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Data centre dash opens prospect of $30 billion annual cover bonanza


Robert Hartwig

THE RAPID EXPANSION OF ARTIFICIAL INTELLIGENCE and data centres is turning conventional wisdom about the future of insurance on its head, creating potentially decades of opportunity for insurers and reinsurers to protect an enormous new generation of physical infrastructure.

That is the view of Robert Hartwig, director at the Risk and Uncertainty Management Center at the University of South Carolina, who believes the AI revolution could become one of the most significant growth opportunities for the industry in decades.

Only a few years ago, he noted, some commentators were questioning whether the increasing importance of intangible assets, intellectual property and cyber exposures would diminish demand for traditional property insurance.

"Five or six years ago, we were talking 3

DIGITAL INFRASTRUCTURE: A long-term opportunity but discipline is key

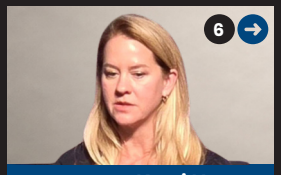

Axel Freiboth

THE RAPID EXPANSION OF DATA CENTRES and digital infrastructure represents a meaningful long-term growth opportunity for reinsurers – but increasingly concentrated insured values and complex exposures will require careful underwriting and risk management, according to Hannover Re.

Axel Freiboth, managing director for North American treaty business at Hannover Re, believes the sector offers opportunities for growth even as the wider reinsurance market becomes increasingly competitive and pricing comes under pressure.

"The expansion of digital infrastructure and data centres represents a meaningful long-term opportunity for the insurance and reinsurance industry. At the same time, these risks often involve high-value concentrations, evolving technology and complex business interruption 4

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COVER STORY

Data centre boom holds annual $30 billion promise

1 about whether we were at the end of the opportunity for insurers to insure a lot of physical infrastructure. In other words, bricks and mortar is so 20th century.

"We thought the risks of the future would be cyber risks and maybe intellectual property. And lo and behold, here we have probably the largest infrastructure build-out we've had since the internet itself in the late 1990s and early 2000s."

For Hartwig, the irony is striking. The digital revolution, once seen as a potential threat to traditional insurance, is now driving demand for vast physical assets requiring conventional property and casualty protection.

He also believes history offers important lessons. "You can look back through history and see how insurers rode these waves of innovation, not just the internet, but the age of computerisation, electrification, railroads, steam shipping and the Industrial Revolution.

"Time and again, insurers found ways to grow and prosper through each one of these waves of technological innovation. I think that will be the case this time as well."

Decades-long opportunity

Hartwig believes the opportunity extends well beyond the current building wave. The associated investment in power generation, transmission infrastructure and supporting facilities will create additional exposures, while the operation of these assets will generate continuing demand for insurance and reinsurance.

"The industry's products and services in terms of managing risks are going to be very much in demand. This is something with a decades-long tail on it. This build-out will continue on a global basis well into the 2030s. The associated energy infrastructure build-out is going to have to accompany this."

He cited an Aon estimate suggesting that global insurance premiums associated with AI infrastructure could reach some $30 billion annually by 2030. While the ultimate scale remains uncertain, Hartwig believes the opportunity is sufficiently substantial to explain why major brokers and insurers are establishing dedicated data centre teams.

"What they are looking at is probably, over the next five years, the single largest growth area in terms of traditional property and liability risks. This is not even including the risks inherent in AI itself as its usage is rolled out corporations and government institutions around the world."

KEY POINTS:

- Building boom has vast potential
- Multiple carriers will be norm
- Unknown risks inevitable

"What they are looking at is probably, over the next five years, the single largest growth area in terms of traditional property and liability risks."

Yet the sheer scale of individual developments presents challenges. Hartwig noted that the largest facilities require levels of insurance capacity that would be inappropriate for any single carrier to assume.

"You might have to cobble together a programme with 10 or 15 different insurers and reinsurers in order to cover some of these larger facilities being constructed by the hyperscalers. That's an obstacle that can be overcome. There's discussion about bringing capacity in from capital markets, in other words ILS markets, and I think there's potential there also."

However, he warned that the involvement of multiple insurers, reinsurers, ILS investors and retrocession providers could create complex accumulations of exposure. As the market expands, understanding where risks ultimately reside will become increasingly important.

New risks emerge

Physical catastrophe exposures are another concern. Hartwig pointed to the vulnerability of data centres to tornadoes, hailstorms and tropical storms, including facilities located inland but still potentially exposed to severe weather.

He suggested insurers might increasingly view these developments in much the same way as major energy infrastructure, with potentially severe losses from relatively infrequent events.

But another challenge is emerging: growing public and political opposition to data centre construction. Communities are raising concerns about electricity prices, water consumption, noise and the centres' long-term impact.

"One of the more recent risks has been the coast-to-coast opposition by citizens and even politicians, even in conservative states, to construction," he noted.

He also highlighted the emergence of insurance solutions designed to address losses arising from government intervention or restrictions affecting data centre projects. Arbol, for example, has launched a new policy that protects data centre developers and financiers against government-imposed moratoriums that halt or suspend construction.

"There's a risk. The question I ask is, is it an insurable risk? It's a challenge to insure something like that – basically a business interruption loss associated with government action, as opposed to what would traditionally require physical damage or destruction of property as a result of a covered peril." Hartwig said.

He characterised the exposure as sitting somewhere between business interruption and domestic political risk.

The next frontier

Beyond physical infrastructure, Hartwig believes the liability implications of AI represent an even less understood challenge. While insurers have decades of experience covering buildings, machinery and energy infrastructure, the potential casualty exposures from increasingly sophisticated AI systems are far less predictable.

"On the back end of all this, which I consider an entirely different risk, is the liability, the casualty side of the situation. I would call it *terra incognita*, much the same way that we viewed cyber risks 25 years ago."

He believes the pace of technological change makes it almost impossible to predict how these exposures will develop over the longer term. "Cyber risk is not static. It's dynamic. Who knows what the state of AI technology will be 20 years from now? It's almost impossible to anticipate."

For Hartwig, however, uncertainty does not undermine the central opportunity. Just as earlier technological revolutions created new industries, assets and liabilities requiring protection, AI is generating risks that insurers and reinsurers will have to understand, price and manage.

COVER STORY

Meaningful long-term opportunity but discipline is key

(1) exposures," Freiboth told *APCIA Today*. He stressed that successfully underwriting these developments will require specialist knowledge and a detailed understanding of how exposures change throughout the life of a project.

"Success will depend on deep technical expertise and careful accumulation management. There are also significant challenges when transitioning from construction to the operational side, where very different exposures and accumulations have to be considered."

The opportunities extend beyond digital infrastructure. Freiboth believes North America remains an attractive market because demand for risk transfer continues to increase across established and emerging exposures. "North America remains an attractive market because demand for risk transfer continues to grow across both traditional and emerging exposures," he said.

He identified specialty lines and complex property risks as areas where reinsurers can distinguish themselves through expertise, financial strength and long-term client relationships. "Our focus remains on disciplined growth rather than pursuing market share for its own sake."

Discipline despite softening

That commitment to underwriting discipline is particularly important as property catastrophe reinsurance rates soften and competition intensifies.

Freiboth stressed that headline pricing movements do not provide a complete picture of the attractiveness of a risk. Terms, conditions and attachment points must also be considered when assessing potential returns.

"Rate movements are only one part of the equation; terms, conditions and attachment points matter as well," he said. "We remain comfortable deploying capacity where expected returns adequately compensate for risk and volatility."

Hannover Re remains willing to provide catastrophe capacity where the economics justify doing so, including across North America and other peak catastrophe regions. He said its appetite remains where risk-adjusted returns are attractive and structures are resilient. "We continue to evaluate opportunities across North America and other peak catastrophe regions. We have the ability to continue to grow with our clients."

Freiboth emphasised that the company's underwriting standards would not change simply because market conditions had become more competitive. "The disciplined underwriting approach is core to our approach and always needs to be part of the underwriting process."

KEY POINTS:

- Digital infrastructure booming
- Caution needed on complex risks
- Relationships remain critical

> "Rate movements are only one part of the equation; terms, conditions and attachment points matter as well."

One continuing challenge is the growing significance of severe convective storms and wildfires, which are placing greater demands on catastrophe modelling, pricing and portfolio management.

Freiboth said these exposures can no longer be treated as relatively minor contributors to insured catastrophe losses. "These 'secondary perils' have become an increasingly strong driver of insured losses. Therefore, they require much greater attention."

He said reinsurers are investing in better information and modelling capabilities to understand the frequency and potential consequences of these events. "We and many of our peers are investing heavily in data, modelling and exposure management to better capture frequency-driven risks such as severe convective storms and wildfires."

These developments are increasingly being reflected in pricing decisions, attachment points and diversification strategies.

Casualty concerns persist

While there are encouraging indications of improvement in recent US casualty underwriting years, Freiboth remains cautious about the durability of that progress. He said there are some encouraging signs from recent underwriting years, including improved pricing and tighter policy terms.

"However, we remain cautious because social inflation, litigation trends, legal system abuse and reserve uncertainty continue to affect loss development," he added. He warned that the industry cannot yet assume that its long-standing casualty challenges have been overcome. "It is still too early to conclude that these challenges have been resolved."

Emerging liabilities, including PFAS [per- and polyfluoroalkyl substances] and microplastics, present further difficulties. Although understanding of these exposures is improving and insurers are strengthening underwriting guidelines, exclusions and monitoring, many potential losses remain difficult to quantify.

Freiboth also raised concerns that competitive pressures could undermine some of the improvements achieved in underwriting practices.

"What is concerning us though is that we observe first signs of proliferation on some of the needed improvements we have achieved. On occasion new, sometimes naive, capacity is pushing in the wrong direction."

For Hannover Re, the response is to maintain disciplined risk selection and cautious reserving while continuing to develop its technical capabilities.

Relationships remain central

Despite the competitive pressures affecting the market, Freiboth believes Hannover Re's operating model and client relationships provide a foundation for continued growth. "Reinsurance remains a relationship business, particularly when market conditions become more competitive."

He said the company's approach combines technical expertise and financial strength with a commitment to providing solutions beyond simply offering capacity.

"Our broad product offering coupled with the long-term relationships and deep understanding of the clients' needs allow us to provide a consistent and reliable reinsurance support that is geared towards growing our business together," he added.

As new exposures emerge and market conditions evolve, Freiboth believes that emphasis on long-term partnerships will remain important. "We believe that approach positions us well regardless of where we are in the cycle." ●

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REINSURANCE

Underwriting matters for risk-takers

Reinsurers must resist the temptation to sacrifice underwriting discipline as competition intensifies, or risk undermining the long-term returns needed to retain investors and sustain their claims-paying ability, according to Munich Re's Kerri Hamm.

Speaking during a panel discussion at APCIA's annual conference in Boston this week, moderated by Reinsurance Association of America (RAA) president and CEO Tracey Laws, Hamm warned that while recent profitability has strengthened reinsurers' balance sheets, the industry's longer-term investment performance tells a more challenging story.

Hamm, executive vice president, head of cyber underwriting, client solutions and business development at Munich Re US, argued that the industry's ability to deliver sustainable returns is fundamental to its promise to policyholders.

"We've had a couple of really nice years on the reinsurance side, which has helped us to repair from some of the very damaging years in the past," she said.

Looking at returns over five years, she said top-tier reinsurers had generally met, or slightly exceeded, their targets, while also outperforming the S&P 500. But the picture changes considerably over longer periods.

"When I look at those longer-term horizons, reinsurers are actually not meeting ROE targets and in fact are below the S&P 500," Hamm said.

That matters because reinsurers must retain investors willing to support businesses exposed to significant volatility and losses that can emerge many years after policies are written. "Investors have other choices that are potentially better," she warned. "And that's not what you want because that impacts your reinsurer's ability to be with you over the longer term."

A nuanced picture

Her comments came amid a discussion of abundant market capital, softening property reinsurance rates and growing opportunities for buyers to negotiate improved terms. Also on the panel were: Brian Flasinski, chief executive officer, Gallagher Re North America, and Will Garland, president, Centers of Excellence, Marsh Re.

Hamm cautioned that the focus should not be solely on securing the cheapest protection. "I think that it's less about the price that you pay today and more about whether your claim gets paid tomorrow," she said.For Munich Re, underwriting quality is central to deciding which clients and portfolios to support as pricing comes under pressure. "What reinsurers are responding to is the quality of your claims operation, the quality of your underwriting operation," she said, adding that thoughtful risk-taking and long-term relationships would become increasingly important.

She predicted a growing distinction between companies with durable underwriting businesses and those whose appetite for risk changes with market conditions.

The two reinsurance brokers on the panel broadly agreed that individual portfolio quality would play an important role in upcoming renewals, even as buyers benefit from greater competition.

Garland, at Marsh Re, described the current environment as a buyer's market, particularly for property reinsurance. He suggested that while 2026 had largely been about premium savings, 2027 negotiations would increasingly involve coverage, attachment points and protection against catastrophe frequency losses.

Casualty, however, would require a more cautious approach because of continuing uncertainty around loss trends. Garland praised reinsurers for avoiding broad assumptions and instead examining individual clients' portfolios.

"The reinsurers to date have done a great job," he said, describing their approach as "very nuanced" rather than relying on broad-brush pricing decisions.

Flasinski, from Gallagher Re North America, similarly emphasised the importance of understanding underlying exposures. "When we think about property renewals, we see the conversation is around opportunities and optionality," he said.

Casualty was different, with discussions increasingly focused on detailed data and the uncertainty surrounding portfolio performance, he suggested.

Challenge of alternative capital

Hamm also questioned whether the growing involvement of third-party capital in casualty reinsurance could create additional long-term risks. She argued that investors entering occurrence-based casualty business cannot simply reprice exposures when experience deteriorates, leaving them vulnerable to losses that might take years to emerge.

"What happens when the investors are not getting the rate of return that they wanted and the risk is potentially underestimated?" she asked. Her concern was that some risks could ultimately return to insurers' balance sheets at an inopportune moment.

Flasinski nevertheless argued that alternative capital represented a lasting structural development rather than a temporary market cycle. "We believe that it's really a secular change and not a cyclical shift," he said, stressing the importance of matching appropriate capital with appropriate risks.

For Hamm, the wider lesson was clear. With AI, geopolitical uncertainty and increasingly interconnected exposures creating new underwriting challenges, sustainable risk selection would be essential. "For risk-takers, underwriting matters. Underwriting really matters," she concluded. ●

KEY POINTS:

- Underwriting discipline key in soft market
- Reinsurers need solid long-term ROE
- Investors have abundance of choice



> "We've had a couple of really nice years on the reinsurance side, which has helped us to repair from some of the very damaging years in the past."

MGAs

E&S lines and MGAs now overlap



Specialty business models are changing as excess and surplus and managing general agents become more entwined, says Sarah Freitag, head of US Specialty Distribution, Aon's Reinsurance Solutions.

The roles of specialty insurers operating in the excess and surplus (E&S) space and managing general agents (MGAs) have been moving ever closer for some time in the US. Both areas have expanded; there is overlap on many levels.

This has also prompted brokers to adjust. In March this year, Aon Re announced that it had brought its MGA and excess and surplus (E&S) practices, along with a new programme-specific carrier segment, under a single umbrella, creating a dedicated US specialty distribution segment.

Aon said the new structure reflects its investment in US specialty distribution as a distinct, growth-focused business segment. A dedicated leadership team was unveiled to oversee the segment. One of those leaders was Sarah Freitag, who was named US specialty distribution leader, which includes the three segments.

In this role, Freitag was made responsible for setting strategy and growth priorities, shaping investment in capabilities and coordinating with Aon's Commercial Risk, Reinsurance, Capital Advisory and Analytics teams. She told *APCIA Today* that the move was made as a reflection of the increasing overlap of the sectors – and that the change would allow the broker to capture the growth in each and better service clients.

She explained that Aon's brokers retain specialist expertise for each segment while coordinating advice where clients have common requirements.

Freitag also said the sectors have been expanding for more than a decade, with increasing commonalities emerging. "There's so much overlap because not only is there a lot of E&S distribution in the MGA segment, but it is estimated over 40% of the US MGA market is owned by wholesalers," she said.

Fronting arrangements are also changing. Some fronting insurers have evolved into programme-specific carriers that take on more risk. While these carriers have distinct advisory needs, Freitag said they provide MGAs with "a rapid route that also gives them control of their capacity, while prioritising market cycle resiliency".

KEY POINTS:

- Business models are overlapping
- Alternative capital options beyond property
- Limits now below pre-2018 levels

> "We help clients navigate the traditional market while also having a strategy for alternative capital."

MGAs and insurance brokers are exploring underpenetrated classes of business, either through facilitation or underwriting.

Technical benchmarking on these classes, especially for E&S, is difficult to find and assess. Freitag said technology and enhanced data ingestion is helping participants analyse niche portfolios and assess prospects for profitable growth in classes where capacity has been underutilised.

Capacity crunchers

Traditional insurers remain core capacity providers to both MGAs and E&S businesses, while alternative investors are increasingly active in both industries. "In the last soft market there was a lot of interest in property coming from alternative capacity. Now, investors are considering multiple lines of business, which is shifting the market dynamic," she said.

But not all alternative capacity is equal. Freitag believes it is the broker's job to advise clients on which forms of capital might suit their needs. "We help clients navigate the traditional market while also having a strategy for alternative capital," she said. "It is important for an intermediary to have expertise and access to all capital sources, in order to help clients make better strategic decisions and optimise their risk transfer programmes."

Bringing together many disciplines and skill-sets, including capital advisory and analytics, under one roof, is one of Aon's biggest strengths, she explained. It uses actuarial consulting and risk data to help clients assess those plans.

Managing limits

Given that there is limited statutory data available for E&S and MGA segments, this is an area where Aon provides invaluable insights to clients. Freitag said benchmarking portfolios in these segments is important to compare the current exposure levels to historical profitability, understanding how different changes in terms and conditions can shift capital and profit.

One notable difference is how deployed average limits have changed on insurance polices. "Limits deployed decreased meaningfully post 2018, and although they are increasing in today's market, they are still well below pre-2018 levels."

The increased limits drove model miss, creating a divergence of plan vs. actual results. While limits increase, to counteract volatility, carriers can go to traditional solutions or consider new products such as auto-facultative solutions for shared and layered business.

This is proving useful for both MGAs and E&S carriers in keeping their net limits at reasonable levels. ●

Sarah Freitag is a reinsurance treaty broker and head of US specialty distribution at Aon. She can be contacted at sarah.freitag@aon.com

SUCCESSION

Holborn stands firm on independence

The reinsurance sector is awash with capital, but how it is deployed – and in which classes – will shape the trajectory of 2026 renewals and beyond.

Just over a week ago, Holborn Corporation, the independent, employee-owned, US reinsurance broker, unveiled details of a leadership succession plan. From March 1 next year, Frank Harrison, the company's chief executive since 2005 and only the third CEO in its history, will take a step back. Adam Manus will take the reins as CEO and Tim Releford as president. Harrison will become non-executive chairman.

Harrison played a leading role in Holborn's transformation into an employee-owned company in 1998, via an employee stock ownership plan (ESOP), and the company's subsequent growth. Under his leadership, Holborn expanded its geographic reach, analytical capabilities and client relationships while preserving its distinctive culture and commitment to independence.

A week on from the announcement, Harrison, Manus and Releford sat down with *APCIA Today* to reflect on the past week – and share some of the most common questions they have been asked about the change. Top of that list, they admit, has been questions about the broker's long-term commitment to employee ownership.

Manus is keen to dispel any notion anything will change. Employee ownership, he stresses, is completely scalable – and designed to allow for changes in personnel when the time is right.

"Our strategy is to remain independent and employee owned. We believe that structure serves our clients and our employees extremely well, and this succession has been designed to perpetuate it," he said. "We're not announcing this transition with one eye on an exit. Quite the opposite – we're demonstrating that Holborn has a structure capable of carrying the company from one generation to the next.

"Our ownership structure was specifically designed to make that possible. Independence at Holborn doesn't depend upon one individual continuing to own the company. Through the ESOP, ownership can pass from one generation of employees to the next. This leadership transition is actually evidence that the model works."

KEY POINTS:

- Holborn leadership to change
- Commitment to employee ownership
- Plans in place for some time



Releford, Harrison and Manus

> "Succession should happen from a position of strength, not necessity."
>
> – Frank Harrison

That said, he also stresses the firm must continue to be relevant to clients. "Ultimately, independence has to be earned. You remain independent by being financially strong, relevant to clients, able to attract talented people and willing to keep investing in the business," he added.

Whose client? Our client.

That happens naturally, Harrison said, as long as the company remains true to one of the core philosophies that emerged from the ESOP: that "my client" becomes "our client". He stresses that this is no slogan to Holborn – it is fundamental to its operating model.

"At Holborn, client relationships belong to the institution, not to one individual. We deliberately put the collective experience, judgement and expertise of Holborn around the account. That means the relationship can survive the retirement or departure of any one individual – including me."

It also remains central to its growth strategy. Holborn's revenues have increased more than tenfold since becoming an ESOP. Manus said that the plan is to continue to do the basics that enabled that growth in the first place – while also being open to opportunities, should they emerge, be that in the form of people or companies.

"We're extremely proud that substantially all of that growth has been organic because it means clients chose Holborn and entrusted us with more of their business," Manus said. "We'll continue to pursue meaningful organic growth through exceptional client service, new relationships and the development of our people.

"That said, we're not opposed to acquisitions – we've made them when they made strategic sense – but given the extraordinary consolidation in our industry, there are few acquisition opportunities that might fit with us. However, if there are individual brokers who fit Holborn culturally and strategically, we would welcome the opportunity to strengthen our team.

"Employee ownership also creates a powerful alignment of interests. Our people are not simply working for Holborn; they have a stake in its long-term success. That encourages the kind of institutional thinking, collaboration, and commitments to clients that have defined our culture."

Perfect timing

The other, almost inevitable, question Harrison said he has been asked has been around the timing of the changes.

"After four decades plus in the industry and more than two decades as Holborn's CEO, I have always believed one of my most important responsibilities was to make sure Holborn successfully transitions to its next generation of leadership. Succession should happen from a position of strength, not necessity. This has been planned for years. We wanted to reach the point where Holborn had the leadership, ownership structure, and team-based operating model to make the transition naturally.

"Adam and Tim are ready, the company is ready, and that makes this the right time. The ultimate test of succession is not whether an institution can continue without its former CEO. It is whether it becomes stronger under the people who follow them." ●

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LEADERSHIP

Lessons in leadership from the ball park

David Ross, a two-time World Series champion, former Major League Baseball manager, broadcaster and New York Times bestselling author, offered APCIA delegates tips on business in Boston on Monday November 2. He described the importance of chemistry and accountability in sport and business.

During his 15-year Major League career, Ross became known not only for his ability behind the plate, but for his leadership, authenticity and ability to bring people together. He won a World Series with the Boston Red Sox in 2013 before helping the Chicago Cubs capture their historic 2016 championship – the franchise's first in 108 years.

He was interviewed on stage by Paul Blume, chief operating officer for the American Property Casualty Insurance Association. In that role, Blume leads the trade association's operational divisions and works with its senior management team to develop and implement strategic goals and initiatives.

The discussion came on the 10th anniversary of the Cubs' historic victory, which included Ross hitting a home run in Game 7 of the World Series before being carried off the field on his teammates' shoulders.

Asked about the importance of team chemistry, Ross said success begins with establishing clear standards and expectations that everyone understands and supports. "When you have a standard within the group and set by the players and the manager, that creates an expectation where you hold people accountable and create team chemistry," he said.

KEY POINTS:

- Chemistry with team is key
- Leadership means accountability
- Ross interview by Blume, COO, APCIA

He explained that positive relationships encourage individuals to work harder, support their colleagues and take a genuine interest in the performance of others.

"When you like the guys you come to work with, you get there earlier, you get more work done, you maybe study a little bit harder," he said.

Ross argued that selfishness undermines successful teams, whether on the baseball field or in the workplace. "When you're unselfish and you pay attention to others and care about how they are and how they're performing and what's going on in their life, I think good things happen."

He said the same principles apply directly to business leadership, particularly the importance of investing time in colleagues and creating a culture of mutual respect.

"When you invest in the people around you every single day, you care about them, they care about you," he said.

That investment also makes difficult conversations easier. Leaders who consistently recognise good performance and support their colleagues are better placed to offer constructive criticism when standards slip.

"When you lift guys up and are positive to your teammates, you're in the workplace, when you have to be critical, they know it's coming from a place of love," Ross said. Ultimately, he argued, accountability works best when standards apply equally to everyone, including those setting them. "When you set a standard," he said, "if you're not producing to that standard, they're going to call you out. So it kind of in turn holds you accountable."

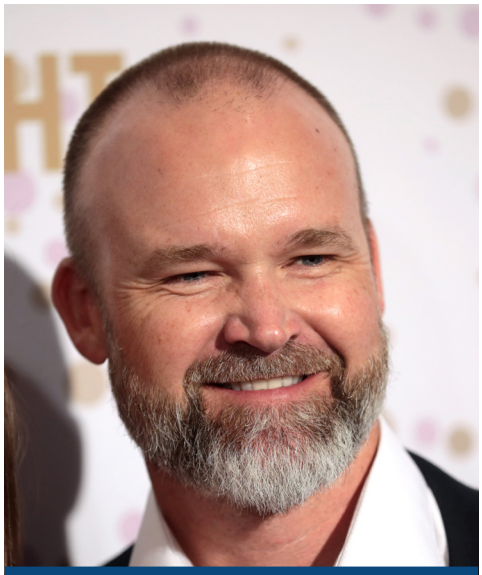


Photo by Gage Skidmore

> "When you like the guys you come to work with, you get there earlier, you get more work done, you maybe study a little bit harder."
> - David Ross

FAC

Gallagher Re looks to develop facultative offering with new hire

Gallagher Re has announced the appointment of Casandra Ceballos as executive vice president, facilities, facultative.

Ceballos joins from the London-headquartered organisation Everest Re, where she was most recently vice president, hybrid solutions, facultative reinsurance for Latin America.

In her new role, Ceballos will lead the development of Gallagher Re's Fac Facilities and Portfolio Solutions proposition globally, focused on accelerating growth, strengthening client relationships and expanding the firm's specialist capabilities.

Based in Miami, Ceballos brings expertise across facultative reinsurance, facilities, hybrid solutions, portfolio strategy and international markets.

Pablo Muñoz, global facultative reinsurance CEO at Gallagher Re, commented: "This is another important step in strengthening Gallagher Re Global Fac and broadening the solutions we can deliver to clients globally. Casandra brings significant experience across facultative reinsurance, facilities and international markets, and we are delighted to welcome her to the team."

PROPERTY

Beyond a physical risk footprint



Business dependencies and operational differences are often underestimated when assessing property portfolios in the US, says Gallagher Re's Joe Jackson.

The North America commercial property map looks materially different from a decade ago. Investment in advanced manufacturing and data centres has drawn substantial insured values into storm-exposed corridors across Texas and the Midwest, where severe convective storms now bear a heavy share of market losses.

But evaluating that exposure requires underwriters to look well beyond site coordinates on a peril map. Joe Jackson, executive vice president and head of large account commercial property, North America, Gallagher Re, explains that modern facilities do not operate in isolation; they share grids and suppliers where damage at one site could disrupt an entire region.

"Traditional catastrophe models estimate losses from physical events, but don't necessarily capture dependencies connecting businesses and infrastructure across different locations," Jackson told *APCIA Today*. "Consider a manufacturer dependent on a critical supplier or a data centre reliant on shared power infrastructure. Damage at one location can interrupt operations across multiple businesses, potentially creating insured losses beyond the original event footprint."

Site-level catastrophe models leave those operational interconnections unaccounted for. Underwriters must also separate underlying weather trends from the volume of value entering storm-exposed regions. Capturing those dependencies requires combining hazard analysis with practical insights into how businesses operate and where exposures intersect.

Gallagher Re pairs meteorologists with peril specialists to evaluate catastrophe models against historical loss data, distinguishing hazard shifts from exposure growth to guide risk-transfer advice, Jackson explained. Through its Digital Risk Practice, the broker coordinates expertise across cyber, AI liability and data centres, developing analytics to identify overlapping exposures across regional infrastructure.

"We're developing an accumulation tool to identify overlapping exposures across portfolios at the facility, campus and geographic level," Jackson said. External dependencies are only part of the problem. High-level portfolio summaries routinely flatten critical distinctions between businesses that share the same broad industry code and comparable insured values, masking the true drivers of loss severity and volatility.

KEY POINTS:

- Disruption risks can spread
- Operations shape loss profiles
- Softer market widens choices

> "Two large manufacturing portfolios can look similar on paper, with comparable insured values and broad occupancy classifications, yet have materially different loss profiles."

"Two large manufacturing portfolios can look similar on paper, with comparable insured values and broad occupancy classifications, yet have materially different loss profiles," Jackson said. "Well-protected precision assembly can present very different fire, explosion and business interruption exposures from hazardous industrial processes involving specialised equipment."

To get past broad occupancy codes, Gallagher Re evaluates individual engineering standards, occupancies, specific risk characteristics and historical loss records to understand the underlying drivers of severity and volatility. Taking that granular evidence to reinsurers gives primary carriers a credible basis to negotiate risk assessment and price.

"We've found when we can substantiate a more representative view of a client's risk with credible science, loss experience and underwriting information, reinsurers are much more willing to reconsider how they evaluate that portfolio," Jackson said.

Reinsurance flexibility

In many segments, property reinsurance pricing has softened faster than direct primary rates. While Jackson viewed pricing as adequate across both markets, the widening differential makes reinsurance capital increasingly attractive to primary carriers seeking to optimise risk transfer.

Abundant capacity has accelerated that shift. Capital from insurance-linked securities is now competing alongside traditional reinsurers across catastrophe layers, making markets noticeably more receptive to structural flexibility. Reinsurers are increasingly open to negotiating lower attachment points, aggregate protection and covers for subsequent events.

"We've had considerable success changing those conversations and delivering better financial outcomes for clients," Jackson said.

Yet that flexibility does not make restructuring the right move, he stressed. Treaty design must align with a carrier's capital position, rating agency goals and growth targets; for some, taking the rate savings and banking the cash remains the smarter commercial choice.

"Structural flexibility doesn't automatically mean changing the programme is the right answer," he said. "The decision also depends on the client's financial and capital position, growth plans and rating agency objectives. For some insurers, simply taking the savings makes the most sense. For others, changing the structure or transferring additional volatility may create greater value. We need to prove which approach is right."

"The objective isn't to change a reinsurance programme for the sake of it," he concluded. "It's to differentiate the portfolio, identify the most efficient capital to support it and improve the client's overall financial outcome." ●

Joe Jackson is executive vice president and head of large account commercial property, North America, Gallagher Re. He can be contacted at: Joe_Jackson@GallagherRe.com


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REGULATION

APCIA helps small carriers on reg costs

APCIA has unveiled a new initiative aimed at helping small and mid-sized insurance carriers across the US with the disproportionate regulatory expenses they face with compared with larger carriers.

Board chair David Bell announced the launch of the small and medium-sized insurer regulatory cost initiative (SMSIRCI) in his opening address at the association's annual meeting in Boston on the morning of November 2.

Bell, who is also CEO of ALPS Corporation, a lawyer malpractice insurer, said that while the larger carriers in the US often make headlines, some 80% of the APCIA membership is composed of carriers writing less than $2 billion in direct written premiums, making them a powerful element of the US re/insurance industry.

"They don't move the markets when they report quarterly earnings, but they insure farms, professionals, small businesses, homes and communities across the country, and collectively, they give our private competitive marketplace much of the depth, specialisation and resilience that it enjoys," he said.

KEY POINTS:

- Smaller carriers paying 2.4x more
- Initiative to work towards reg improvements
- Group made up 80% of APCIA members

Disproportionate cost

Bell said the idea for the new initiative started following APCIA's 2024 cost of regulatory corporate compliance study, which quantified that small and medium-sized carriers face compliance costs which are proportionality higher than larger carriers – at around 0.45% of premium written compared to around 0.19% for larger carriers.

"After spending time talking about this issue with 20 medium and small carrier CEOs who serve on the APCIA board, there was a clear consensus supporting the value of this initiative," Bell said. "A fixed regulatory cost does not have a fixed impact between large and small carriers."

He explained how the impact of scale was found to materially affect how compliance impacts expense ratios.

"Delays in approvals, filings or licensing, costly and inconsistently applied state exam formats. They don't just cost money, they cost opportunity," he said.

"The result is effectively a scale tax, paid not because the company presents more risk, but because it has fewer premium dollars across which to spread a largely fixed cost."

Hurting competition

Subsequently, Bell said this can result in products that don't reach consumers on time, innovation that stalls or expansion that never happens. He said that capital and product innovation then moves to the E&S market. While that flexibility can be valuable, he said it can also be a problem for competition. "This isn't the result our partners in the state-based regulatory community want. They want a competitive marketplace because that is the only proven path to sustainably lower insurance rates for consumers," he said.



> "A fixed regulatory cost does not have a fixed impact between large and small carriers."

"We can work together in pursuit of regulatory improvements and benefits that will come from it to consumers, in no small part based on the expense ratio savings to small and medium-sized carriers."

REINSURANCE

Markel and Enstar enter into adverse development cover agreement

Markel Insurance, the insurance operations within Markel Group, and Enstar, have entered into an adverse development cover (ADC) reinsurance agreement covering a portfolio of Markel's run-off global reinsurance business and certain exited lines within its insurance operations.

The ADC reinsurance agreement includes subject reserves of $4.8 billion, of which Markel will retain the first $2.6 billion and retrocede the next $2.3 billion to Enstar. Markel will obtain adverse loss development coverage of $1.2 billion above the $4.8 billion of subject reserves under the transaction terms and pay Enstar a risk premium of $120 million.

The adverse loss development coverage provided through the transaction reduces the level of prudency management required in its best estimate of ultimate losses.

As a consequence, Markel expects the net impacts of the transaction not to have a material impact on underwriting results in the fourth quarter.

Subject reserves include 2025 and prior underwriting years of business written within Markel's Global Reinsurance division and its exited risk-managed professional liability, architects and engineers and other run-off lines within its global insurance operations. Markel will maintain claims control.

The ADC reinsurance agreement will be provided by Enstar's wholly owned subsidiary Cavello Bay Reinsurance.

"This transaction provides additional certainty as these liabilities continue to run off and allows us to continue our focus on growing our core specialty insurance business," said Simon Wilson, CEO of Markel Insurance.

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ILS

Be wary of new risks in a soft market

The emergence of casualty sidecars combined with the growing insurance needs of data centres are creating opportunities for ILS investors to diversify into new risks. But pursuing these opportunities in a softening market could expose them to risks they do not fully understand, Nina Nikolova, head of origination, ILS, at Schroders, has warned.

She said that as rates soften and terms and conditions loosen, investors risk underwriting exposures they had not anticipated or for which they are not adequately compensated. For Schroders, now is a time for caution.

"This is not the year to experiment with new risks," she told *APCIA Today*. "The market is softening everywhere. It's not just about rates falling, it's also about the scope of coverage. That can be interesting for certain ILS managers, but it not our investment appetite. We're backed by mostly pension funds; they give us money to manage based on a certain risk appetite. That risk appetite does not change despite the softening market."

Nikolova stressed that the ILS industry has only recently rebuilt investor confidence following years in which some funds experienced losses from exposures they had not expected to assume. As competition in a softening market forces coverage to broaden, she is cautious this could happen again. Schroders has the flexibility to respond selectively. "We don't have to grow; we can manage the cycle," she said.

Questions over casualty

While casualty sidecars are attracting a lot of interest, Nikolova questioned whether investors fully appreciate the long-term liabilities – and the wider challenges facing some casualty lines. She suggested some traditional casualty reinsurers, grappling with social inflation and reserve development, might see alternative capital as a solution.

"Some may be trying to cede these liabilities to a new pocket of capital. But the alignment of interests between the sidecar, the sponsor and the investor is not always ideal." She emphasised that this did not apply to every transaction, but argued that investors should carefully consider why such opportunities are emerging now. "Why are we seeing these deals now; why not five years ago?"

KEY POINTS:

- Casualty sidecars come with risks
- Data centres present opportunity
- Caution on broadening of coverage



> "This is not the year to experiment with new risks. The market is softening everywhere. It's not just about rates falling, it's also about the scope of coverage. That can be interesting for certain ILS managers, but it not our investment appetite."

She also stressed that, while various exit strategies have been developed for investors in these sidecars, they do not necessarily offer complete finality – and many casualty liabilities can take a very long time to develop. "The fact that capital may be returned does not mean a full commutation of liability."

Nikolova also noted that casualty sidecars require different expertise from traditional property catastrophe ILS, particularly in underwriting and actuarial assessment.

Data centres present challenges

The rapid expansion of data centres, meanwhile, presents a different potential opportunity for ILS capital, given the enormous insured values associated with digital infrastructure.

However, Nikolova questioned whether the industry yet has sufficient understanding of the risks, particularly the potential accumulation of exposures and business interruption losses.

"Do we understand the risk? Do we know what's the value? And do we know its accumulation?"

She highlighted the dependence of multiple businesses on individual facilities, potentially creating exposures far beyond the physical value of a data centre itself. "How many businesses are dependent on that single data centre? Once you have a portfolio of data centres, you can easily cover the whole globe without knowing."

For Schroders, an immediate consideration is whether its existing reinsurance and retrocession portfolios already contain indirect exposures to data centres.

Nikolova did not rule out future participation but stressed the importance of understanding the exposures and ensuring that pricing adequately reflects the underlying risks. "Can we put a fair price on this?"

More broadly, Nikolova warned that softening market conditions could lead to wider coverage and the reintroduction of exposures that had previously been restricted. She pointed to discussions around risks such as riots and terrorism as examples of the pressure to broaden coverage within reinsurance arrangements.

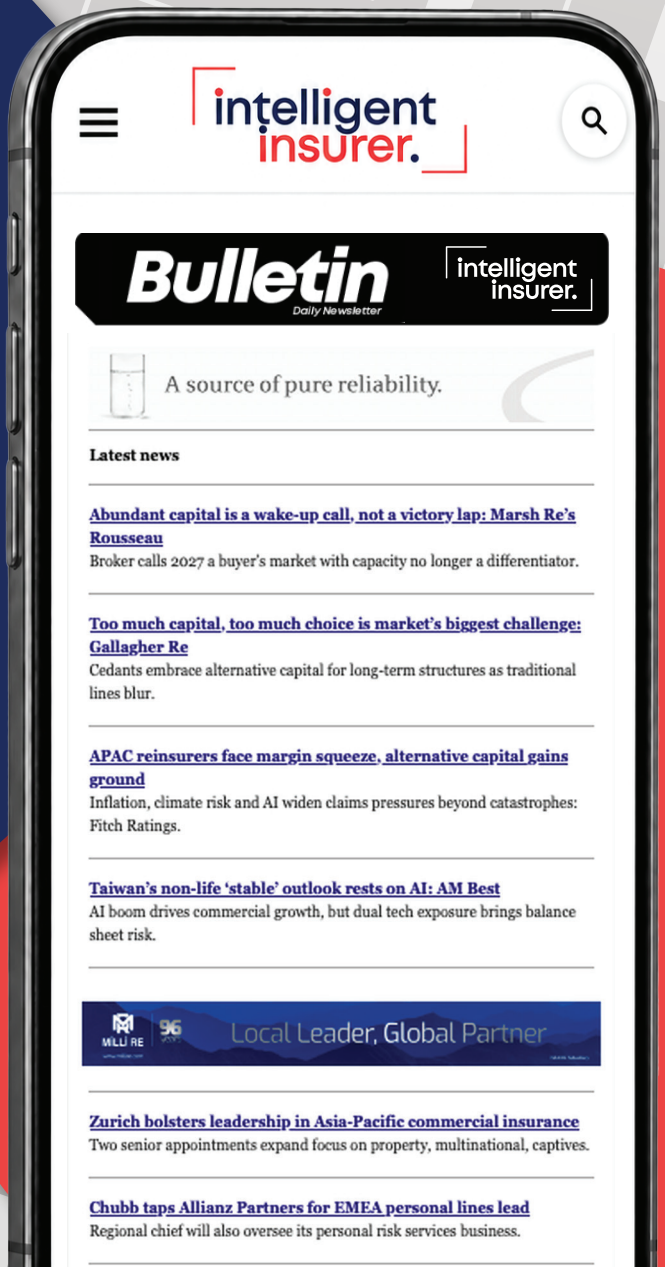
For Schroders, maintaining the risk appetite agreed with investors remains more important than pursuing growth or responding to competitive pressures.

Although some specialist managers might be willing to explore new areas, Nikolova said Schroders would continue to prioritise the risks its investors originally agreed to support. "We're not going to flex our risk appetite; we are under no pressure to grow." ●

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LEADERSHIP

APCIA honours The Hanover CEO Roche

The Institutes Griffith Foundation and the American Property Casualty Insurance Association (APCIA) honoured John 'Jack' Roche, president and chief executive officer of The Hanover Insurance Group, with the 2026 Lifetime Achievement Award during the APCIA Annual Meeting in Boston, Massachusetts on Monday November 2.

Presented by Katherine Horowitz, CPCU, president of The Institutes, the award recognises Roche's long-standing commitment to insurance education, his support of the missions of the Griffith Foundation and APCIA and his contributions to the property and casualty insurance industry.

For more than two decades, the Griffith Foundation and APCIA have partnered to recognise industry leaders whose commitment to education and service has helped advance the missions of both organisations.

"Jack's career embodies the leadership this award was created to honour," said Horowitz. "Across more than four decades in property and casualty insurance, he has made education a priority, generously sharing his knowledge and opening doors for others to learn and grow. It is an honour to celebrate that commitment."

David Sampson, president and chief executive officer of APCIA, added: "Jack has earned the respect of colleagues across our industry through his thoughtful leadership, deep experience and commitment to the people and organisations he serves.

KEY POINTS:

- Award for insurance education
- CEO has 40 years' experience
- Katherine Horowitz presents award

> "Jack's career embodies the leadership this award was created to honour."

"He has always understood that leadership extends beyond any one company. It's also about giving back, sharing what you know and helping prepare the next generation to lead. Jack has done that throughout his career, and he is very deserving of this honour."

Roche has more than 40 years of experience in the property and casualty insurance industry. He joined The Hanover in 2006 and was appointed president and CEO in 2017, following several senior leadership roles across the company's personal and commercial insurance businesses.



Katherine Horowitz and John Roche

Beyond his executive responsibilities, Roche has been an active contributor to the broader insurance community. He serves as a member of The Institutes board of trustees, on APCIA's board of directors, and on the board of overseers of St. John's University Maurice R. Greenberg School of Risk Management, Insurance and Actuarial Science.

Roche announced earlier this year that he will retire as president and CEO of The Hanover at the end of 2026, concluding a distinguished career. ●

SECONDARY PERILS

Calming the storms poses strategic challenge for insurers

Secondary perils, which include severe convective storms, wildfire, winter storms and flood, now account for the majority of North American insured catastrophe losses, yet reinsurance programmes, models and pricing frameworks remain calibrated for rare, catastrophic events, according to Marsh, a leading global professional services firm.

A new report published by Marsh Re finds that this disconnect has created a fundamental strategic challenge for insurers. As losses from secondary perils continue to climb, closing the gap between how insurers buy reinsurance and how losses are occurring, is fast becoming a key competitive differentiator.

US-insured severe convective storm losses have exceeded $30 billion a year every year since 2020, with four of those years above $40 billion. The January 2025 Los Angeles wildfire produced the largest insured wildfire loss on record. And a season of 15 midsize hail events can do more damage to an insurer's income statement than the one-in-100-year hurricane that still anchors many capital models.

Since the 2023 market reset pushed reinsurance retentions higher, reinsurers' share of catastrophe losses has fallen, leaving more of these frequent events on insurers' net results.

Catastrophe models for secondary perils continue to improve, but validation remains uneven. Marsh Re's testing shows model loss estimates can shift materially from one release to the next, and results for the same portfolio can vary widely, especially in areas where the science is less mature, including urban conflagration. Without rigorous validation against an insurer's own claims experience and mitigation data captured to the neighborhood level, the foundation for pricing and capital decisions remains incomplete.

"The insurers that outperform over the next cycle will be the ones that bring the same discipline to hail, wildfire and winter storm that they apply to capital planning and reinsurance strategy," said Kim Roberts, North American peril advisory leader, Marsh Re, and author of the report. "That means knowing where their portfolios are most exposed, validating models against their own claims experience, and structuring protection around repeated midsize losses, not just the rare peak event." ●

WORKERS' COMPENSATION

Victory eyes profitable workers' comp

The continued profitability of the US workers' compensation market is encouraging insurers to explore opportunities in the sector, creating growing potential for specialist carriers such as Victory Insurance Company to help them enter the market.

Keith Brownfield, chief executive of the Montana-based firm, believes many insurers are looking to diversify into the field but lack the underwriting experience and operational infrastructure needed to establish a successful business.

Victory, which specialises in workers' compensation insurance, is positioning itself to provide those capabilities while pursuing ambitious plans to expand its own operations nationally.

"There's a lot of carriers out here that have other lines that aren't profitable and they want to get into the work comp space, but they don't know how," Brownfield told *APCIA Today*.

The attraction is clear. According to the National Council on Compensation Insurance (NCCI), the workers' compensation sector recorded a combined ratio of 90.6% in 2025, marking another profitable underwriting year. NCCI projects a combined ratio of between 91% and 96% for 2026, suggesting that the sector's sustained profitability will continue, albeit with narrower underwriting margins.

Brownfield believes this creates an opportunity for Victory to leverage its expertise and infrastructure, particularly among insurers seeking to enter workers' compensation without developing their own underwriting and claims operations. "I'm talking to carriers that aren't doing workers' comp right now; they want to but they don't have the underwriting experience," he said.

A ready-made platform

Victory has spent several years developing the systems needed to support other insurers contemplating entering the market.

The company can provide underwriting, policy administration, claims handling, IT infrastructure and statutory accounting services, allowing partners to concentrate on providing insurance capacity rather than building their own operational capabilities.

"We've been building this system up so we'd be able to make it available to anybody that wants to get into this space," Brownfield said. "We can have them all set up within 30 days if they're rated, if they have a filing in state. We're all set up to be able to produce for them nationwide, handle their claims nationwide, issue all their paper policies, have a full IT system."

KEY POINTS:

- Workers' comp remains profitable
- Victory Insurance plans to expand
- Favourable loss ratio



> "There's a lot of carriers out here that have other lines that aren't profitable and they want to get into the work comp space, but they don't know how."

The model would allow Victory to generate business by providing services to partner carriers, as well as expand the premium it writes through its own insurance company. Brownfield believes the ability to build portfolios organically offers advantages over acquiring existing books of workers' compensation business.

Ambitious expansion plans

Victory is also exploring a substantial expansion of its geographical footprint. Brownfield said the company is considering an initial move into four additional states, with a longer-term ambition to operate across more than 30.

The company is seeking additional capital to support that growth, while also exploring partnerships and fronting arrangements that could accelerate its expansion.

"With one of our potential partners, we're talking about putting together a deal where we're going to go through 35 states, and within two years we would generate as much as $100 million in gross written."

Brownfield stressed that the business could potentially be written either through Victory's own operations or on behalf of another carrier.

The arrangement remains under discussion and Victory is also considering the capital and corporate structures required to support expansion on that scale.

Brownfield said the company believes it has sufficient capital for an initial four-state expansion but would need to recapitalise before pursuing its wider ambitions.

Underwriting expertise

Despite the attraction of workers' compensation's strong profitability, Brownfield emphasised the importance of underwriting and claims management expertise.

He said Victory's current loss ratio is approximately 50%, which he believes compares favourably with the wider industry.

The company's approach is built around managing claims proactively, controlling costs and helping injured employees return to work wherever possible. Brownfield believes those capabilities will be central to its ability to support other insurers and expand into new markets.

The strategy is not simply to grow Victory's own premium base, but to make its existing expertise available to a much wider range of carriers.

With workers' compensation continuing to deliver underwriting profits and insurers seeking opportunities to diversify, Brownfield believes the company now has the platform to turn that demand into substantial growth. ●

SCS

Getting a grip on risks after big losses

Insurers are becoming increasingly sophisticated in understanding and managing severe convective storm (SCS) risks, with improved catastrophe models, changes to coverage and more detailed analysis of historical losses helping the market respond to a peril that has caused significant losses in recent years.

That is the assessment of Anna Pergerson, managing director and head of catastrophe R&D at Howden Re, who believes insurers are beginning to see the benefits of changes introduced following several challenging storm seasons.

She described the 2026 season as relatively unremarkable compared with the volatility of recent years, when the market experienced both unusually active and relatively quiet periods.

"The 2026 season was really kind of a return to normal. We've had a lot of volatility lately with some very low activity seasons and some really high activity seasons, but in 2026 we seem to be running about average, which is pretty rare."

Although she cautioned against drawing conclusions about the weather in 2027 from this year's experience, she believes insurers are now far better positioned to manage severe storms.

"The market is recovering after getting through some pretty rough years, particularly in 2023," she told *APCIA Today*. "If I think about how insurers have responded and gotten smarter in terms of how they're covering the peril, adjusting their coverages and thinking about the peril and being more prepared for it, I think we're starting to see the fruits of those efforts."

Changes to coverage

One of the most significant developments has been changes to policy coverage designed to manage storm-related losses more effectively. Pergerson highlighted limitations on cosmetic damage and greater use of actual cash value coverage rather than replacement cost as two particularly important measures.

"We've definitely seen a rise in things like coverage limits. So whether that's limitations on cosmetic damage or actual cash value coverage rather than replacement costs, those have been the two leading changes I think insurers have made that has helped them to better handle those severe storm losses," she said.

KEY POINTS:

- Insurers more prepared for 2027
- Policy coverage changes help
- Modelling has limitations



> "Risk models are a good place to start [examining exposures] but are far from perfect."

At the same time, catastrophe modelling has improved substantially, giving insurers a stronger basis for assessing and pricing the risk.

The leading model vendors have introduced updates recently, in some cases responding quickly to feedback from insurers and additional observations from storm events. "I think those have generally been well received. They seem to reflect history better, so I think everyone has a better handle on it."

The increased frequency of significant severe weather losses has also provided more data against which models can be tested and refined.

Beyond the models

However, Pergerson stressed that the most effective insurers are going beyond standard catastrophe models to develop their own understanding of the exposures they face. "The risk models are a good place to start, but are far from perfect," she said.

Nor do the models necessarily reflect all the coverage limitations recently introduced by insurers.

That makes it essential for carriers to reconcile model outputs with their own claims experience, underwriting changes and portfolio characteristics. "It's the carriers who are creating their own custom view of risk," she said.

She explained Howden Re works with clients to compare historical losses with modelled outcomes, examining both average annual and peak losses from individual events. The process also involves understanding how changes in underwriting and coverage affect the relevance of past claims experience.

"Carriers are taking a lot of time to understand that, and also, as their underwriting approach has changed over time, how that changes how we view the historical losses. That's what's really different.."

She said Howden Re has been working extensively with clients on severe storm risk since around 2020, when the market began experiencing a notable increase in losses. That work has increasingly focused on helping carriers develop a more individualised assessment of their exposure rather than relying exclusively on standard industry models.

Despite the progress, Pergerson sees considerable scope for further improvement, particularly in how individual storm losses are recorded and attributed.

She noted that severe weather can occur on approximately 200 days each year, making it difficult to determine precisely which event caused damage to a particular property. "One place where there's still a lot of room for improvement is in tracking losses," she said. "You think it's easy, but when you have 200 days of severe weather per year, assigning roof damage to a particular event can be really tricky."

She expects technology to play an increasingly important role in improving the accuracy of loss attribution, alongside continued development of catastrophe models. ●

SCS

DEMEX eyes an uptick on SCS risk model

DEMEX is seeing greater interest from cedants and reinsurers in using its severe convective storm (SCS) risk modelling product, as carriers increasingly seek new and innovative ways to manage secondary peril exposure better.

DEMEX was established in 2020 and today offers cedants, brokers and reinsurers a modelled loss reinsurance product for the secondary perils of SCS and winter storm.

The predictive model is for retained SCS losses across an insurer's portfolio, which forms the basis of a parametric aggregate reinsurance agreement.

Speaking to *APCIA Today* at the APCIA Annual Meeting in Boston on Monday November 2, DEMEX chief executive officer Mike Anderson said that going into the January 1 2027 renewals, the company expects carriers to be using their product for more than $100 million in written premiums, up from around $49 million last year.

The number of cedants using the product in particular is anticipated to rise from 10 to 20, with all major brokers and around 17 reinsurers already using the product.

Anderson explained how the company had been able to build its understanding through a hard market and into the current softer market, particularly after 2023.

KEY POINTS:

- Cedants' interest in SCS models grows
- SCS losses now some $30bn annually
- AI has helped improve resolution

"These secondary perils are very different from other catastrophes like hurricane," he said. "Evolving from a hard market into a soft market SCS has not changed in terms of the volatility."

Industry reports peg losses from SCS as exceeding $30 billion per year since 2020, with four of those years exceeding $40 billion.

DEMEX has considered creating models for other secondary perils, but Anderson has preferred to focus on the two areas the company has been able to specialise in.

"We're very careful about the models that we build, and especially how we're building them," he added.

The group has instead put all its resources into refining its existing modelling capability, with Anderson explaining how DEMEX has been able to use AI to improve the resolution of the weather data it uses.



> "Secondary perils are very different from other catastrophes like hurricane. Evolving from a hard market into a soft market SCS has not changed in terms of the volatility."

REPORT

Abundant capacity and strong insurer competition to favour buyers

Abundant capacity and strong insurer competition continues to support favourable conditions for buyers across most major lines and geographies, according to Aon's Global Insurance Market Insights report for Q3 2026.

Property experienced the most significant pricing reductions globally during the quarter, with double-digit decreases common for well-managed risks in the US, UK, continental Europe and several Latin American markets.

Casualty also softened outside the US, while cyber remained broadly stable. Auto and US casualty saw different conditions, as litigation trends and social inflation continued to influence underwriting. Insurers continued to differentiate between risks based on the quality of data and the strength of the risk presented.

"Favourable market conditions give clients an opportunity to strengthen their risk programmes, not simply reduce cost," said Christian Hoffman, CEO of commercial risk, Aon. "Clients can use better exposure data to test limits and retentions and consider where savings can be reinvested to build greater resilience.

Strong data and a clear understanding of risk remain critical to achieving the best outcomes. As the market continues to evolve, clients should be looking at the choices available to them across both traditional and alternative sources of capital."

The report identifies three trends shaping the market. The first is new sources of capital, which are broadening the market. Strong reinsurer balance sheets and favourable treaty renewals are being supplemented by committed, multi-year institutional and alternative capital, giving clients more options to structure their insurance programmes and access capacity.

Lower catastrophe activity is supporting property market conditions. Overall catastrophe activity has been relatively benign, helping to contain claims volatility and contributing to softer property market conditions. However, the report cautions that lower losses do not mean underlying exposures have diminished.

Finally, digital infrastructure and AI are creating new risk considerations. Growth in data centres and associated power requirements is increasing demand for insurance capacity across construction, commissioning and operations. Insurers are also addressing AI-related exposures through policy wording, underwriting and discussions around governance and disclosure.

REGULATION

States might need own AI regulations

Former Obama and Bush advisers speak at APCIA, sharing their views on the mid-terms and how the permutations might affect the immediate implications for AI supervision.

The federal regulation of artificial intelligence is unlikely to materialise over the next two years, according to political strategists David Axelrod and Karl Rove, speaking at the APCIA conference in Boston on Monday November 2.

Axelrod, a former adviser to President Obama, and Rove, former senior adviser and deputy chief of staff for President George W. Bush, were speaking on a panel about this week's US mid-term elections, moderated by APCIA president and chairman David Sampson.

Both experts predicted large gains for the democrats, with much of what comes next hinging on how many seats they are able to take.

Axelrod felt that controlling 230-240 of the 435 seats in the House of Representatives should give the democrats a level of comfort.

"The size of the House majority matters. Because, as we've seen with Speaker Johnson, if you don't have a big majority, then it empowers the most strident voices in your caucus, and it's very hard to control your caucus. So I think democrats will take over the House. What matters is the size."

However, Rove said that it could be a "rambunctious" two years ahead, particularly if there is no divided government.

"If there is divided government, my sense is that will be a moderating influence on the extremes of both parties, and we'll see some people trying to get some things done, knowing that they have got to appease the other party and the other body. But if it's all democrats, we're likely to see battles inside the democrats," he said.

AI regulation

Where the two did agree was that it was highly unlikely there would be any federal AI regulation within the next two years.

Asked a question about whether professionals at largely state-regulated re/insurance companies should expect to see more federal intervention in the face of new and complex challenges such as developing cyber, AI and climate risks, the two focused particularly on AI.

KEY POINTS:

- Axelrod, Rove predict mid-terms impact
- Federal AI regulation unlikely for two years
- States might need to intervene



> "It really cries out for presidents to be conveners of stakeholders to set rules of the road."
> - David Axelrod

"That issue is so complex that it really cries out for presidents to be conveners of stakeholders to set rules of the road," Axelrod said.

"I think going state by state is harder, but in the absence of federal leadership, and I don't know that we're going to get it for the next two years – which is a critical two years – I think you're going to see states intervening in different ways."

Rove agreed that nothing was going to happen at the federal level for the next two years, adding "if it doesn't happen at the federal level, it's not going to be industry wide".

On the subject of building data centres, he feels regulation will be at the state level and that the issue would largely be resolved in the next two years.

He spoke on the financial benefits a state can see if it puts in place effective regulations around their construction and operation.

"I say the data centre thing is going to get solved state by state. There are going to be winners and losers," he said. ●

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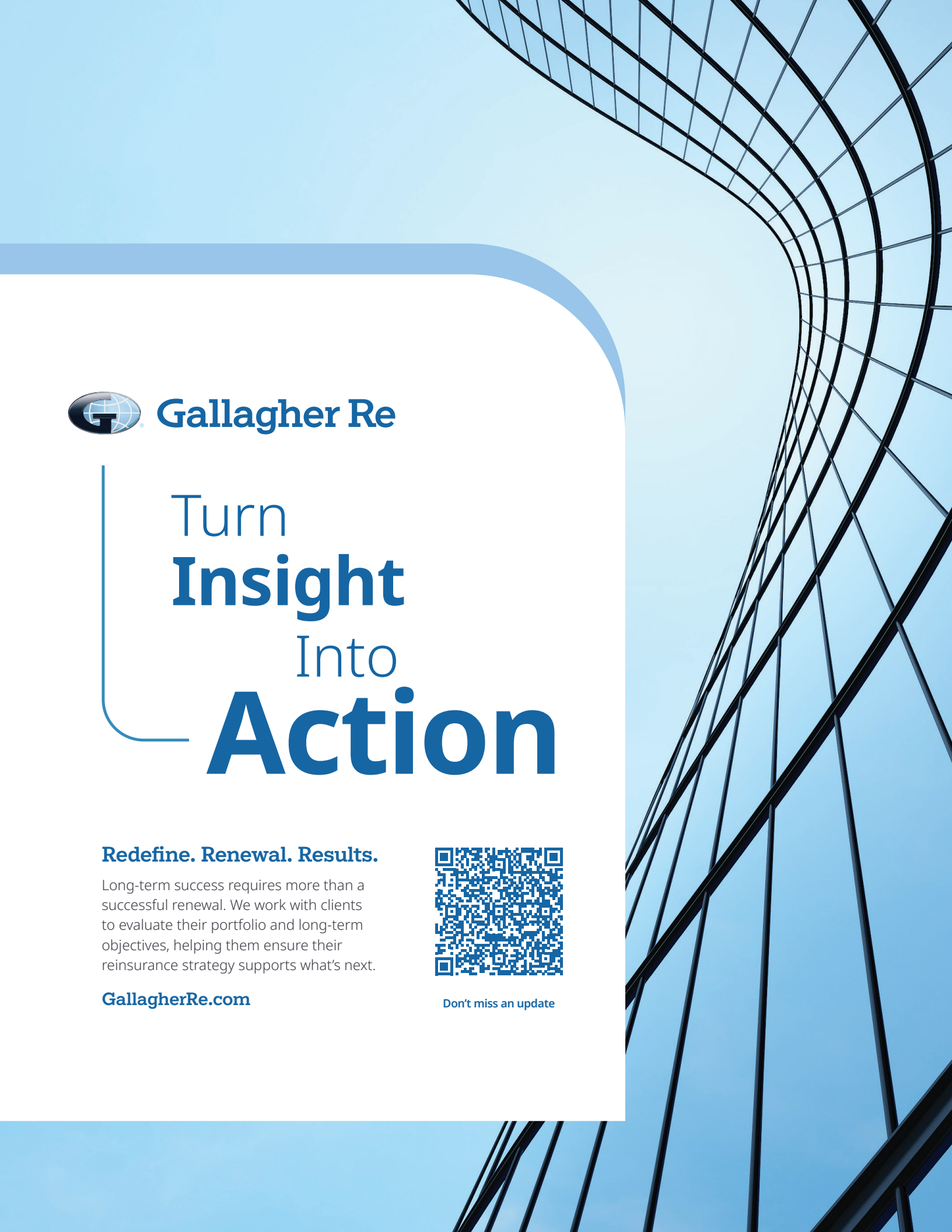
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