?"

There is still considerable room for growth. Andersson said ecosystems around MGAs were

underpenetrated class where MGAs can create demand rather than simply compete for existing business.

Harvey saw similar potential. "Cyber and financial lines, bringing products into markets where there's low penetration at the moment, is very interesting," he said. "It's that level of understanding that the MGAs and some specialists give which can make this sustainable."

ATTENDEES:

(L- R) **Alessandro Girelli, Descartes;**
Alex Hardy, SiriusPoint; **Tobias**
Andersson, Howden Re; **Lee Ellis,**
Augment Risk; **Matt Harvey, Oneglobal**
Broking; **Paul Dilley, Bridgehaven**



Girelli pointed to other underinsured risks, including subsidence and wildfire, as well as parametric insurance as an area of European innovation. "Europe is showing that it can bring some innovations in specific issues such as parametric insurance," he said.

Specialism before scale

As competition increases, the bar for a credible MGA is also rising. Dilley reduced the starting point to the "ABCs of underwriting": risk selection, pricing and operations. But those basics need to be accompanied by something distinctive.

"It also must have a USP or a specialism," he said. "You've got to get the pricing right, the risk selection right and the process right."

Ellis said the model of an experienced underwriter leaving a carrier or Lloyd's syndicate after several profitable years and setting up independently was no longer enough.

"The market has matured. The structure of the market has changed," he said. "It is about professionalism. It is about those USPs, and it is about having this point of differentiation."

Profitability remains fundamental. "What differentiates a high-quality MGA is really the track record in terms of profitability," Girelli said, adding that carrier trust is essential to securing meaningful limits over the medium and long term.

Brokers are also applying more scrutiny. Ellis said opportunities are increasingly being "triaged" before reaching capacity providers, with greater focus on quality rather than simply bringing more business to market.

"With specialism, you can build scale. If you're just going for scale, you're just going to become a market tracker," Dilley said.

Andersson was equally emphatic. "Every day of the week, specialism first, then of course scale to some degree."

But getting specialist businesses to that scale remains difficult. Andersson said the market could do more to support MGAs starting from zero, while Hardy noted that backing a small project can involve almost as

much work as a larger one. "Not everyone will work," Hardy said. "It can be a brilliant idea and a brilliant team, and it just, for whatever reason, hasn't got traction in the market."

Cycle management is another test. "You need the ability to recognise the cycle you're in, trade in that cycle and work through," Dilley said. "High-quality MGAs will prosper through soft cycles and hard cycles because they have strategy."

Capacity is plentiful, but selective

There is little concern about an outright shortage of capital to support European MGA growth. The question is where that capital goes.

Hardy said carriers continue to ask for the fundamentals: transparency, good-quality data and proactive communication when problems emerge.



That makes choosing the right partner important on both sides. Hardy said selectivity in the current market was not necessarily a negative. "Picking carefully, being quite deliberate about what you do with capital and also making sure that you're not doing it because everybody else is," he said.

The intention should be to support opportunities where carriers expect to remain involved "over a number of years".

Claims are another measure of quality. "A high-quality MGA, as well as delivering profitability, has to pay claims," Harvey said.

"The MGA market has to pay claims exactly the same way as the wider market," Dilley

added, noting the fact that carriers increasingly have to consider how they engage with MGAs is itself evidence of how far the sector has come.

"The MGA market is here," he said. "It's established itself in market cycles and will trade through multiple market cycles. So you can't ignore them. They're an inherent part of the distribution chain."

Europe must find its own model

Regulation remains one complication for MGAs operating across multiple European markets. Andersson said greater consistency would improve efficiency, while Dilley argued that regulation should eventually recognise MGAs more clearly as underwriting organisations rather than treat them principally within a distribution framework.

Hardy said greater clarity still needed to preserve appropriate carrier oversight of delegated business. "If it was easy, it would have been done already," he said. "I think we're starting to see some evolution."

The panel was equally wary of simply importing the US model. "In the US, MGAs had to earn their place," Hardy said. "They've really stuck closely to either solving a customer problem or operating more efficiently. It's fine to take some inspiration, but it's dangerous to think that the US way of doing things is right for Europe."

Different languages, cultures, regulation and datasets make Europe fundamentally different. Girelli noted that while countrywide datasets can make US product development easier, European propositions might require separate datasets across individual countries. "It takes a lot longer to build products if it works all across Europe," he said.

Looking three years ahead, Hardy hoped to see more smaller MGAs successfully reaching scale and the model becoming more embedded in less-developed areas. Dilley wants specialist MGAs to make deeper inroads against domestic insurers, while Harvey expects technology investment to improve distribution and governance. ●

NEW REINSURER

Corgi Re leader eyes data centre risk

The executive behind Corgi Re, a new reinsurer unveiled last week by San Francisco-based Corgi Insurance, is at the Monte Carlo Rendez-Vous this week on a fact finding mission. He is seeking knowledge, partners and is ready to deploy capacity – the big opportunity, he believes, could be underwriting data centres.

Jeremy Eisemann, head of government affairs and deputy general counsel, Corgi Insurance, told *Monte Carlo Today* that he is in the Principality to speak to brokers and reinsurers about where there is demand – or risks they struggle to place. Where it can add value, it can offer capacity.

“We are here to build relationships and really listen to what the market demands. We are flexible in what we’re able to write. We want to be able to go to a broker and offer solutions.

“And what we are hearing is that data centres are really difficult risks to place. The large carriers are writing it, but some have reached their capacity. We want to be able to step up. We see this as a great opportunity.”

He said, from what he is hearing, there is a need to diversify the reinsurance panels on data centres. “So, there are slices where we can fit. We are not going to take anything. That is not a successful business model for anybody. We will price it correctly and show underwriting discipline.”

Plans for Bermuda

Corgi Re has been launched as an admitted carrier in Georgia. It will write reinsurance using the Corgi Insurance balance. Corgi has raised \$374 million since its launch in 2024, including \$108 million this year. It was most recently valued at a \$2.6 billion. Eisemann said the company is actively exploring also launching a Class 3 reinsurer in Bermuda. For now, without a rating, it seems likely Corgi Re would operate on a collateralised basis.

Corgi Insurance’s USP comes from its use of AI and technology. It describes itself as the first AI-native insurance company and that it gives carriers, programs, and distribution partners the infrastructure to underwrite, place, and service coverage faster than legacy systems allow.

Now, the aim is to bring these efficiencies to reinsurance. Eisemann said

Corgi, which also launched an admitted

KEY POINTS:

- Big data centre opportunity
- Potential launch in Bermuda
- Reinsurance can be more efficient



“What we are hearing is that data centres are really difficult risks to place. The large carriers are writing it, but some have reached their capacity. We want to be able to step up. We see this as a great opportunity.”

insurance carrier in August, adding to the range of insurance structures it operates, including risk retention groups, reinsurers, captives and managing general agencies, felt entering reinsurance was a natural next step.

“Based on our underwriting experience, claims experience, us being a full-stack

“Technology can make the process faster and more efficient, but it doesn’t replace trust.”

insurer, it’s a natural progression to do reinsurance. Reinsurance is instrumental to insurance so having a reinsurer as part of that full stack is literally just going up the chain.

“But our added value is not going to be capacity. There is plenty of capacity. Our added value is underwriting expertise, our claims knowledge, and then speed. Reinsurers are very professional but speed is a huge obstacle. Getting the data on the same platform from an insurer to a reinsurer is key. I think speed, or lack of it, kills deals.

“A broker wants speed, a primary carrier wants speed. We can review the cedant’s portfolio, underwriting, loss experience, and other relevant materials and complete our assessment of the treaty within approximately one week.”

Reinsurance expertise

Eisemann joined Corgi this year following service as vice president, State Government Affairs and assistant general counsel at the Reinsurance Association of America (RAA).

Prior to joining RAA, Eisemann spent more than 14 years at Liberty Mutual Insurance.

When he considered joining Corgi, he said he didn’t want to come to a tech company that was trying to figure out insurance.

“But that is not the case. We have a very deep bench. We have experts from Lloyd’s, Liberty Mutual, we have hired former regulators. So we’re not just offering capacity. We understand. We’ve been there. We have the expertise.

“We are not just a tech company that’s trying to understand insurance.”

He acknowledges that reinsurance is one of the hardest markets to enter – and that relationships are based on trust.

“Carriers are handing you part of their risk, and those relationships are typically built over decades, not overnight. The foundation of reinsurance is trust. Technology can make the process faster and more efficient, but it doesn’t replace that trust. Corgi Re is being built around both.”

He continued: “There is an enormous opportunity to modernise the way reinsurance is underwritten without losing what makes the market work. The goal isn’t to take the relationships out of reinsurance. It’s to give the people on both sides better tools, better data and a faster way to make informed decisions.” ●

MODELS

More data, not always more insight

Sophisticated models can help insurers see risks that historical claims cannot, but fragmented data and legacy systems risk obscuring the picture, Swiss Re's Jonathan Rake tells *Monte Carlo Today*.



More data and increasingly sophisticated models will not necessarily give insurers a better view of risk if fragmented systems and poor data foundations leave underwriters unable to understand what sits behind the result.

"There's way more complexity in the underlying connectivity," Jonathan Rake, CEO of Swiss Re Risk Data Solutions, told *Monte Carlo Today*. "The systems are talking to systems, data is talking to data."

Rake described this as the "black-box conundrum". As insurers connect claims and exposure information with external data, models and analytics, understanding the source and purpose of that information becomes increasingly important.

"Having more data does not automatically mean having better insights," he said. "The challenge is connecting the data, models and analytics in a way that produces a more coherent view of risk and helps support more concrete, better decisions."

Untangling legacy data

Much of the challenge starts within insurers themselves. Data quality and understanding its source and purpose remain significant issues, particularly where different parts of an organisation are working from different information.

"The data foundation is super critical," Rake said. "Otherwise, you have different areas and departments all working with different data sources."

The problem can be particularly acute among insurers that have expanded through acquisitions, leaving parallel legacy systems and data sources that were not designed to work together.

"Many organisations have been built on legacy systems, especially those that have had a big acquisition trail," Rake said. "They've been buying companies up and they create a 'spaghetti effect' of systems and data. And some may not have adopted industry standards yet."

KEY POINTS:

- Insurers face 'black-box conundrum'
- Legacy systems fragment risk views
- Models can flag concentrations early

Looking beyond past claims

Fixing the internal data foundation is only part of the challenge. Historical claims show insurers what has already happened, but understanding where future losses could emerge requires them to combine that experience with external data and modelling.

"Insurers need to combine their own exposure and historical claims data," Rake said. "It needs to be combined with high-quality external and proprietary data as well as advanced models. No one company is solving that on its own. It's how you combine insights."

"Having more data does not automatically mean having better insights."

That can help move insurers beyond a backward-looking reliance on claims experience towards assessing the frequency and probability of future losses and how they might accumulate.

"Get insights into what's the frequency, what's the probability of these potential losses," he said. "How do they accumulate? Using multiple modelling perspectives can be valuable."

As one example, Rake cited flood risk in Florida, where Swiss Re combined historical claims data with the flood-modelling capabilities of Fathom, the UK-based water intelligence company it acquired in 2023.

"Combining historical claims data with [Fathom's] capabilities has helped us identify

segments with disproportionately high modelled loss ratios," he said.

The analysis identified locations where modelled flood losses were unusually high relative to premium, allowing insurers to focus underwriting attention on those risks while giving clients a clearer view of where stronger flood protection might be needed.

Risk models need judgment

Identifying a modelled loss, however, does not determine the underwriting response. Underwriters still need to decide how much weight to give the result within individual portfolios and market conditions.

"We have sophisticated models that need to be understood in the context of individual portfolios, market conditions and insurers' strategic objectives," Rake said.

Technology can process increasingly complex information and identify patterns more quickly, but Rake said experienced risk professionals remain essential to interpreting what those patterns mean.

"It can process complex information. It can surface patterns at speed, while experienced risk professionals can provide good judgment and context needed to interpret these insights."

That combination will become increasingly important as insurers move from periodic reviews of historical losses towards analysis that reflects changing exposures more quickly, potentially identifying concentrations before losses materialise.

Better information could also allow insurers to differentiate between risks more precisely rather than respond to uncertainty by restricting capacity or withdrawing from a market. "The better informed you are, the more confident you are," Rake said. "The future, therefore, is not necessarily human judgment versus data-driven decision-making, but the two working together." ●

Jonathan Rake is the CEO of Swiss Re Risk Data Solutions



DISCIPLINE

Sompo stays true to its own playbook

Scale brings expectations. Sompore enters Monte Carlo with broader reach, deeper bench strength and a more assertive position in key markets. Christian Silies, its president of Europe reinsurance, however, is approaching the season with a clear view: size may expand opportunity, but it will not dictate tempo.

"There is no need for us to grow 10% year over year, or any number," Silies said. "That just doesn't exist."

It is a revealing position for a business whose capacity to grow was already significant and has now expanded further. The recent transaction increased Sompore's gross written premium by roughly 40%, from \$4.5 billion to \$6.4 billion, while adding a Lloyd's platform and greater specialty and third-party capital capabilities.

That gives Sompore more firepower just as reinsurers arrive in Monte Carlo with considerably less pricing momentum behind them.

Strong results and relatively benign catastrophe experience are feeding expectations from cedants. For Silies, having more capacity to expand does not mean being compelled to use it.

"We won't be at the forefront of any trend. We will be trading with our clients as we have done over the last years, and even longer beyond that," he said.

Scale changes the possibilities

In Europe, the two businesses also fit together unusually neatly. Sompo historically had the larger footprint through Zurich; Aspen brought greater weight through London. "Our European offering is probably now going to be wider than ever," Silies said. "Aspen brings in some relationships that historically Sompo didn't have, and vice versa."

When the books were brought together, the overlap was "remarkably small", he added. The Lloyd's syndicate also gives Sompore greater flexibility over where it deploys capital and capacity.

Crucially, Sompore has now had time to look under the bonnet. "We really understand what their reinsurance book brought, and the book is a good one," Silies said.

The greater scale will nevertheless change what brokers and cedants expect. Silies acknowledged that being a top 10 reinsurer raises expectations that Sompore will lead

KEY POINTS:

- Growth will be selective, not forced
- Client relationships trump price chasing
- Underwriting discipline is key

more business or take larger positions. That evolution will be selective. "We want to remain conscious about which client relationships we engage in."

Opportunities could instead emerge in accident and health reinsurance, the Middle East and Asia, European P&C and pockets of London casualty and specialty. Growth is more likely to emerge as "these little seeds grow and eventually bear fruit".



“We won’t be at the forefront of any trend. We will be trading with our clients as we have done over the last years, and even longer beyond that.”

The 'right kind of boring'

That measured approach isn't about integrating acquisitions; it reflects Silies's broader view of what reinsurers are actually there to do. Asked whether the industry is keeping pace with a shifting risk landscape and persistent protection gaps, he pushed back on the idea that moving faster is necessarily the answer.

"What I would always find a bit reckless

is if we were to jump in and say, 'Oh, we can do this. We can do this,' without having fully understood what is at stake and what is needed," he said. "We may call it boring and say the insurance market is not doing the right thing. But at the same time, we want to be the right kind of boring; the one that is considerate about what we provide."

It is a carefully considered philosophy for a company that has spent \$3.5 billion expanding its global ambitions; use the greater scale, but without sacrificing the underwriting discipline that helped create the opportunity in the first place.

The same thinking extends to geopolitical volatility. Losses have prompted reactions across parts of specialty, but Sompore has little interest in suddenly chasing opportunities created by disruption.

"I don't see us doubling that book overnight. To be honest, that would be a horrific way of doing things," Silies said. "We leave that opportunistic behaviour to some other players, and that's fine."

When the tide turns

The approaching renewals will provide a more immediate test. Silies expects some pressure on catastrophe programmes, while specialty is more fragmented as political violence, aviation and other losses give reinsurers grounds to hold their position in some classes. Sompore's current plan, he said, is "a conservative one".

"There will always be elements where we say we are not prepared to follow the market into further reductions," he said.

But discipline does not mean retreating from growth. Silies sees deeper client relationships as the more durable route to it. "Competitors that only see the business as a function of price will struggle," he said. "They will always immediately be the ones that suffer the most when the tide turns."

That means looking across an entire placement rather than selecting only its most attractive pieces. The approach becomes more relevant as some large European insurers rethink how they transfer risk, including through ILS platforms and separately capitalised vehicles.

"I'm firmly of the opinion that reinsurers who understand the needs of their clients from a whole-account point of view fare much better than reinsurers that try to pick only the parts they like," Silies said. ●

RISK

The next frontier in geopolitical risk

As geopolitical disruption spreads across systems, territories and insurance classes, the next challenge may be understanding accumulation rather than predicting the next event.



By Jen Daffron, scenario & future trends lead, Willis Research Network

Hurricanes have footprints. Earthquakes have epicentres. Wildfires have burn scars. Geopolitical events are rarely so visible. A cyber campaign, coordinated sanctions regime or pressure on critical supply chains may unfold over weeks or months, span multiple jurisdictions and generate losses across several insurance classes.

Many established catastrophe frameworks were developed around events with relatively clear temporal, geographic and physical boundaries. Modern geopolitical risks increasingly challenge those assumptions. They often unfold gradually, involve multiple actors and transmit losses through interconnected infrastructure, technology platforms and commercial relationships.

For insurers and reinsurers, this raises a more fundamental question: what is the event? Importantly, defining the event is not merely a matter of classification. It can shape how losses accumulate across portfolios, territories and classes of business.

That question matters because outcomes can depend materially on whether dispersed incidents are treated as a single event, a series of related events or separate losses altogether. A hurricane affecting hundreds of insureds will generally be recognised as a single event. In natural catastrophe modelling, event definition is often the starting point.

In geopolitical risk, event definition may be one of the most contested elements of the loss itself, particularly where attribution, intent, timing and policy wordings are disputed. The Nord Stream pipeline incident illustrated these complexities. Questions surrounding attribution, causation and how losses should be connected demonstrated that identifying the event may not be straightforward, even when physical damage is visible.

From event to accumulation

Yet defining the event is only part of the picture.

Geopolitical risk is becoming an accumulation challenge as much as a peril-modelling challenge. The industry's exposure

KEY POINTS:

- Event definitions are being tested
- Losses increasingly cross classes
- Dependencies reshape accumulation

may depend less on the initial trigger than on how losses develop, interact and ultimately aggregate across portfolios.

A single geopolitical trigger could produce cyber losses, business interruption, supply chain disruption and financial impacts across multiple insureds and classes of business. The greatest loss may not occur where the disruption begins. It may emerge later through contingent business interruption, operational dependencies or claims distributed across multiple territories and lines of business.

This becomes particularly important because many modern geopolitical threats target dependencies rather than assets. Damage to a submarine cable, for example, may be physically

through multiple channels. Determining how cross-class accumulation develops, and where reinsurance recoveries ultimately sit, can become considerably more complex than in traditional catastrophe scenarios.

This raises an important question for the market: are existing event-response frameworks, scenarios and stress tests evolving quickly enough to capture the broadening range of plausible geopolitical threats?

Regulators and market authorities are already responding to this issue. Since the outbreak of war in Ukraine, Lloyd's has increased its focus on how geopolitical risk is reflected within syndicate underwriting, scenario analysis, internal models and capital planning. Enhanced oversight through business planning reviews, stress testing, model validation requirements and capital guidance has contributed to a greater focus on geopolitical uncertainty and its potential implications for insurance markets and wider economic conditions.

Interconnected risks, wider losses

Scenario-based approaches will keep pace with threats that unfold gradually, combine multiple methods of disruption and generate losses across classes, territories and portfolios simultaneously.

The Willis Research Network's work on grey-zone aggression, together with forthcoming research into undersea infrastructure disruption, reflects this evolution in thinking. Both seek to better understand how disruption spreads through interconnected systems, where losses may accumulate across portfolios and how conventional event definitions may be challenged when geopolitical activity unfolds gradually or across multiple domains.

The future of geopolitical risk modelling may lie less in forecasting the next conflict and more in understanding how disruption accumulates across interconnected systems. The question for the market is therefore not simply what happens next, but whether it can recognise an event as it unfolds, understand how losses propagate and identify accumulation before its full consequences emerge. ●

Jen Daffron can be contacted at:
jen.daffron@wtwco.com

“Geopolitical risk is becoming an accumulation challenge as much as a peril-modelling challenge.”

limited while still disrupting communications, cloud services, financial transactions and international trade. Similarly, coordinated interference with critical infrastructure may have effects far beyond the immediate point of disruption. The critical question is how disruption propagates through interconnected systems and where insured losses ultimately materialise.

What initially appears to be a collection of unrelated incidents may ultimately be part of the same accumulation event, generating losses across portfolios, territories and classes of business. A campaign involving infrastructure interference, coordinated cyber activity and economic pressure may produce losses that emerge gradually and

Soft market, tougher growth decisions

After several years of healthy profits, despite some softening, the reinsurance market remains in good shape – if discipline remains. Meanwhile, new and complex risks are emerging, including data centres, offering big opportunities for growth for those willing to take it on. They were some of the takeaways from 10 senior executives from the Bermuda market who met at a roundtable in Monte Carlo, moderated by Faye Waters, editor, *Bermuda:Re+ILS*.

The market is at an inflection point: it is profitable and awash with capital, yet downward pressure on rates means carriers need to make tough decisions on growth and need discipline. Equally, the wider picture is exciting: new risks offer significant opportunities, but also challenges, with data centres high up that list.

That was the overarching theme of a round table discussion held in Monte Carlo yesterday (Monday September 7) by sister publication *Bermuda:Re+ILS*. It featured 10 seasoned Bermuda executives from carriers, brokers and service providers. A fast-paced debate spanned everything from data centres to casualty ILS to crypto insurers – but discussions began on market conditions.

Chris Dart, head of treaty reinsurance – Bermuda, Willis Re, started on a positive. He described a large amount of supply into the market and agreed a softening was taking place, but he stressed that it is from a very strong position.

He said changes previously made to retentions are holding and the performance of the underlying insurance books has also been very good. “Policyholders are retaining risk due to deductibles. People are making money. We are in a good spot. Having said

that, there are active storms amid the pacific – there is also a lot of risk out there.”

Mahesh Mistry, senior director - head of analytics, AM Best, agreed the market was in a good place. He noted that many reinsurers and insurers have posted record profits in recent quarters and the ability to generate returns above cost of capital remains for most players. But he used the phrase inflection point. “We are seeing softening and are seeing tweaks to terms and conditions. There is a lot of capital, it is just a question of how it will be deployed.”

John Huff, president & CEO of the

Association of Bermuda Insurers and Reinsurers (ABIR), also took a positive slant. He noted that carriers are still meeting the cost of capital and rates remain adequate, despite some softening.

He flagged the strong performance of reinsurers. Recent figures released by ABIR, showed Bermuda re/insurers generated \$32.8 billion of net income in 2025, up 22.4% year on year. The increase came as total equity across the ABIR membership climbed 16.6% to \$207.7 billion. “Reinsurers now have the luxury of choosing where to deploy capital – that is a good place to be,” he said.





Martin Henley,
founder and CEO,
mea Platform



John Huff, president
and CEO, ABIR



Chris Bonard, group
president, Price
Forbes Re



Brad Adderley,
Bermuda managing
partner, Appleby



Chris Dart, head of treaty
reinsurance – Bermuda,
Willis Re



Mahesh Mistry, senior
director – head of
analytics, AM Best



Leonie Tear, partner,
Walkers



Kathleen Faries,
CEO, Artex Capital
Solutions



Renaud Guidée, CEO of reinsurance,
AXA XL



Matt Britten, partner,
PwC Bermuda



Faye Waters, editor,
Bermuda:Re+ILS



The wind can change

But some participants offered a different perspective. Brad Adderley, Bermuda managing partner, Appleby, noted that such strong performance was also partly on the back of three years of benign losses. A big loss could change this dynamic. Equally, he agreed that carriers will want to use excess capital. “So what will they do with that?” He said it does not take many players chasing growth to move the whole market.

Chris Bonard, group president, Price Forbes Re, agreed that a need for growth will be a defining driver of this renewals. “We are still seeing terms and conditions holding – but that could change if it is another benign wind season. There is a lot of capital. People talk about cycle management and discipline, but everyone has to grow.”

Matthew Britten, managing director with PwC Bermuda’s insurance and reinsurance group, also noted that reinsurers will be well aware of how retention levels have protected them from growing secondary perils. “Yes, it has been benign for reinsurers, but there have been a lot of insured losses driven by things like severe convective storms and wildfires. Reinsurers have avoided those but they are cognisant that weakening terms and conditions will change that.”

Renaud Guidée, CEO of reinsurance, AXA XL, made the point that in real terms, accounting for inflation, retentions are declining. He stressed that, at this point in the market cycle, what really matters is relationships with cedants.

“All cedants are different and it depends on the level of relationship you have with them. If you can clean up books, manage limits, that helps if there is a decline in rates. But at the moment, insurers and reinsurers are making their cost of capital. The market is healthy; the way the risk is shared on the value chain is quite balanced,” Guidée said.

Kathleen Faries, CEO, Artex Capital Solutions, took the opportunity to remind the participants of a key promise the industry had previously made to investors in more troubled times – that reinsurance could be a sustainable and profitable asset class long term. “It’s OK to have some variations but has to be sustainable long term or investors won’t be there when we need them. We need to continue to build trust and discipline.

“We need pricing adequacy in an environment where risks are increasingly complex. It is OK to have some variation but it has to be sustainable. Let’s just try and be a trustworthy asset class and offer no surprises.”

“We are still seeing terms and conditions holding – but that could change if it is another benign wind season. There is a lot of capital. People talk about cycle management and discipline, but everyone has to grow.”

Chris Bonard

Britten agreed that reinsurers have a dilemma due to excess capital. He noted that both growing in a softening market or buying back stock each present challenges at this point in the cycle. “There will be pressure from a governance perspective, so what do they do?”

Leonie Tear, an international regulatory specialist and partner in the Bermuda office of Walkers, agreed that governance will become an increasingly important issue in this environment. She explained that board





members are increasingly being expected not just to exercise underwriting discipline, but show they understand the underlying risks in the context of whatever risk models or AI-based tools they might be using. “They will need to be able to explain what they are doing; how they rely on AI.”

Martin Henley, founder and CEO, mea Platform, agreed that the way carriers use technology and AI will become more important – and increasingly a competitive advantage for companies navigating tricky market conditions. “You might think the ability to leverage technology and AI to gain operational leverage and better use data would be a rising tide – in fact, it will not be equal.

“We need pricing adequacy in an environment where risks are increasingly complex. It is OK to have some variation but it has to be sustainable. Let’s just try and be a trustworthy asset class and offer no surprises.”

Kathleen Faries

“The companies that use it correctly will not do so to cut costs but to free up their experts to focus on better understanding risks. That is a huge opportunity and I anticipate capital will flow to those that do it right – those able to grab the opportunity and make it stick.

“They can gain a competitive advantage quickly. It can make a big difference: impact the combined ratio, help understand risk, help on the capital side,” he said.

Casualty and emerging risks

The conversation then shifted to casualty business, of increasing interest to many players in the context of softening property

rates, and the opportunities around emerging risks.

The consensus was there is more optimism around casualty now – despite social inflation and litigation financing continuing to offer challenges.

Britten noted that there had been less new adverse development in casualty, after quite a lot in previous years, but said he anticipates to see some in the last quarter – probably in lines such as commercial auto. “Most players have tried to get ahead of these issues, but maybe not quite enough. But I would still err on the side of caution due to challenges such as litigation financing.”

Mistry said he remained concerned about casualty. He agreed there will be more adverse development, though recognised there has not been much reserve strengthening by carriers yet. He also noted the rating agency is seeing increased interest in casualty sidecars, which he described as interesting but also complex and bespoke and done on a case-by-case basis.

Faries at Artex agreed there is growing interest in this space. She said investors who have previously been in property-cat are taking an interest. But she also agreed it is highly complex and very sophisticated legal structures are needed to ensure there is certainty for all participants over the lifetime of a deal.

“We are trying to ensure that things are done properly and it is sustainable,” she said. “It is exciting to be working with different investors on a new line of business, but it will take continued thought to get it right. We want everyone to be happy in 10 years. If things go wrong, people need clear exit options. You have to structure it in that way from the start.”

Tear agreed that this approach is important so that there is no trapped capital. Adderley and Bonard also said they are seeing more interest from investors in sidecars – for many lines of business. Adderley also said he is noticing more interest in crypto – both in insuring it and as collateral in insurance deals.

This prompted the discussion to move into other types of emerging risks and

cyber; AI and data centres were the main areas covered.

Guidée described cyber as a potential big revenue generator but also argued clients remain unwilling to pay adequate premiums for the risk. He suggested the cyber market needs a big loss, its own version of Hurricane Andrew, to change perceptions.

Tear agreed saying that many insurers and reinsurers feel they do not have enough data to price it properly. “For that reason, we are seeing more captives being formed as companies insure their own risk,” she said. “But I think innovative insurers will come into this space.”

Dart and Bonard discussed the emerging risk of data centres. Dart noted how these

“It’s that Bermuda Triangle of industry, government and the regulator that makes us so unique. You can mimic that, but no one can really emulate Bermuda.”

John Huff

require a number of forms of insurance; also, the values are very high, meaning potential concentration risk. “It is a huge opportunity, though,” he said.

Britten posed the question as to whether Bermuda was well positioned to help with the challenge of insuring data centres. He admitted there are challenges – but with huge exposures there would also be opportunity.

Guidée said Bermuda has the talent and the ability to attract capital. Huff reminded the participants of how agile Bermuda is – and how important it is to have a good and well-resourced its regulator. “It’s that Bermuda Triangle of industry, government and the regulator that makes us so unique,” he said. “You can mimic that, but no one can really emulate Bermuda.” ●

DATA CENTRES

Understanding data centre risk

Data centres are scaling rapidly, but so are the concentrations of value and interconnected risks behind the digital economy. Marsh Re experts examine their growing impact on the re/insurance sector.



By Josh Darr, head of global peril advisory, Marsh Re

Data centres have moved from being a niche part of the digital economy to a critical piece of global infrastructure. As cloud computing, streaming, and artificial intelligence continue to expand, data centres are increasingly being viewed as a “fourth utility,” alongside electricity, water, and telecommunications. For the (re)insurance sector, that shift matters: data centres create a new concentration of property, casualty, and business interruption exposure, while also amplifying wider risks in energy, climate, and water systems.

The first issue is scale. Demand for digital infrastructure is accelerating rapidly, and the capital at stake is enormous. Industry estimates suggest global digital infrastructure value could rise from roughly \$0.5 trillion in 2025 to \$4.5 trillion by 2034. That growth is being driven in part by AI workloads, which require large, power-intensive facilities.

For re/insurers, that expansion creates a concentration challenge as well as a growth opportunity. A single campus can combine high-value buildings, sophisticated cooling and electrical infrastructure and increasingly expensive computing equipment, while supporting multiple customers and services.

The result is significant value concentrated at individual locations, alongside dependencies capable of extending losses well beyond the site itself.

The grid bottleneck

But the energy challenge is immediate. Data centres depend on continuous, reliable power, and the race to meet demand is colliding with an already constrained grid, aging transmission assets, and long lead times for new generation. In many regions, the bottleneck is not land or demand, but rather grid capacity.

That constraint is already influencing where facilities can be built and how they are

KEY POINTS:

- Outages can trigger multi-sector losses
- Accumulation risk harder to manage
- AI growth intensifies infrastructure strain

powered. Longer grid-connection times are encouraging developers to consider on-site generation and energy storage, adding another layer of engineering, operational and potentially fire risk to an already complex exposure.

That creates a new layer of insured risk. Large data centres are highly sensitive to outages, which can lead to service disruption, lost revenue, contractual penalties, and reputational damage. For insurers and reinsurers, those losses are not limited to physical damage. They also include business interruption, delay in start-up, cyber-related outages and contingent losses tied to equipment failure or power

“Data centres are no longer simply a real estate or technology story. They are an accumulation, resilience and systemic risk story.”

instability. A major outage in a hyperscale facility can cascade across customers and sectors, making accumulation management especially important.

Complex risk equation

Construction is another major exposure area. Data centres are expensive, technically complex, and often built under compressed schedules. That means heightened exposure to construction all-risks losses, project cargo losses, and delay in start-up claims. The labour and supply chain pressures highlighted in the source material also matter – shortages in skilled

trades, rising commodity costs and energy transition constraints can push up rebuild and replacement costs. For underwriters, this means higher sums insured, longer project timelines and more volatile claims severity.

The transition from construction to operation is particularly important. Testing and commissioning bring complex electrical, cooling and back-up systems together for the first time, meaning relatively small failures can potentially delay completion or expose weaknesses that only become apparent once a facility approaches operating capacity.

Outages can cascade

Water is becoming an equally important issue. Cooling requirements can place substantial pressure on local water supplies, especially in stressed regions. In the UK and parts of southern Europe, scrutiny is intensifying over where data centres are located and how much water they consume. For (re)insurers, this opens a new dimension of environmental and regulatory risk. Water scarcity can affect operational resilience, community relations, permitting, and loss modeling – especially when facilities are concentrated in areas already facing drought or restrictions.

Finally, data centres sit at the intersection of climate and infrastructure risk. Severe weather, solar storms and grid fragility can all trigger outages or damage. The industry’s dependence on uninterrupted power also raises questions about backup generation, emissions compliance and the resilience of local energy systems. In that sense, data centres are not just insured assets; they are systemically important nodes in a broader network.

For the re/insurance sector, the message is clear: data centres are no longer simply a real estate or technology story. They are an accumulation, resilience and systemic risk story. Underwriters, brokers, and risk managers who understand their energy, water, cyber and business interruption dependencies will be best placed to support the market as this asset class continues to expand. ●

SIDECAR

Hannover Re \$100m+ sidecar deployed

HCP, Hannover Re's newly established insurance-linked securities offshoot in Bermuda, has deployed its first property sidecar.

First used at the 1/1 renewals this year, the sidecar was valued in the "lower three-digit millions", Hannover Re board member Silke Sehm told *Monte Carlo Today*.

Sven Althoff, Hannover Re P&C board member, said he was pleased it had gained investor traction despite abundant market capacity.

"In a world where we had significant oversupply on the natural capacity business globally, we are very pleased to report that we could write the business plan, so we could deploy the capital that was given to us," he said.

More broadly, Hannover Re sponsored \$3.4 billion of catastrophe bonds last year and has launched a further \$2.3 billion this year, completing eight transactions.

Speaking at Hannover Re's Monte Carlo media briefing on September 7, Althoff said US casualty was still feeling the after-effects of the Covid pandemic, which has disrupted loss projections.

"We obviously have the Covid break, and that is distorting the triangles," he said.

Althoff remained cautious on US casualty

KEY POINTS:

- \$200m reserve for Iran war losses
- \$2.4bn of cat bonds launched this year
- Oversupply will depress prices at 1/1

despite rates starting to increase, driven by long-term loss trends. The class accounts for 8–10% of Hannover Re's book, but the reinsurer does not believe "there are any levels of excess profitability at this stage", he said.



“You always invent a new peril with each innovation, it's just natural.”

Early data from more recent US casualty years also points to greater loss frequency than Hannover Re originally expected.

"We cannot afford as an industry that we drop below the long-term loss trends," Althoff warned.

There is nothing yet, however, to indicate Hannover Re needs to move into cycle management, he stressed.

Heading into renewals, most of Hannover Re's portfolio remains well priced despite rate softening, with intact retention levels and stable terms and conditions.

Losses so far this year have been relatively normal, including its exposure to the Middle East conflict. Hannover Re has set aside \$200 million in reserves for shipping damage, but has yet to earmark reserves for "blocking and trapping" losses from vessels caught in the Strait of Hormuz.

With natural catastrophe losses largely driven by lower-cost, higher-frequency events, Althoff expects additional reinsurance supply at 1/1, putting further pressure on pricing.

Summing up, Hannover Re CEO Clemens Jungsthöfel said: "We live in a more complex world, but we still see opportunity for profitable growth. You always invent a new peril with each innovation..." ●

BERMUDA

Today's decisions must survive tomorrow's market

The difficulty with making decisions in a cyclical industry is that the conditions in which they are made will not necessarily be the conditions in which they ultimately have to perform.

For Jennifer Wilson, Bermuda CEO of Lancashire, that aspect of time horizons is focal to strategy. Her background in finance means her first instinct may be to interrogate the economics of a decision, but her experience has also taught her why that calculation cannot be made in isolation.

"The accountant in me initially jumps to cost vs benefit for many of my decisions. But it isn't that simple," Wilson told *Monte Carlo Today*.

Instead, she draws on experience developing three-to-ten-year forecasts across the insurance cycle, alongside ongoing capital management analysis, to balance "the long-term needs of the business combined with short-term considerations".

The market conditions informing a decision today may have changed considerably by the time its full consequences are felt. Wilson's move into the Bermuda CEO role has broadened the application of that thinking.

Financial planning and analysis already gave her visibility across Lancashire. The annual budgeting process requires input from across the company, commanding an understanding of what different departments need and how those requirements fit into the wider business.

As CEO, the question extends beyond forecasting those requirements to considering how the operation itself needs to develop.

"In this role I need to understand the wider staffing and resource needs now and, in the future, to ensure our Bermuda office can continue to deliver our part of the

group strategy efficiently and effectively," she said.

Resources added in response to an immediate opportunity now become part of a business that may subsequently face very different market conditions later. Equally, focusing too heavily on today's economics risks leaving an organisation without the capabilities it needs when opportunities emerge later.

That does not remove cost-benefit analysis from the equation, but it does make the period over which the benefit is judged more significant.

Discussion in Monte Carlo will inevitably be dominated by conditions directly ahead: pricing, capacity, demand and where opportunities are emerging. Wilson's perspective is a reminder of a longer horizon. The decisions made today must make sense across several versions of the cycle. ●

AI

Insurers face growing 'silent AI' risk

Insurers can start covering emerging AI risks before a mature claims history exists, but only if they can identify and control accumulating exposures, a BCG managing director and partner tells *Monte Carlo Today*.



Insurers can start covering emerging AI risks before they have years of claims data, but they need to understand where exposures are accumulating before they broaden that cover, according to Boston Consulting Group.

Raphael Troitzsch, a managing director and partner, said the speed at which AI risks were developing meant insurers could not rely solely on the historical experience normally used to price emerging risks.

"There is a genuine data problem and a genuine speed problem," he told *Monte Carlo Today*.

Rather than wait for a mature claims history, Troitzsch said carriers could begin with clearly bounded risks, specific perils and defined limits, then widen coverage as experience and data accumulated.

But doing so requires insurers to understand the AI exposures already sitting across their portfolios – and the potential for a single event to generate losses across multiple lines.

"Accumulation is dangerous if you're not aware of it. It's manageable if you can surface it," he said.

Troitzsch drew a parallel with silent cyber, where insurers discovered after losses that traditional policies could expose them to cyber risks they had neither explicitly identified nor priced.

"Let's not repeat that silent cyber treatment," he said.

'Gap hiding in plain sight'

The opportunity is growing rapidly. Companies are investing heavily both in the physical infrastructure supporting AI and in deploying the technology across their operations, creating potential new property, liability and business interruption exposures.

BCG estimates that capital expenditure by the largest US technology companies exceeded \$400 billion in 2025 and could surpass \$800 billion in 2026, with spending increasingly shifting towards the data centre infrastructure required to support AI.

KEY POINTS:

- US tech investment could top \$800 billion in 2026
- \$150–200 billion a year going into AI deployment
- Data centres create new cover demand

"The insurance industry alone, I think, is going to struggle to cover all of that," Troitzsch said. "But for sure, that's a growth opportunity."

He also pointed to companies investing \$150 billion to \$200 billion annually in deploying AI within their own operations, describing the resulting insurance need as a "gap hiding in plain sight".

Liability is among the emerging questions. Traditional liability cover has largely been built around human decision-making, Troitzsch said. As AI models increasingly inform decisions and actions, insurers will

“Accumulation is dangerous if you're not aware of it. It's manageable if you can surface it.”

need to determine where responsibility sits between developers, deployers and users.

Business interruption presents another challenge. Troitzsch noted that policies typically require a physical damage trigger and drew a parallel with the questions insurers faced over non-damage business interruption during Covid.

"At the moment, some of those outages that result aren't covered at all," he said.

Finding the exposure

The challenge is not only deciding which new risks insurers are prepared to cover. They

also need to identify AI-related exposures that may already exist within conventional portfolios.

A failure involving a widely used model or AI provider could potentially generate losses across multiple insureds and lines of business. Troitzsch stressed that makes portfolio visibility central to determining how far insurers can expand coverage.

AI itself could help solve part of the visibility problem. Troitzsch said the technology could be used to analyse portfolios and surface patterns and concentrations that might otherwise be difficult to identify.

But greater use of AI within insurance should not mean handing ultimate decision-making to autonomous systems.

"The human must remain in control," he said. "Advising clients, interpreting nuanced risks, and weighing trade-offs. AI agents can do routine work, like reading information, cataloguing, summarising and surfacing patterns."

Troitzsch said the aim is to use the technology to strengthen rather than replace human judgment. "This is really about teaching the machine enough so that it can help you and supercharge you as a human."

No time to wait

Ahead of Monte Carlo, Troitzsch said he had encountered a view in recent months that "the market will fix it" and insurers could afford to wait and see.

He disagreed. The industry needs to tackle the emerging risks directly if it wants to capture the opportunity accompanying AI investment, he noted.

"It's going to be an opportunity only for those carriers who are going to manage solving the visibility and coverage architecture problem first," he said. ●

Raphael Troitzsch is a managing director and partner at BCG. He can be reached at: Troitzsch.Raphael@bcg.com



CYBER

Inconsistencies found in cyber clauses

Critical infrastructure clauses are more likely to become the subject of cyber claims disputes than many of the heavily debated war exclusions, according to Lockton Re, which has warned that some wordings have failed to keep pace with technological change.

The reinsurance broker released a report this week finding that critical infrastructure clauses remain inconsistent across the cyber market and have received less scrutiny than war exclusions.

Oliver Brew, head of cyber centre of excellence at Lockton Re, told *Monte Carlo Today* that the aim was not necessarily to create uniform wording, but to improve understanding of what clauses are intended to cover.

“Step one is understanding what it is you’re intending to cover and not cover,” he said, noting that some underwriters had not changed their critical infrastructure clauses in 10 years.

“Obviously it’s a competitive market, as it should be.

“But I think that, for the sustainability of the market, there should be a consensus of, are we competing on these types of exclusions, or are we trying to get to a position where there is a common understanding?”

Brew compared the issue with exclusions developed in other classes around communicable disease, mould and asbestos,

KEY POINTS:

- Inconsistencies foster claims disputes
- Some clauses untouched for a decade
- Report calls for more consensus

where the industry eventually established clearer common principles.

Lower trigger thresholds

Lockton Re’s scenario modelling found that differences in wording and interpretation



(L-R) Oliver Brew and Ed Le Flufy

could produce a 20% relative difference in industry loss ratios at the one-in-50 return period.

Ed Le Flufy, global head of cyber at Lockton Re, said the impact was particularly material at

lower return periods, making the issue more relevant to insurers’ earnings than to capital protection against an extreme tail event.

“I think what we’ve inadvertently slightly shone a light on is actually the materiality of the impact is at a lower return period,” he said. “Arguably, that is something that should be more of a concern to carriers because of the impact on earnings rather than capital.”

Brew added that he believes “the likelihood of this clause being the subject of a claims discussion is higher than many of the war clauses that have been called for over the last few years”.

That is largely because the thresholds required to trigger a war clause or exclusion are generally much higher than those associated with a critical infrastructure event.

Dispute outcomes remain uncertain

Speaking at the Monte Carlo Rendez-Vous on September 6, Brew said critical infrastructure disputes to date had often been resolved pragmatically, including through ex-gratia payments, but the market has yet to experience a major systemic event testing such clauses at scale.

“I know that there’s been individual claims that have been settled with ex-gratia payments when it’s not clear cut, but we haven’t yet seen a major systemic event specifically on critical infrastructure,” he said. “That’s one of the reasons we wanted to get the report out ahead of time.” ●

RISKS

Casualty has become the nexus for emerging risks: Moody’s

Casualty and financial lines are seeing the greatest clustering of emerging risks, according to Moody’s Ratings.

Emerging casualty risks include “forever chemicals” PFAS litigation, addictive software design in gambling platforms and even video games, as well as consumers suing over wellness products.

“It’s not going to be long before the science and the plaintiffs’ bar catch up and cause activity in this segment,” said Joe Melly, head of casualty and financial lines, Moody’s Analytics.

According to Moody’s president and CEO Rob Fauber, the ratings agency has coined the phrase “exponential-ity” to describe how the long-tail nature of casualty risk bleeds

into adjacent insurance lines, along with the interconnectedness of risk.

And how these emerging risks collide is what panelist Kelly Superczynski, Aon global head of capital advisory, reinsurance solutions, calls “the casualty crunch” such as is the case with data centres, where risks cross property catastrophe, cyber and financial lines.

The Aon maven suggested that third-party capital could be a way to insure these less-modelled, potentially rewarding, risks which would save insurers having to put all those risks onto their balance sheets.

Superczynski said: “Until we understand these risks, then we cannot insure them. But as soon as investors get confident, they will be

happy to put money there. The challenge is between now and then.”

To put that investor appetite in context, Superczynski said the re/insurance industry is worth about \$4 trillion in capital compared to the \$250 trillion alternative investment market.

However, the fact that unquantified risks are emerging is not necessarily bad news for the industry, as “it creates a lot of opportunities for a risk-taker like us”, said Bernard Kaufmann, global chief risk officer, Swiss Re.

“The centre of gravity on emerging risk is moving and it doesn’t respect traditional lanes,” said Brandon Holmes, SVP ratings, Moody’s Ratings. ●

AI

How AI's financial gains show up: mea

Agentic AI has the potential to give insurers capacity to write more business with the teams they already have, while freeing scarce underwriting, broking and claims expertise from routine work, mea Platform's Max Richter tells *Monte Carlo Today*.



Insurance has moved from AI pilots into deployments at scale. The gains are starting to show up in how much business a team can handle, how fast it responds and where scarce expertise gets spent, and those have a clear path through to financial performance.

For Max Richter, EMEA CEO and global growth leader at mea Platform, that shift from experimentation to implementation is where the value gets created.

"There are a lot of pilots and a lot of experimentation in the industry. There are also deployments at scale now in different areas," Richter told *Monte Carlo Today*. "Where organisations have gone to scale, we are starting to see a real delta in how much business a team can handle and how fast they respond, and that has a clear path through to the financials."

"That is something insurance executives should be pressing their teams and their technology partners to show them, and that line of sight is there to be built," he said.

That matters more as softer market conditions put pressure on margins. Richter sees the opportunity in how much profitable business existing teams can handle.

"The prize is enabling the same people to handle materially more business, respond faster and make better use of what we know is scarce underwriting, broking and claims expertise," he said.

A decision-ready risk

In underwriting, that means removing much of the work surrounding the actual risk decision.

Agentic systems can receive and classify submissions, extract and validate information, perform checks and populate rating and exposure systems before a risk reaches the underwriter.

"In practice the underwriter receives a decision-ready risk rather than an inbox full of documents," Richter said.

"That can create growth capacity in several ways," he explained. "More in-appetite submissions can be reviewed, quotes can be returned while the opportunity is still live,

KEY POINTS:

- AI could reshape peak renewal capacity
- Claims offers significant scope for agentic AI
- Insurers need new measures across workflow

and underwriters can spend more time with brokers, structuring and selecting the risks they want to write. Operations can also absorb more seasonal volume without building permanent capacity around peak renewal season."

Richter describes it as releasing capacity for growth.

"The practical test is simple," he said. "It is how much administrative work reaches the underwriter at all."

Similar changes could extend across the insurance chain. Brokers could spend less time assembling submissions and comparing

“The prize is enabling the same people to handle materially more business and respond faster.”

quotations and more time advising clients and negotiating placements. In claims, agentic systems could maintain chronologies, summarise new documents and surface information relevant to coverage, liability, reserving and recovery.

Beyond another AI tool

Before joining mea in March 2025, Richter spent more than two decades at Accenture across two spells, giving him a close view of earlier insurance technology and transformation programmes.

He said previous technology initiatives often delivered less than promised because insurers were trying to automate processes that were too complex and variable for rigid, predefined workflows.

Agentic systems can navigate more of that complexity, Richter argues, but the operating model around them must change too.

That includes the workforce. Removing routine processing could leave people handling a greater concentration of exceptions and difficult decisions.

"If people see only unusual, complex cases, they need stronger judgment and broader training and they have to be able to cope with a consistently high mental workload," Richter said.

Organisations will also need clear authority limits, escalation routes and quality controls defining what AI can do and where people remain accountable.

"This is as much a leadership and workforce transformation as it is a technology implementation," he said.

From tokens to business outcomes

How insurers measure AI therefore needs to change with the scale of its role.

Measuring usage or the accuracy of an isolated task may make sense at an early stage, Richter said. But once AI is executing larger parts of a workflow, the focus should shift towards end-to-end turnaround times, human effort and the quality of the transaction.

"You move from tokens through to business outcomes," he said.

For insurers, that provides a harder test than the number of pilots launched or tasks automated. It measures how much business existing teams can handle, how quickly they respond and where scarce expertise gets spent.

Richter says the organisations measuring it that way are beginning to see the answer. ●

Max Richter is EMEA CEO and global growth leader at mea Platform. He can be contacted at: max.richter@meaplatform.com

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CEDED REINSURANCE

Ceded re investment not keeping pace

Ceded reinsurance is becoming an increasingly important strategic capability for insurers, but investment in the teams, processes and technology supporting it has failed to keep pace with the complexity of reinsurance purchasing, according to KPMG.

Paul Merrey, partner at KPMG, told *Monte Carlo Today* that reinsurance capital increased by 35% between 2022 and 2025 to \$649 billion and is expected to exceed \$700 billion this year, while insurers are also making greater use of alternative capital.

Yet KPMG research, based on interviews with more than 15 organisations across the reinsurance value chain, found that 70% of cedants still rely materially on manual processes. Only around 25% have a single source of truth for ceded reinsurance data, while about 30% are exploring AI-enabled tools.

“Despite reinsurance buying becoming an increasingly important strategic capability, many ceded re teams remain overly reliant on scarce specialist talent”, Merrey said.

Retention and risk-transfer decisions are becoming more complicated as carriers manage broader portfolios, accumulation risk and a wider range of traditional and alternative structures.

But ceded reinsurance often loses out to other priorities. “Clearly, top priorities

KEY POINTS:

- 70% still rely materially on manual processes
- 25% have single source of data truth
- Key-person dependency compounds risk

for the CEO would be growth, mergers and acquisitions,” Merrey said. “Priorities tend to be digital transformation, investment in underwriting... or they’ll be doing AI initiatives. Ceded re isn’t at the top of the list.”



Paul Merrey

Gaps create material risks

The result is teams handling larger, more complex programmes without corresponding investment in people or technology.

Poor data, fragmented processes or inadequate controls can leave insurers believing protection is in place when it is not, or buying

more cover than required. “The numbers here are not immaterial issues; it’s the law of big numbers in reinsurance,” he said.

Dependence on individuals compounds the problem. KPMG found significant reliance on small numbers of specialists, while 90% of insurers reported difficulty hiring and retaining reinsurance talent.

“If a team is overly reliant on a few individuals, what happens if those individuals were to leave? Has a sustainable team business been built?” Merrey said.

What leading teams do differently

More mature cedants were distinguished across four areas: people, governance, data and technology. The strongest had built internal capabilities and talent pipelines, clarified end-to-end responsibilities and made accurate portfolio data more readily available. Integrated technology also left them better positioned to use AI.

There was also a clear difference in organisation. “In some of the more challenging cases, there’s a big split between the purchaser and the people doing the operations. In the better cases, the purchaser and the operations team are the same team and working hand in hand,” Merrey said.

“With relatively modest levels of investment, big gains could be achieved simply because of the scale of reinsurance buying,” he added. ●

CAT BONDS

Cat bond funds accelerate gains ahead of storm-season peak

Pure-play catastrophe bond funds accelerated their secondary-market gains through August, the run-up to peak hurricane season, despite an Atlantic season that has produced no hurricanes, according to an index tracking cat bond fund valuations from Plenum Investments.

The benchmark USD index rose 1.2% in August, extending a 1.0% gain in July. Four-week returns have more than tripled from the April-May period, when heavy issuance builds ahead of mid-year renewals.

It has now been 69 weeks since the index last recorded a setback, and 82 weeks since a weekly decline was clearly visible, following the early-2025 Los Angeles wildfires.

A benign Atlantic season may be fuelling optimism, although that could yet prove

premature under the familiar “it only takes one” logic. The climatological peak of the season falls on September 10.

To date, the Atlantic and Gulf have produced only five tropical storms, three of them short-lived coastal systems with little opportunity to strengthen over open water. Maximum wind speeds have yet to reach 60mph, still below hurricane strength.

Through September 7, the National Hurricane Center’s measure of accumulated cyclone energy, combining storm frequency, duration and intensity, was running 91% below the 30-year average.

The rise in fund valuations does not necessarily reflect the entire cat bond market, or the aggregate performance of the asset class, and comes despite record issuance. Aon

estimated first-half issuance at \$17.1 billion, including a record \$11.0 billion in the second quarter ahead of the mid-year treaty renewals.

Plenum publishes the total-return index weekly using broker quotations for a basket of 15 pure-play UCITS catastrophe bond funds, segmented by currency share class and risk category.

Since the benchmark launched in early 2022, Hurricane Ian remains the only event to have materially dented index levels. Even so, the latest USD reading stands 46.3% above its pre-Ian level and 55.5% above the post-Ian trough. Subsequent interruptions have been brief, including a pause in May 2024, Hurricane Milton in October 2024 and modest wildfire-related pullbacks in early 2025. ●

CAPACITY

Competition raises the bar for MGAs

More capacity and softer pricing are intensifying competition across Europe's MGA sector, but Augment Risk executive says that pressure should be viewed positively.



Competition for reinsurance capacity is intensifying across Europe's fast-growing MGA sector, but that may prove a healthy test of a market that has expanded rapidly in recent years. That's the view of Magnus Heimann, partner for MGA at Augment Risk.

Rather than choking off growth as conditions soften, Heimann argues that competition could raise standards, separating MGAs able to demonstrate underwriting quality, transparency and durable capacity relationships from those built principally for growth.

"Competition ultimately acts as an accelerator for growth within the MGA space," Heimann told *Monte Carlo Today*. "It will not only attract new MGA entrants – making the pie bigger for all supporting capacity markets – but also enhance the quality and standards of existing and future MGAs as they look to compete to achieve the best long-term capacity available."

"Performance and quality improves as a result, providing greater ultimate results for reinsurance partners," he said.

Competition comes after several years of rapid expansion across Europe's MGA sector. New platforms have continued to enter the market, while insurers, reinsurers, brokers and private equity investors have put significant capital behind established businesses.

Heimann joined Augment Risk in December 2025 to lead the broker's European MGA practice, having previously served as chief underwriting officer at Accredited Europe. That gives him a view of the MGA-capacity relationship from both sides.

M&A signals confidence

What he sees now is a market entering a more demanding phase. As capacity providers become more selective, the ability to demonstrate underwriting quality, data transparency and durable performance is becoming more important.

"The continued pace of M&A activity further reinforces confidence in this regard as recent significant investment from private equity, insurers, brokers and specialist consolidators within the space reflects the long-term value of

KEY POINTS:

- Long-term capacity becomes differentiator
- Technology improves portfolio visibility
- Softer conditions reward collaboration

the MGA model and its ability to deliver scalable, capital-efficient growth," Heimann said.

That continued flow of capital, he says, is an important vote of confidence. It is also changing the shape of the sector, with "consolidation creating larger, more sophisticated businesses with stronger governance, broader distribution, and enhanced operational capabilities, making them increasingly attractive partners for reinsurers seeking sustainable returns."

Quality comes to the fore

As competition increases, Heimann sees underwriting discipline and data transparency as important differentiators. Leading MGAs, he says, are investing in AI-assisted underwriting,

“The MGA channel should not simply be viewed as an alternative route to market, but as a strategic platform for growth.”

advanced analytics and automated operating models to provide capacity providers with greater portfolio visibility and more timely performance information.

"This enhanced level of transparency allows capacity providers to make better-informed decisions while maintaining confidence throughout the underwriting cycle," he said.

The underlying attraction of the model remains "specialist underwriting expertise, agility, and access to niche markets that are often underserved by traditional carriers". For reinsurers, well-managed MGAs can provide an efficient route into those portfolios through underwriting teams with established broker relationships and sector knowledge, he says.

Softer conditions will put that proposition under greater scrutiny. But Heimann does not see tougher conditions as simply a threat to the model.

"While softer market conditions place greater emphasis on underwriting performance, they also reward collaboration," he said. "Reinsurers that work closely with high-performing MGAs can respond more quickly to changing market and customer needs, develop innovative products and deploy capacity into specialist markets where expertise remains a competitive advantage."

That relationship between underwriting expertise and capacity is central to Heimann's argument. As market conditions change, the ability of MGAs and reinsurers to work together – rather than simply transact capacity – should become more important.

A strategic platform

The bigger question is whether a model that has expanded rapidly can continue to deliver through different parts of the cycle.

Heimann believes the UK and European MGA market has already demonstrated that resilience. Continued investment and consolidation, combined with greater sophistication among established MGAs, supports the case for the sector's longevity.

"The MGA channel should not simply be viewed as an alternative route to market, but as a strategic platform for growth," he said.

"For reinsurers looking to deploy capital efficiently, diversify portfolios, and build long-term profitable partnerships, high-quality MGAs remain one of the strongest opportunities today."

That does not remove the pressure created by a softer market. If anything, Heimann's argument suggests the next phase will demand more from MGA businesses: demonstrable underwriting performance, better information and relationships with capacity providers capable of enduring changing market conditions. ●

Magnus Heimann is a partner at Augment Risk. He can be contacted at: magnus.heimann@augmentrisk.com

MARKET

Brand warns on anti-globalisation

Convex chief executive Paul Brand has warned that growing anti-globalisation poses a potential threat to the open international reinsurance market, with London and Bermuda particularly exposed to any shift in US policy.

Speaking yesterday at PwC's Monte Carlo Rendez-Vous breakfast briefing, Brand said there was currently little evidence of restrictions emerging, but identified the political shift away from globalisation as a risk he was increasingly concerned about.

Both London and Bermuda benefit substantially from access to US risks, with the US representing the biggest market for each. "We've seen the US put tariffs onto goods. We've seen no appetite yet for tariffs onto financial services, but that doesn't mean that doesn't happen," Brand said.

He also highlighted signs of pressure from US state regulators over the role reinsurance costs play in determining insurance prices. Brand said the issue could become particularly politically sensitive in catastrophe-exposed states, including California and those on the US east coast, where insurance affordability has become an increasingly prominent concern.

He warned that it was "not impossible" that the current open market could ultimately face greater regulation, something he believes

KEY POINTS:

- London and Bermuda potentially vulnerable
- Insurance becoming a political issue
- Brand warns more regulation is possible

would be detrimental to the industry. "As I think about London, as I think about Bermuda, we are global markets," he said. "We're global markets in a time when that



Paul Brand

word 'global' is becoming less fashionable."

Despite this potential threat, Brand also highlighted the strength of London and Bermuda, supported by an "agglomeration

effect" created by having large numbers of carriers, brokers and consultants concentrated in one market, allowing participants to interact easily.

Softening market

The warning followed Brand's wider assessment of how insurance carriers should navigate an increasingly uncertain environment, and the current softening phase of the market.

"The very interesting thing about the soft phase of the cycle is, this is the point in time where actually outcomes disperse," Brand said. "The best carriers do absolutely fine during this phase of the cycle."

Those businesses, he said, will be the carriers that combine "relevance, resilience and efficiency". By contrast, he expects pressure will fall on "me-too" players that lack a distinctive proposition and might feel compelled to chase premium volumes as rates decline.

Brand also warned against responding to softer conditions by moving into unfamiliar classes simply to find growth, pointing to previous examples of insurers straying beyond their areas of expertise.

"Don't get off the field that you know in the hope that the new opportunity will be something you can understand better," he said. ●

BROKING

AI advances will not replace the human broker, says Aon

AI will change human interaction and the nature of the workforce but will not replace the human insurance broker, says Aon.

Sherif Zakhary, CEO of its strategy and technology group and its Inpoint consulting arm at the broker, said AI is designed to remove the frictional parts of the process such as data ingestion and email formatting, "organising them into a systemic way for the broker ecosystem". Zakhary was speaking at Monte Carlo RVS on September 7 as part of a PwC panel on the future of reinsurance powered by AI.

Aon has invested \$1.3 billion in what it calls the AI "evolution".

First, Aon's AI Copilot suite – primarily consisting of Aon Broker Copilot and Aon Claims Copilot – is a set of proprietary, AI-

driven platforms designed to help with commercial insurance placement, risk analytics and claims management. Swiss Re became the first reinsurer to adopt the technology.

Second, Aon's Digital Platform Exchange (DPX) enables follow-only insurers seamless interaction with markets.

Both AI Copilot and DPX hinge on the quality of data however, Aon stressed.

Zachary said: "Data is the fundamental of AI. If it's garbage in, it's garbage out. Data will be the raw material that defines the success or failure of this technology."

Adoption speeds will vary

As to how the reinsurance industry has adopted AI, Zachary shrugged, "it's coming along ... adoption will come at different speeds ... adoption will ultimately unlock value. From

adoption, you start to see some amazing interactions with humans in the loop."

PwC pointed to the success of organisations that have wholly embraced AI.

Companies that are AI leaders are capturing 7.2x higher AI-driven performance but it's only one in five businesses worldwide that are capturing 74% of AI value. And those companies successfully using AI see a 2x greater improvement from each AI use case.

"Companies that have set up strong AI infrastructure are seeing strong value," said PwC partner Prafull Sharma.

Potential benefits for re/insurers include significantly improved claims handling, better modelling and risk solutions, reimagining day-to-day underwriting and workforce productivity. ●

TECHNOLOGY

Connecting risk, data and judgment

Insurance has plenty of technology but too little connection, says Pinpoint UK CEO. The real opportunity is linking data, judgment and decisions across the value chain.



**By Darren Powell, chief executive officer
Pinpoint UK, the MGA arm of AM Specialty**

The insurance market has no shortage of technology. What it often lacks is connection. Information still arrives late, moves inconsistently and loses context as it passes from broker to underwriter, carrier and reinsurer. The real opportunity is not to digitise more of the same process. It is to build a better one.

Every insurance placement is a chain of decisions. Brokers frame the risk, MGAs and carriers assess and price it, while capacity providers and reinsurers consider how it fits within a wider portfolio. When information weakens anywhere along that chain, everyone feels the effect.

That has shaped how we are building Pinpoint, our London-based MGA focused on bespoke programmes across professional lines and UK enterprises. An MGA must translate broker insight into disciplined underwriting, then turn individual decisions into a portfolio that capacity partners can understand and support. Technology should make that translation clearer and more dependable.

Building the MGA differently

Speed is the most visible benefit, but it is not the most valuable. The greater advantage is control. Re-entered data, disconnected systems and manual handoffs create errors, inconsistent referrals and lost context. Capturing information once and carrying it through underwriting, documentation, reporting and claims creates a more reliable record of the risk and the decision behind it.

Commercial terms and underwriting appetite may define the opportunity, but operational detail often determines whether it succeeds. Who owns decisions? How are referrals handled? What data is captured and what can partners see? Building those answers into the model allows programmes to be governed properly from day one.

At portfolio level, underwriting happens one risk at a time, but performance is judged across the book. Strong analytics connect those views,

KEY POINTS:

- Control matters more than speed
- Portfolio visibility strengthens capacity
- Human judgment remains decisive

showing how front-line decisions are changing the portfolio, where concentrations are forming and whether experience still supports the assumptions on which the business was written.

From risk to portfolio

This is where technology begins to change the conversation between MGAs, carriers and reinsurers. Instead of debating different versions of the data, the parties can focus on what the data means and what action should follow.

In a market built on confidence, that clarity matters.

More data does not guarantee more insight. Information must arrive early enough to influence or challenge a decision. When a segment moves

“Growth without visibility is not scale; it is exposure.”

away from expectation, underwriters must determine whether it reflects normal volatility or a meaningful shift in exposure, pricing, distribution or claims behaviour. Technology can identify the movement. Judgment determines its significance.

The market rarely changes according to annual planning cycles. Regulation, litigation, economic conditions and client behaviour can reshape a portfolio quickly. Better information shortens the distance between recognising a trend and responding through appetite, pricing, referrals or earlier broker engagement. Managing today's portfolio with yesterday's information is no longer good enough.

Technology opens the door to greater volume, but volume should not be confused with

progress. Growth without visibility is not scale; it is exposure. The test is whether a business can absorb more opportunities without weakening underwriting standards, oversight or service. A disciplined workflow moves routine elements efficiently and directs complexity to specialists, concentrating scrutiny where it matters most.

For brokers, the benefit should be clearer appetite, fewer repeated requests for information and quicker decisions. Where a risk requires a bespoke solution, technology should create more time for the conversation between broker and underwriter, not make it harder to reach.

For carriers and reinsurers, the value is confidence in the exposures, concentrations, controls and emerging performance behind the portfolio.

Confidence is not created by producing the largest possible data pack, but by understanding what the information says, explaining portfolio decisions and responding when experience changes. Better transparency can lead to better reinsurance discussions, better-aligned capacity and more sustainable partnerships.

The opportunity to scale

There is an important limit. Technology cannot repair an unclear strategy, weak accountability or poor underwriting. In many cases, it will expose those weaknesses faster. The business objective must come first. At Pinpoint, technology is there to reinforce specialist judgment, strengthen portfolio oversight and improve how we work with brokers and capacity partners. The decision remains human; the framework around it becomes sharper and more responsive.

For new insurance businesses, that creates a compelling opportunity. Underwriting, data and operational disciplines can be designed together from the outset rather than built around legacy constraints. Established businesses face the same strategic choice. The market leaders will not be those with the most technology. They will be those that use it to make better decisions, respond sooner and strengthen every relationship across the insurance value chain. ●

Darren Powell can be contacted at:
darren.powell@pinpoint-ins.com

CAPITAL MARKKETS

Risk transfer innovation is evolving

Innovation in complex risk transfer does not always have to mean inventing something new for every transaction. As cedants seek access to a wider range of capital, speed and execution could be the difference between securing a partnership or missing out.

Scott Cobon, head of strategic solutions in Bermuda at Gallagher Re, told *Monte Carlo Today* he sees an opportunity in the machinery behind transactions: “I expect more strategic solutions through repeatable platforms than entirely bespoke, one-off structures.

“Taking a complex capital markets product and creating a framework intended to reduce time, cost and process friction for multiple sponsors, platform-based innovation will become more important as clients seek faster access to different forms of capital without compromising execution quality or investor confidence.”

Gallagher Securities’ Arthur Re platform provides an early example of that direction. Designed to facilitate index catastrophe bond issuance, it brings together a repeatable structure, pre-arranged service provider

framework and streamlined documentation. Its first index catastrophe bonds involved different sponsors using segregated accounts.

That approach addresses an important practical aspect of innovation in Bermuda. Developing the risk-transfer concept is only



Scott Cobon

one part of bringing a transaction to market; complex strategic solutions rarely depend on one party alone. They often require reinsurers, ILS investors, regulators, lawyers, actuaries, insurance managers, trustees and brokers to work through underwriting, collateral,

documentation, regulatory and investor considerations in parallel,” he said.

Bermuda’s advantage, he argues, is having those capabilities concentrated in a market adept at developing time-sensitive bespoke structures.

The test of innovation ultimately comes in execution: “Innovation is only valuable if it can be translated into something executable through a structure that can be documented, capitalised, regulated and placed with confidence.”

Repeatability does not mean that the risks themselves, or the objectives of the cedants transferring them, suddenly become standardised. Rather, Cobon’s comments point towards taking some of the friction out of the process surrounding sophisticated transactions.

Bermuda has built an ecosystem capable of bringing bespoke ideas to market; the next step could be making that capability easier for more cedants to access. As Cobon puts it, firms that succeed will need to “access the right capital, structure the transaction, evidence the economics through analytics and execute with speed and discipline”. ●

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ALTERNATIVE CAPITAL

ILS investors look beyond US cat

Record capital is putting pressure on ILS pricing, but a market still heavily concentrated on US catastrophe risk is creating opportunities for investors seeking diversification, says Peak Re's Iain Reynolds.



Record levels of capital are increasing competition in the insurance-linked securities market, but its continued concentration on US catastrophe risk provides opportunities for more geographically diversified portfolios, according to Peak Re.

Iain Reynolds, Director, Third-Party Capital at Peak Re, said strong returns had fed capital back into ILS, increasing supply and compressing rates without fundamentally undermining the attractiveness of the asset class.

"The market has grown," Reynolds told *Monte Carlo Today*. "A lot of this is retained earnings, so the market has performed well, and most of those gains have been reinvested, and so we're seeing more supply than we've ever seen before in this space."

“We are constantly assessing what sort of instruments we should use, when is an attractive time to use them and what’s a strategically sound approach.”

While that has brought rate compression, Reynolds said there was “no need to panic”.

Catastrophe bonds account for about half of the ILS market, he said, but remain heavily driven by US exposures. That leaves investors seeking to reduce concentration with scope to look towards other territories and perils.

For Peak Re, whose portfolio spans markets across Asia Pacific and beyond, that creates an opportunity to bring geographically diversified exposures to third-party investors.

Beyond US catastrophe risk

The opportunity is not simply about adding more capital. The range of risks and structures available to ILS investors is also expanding.

KEY POINTS:

- ILS supply at record levels
- Cat bonds remain heavily weighted to US risk
- Sidecars can unlock geographic diversification

Reynolds pointed to transactions covering flood and terrorism in new territories, alongside hail and severe convective storm-specific deals. Casualty sidecars are attracting interest, while the market for cyber bonds continues to develop.

Asia Pacific cat bond issuance has been relatively quiet in 2026 outside Japan, Reynolds said. There have nevertheless been signs of expansion into less established territories, including Asian Development Bank's catastrophe bonds covering earthquake and extreme precipitation risk in the Kyrgyz Republic and Tajikistan.

The broader market is also continuing to grow rapidly. Market reports suggest that cat bond issuance exceeded \$17 billion in the first half of 2026, setting a first-half record, while spreads have returned towards pre-Hurricane Ian levels. Despite that compression, all-in yields remain attractive relative to expected losses and traditional fixed-income alternatives.

For Reynolds, however, third-party capital is not a standalone source of capacity. Peak Re considers it alongside traditional retrocession and assesses which instrument best suits the underlying portfolio.

"We are constantly assessing what sort of instruments we should use, when is an attractive time to use them and what's a strategically sound approach," he said.

Sidecars fit diversified portfolios

That assessment can lead to different structures for different books of business.

For the geographically well-diversified portfolio Peak Re wants to bring to third-party investors, Reynolds said a sidecar could

offer a better fit than a catastrophe bond. "For the diversified portfolio we operate across Asia Pacific and other regions, the structure of sidecars can offer certain advantages over catastrophe bonds," he said.

Peak Re assumes risks across Europe and the whole Asia Pacific region. Some of these markets may be relatively small, but combining them within one structure can create diversification for investors.

"You do actually build a lot of geographic diversification into the product," Reynolds said. "Using that gearing that we can naturally use in a sidecar makes it a very efficient product, both for Peak Re as a sponsor, but I think also for investors."

Peak Re has previous experience using sidecars to connect third-party capital with its portfolio.

“The structure of sidecars can offer certain advantages over catastrophe bonds.”

It has also used catastrophe bonds where they better suit the underlying exposure. Black Kite Re 2025-1 provided protection against earthquake and typhoon risks in Japan alongside earthquake protection in China and India, becoming the first 144A catastrophe bond to include India.

Reynolds declined to discuss future transactions, but said Peak Re was continuing to build ways for investors to participate in its business.

"We see great opportunities for growth, and this can help us achieve that growth," he said. ●

Iain Reynolds is responsible for third-party capital at Peak Re. He can be contacted at: iain.reynolds@peak-re.com

MGA

Brace vows to hold UW discipline

The managing general agent market is unlikely to be a growth market over the next few years as softer conditions put greater pressure on underwriting discipline, Brace Underwriting's chief executive officer believes.

Speaking to *Monte Carlo Today*, Albert Küller said the MGA's priority is underwriting profitability rather than pursue growth for its own sake, with the business prepared to shrink exposures where pricing no longer supports returns.

"Growth for me is not an end goal. It's a by-product of good portfolio underwriting," Küller said. "Ultimately, what that means for price is unless the market conditions are there, we're not looking to grow, and we're really comfortable shrinking where we need to, so next year and the years ahead, we don't see this as a growth market."

Küller said Brace's capital structure reinforces that discipline, with its underwriting model aligning the interests of the business and its capital providers. "If I make money

for them, I'm highly incentivised to do so. If I lose money for them, I actually lose money for myself," he said.

The MGA expects to remain selective as the market softens, with Küller pointing to property as one area where Brace has already reduced its exposure. "Property exposure



Albert Küller

peaked at close to 70% about two years ago. We're already back down to like 45%, so we try to steer ahead of the market."

He said true specialist business remains more resilient, particularly where underwriting expertise and local market knowledge create

barriers to competition. "A very material part of our portfolio is specialty," Küller said, pointing to forestry products in the US Midwest as an example. "You don't see a lot of downward pressure in these true specialist areas that make up a very material part of our portfolio."

Casualty is another area Brace is watching, particularly in the US, where Küller said reserve movements and social inflation are creating greater uncertainty.

Rather than try to predict individual market movements, Küller said Brace focuses on building what he described as an "all-weather portfolio" capable of performing through different phases of the cycle.

"Our job is to look two to three years into the future and plant our flag in our house view: what do we like, what do we not like? Then we assemble a resilient, all-weather portfolio."

For Brace, the next growth opportunity is about finding profitable pockets of specialty, alternative risk and packaged products. "If the opportunity is there, we're just going to pursue that," Küller said. ●

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CAPACITY

Broad relationships, more opportunity

Abundant capacity is not closing off growth, but softer pricing is making long-term partnerships, portfolio flexibility and early client conversations increasingly important, says MS Re's Hottinger.



"There is a lot of capacity chasing risk right now," Andy Hottinger, CUO International P&C at MS Reinsurance, told *Monte Carlo Today*. "But there is also limited space for risk to find capacity that is sustainable and that tries to understand the other side."

For MS Re, that means looking beyond individual transactions to the wider relationship with the client, giving it scope to increase exposure where it sees value and pull back where the economics no longer work.

"The market is softening, but I still believe there is ample opportunity if you have a broad, long-term approach to client relationships, where you can actually trade and where clients continue to have business we find attractive," Hottinger said. "We continue to find good opportunities."

“We make portfolio decisions based on risk, opportunity and long-term value.”

For Hottinger, the opportunity comes from working closely with clients, understanding how their businesses are evolving, and identifying where MS Re can continue to support their goals.

MS Re also has room to expand its footprint. "We are not in a position where we are already everywhere, in every field, and have been established for 100 years," he said. "There are still areas where we feel our presence is actually too small."

Shifting exposure as markets soften

MS Re's approach to international P&C starts with the client rather than dividing the market strictly by class of business. Looking at business client by client creates what

KEY POINTS:

- Capacity is chasing risk
- Broader portfolios give room to shift
- Ample opportunity to grow

Hottinger describes as a "sub-portfolio" rather than a series of individual deals.

"In broad client relationships, there will always be areas that are below target and others that perform exceptionally well. By taking a holistic view of the relationship, we can look across the portfolio and find the right balance, rather than evaluating every opportunity in isolation."

"A balanced portfolio does not deliver non-correlation to market cycles, but it does smooth out the volatility if some lines are softening, giving us a better chance of being profitable in all market cycles."

While client needs remain the priority, MS Re also looks globally at where its capital is being consumed, identifying areas where it can be "a little more accommodating" and others where additional growth opportunities are more limited.

That flexibility is becoming increasingly valuable as different parts of the market move at different speeds and it's important to balance opportunity with underwriting discipline.

Holding the line on discipline

There is a firm limit to that flexibility. "While portfolio construction provides flexibility, it is no substitute for underwriting each deal on its own merits," he said. There should always be a technical analysis and a thorough understanding of both the transaction and the client."

"Simply staying at the surface and saying, 'It is okay as a portfolio,' is dangerous. The portfolio view needs to be fed by a sound understanding that comes from underwriting the individual deal and then bringing that together into an aggregated view."

The same discipline applies to long-term client relationships. Trust can make it easier to have a frank and open exchange. "Market cycle dynamics means it is not always only black and white," he said.

"Clients may not always like the answer, but they do appreciate timeliness and clarity, even if the message is a tough one," said Hottinger. When expectations have been set early and relationships are built on trust, it is much easier to have open conversations about risk, pricing and capacity.

No last-minute surprises

Those conversations need to start early, particularly as competition increases.

"Going into a softening market, it is essential that we manage expectations,"

“Clients may not always like the answer, but they do appreciate timeliness and clarity, even if the message is a tough one.”

Hottinger said. "We need to be upfront with clients and communicate clearly with them from an early stage, so that there are no last-minute surprises."

While conversations change with the market cycle, he believes the underlying expectation from clients changes much less.

"I believe there is real value in having a reinsurance partner who is consistent in their messaging and who does not surprise you," he said.

"We are not here to avoid risk. We are here to manage it," he concluded. "We remain disciplined and make portfolio decisions based on risk, opportunity, and long-term value." ●

DATA

Convective storms expose data gap

Severe convective storms are becoming a more significant source of insured losses, but the industry still lacks the depth of historical loss data available for more established natural catastrophe perils, according to Perils AG.

The gap is particularly apparent in Europe, where Perils is expanding its work on convective storm losses as re/insurers contend with increasingly intense events.

"While we've been collecting loss data in Australia and Canada for a while, in Europe there hasn't been comparable," Christoph Oehy, CEO of Perils, told *Monte Carlo Today*. "For wind and flood, there's up to 15 years of data. For convective storms, there's much less."

Loss data provides the "ground truth" needed to validate models, support their development and improve understanding of how individual events translate into insured losses.

Perils has recently released a €2.2 billion (£1.9 billion) loss estimate for the European convective storms of mid-July and is investigating another potentially significant event from the end of August. The activity follows several years in which severe storms have become an increasingly important source of losses.

KEY POINTS:

- Each storm brings new loss insights
- Losses driven by three key factors
- Event data provides modelling 'truth'

Perils pointed to three factors behind that development: greater storm intensity linked to a warmer climate, growing concentrations of exposure as urban areas



Christoph Oehy

expand and increasing vulnerability from assets such as rooftop solar panels.

The highly localised nature of convective storms adds another dimension to the

challenge. Hail in particular can be "a bit hit or miss", meaning losses can vary significantly depending on whether a storm strikes an area where insured values are heavily concentrated.

As values become more concentrated, the potential severity of an event increases when its path falls directly on a populated area.

Building the loss record

Building a deeper pool of observed loss experience should help the industry better understand those dynamics. Perils said individual events continue to produce new insights because their characteristics and loss patterns differ. "Every event is also a bit different. There's still a lot of insights coming out of each and every event," he said.

The company is also developing forecasting capabilities for hail in Europe and Canada, alongside existing work covering markets including Australia. The expansion comes as the distinction between traditionally dominant catastrophe risks and so-called secondary perils becomes less clear, with the frequency of secondary perils pushing them toward the boundary where they might no longer be considered secondary at all. ●

REPORT

Casualty sidecars top \$2bn as exit costs mask tail risk

Disclosed capital raised through casualty sidecars has passed \$2 billion since 2024, driven largely by casualty vehicles. But AM Best says the economics behind these deals "cannot be judged from outside".

No transaction has disclosed what exit mechanisms cost, whether in upfront fees or pricing at exercise, according to the rating agency's market segment report.

Casualty sidecars launched between 2024 and the end of 2025 carried close to \$1.5 billion of disclosed capital. George Street Re pushed the total past \$2 billion in January 2026. The figure excludes undisclosed capital and commitments still to be deployed, so the real market is larger.

Exit terms matter because casualty reserves can take a decade or more to develop after an underwriting period ends. A three-year underwriting period, common to several vehicles, does not reflect how long the exposure actually lasts. Investors have converged on

exit terms of around seven years regardless. Disclosure of quota share percentages, collateral guidelines, related-party investment limits and exit pricing remains limited, AM Best says, making the structures hard to compare as the market grows.

Fractal Re and Scaur Hill Re have disclosed exit structures. Wayfare Re and Ryan Alternative Capital Re have not. George Street Re embedded legacy specialist Compre in its investor base, with forward exit mechanisms disclosed for other capital providers. Hamilton's casualty sidecar and Annapurna Re disclose none.

What an exit actually transfers depends on its design. A commutation returns reserves, and future development on them, to the sponsor at a negotiated price. A novation can sever the tail from investor and sponsor alike, provided the assuming carrier is adequately capitalised and the pricing framework holds. A secondary sale just swaps one investor for another. AM Best tempers the credit it gives for novations against the strength of the assuming carrier.

Collateral adds another layer. Investors now include private credit platforms, family offices and sovereign wealth funds, and some also manage the asset strategy themselves. Collateral is increasingly moving beyond cash and treasuries into private credit and other illiquid assets, which AM Best assesses conservatively where there is little stress history or market depth.

Casualty sidecars are generally not collateralised to full limits, unlike property catastrophe sidecars, which typically are. AM Best calls the resulting exposure tail risk: the liability a sponsor retains once the sidecar's capital runs out.

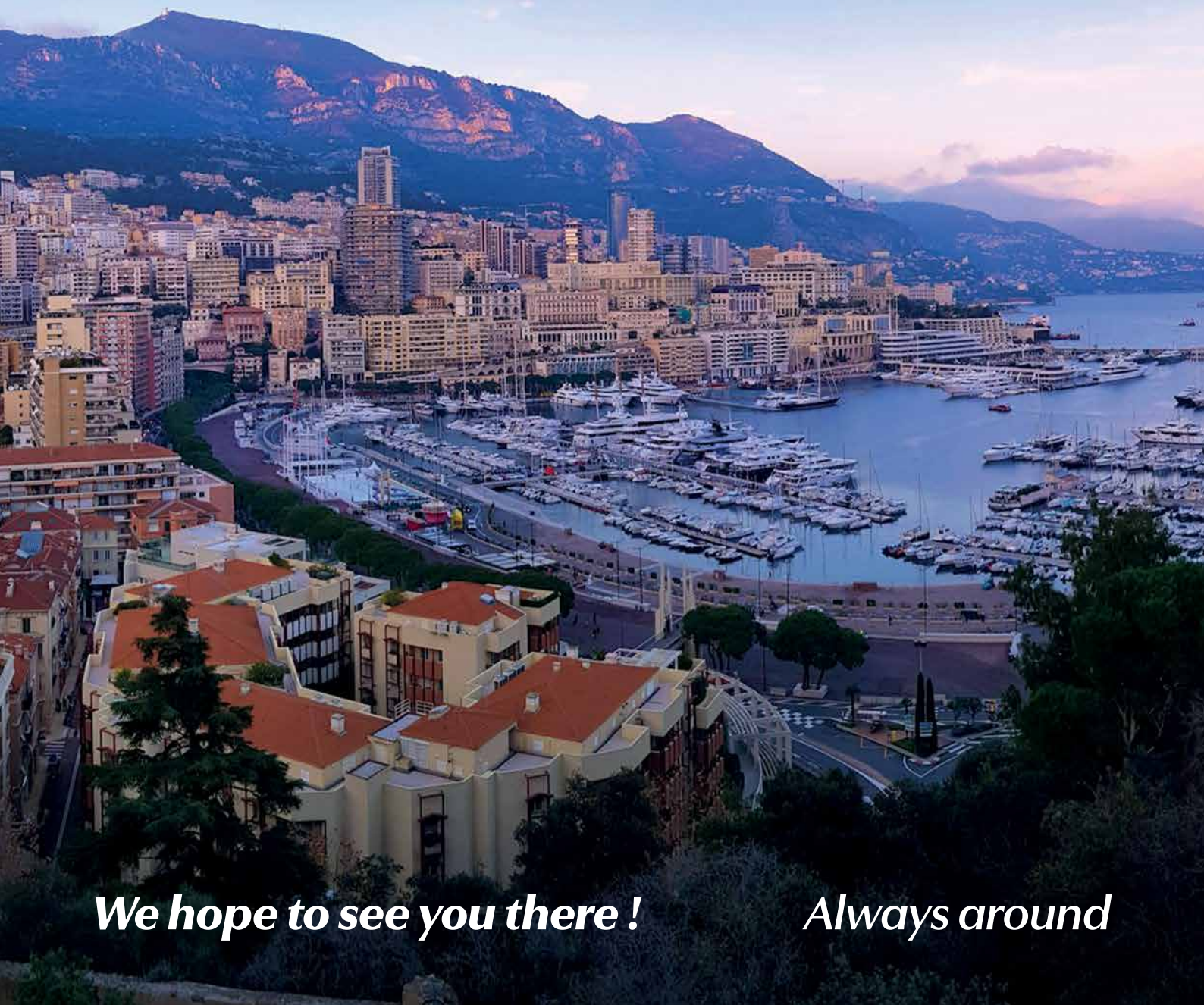
With disclosure limited, AM Best models the exposure itself, charging sponsors' capital for the largest shortfall projected across a sidecar's remaining life.

Aon Securities expects casualty and other non-catastrophe vehicles to keep driving sidecar growth, with more transactions expected through to the end of the year. ●



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REINSURANCE

UK buyers cede more than EU peers

UK insurers have consistently ceded a substantially greater proportion of their non-life premium to reinsurers than their EU counterparts over the past decade – and the presence of Lloyd’s does not fully explain the divide.

UK groups among Europe’s largest reinsurance buyers ceded between 22% and 27% of non-life premium in every year from 2016 to 2025, compared with between 13% and 15% for EU groups, according to analysis by Solvency II Wire Data.

The gap ranged from eight to 13 percentage points and did not close at any point during the decade. Lloyd’s might appear the obvious explanation. It is consistently the largest single UK buyer in the data and by 2025 accounted for 67% of all UK ceded premium, up from 60% in 2016.

But remove Lloyd’s entirely and the difference remains.

The other UK groups still ceded between 19% and 26% of non-life premium over the decade, leaving them between five and 11 percentage points above the EU’s 13% to 15%.

The persistence of that gap points to a structural difference in how the UK and EU markets use reinsurance that has survived the alignment of the Solvency UK and Solvency II regimes.

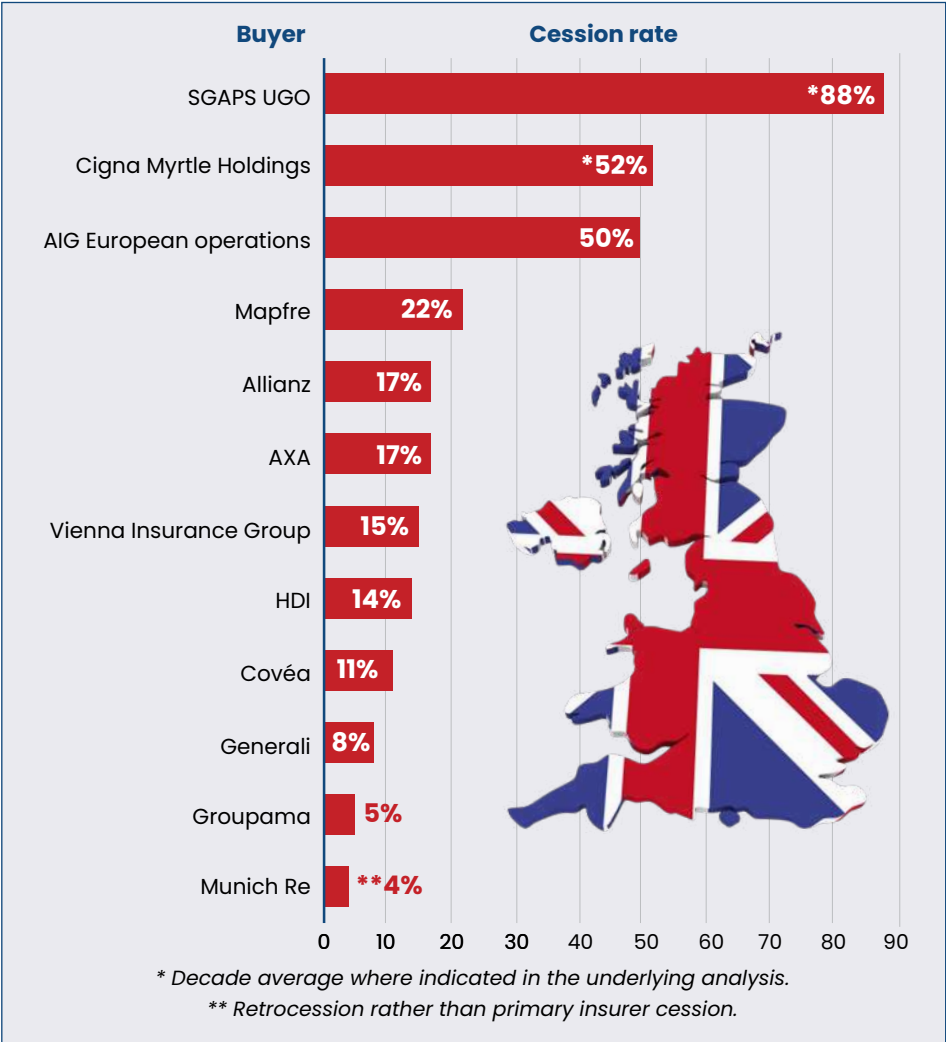
Buyers take different paths

The relatively stable regional figures also disguise dramatically different behaviour among individual insurers.

Admiral Group made the largest move of any buyer in the analysis, with the proportion of premium ceded falling from 60% in 2016 to 19% in 2025. The shift was anything but gradual. Its cession rate stood at 67% in 2022 before falling to 19% the following year, consistent with a change to Admiral’s own reinsurance programme rather than a gradual change in appetite.

AIG’s European operations moved in the opposite direction, from 25% in 2017 to 50% in 2025. Aviva provides another contrast. Despite being a UK group, it ceded between just 5% and 11% of its non-life book during the period, consistently below the aggregate for EU groups.

Across the largest buyers, cession rates range from below 4% to more than 90%, demonstrating how little an aggregate market figure can reveal about the approach of any individual company.



More spend, similar appetite

The regional divide has persisted through a decade in which the absolute amount of reinsurance being bought has increased dramatically. Across the 30 largest buyers, ceded premium rose from €46.2 billion in 2016 to €85.6 billion in 2025, an increase of 85%.

Yet their aggregate non-life cession rate barely moved, rising from 15% to 16%. It peaked at 17% in 2021, and was at that level again in 2022 and 2024, before easing to 16% at the end of the period.

Gross premium and ceded premium instead grew broadly alongside one another. On a 2016 base of 100, gross premium reached an index of 173 by 2025 and ceded premium 185.

The implication is that the increase in the amount spent on reinsurance has principally accompanied growth in the underlying insurance books rather than a broad shift

towards passing a greater share of risk to reinsurers.

That stability is notable given the very different reinsurance market conditions buyers encountered during the decade.

But the headline cession rate also masks just how differently individual insurers approach reinsurance – and the persistent gap between UK and EU buyers suggests geography and market structure continue to matter.

From 2024 UK insurers report under the Solvency UK templates, which no longer state reinsurance premiums ceded directly; the UK figure is derived from gross and net premiums written, and checks against the firms’ own published reports show no material change in the figures. ●

Source: Solvency II Wire Data, group-consolidated Solvency II and Solvency UK non-life regulatory returns, 2016-2025.

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DATA

Convective storms expose data gap

ICEYE's satellite imagery of wildfire damage could soon be used by insurers and reinsurers to inform underwriting decisions, in a similar manner to how clients are already using its historic images for flood risk.

The company has analysed between 500 and 600 flood events, including at least 200 in the US, creating a location-level record of where water has travelled during actual events.

That archive can reveal repeated flooding at locations that conventional approaches might regard as lower risk. ICEYE has tested its capabilities across one million properties in six US states, finding locations that its observations showed had flooded six or seven times despite being classified as low risk.

There is not yet the same bank of wildfire images, but the satellite technology company is building an expanding archive, which could eventually support underwriting applications. Stephen Lathrope, senior vice president, solutions, at ICEYE, stressed the opportunity is less straightforward than for flood, but is there.

"I think wildfire will have potential," Lathrope told *Monte Carlo Today*. "I think there's a lot of data analytics work we're learning we can do on our back catalogue of imagery."

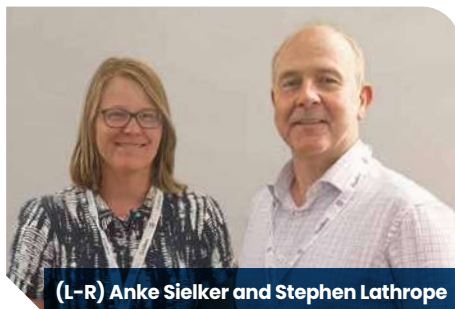
Anke Sielker, head of insurance EMEA, APAC and Latin America at ICEYE, added

KEY POINTS:

- Insurance customer base now over 40
- Flood archive covers 500–600 events
- ICEYE constellation reaches 76 satellites

that historical observations can also enhance catastrophe models by providing highly localised information that was previously unavailable.

"The traditional cat models rely on historical models to initiate the event catalogue, then our data helps provide a starting point for



(L-R) Anke Sielker and Stephen Lathrope

the simulations to be fed into the catalogue," she said.

Building the wildfire archive

Flood currently offers the clearest underwriting application because ICEYE's radar technology

captures the hazard itself, including the extent and depth of water. Wildfire imagery currently provides more information about the resulting damage, such as buildings that have burned, rather than directly observing the fire.

Nevertheless, ICEYE is retaining imagery from the wildfire events it monitors, including smaller fires that might not attract significant attention because they do not hit large concentrations of properties.

Sielker said this is gradually creating a database that could have value in understanding future wildfire risk.

"There's a lot of these smaller wildfires everywhere that, if they don't hit a lot of locations, no one looks at them," she said. "We monitor all these small fires that may never impact the location, but over time they could."

Lathrope said ICEYE would retain that information and explore what underwriting applications could emerge as the archive matures, in much the same way its flood capabilities have developed.

"Even if today we haven't got anything special that would enable us to support underwriting, we're keeping the data, and we'll do the work to find out what we can do with it over time as it builds," he said.

ICEYE currently has an archive of around 60,000 raw satellite images collected over roughly five years across the events it has monitored and reported on. ●

REPORT

Sidcar capacity grows by 30% in just one year: S&P Global

The amount of capital going into property and casualty sidcars grew by 30% between 2024 and 2025, according to S&P Global Ratings.

Last year, \$22 billion was injected into P&C sidcars compared to \$17 billion in 2024, most driven by capacity going into new sidcars.

And investor appetite for casualty specific sidcars is growing, now representing approximately 10% of total sidcar capacity.

Charles-Marie Delpuech, director at S&P Global Ratings, said appetite from risk managers was driving the boom and S&P expected demand to continue for two reasons: first, that the cost of capital of private equity managers is lower than the cost of capital from insurers, so they have a competitive advantage; and second, these new structures can invest in

some more risky assets to improve the yield.

Delpuech was speaking to journalists at a pre-Monte Carlo briefing in London on September 2.

"The structure is still new and still needs to

“The [casualty] sidcar is not going to take the risk forever.”

be tested,” said Delpuech. “But we think that everybody is looking at sidcars.”

Delpuech said that at least 10 sidcars have been launched by re/insurers over the past year. European re/insurance giant Zurich is

thinking about launching its first reinsure sidcar, something the re/insurer has previously eschewed.

But compared to a property sidcar, casualty sidcars have much longer-tail risk, which has put off some potential sponsors, such as Brit.

Casualty sidcars have a different risk profile, sometimes with a 10-year wait for losses to be tallied, compared to a property sidcar which might have a one to two-year lifespan, Delpuech said.

"Structures have been difficult because of the long-tail nature of that risk," Delpuech explained. "What we understand is that the [casualty] sidcar is not going to take the risk forever. They will take the risk for the defined period, maybe 10 years, and after 10 years, they will commute the risk." ●



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CYBER

AI risk yet to drive cyber demand

Uncertainty over AI and its implications for cyber risk have yet to translate into a meaningful increase in cyber reinsurance spending, with insurers instead reallocating budgets towards non-proportional protection, according to Coalition Re.

Diana Liu, its head of underwriting, says expectations that rapid advances in AI would trigger substantially greater demand for reinsurance have so far proved misplaced. “This uncertainty has not yet driven insurers to suddenly start buying substantially more reinsurance,” she told *Monte Carlo Today*. “Instead, what we’ve seen is a reallocation of spending, with many carriers reinvesting the savings they’ve achieved on quota-share programmes into non-proportional covers.”

Some insurers are increasing limits, while others are purchasing non-proportional protection for the first time. But despite the increase in limits placed, Liu said there had been “no meaningful increase in net spending as compared with previous years”.

Part of the reason is the wider supply-demand imbalance in cyber reinsurance. Traditional reinsurers retain appetite for the class, while additional capital is entering through MGAs and specialist businesses.

KEY POINTS:

- Cyber reinsurance spend remains flat
- Buyers shift towards non-proportional
- Supply continues to outstrip demand

“Supply continues to outstrip demand, suppressing rates,” Liu said. Conditions remain softer than a year ago, but she believes the pace of softening is beginning to slow and hopes the market will move to a more neutral position.



“There has not been a meaningful increase in net spending as compared with previous years.”

AI risk keeps evolving

Liu said the speed of development means each new model raises questions about what becomes possible for attackers and defenders. Threat actors have historically adopted emerging technologies faster than defenders, potentially increasing claims frequency. “But this action doesn’t mean cyber becomes an uninsurable risk,” she said. “Defensive capabilities catch up, and insurers and security providers will increasingly have access to many of the same AI-powered tools that attackers are using.”

Portfolio performance is meanwhile diverging geographically. Liu said US portfolios continue to experience greater adverse development, particularly in the 2018, 2019 and 2023 underwriting years. Other regions are broadly performing in line with expectations and, in some cases, favourably.

Heading into January 1 renewals, Coalition Re is focusing on portfolio performance, aggregation and how threat actors deploy AI. “While there’s no doubt the technology is changing the cyber landscape, the market is approaching that challenge with a greater degree of measure than many might have expected at the start of the year.” ●

REPORT

ILS capital soars; investors take more risk for lower return

Investors in insurance-linked securities are accepting lower compensation for higher expected risk, as capital outpaces demand and drives softening across the reinsurance market, according to AM Best.

Total ILS capacity has climbed to an all-time high, with AM Best and Guy Carpenter estimating \$123 billion at the end of 2025 and further growth through 2026. The 144A property catastrophe bond market underlined that expansion with a record first half of \$17.3 billion in issuance, including a record \$11.3 billion in the second quarter alone.

New issuance outpaced maturities, lifting the outstanding market to roughly \$64 billion by mid-year. The build-up reflects three consecutive years of strong returns that left capacity providers with more capital than they could prudently deploy, AM Best said, a position reinforced in the first half of 2026, when insured catastrophe losses hit a five-year low.

Investor appetite remains strong regardless. Cat bond deals were routinely oversubscribed, with final issuance running 19.8% above target sizes of ample capital still chasing deals, even though that upsizing was below the 30%-plus average seen from 2023 to 2025.

That abundance is reshaping what investors get paid for the risk they take on. The weighted average spread on bonds issued in the first half of 2026 fell 96 basis points versus the same cohort a year earlier, and loss multiples tightened as investors accepted lower premiums.

At the same time, weighted average expected loss rose 30 basis points over the same comparison, as growing exposure and higher modelled losses outpaced attachment points. AM Best attributed the return compression primarily to spread tightening and lower collateral yields rather than catastrophe losses, but warned if losses keep climbing, returns will

compress further, pushing investors to become more selective about the risk profiles they back.

The same capital is spilling into the wider reinsurance market. ILS growth was cited as one driver of softer pricing at the mid-year renewals, though AM Best said traditional capacity remained more influential given its larger dollar impact. Supply was estimated to exceed demand by more than 25%, and Guy Carpenter’s Global Property Catastrophe Rate-on-Line Index fell 16% year-to-date through July 1; risk-adjusted pricing at the Florida-focused June 1 renewals dropped 15% to 20%.

Terms held broadly stable, though coverage that had been scarce since 2023, including aggregate excess-of-loss and subsequent-event protection, became more available, particularly for larger buyers able to use their scale. Cedants overall secured more coverage as rising demand met that abundant supply. ●

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LOSSES

Average insured loss rises to \$171bn

The re/insurance industry should brace itself for insured losses of \$171 billion a year from now on, according to natural catastrophe modeller Verisk.

Average annual insured catastrophe losses have increased by approximately \$19 billion in just one year, the highest estimate Verisk has reported to date.

Of the \$171 billion global insured average annual losses, 68% (\$117 billion) is attributed to the US. Despite a season with no US hurricane landfalls, estimated losses have exceeded \$100 billion for a sixth consecutive year.

But it is not just catastrophic landfall hurricanes affecting the figures. Severe thunderstorms account alone for 40% of modelled insured catastrophe risk, more than any other peril. "What the market used to call secondary perils, now accounts for 65% of that loss," Verisk president, catastrophe and risk solutions Rob Newbold told *Monte Carlo Today*.

Actual losses have been \$50 billion so far this year.

Verisk offers a suite of probabilities crunching satellite and official weather data covering 65 different perils from 125 models around the world. Risks mapped include hurricane, earthquake, higher-frequency storms, tornadoes, winter storms, flood and wildfire. Its clients include re/insurers, brokers, the insurance-linked-securities market and corporations.

KEY POINTS:

- Average insured loss rises by \$19bn in a year
- US accounts for 68% of average losses
- Losses bust \$100bn mark for sixth year running

If Verisk has one area it would like to build its presence in, it is flood modelling, as flood is an increasing risk in every market. "It's a very difficult and time-consuming model to build," said Newbold.



Rob Newbold

As climate change impacts get worse, other lacunae include European wildfire and Japanese hail.

And yet property rates are expected to reduce by 10% at the coming renewals, which has Newbold scratching his head. "As rates

go down because of lower-than-average cat activity, we think, should they?" he said.

Then of course there is the coming risk of insuring data centres, which are more of a horizontal than a vertical, as construction can span earthquake, tornadoes, wildfires as well as business interruption, let alone as-yet-unquantifiable AI risk. Verisk has launched a new view of US data centre exposure, covering more than 2,500 facilities nationwide.

"AI is often discussed as a digital transformation story, but it is increasingly a physical infrastructure story," said Newbold. "The facilities powering that growth represent billions of dollars in concentrated assets, and that has implications not only for insurers but also for reinsurers, investors and capital markets participants looking to understand and manage emerging sources of potential risk."

Years ago, Verisk did try mapping cyber but decided to wind it down, as it was a very difficult peril to model.

Verisk is headquartered in Boston with offices in London, Munich, Beijing, Tokyo, Singapore and Hyderabad, India.

Newbold stressed that the overall baseline of cat activity is still elevated. He said: "We understand it's a market and people will price risk according to their the economic forces, but from a risk perspective, we don't see the risk really going down in any way." ●

LITIGATION

Litigation funding threatens to accelerate casualty costs

Third-party litigation funding could accelerate litigation activity, enable undue influence in cases and drive up costs, while thermonuclear verdicts add pressure to insurers' balance sheets, Marsh has warned.

Third-party litigation funding allows funders to bankroll consumer or commercial lawsuits in exchange for a portion of any settlement or jury award. According to Marsh's latest litigation trends and casualty risks report, the additional capital can encourage greater litigation activity.

"Because disclosure rules are limited, with only a handful of jurisdictions requiring funders to be revealed, courts and opposing parties might be unaware that a third party

has a financial stake in the case," analysts said. Some funding agreements allow funders significant control over litigation, including selecting counsel and settlement authority.

Marsh also highlighted potential national security implications where foreign adversaries participate in funding. The report warned that such funding could allow undue influence in litigation, posing a growing threat to the economy and integrity of the judicial system.

Meanwhile, thermonuclear verdicts exceeding \$100 million surged 61% annually, overtaking nuclear awards. Nuclear verdicts, exceeding \$10 million, grew by just under 21%.

Product liability verdicts reached \$13.34 billion in 2024, up from \$3.1 billion in 2020. Motor vehicle verdicts rose from \$261

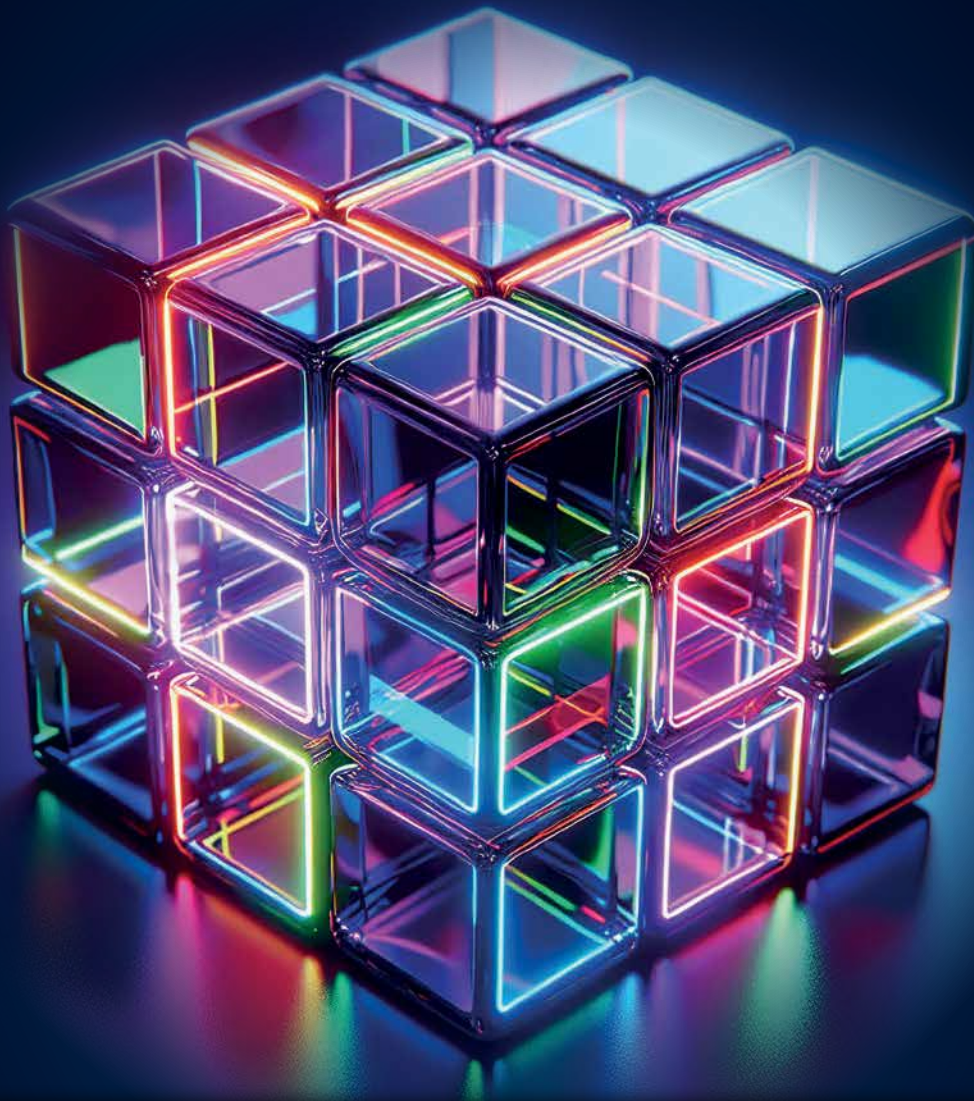
million to \$2.34 billion over the same period, while medical malpractice awards increased from just under \$200 million to nearly \$900 million.

The top 100 verdicts averaged \$225 million between 2020 and 2024, excluding a \$301 billion outlier verdict in 2021. "Considerable jury awards are no longer outlier events – they are a rising risk for organisations that require close attention," analysts warned.

Marsh also identified autonomous vehicles and AI as emerging casualty risks. Questions around autonomous vehicles include whether liability rests with the human driver or manufacturer, while Marsh expects claims relating to AI products and services to increase as adoption spreads across industries. ●

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CAPTIVE

Captive reinsurance interest accelerates

Insurers and reinsurers are increasingly looking to partner with the captive insurance market as captive owners retain more risk and explore more sophisticated reinsurance structures, according to Marsh.

Captive Review's analysis of US captive domiciles shows that between the end of 2021 and the end of 2025 premium written by captives is estimated to have climbed from \$94.3 billion to \$118.5 billion. Globally premium is estimated to have risen by more than \$17 billion in 2025 to approximately \$240 billion.

Total premium managed by Marsh-managed captives grew from \$77 billion to \$79.1 billion in 2025, with captive retentions increasing by 4% and ceded reinsurance from captives dropping slightly to \$11.5 billion from \$13.4 billion.

Will Thomas-Ferrand, global leader of Marsh Captive Solutions, told its sister publication it was a sign captives are becoming more confident in the risks they carry, as reinsurers continue to show more interest in working with the sector.

"I didn't anticipate that a huge part of my job would be taking phone calls from insurers and reinsurers saying how can we interact with the captive industry more," he said.

"That level of interest reflects the intensity of competition across the insurance markets. The fact that they now want to partner with captives, that's incredibly strong. We can build something better together."

Julie Patel, Americas captive consulting leader at Marsh, said this interest is coming from large and smaller carriers, with providers increasingly looking to participate through both fronting and reinsurance.

"We are seeing a significant increase in inquiries from carriers that want to partner with captives or expand the services they provide to captive owners," she said. "Many are looking to support programmes on both ends of the spectrum, as fronting carriers and as reinsurance partners."

She added that many are now comfortable supporting fronting arrangements in which the captive assumes a substantial share of the underlying risk.

At the same time, Patel highlighted that captive owners are increasingly willing to use their vehicles as strategic leverage in discussions with commercial carriers, giving them a credible alternative when pricing or

KEY POINTS:

- Carriers seek partnerships
- Premium written by captives climbs
- Captives becoming more confident in risks

coverage terms are less attractive. Together, those trends help explain the higher captive retentions reported by Marsh, even amid elevated interest from carriers and reinsurers.

Thomas-Ferrand also said the fall in reinsurance premium ceded by Marsh-managed captives last year does not necessarily mean they are transferring less underlying risk. Reinsurance pricing has fallen in some areas, meaning the same amount of risk can potentially be transferred for a lower premium.

This access to comparatively attractive reinsurance pricing has also been cited this year as a factor driving interest in new captive formations among organisations seeking direct access to reinsurance markets.



(L-R) Will Thomas-Ferrand and Julie Patel

Structured arrangements

Thomas-Ferrand also highlighted some of the more complex ways captives were now partnering with reinsurers.

"What we're seeing is more structured conversations," he added. "You can do traditional reinsurance on the back of a captive. You can do structured. You can do parametrics."

He said captive owners are increasingly considering which lines they can bring into their captive to create a portfolio capable of supporting these arrangements.

"As the captive matures and grows, and starts to operate with many lines of business, it can actually start to buy reinsurance just like an insurance company would," Thomas-Ferrand added. "There might be some lines of business that perhaps are more

difficult, which are offset by the ones that are more favourable."

Patel said that increasing both the amount and diversity of risk retained within a captive naturally creates a greater need to protect the vehicle against larger losses.

"From a captive owner's perspective, the more risk you add to the vehicle, the more important it becomes to protect against loss severity, particularly catastrophic loss scenarios," she said. "Many owners will have a clear view of the level of loss they are comfortable retaining. Beyond that threshold, reinsurance becomes an important tool for preserving balance-sheet protection."

Patel said reinsurers might also be able to provide favourable pricing where they can consider the captive's diversified portfolio rather than a single exposure.

Property, excess liability and cyber are among the lines where she sees owners access reinsurance, alongside catastrophic exposures.

Thomas-Ferrand expects greater captive interaction with the reinsurance market to continue as programmes become more sophisticated. He said the subsequent growth in complexity of reinsurance arrangements could make 'consolidation' the seventh "C" on the list of traditional reasons for using a captive.

"Captives enable organisations to consolidate all the risks into a captive, then they can choose to buy the reinsurance they want," he said. "So, you are making the call yourself, and you're using the captive as that consolidator vehicle."

Emerging risks

The development of more sophisticated reinsurance programmes is also coinciding with captive owners considering how their vehicles could respond to risks that remain difficult to insure commercially.

Here reinsurance markets can also step in if the portfolio is structured correctly.

"Instead of just retaining standard risks in the captive, owners are also willing to put in some effectively uninsured, or difficult to insure, risk," Thomas-Ferrand said. "It creates a portfolio that then allows them to access the reinsurance markets and achieve coverage in all sorts of alternative ways."

Patel said Marsh is increasingly having discussions with large captive owners around emerging exposures. ●

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CASUALTY

Social inflation clouds casualty

Casualty rates are expected to rise in line with inflation, while social inflation emerges as the biggest headwind facing reinsurers, according to *Monte Carlo Today's* pre-renewal season survey.

Of the 28 market participants surveyed, 39% expect casualty rates to increase in line with inflation, while 25% anticipate a moderate increase and 11% expect significant rises. Meanwhile, 14% expect rates to remain stable and 11% anticipate a moderate decline.

Terms, conditions and attachment points are also expected to tighten, albeit modestly. Half of respondents expect a slight tightening, while 39% expect them to remain largely unchanged. Just 7% anticipate significant tightening.

The biggest concern for the casualty reinsurance market is social inflation, selected by 39% of respondents. Reserve adequacy followed closely at 32%, while nuclear verdicts accounted for 7% of responses. Inflation and capacity were each cited by 11%. This follows as increasingly severe liability awards threaten to push claims costs beyond conventional inflation.

At the beginning of the year, Swiss Re Institute warned that "nuclear verdicts", exceptionally large jury awards, could spread from the US into Europe as liability excess inflation accelerates in the US.

Changes in European regulation and the growing use of third-party litigation funding, where outside investors finance litigants in

KEY POINTS:

- Rates expected to track inflation
- Nuclear verdicts a key concern
- T&C tipped to tighten modestly

return for a share of potential payouts, could help fuel the spread of nuclear verdicts across Europe, the report said.

Meanwhile, Marathon Strategies reported in August that the number of nuclear verdicts against corporate defendants in the US rose 41% in 2025, with nearly 200 cases reaching at least \$10 million, the highest annual total recorded. Their combined value exceeded \$25.6 billion.

More than 40 "thermonuclear" verdicts, defined by Marathon as awards above \$100 million, were recorded for the second consecutive year, including four cases where damages exceeded \$1 billion.

The trend also spread across the economy, with 68 industries hit by nuclear verdicts in 2025, up from 55 in 2024 and 48 in 2023.

The survey results come as the broader casualty market shows signs of softening. Aon's second-quarter Global Insurance Market Insights Report described casualty as broadly softening across Asia, Latin America and EMEA, while North America remained mixed by line, geography and risk profile.

General liability and umbrella liability rates in the US held firm, which Aon described as a notable exception amid otherwise varied renewal outcomes.

Risk Placement Services (RPS) similarly said at the beginning of 2026 that the US casualty market was moving towards equilibrium, with manageable volatility, a steadier pace of rate increases and gradual capacity growth following several years of disruption. But RPS cautioned that a return to equilibrium does not mean a return to the old market. ●

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YOUR CONTACTS IN MONTE CARLO

PUBLICATIONS DIRECTOR

Wyn Jenkins
Telephone: +44 7715 770 468
Email: wjenkins@intelligentinsurer.com

EDITOR

Aditi Mathur
Telephone: +31 6188 576 14
Email: amathur@intelligentinsurer.com

COMMERCIAL ENQUIRIES

Mark Payne
Email: mpayne@intelligentinsurer.com

Daniel Elton:
Email: delton@intelligentinsurer.com

Ian Talbot
Email: italbot@intelligentinsurer.com

SUB EDITOR

Roger Wilkinson

PRODUCTION AND DESIGN

Russell Cox

MANAGING DIRECTOR

Peter Scott

COMPANY DIRECTOR

Nicholas Lipinski

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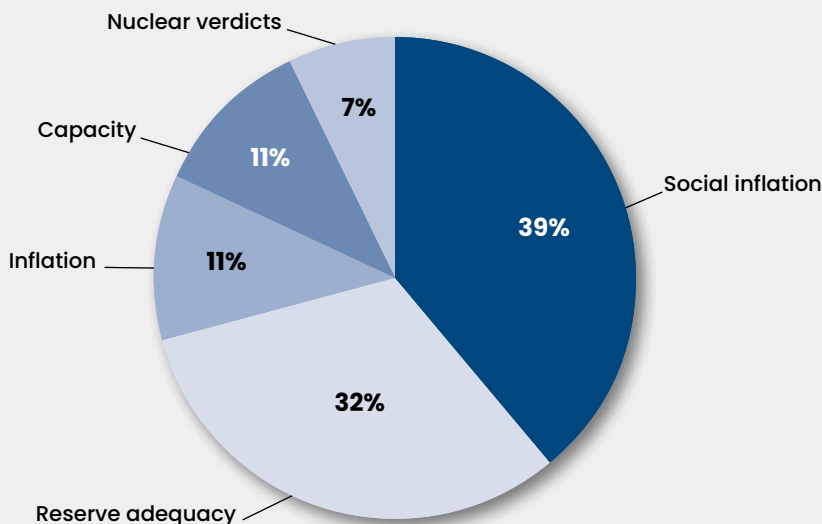
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What is the biggest headwind facing casualty reinsurance?





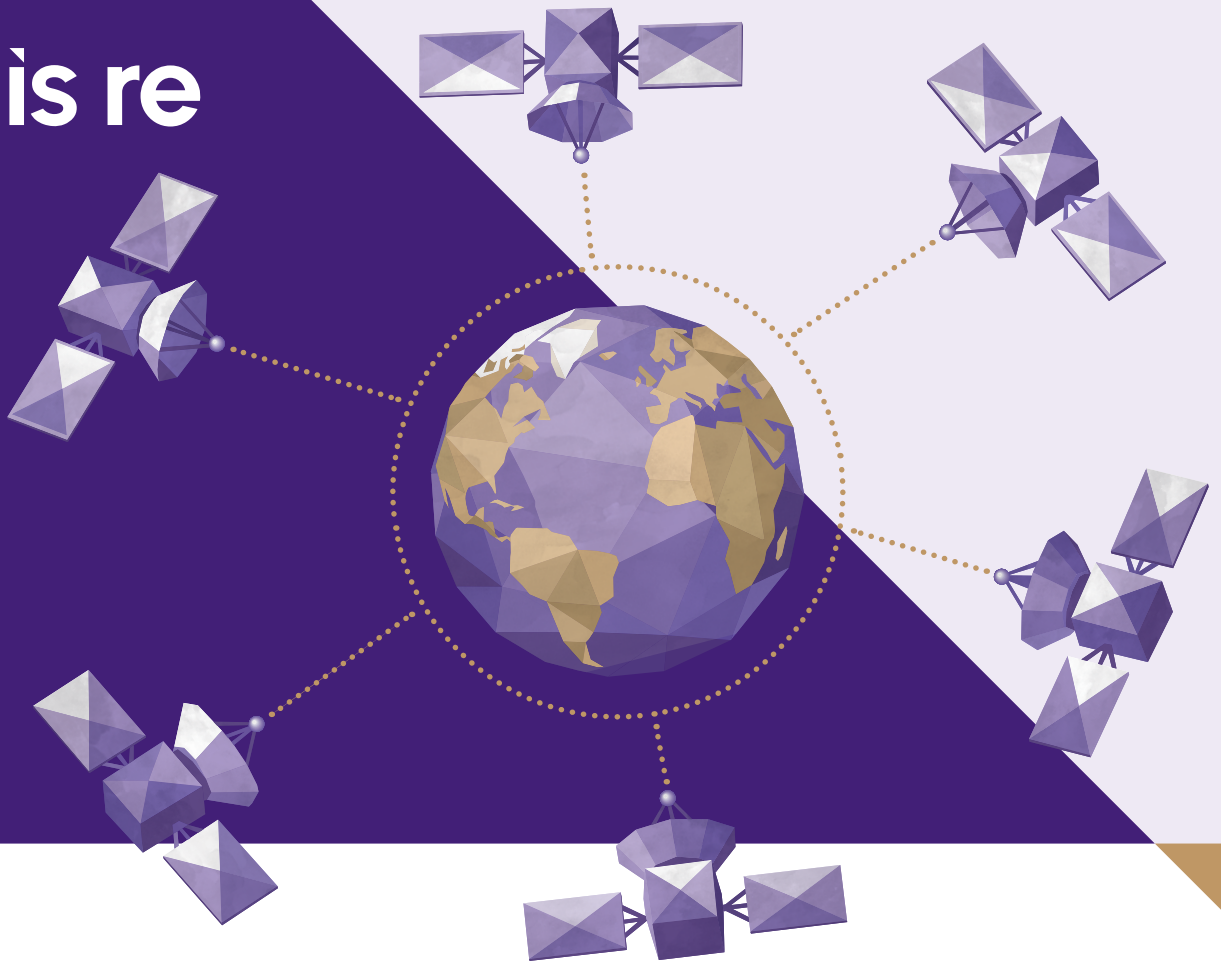
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