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MONTE CARLO TODAY

Hold the line on retentions: Munich Re will walk away when pushed on structure

STRUCTURES, ESPECIALLY RETENTIONS, as opposed to rates, will represent more of a line in the sand for Munich Re in this renewals, as the reinsurer vows to walk away from business where it feels unacceptable changes are demanded. And while Monte Carlo has been “friendly” so far, it is anticipating such demands.

That is according to Dr. Carsten Prussog, a member of Munich Re’s supervisory board since 2017 and CEO OF UK, Ireland, Netherlands, Nordics. He told *Monte Carlo*

Today that downwards pressure on rates is now also starting to translate into pressure on terms and conditions. But he said Munich Re will resist such changes.

“It depends on the lines of business, but, personally, from a technical perspective, sometimes losing a little rate is better than structures changing or even wordings broadening. Price is one thing, exposure is another. If structures and wordings change materially, the premium to exposure relationship can worsen,” he said. **3 →**



Dr. Carsten Prussog

HEAR THE FIRST ‘POP’ and move before the pack: Lloyd’s



Rachel Turk

“FIRST THERE ARE ONE OR TWO POPS. Then a few more. Before long, every popcorn kernel in the bag is going at once.”

That is the analogy Rachel Turk recalled as she talked about what separates the strongest-performing syndicates from the weaker ones when the insurance cycle begins to turn. She credited her former Beazley boss Adrian Cox with the comparison, but it neatly captures the challenge now facing the Lloyd’s market.

The best cycle managers, Turk, Lloyd’s chief of performance and strategy, told *Monte Carlo Today*, are not those reacting once the whole market has moved, but those that “hear the first few pops” and act before everyone else does.

“The strongest at cycle management, whether the market is going up or down, are the ones that hear the pops first and react first,” she said. “Because by the time **4 →**

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



Waleed Jabshah



John Fletcher



Karen Clark



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REINSURANCE

Munich Re will walk if retentions are pushed

➡️ “Last year [in Monte Carlo] I was more confident structures would not change. In cases where we have walked away from business, it was because we saw structural changes which were not what we would expect or appreciate.”

This discipline from the German reinsurer could be seen in real time in the July renewals. It cut its July renewal volume by 9.1% and walked away from business that did not “meet expectations with respect to the required prices or terms and conditions its pricing requirements”, it said at the time. The reinsurer reported a risk-adjusted price decrease of 5.5%, which also reduced its premium volume.

A necessary correction

Prussog explains the retentions now in place were largely raised in 2023, when the market

“Price is one thing, exposure is another. If structures and wordings change materially, the premium to exposure relationship can worsen.”

hardened. It had not met its cost of capital for many years and there was an uneven split between natural catastrophe events between the primary and the reinsurance sector. He explained: “It had to be rebalanced. But that is why discipline is needed with regards to structural fundamentals.”

In terms of the wider market, he is less certain discipline will hold. “I am probably a little less optimistic that it will stick in terms of structures and wordings. It’s just supply and demand balancing.”

He believes the pressure on retentions is also starting to build – as are requests for more aggregate covers. Both these things would move a greater part of the burden of losses from secondary perils and smaller cat losses onto reinsurers. Munich Re intends to resist this trend.

“The demands will come and we will have

KEY POINTS:

- It will hold line on retentions
- Demand for aggregate covers back
- Very cautious on casualty lines

to see how we react. We want to bring our risk expertise, our stability, to clients. But we need to be adequately compensated for our value proposition.

“We are also seeing a trend back to aggregate, or frequency, covers, from clients and brokers. I think the reinsurance industry is still hesitant on those. But there is an abundance of capital so maybe there will be some solutions found.”

The growth dilemma

Against this backdrop, Munich Re’s other challenge becomes how and where to find growth. He admits it is not easy to find lucrative new business, specifically in Northern Europe, we haven’t had tons of natural catastrophes. “The price levels are at or partly even below what we see as technically acceptable. I refer to my sales guys as pearl divers – it is so difficult to find profitable new businesses.”

He added: “So, yes, we have stepped away from some business, we have managed the cycle to a certain extent. But everything is on a client-by-client basis, based on pricing and strategic considerations to support them through the cycle.

“But new business is probably even harder than managing the cycle with valued existing clients.”

The strategy of clients also varies, he noted. Some, comfortable with their portfolios and willing to accept more volatility, have increased their retentions. Equally, others wish remove volatility in what is a buyer-friendly market. “I see both tendencies. Every insurer is unique.”

Cautious on casualty

The other area where it is exercising caution is in US casualty. In a press conference in Monte Carlo this week, the reinsurer noted that loss development has not flattened and continues to develop adversely. Executives said further reserve strengthening in the market was possible.

Prussog reinforced this, anticipating

further adverse development of older contract years. “There is also still the question of whether social inflation, nuclear verdicts, are sufficiently understood and priced for.

“Our perspective would indicate that we don’t, as an industry, earn sufficient premium to make up for the losses in the weaker years.”

He added that geopolitical and macroeconomic challenges also impact this line of business. Supply chain disruption, medical inflation, wage inflation can all play a part. And then of course inflation trends go up and down. It’s very tough. These are really difficult classes of business.”

But against a backdrop of a softening market, there are some things that could change this trajectory: a big loss – or wider shock to the markets. But it would have to be substantial, such as capital levels in the industry at the moment, Prussog said.

“If the claims are as benign as we currently see them, little will change. And that’s not

“Sometimes losing a little rate is better than structures changing or even wordings broadening.”

small claims – we still are trending towards insured nat cat losses above \$100 billion. But given the capital within the industry, it would take quite a shock or natural catastrophes to wipe out the capital which has grown up over the last couple of years.”

He adds that there are also macroeconomic scenarios, shocks in the capital markets, such as an AI bubble bursting, and geopolitical events, which could also have an impact. “But a \$30 billion event or so will not change it fundamentally.”

But whatever the scenario, he is keen to stress that Munich Re will be there to support its clients. “In the current market, rates have come down significantly and are at or even below what we would be expecting. So we are a little bit more restrictive in our risk appetite. But for valued customers, we choose to support them and provide capacity throughout the cycle.” ●

COVER STORY

Hear the first 'pop' and move before the pack

❗❗ everyone's all popping, it's too late. You're in the pack."

That, in many ways, is the challenge now facing Lloyd's as syndicates prepare their 2027 plans. Rates are falling, particularly in property and energy. Technical adequacy remains in much of the market, but Turk said the speed of deterioration matters just as much as where pricing sits today.

"I still think there's a lot of rate adequacy in the market," she said. "But when you add that with the speed of risk-adjusted rate change, it's coming off pretty quickly."

Turk, who took on an expanded remit in May, is now responsible for both market performance and the development and execution of Lloyd's strategy. That puts her at the point where two questions increasingly meet – where Lloyd's should grow and where it should be prepared to pull back.

Her own conviction is already changing in some areas. "I don't have the conviction that I would want to write in 2027 exactly what I've written in 2026," she said. "I think some of that is becoming too marginal."

A major catastrophe loss could, of course, change that picture quickly.

Growth under a different lens

That does not translate into a blanket warning against growth. Turk expects parts of Lloyd's existing book to shrink simply because rates are falling. If an existing portfolio is repriced down by 5%, for argument's sake, the same book will naturally produce less premium.

That does not mean Lloyd's itself has to shrink. New reinsurance structures, portfolio solutions, market entrants and books transferred onto the Lloyd's platform can all create genuinely additive growth.

Turk wants a distinction between that and businesses chasing more of an existing market as terms deteriorate. "Somebody's new business is somebody else's renewal business," she said.

If a syndicate wants to grow by taking business another carrier has chosen not to retain, Lloyd's will want to understand why it believes that business can be written profitably.

How hard Lloyd's pushes that question will partly depend on the managing agent. Those that have demonstrated over previous cycles they know when to lean in and when

KEY POINTS:

- Performance comes before growth
- Oversight will be targeted
- MGAs remain strategically valuable

to retreat will have a stronger track record to point to, she said. Newer businesses, or those that struggled last time round, can expect more scrutiny.

No broad-brush remediation

That scrutiny does not mean Lloyd's wants to return to the broad market remediation of the past. Instead, Turk described the relationship it is trying to build with managing agents as "adult-to-adult".

Oversight is now continuous rather than concentrated around the annual business plan, with the focus increasingly on whether managing agents can demonstrate the capabilities to manage a changing

“The strongest at cycle management are the ones that hear the pops first and react first. By the time everyone's all popping, it's too late.”

cycle themselves. "Talk to us about your cycle management capabilities," she said. "Demonstrate to us your cycle management capabilities." The aim is for managing agents to do the pulling back, remediation and portfolio optimisation before Lloyd's needs to intervene.

But there are clear trigger points. Turk said Lloyd's will step in where performance falls materially short of plan, expenses become problematic, underwriting deteriorates or governance and controls create concern.

"You could be the best underwriter, best underwriting shop in the world, but if you've got poor governance and poor controls, we get concerned about that as well," Turk said.

The difference is that intervention should be targeted at the individual business that needs it rather than imposed across the market.

That approach is also shaping Lloyd's response to the growth of facilities and delegated authority. Cross-class portfolio solutions now account for around 9% of Lloyd's gross written premium, Turk said, compared with roughly 6% a year earlier. She sees that as a structural shift towards more efficient placement, rather than something driven purely by the cycle.

But she does not expect every carrier to win in the space. Portfolio solutions require scale, operational efficiency and lead capabilities. If a carrier is paying more to access business through a facility, it needs enough administrative savings to offset that cost. "This isn't something that you enter into on a whim," she said.

Delegated authority more broadly remains around 40% of Lloyd's premium. Turk sees clear value where MGAs provide specialist expertise or geographic distribution, but oversight has shifted towards whether managing agents themselves have the capability to delegate authority well.

'Leading doesn't mean biggest'

Turk's expanded remit also gives her a wider lens on where Lloyd's should go next. She believes there is still considerable room to grow. Lloyd's represents around 3% of global P&C and roughly 7% to 9% of commercial P&C, while around 60% of premium comes from North America.

But growth, she stressed, is not the end in itself. "The strategy is very clear," she said. "We want leading underwriting performance. We want an efficient and flexible marketplace. We want to make the most of the capital advantage. And we want a Lloyd's to be proud of. At the core we're laser-focused on profitable performance."

The ambition is to make the platform attractive enough that insurers ask why they are not operating at Lloyd's. "Leading doesn't mean biggest," she clarified. "It means best from a performance point of view."

That thinking extends to emerging risks. Turk believes the market has enough diversification and balance-sheet strength to take measured new risks without materially changing its overall volatility. ●

GROWTH

AI & talent: profitable growth drivers

Insurers are posting record returns just as premium growth becomes harder to sustain. Aon leaders explain what it will take to keep growing profitably as pricing tailwinds fade.



Paul Campbell



Emma Crookes

Property and casualty insurers are entering softer market conditions with their strongest returns in years – but growth has slowed for a fourth consecutive year. As rate increases fade, executives must determine how much premium growth reflects genuine demand at acceptable margins rather than pricing alone.

“Growth is slowing,” Paul Campbell, global growth officer in Aon’s Strategy and Technology Group, told *Monte Carlo Today*. “Premium growth slowed in 2025. It’s been slowing for a few years now.”

Across the 120 carriers Aon has tracked since 2009, return on average equity reached 16.8% in 2025. Yet only 60% improved on 2024, down from 74%, while premium growth fell to 5.2%, its fourth consecutive annual decline. The combined operating ratio improved to a decade-low 91.1%.

The figures point to a widening gap between profitability and growth.

“Two cohorts have stood out for outstanding performance: globally diversified insurance companies and specialty insurance companies,” Campbell said.

Emma Crookes, Aon’s global insurance vertical leader, said insurer executives were now bringing growth, workforce and capital plans to meetings once centred on renewals. “They absolutely want to talk about their reinsurances, but they also want to talk about how they are positioning themselves for success,” she said.

Rate vs real growth

During the hard market, higher rates allowed carriers to report premium growth even when customers were not buying more cover. As rates soften, insurers need to separate that pricing effect from genuine demand.

“It’s very dangerous to chase premium growth at all costs,” Campbell said.

Aon attributed the stronger returns mainly to improved underwriting performance and a benign catastrophe year.

Campbell said the best performers would continue investing for sustainable competitive advantage even as market conditions became less supportive.

“The winners will absolutely be investing in redesigning their business models and their

KEY POINTS:

- Rate-driven growth becoming less reliable
- Top performers investing through cycle
- Talent and AI decisions become more urgent

operating models for that future world,” he said. Top performers are investing heavily in advanced analytics and technology capabilities, Campbell said, using AI to manage portfolios of risk more dynamically and get information to decision-makers faster.

“AI is definitely an enabler because it can help firms to manage high volumes of risk flow at speed, which is essential to participate in new forms of distribution and trading,” he said.

In algorithmic underwriting, Campbell expects the nature of human interventions to become more strategic and forward-looking, requiring different skill sets and ways of thinking.

The people question is already urgent. Crookes said insurers were considering which

“It’s very dangerous to chase premium growth at all costs.”

skills their future underwriting and claims teams would need, even as some set out plans to cut staff.

“We are engaging with our clients to examine their skills gaps in the evolving work environment across multiple facets of their business, often on their underwriting and claims teams,” she said, adding that the focus was no longer on the medium-term but more on “tomorrow” due to the speed of AI development and the competitive edge it can deliver.

As risk carriers, insurers also need to understand how AI exposures are emerging in the portfolios they underwrite, how to cover them and how reinsurance can help manage the risk.

Crookes pointed to the example of a global insurer seeking to double its income without reducing profitability – “which in a soft market is not the easiest challenge”. That ambition required a much broader conversation about how the insurer was equipped to grow, including whether the client had the technology to support that ambition and how it was managing talent.

“Are the right people in place, and are they paying an appropriate amount to attract the people with skills they need?” Crookes said. “We also advised on distribution channels, and on which markets would provide the required margin for sufficient balance sheet support.

Crookes said that conversations also centred on portfolio and capital optimisation. “We looked closely at how the client was assessing and managing risk, and how they were managing their reinsurances to enable growth.”

Through the cycle

Campbell said some carriers may respond to softer conditions by retrenching and becoming much more selective. He warned that pulling back on investment could prove costly to ongoing relevance while competitors continued spending on technology, people, data and analytics.

For Crookes, the challenge is to connect those decisions rather than treat growth, talent, technology, capital and reinsurance as separate conversations.

“It’s an interesting and very dynamic environment where all the insurers need to make sure they have the right strategy in place, the right communication plan in place, and the right talent and technology for growth,” she said.

“It’s not just about discussing what success could look like,” Crookes added. “It’s about bringing the right Aon teams together to help clients achieve that growth and make better business decisions.” ●

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GROWTH

IGI eyes specialty reinsurance growth

IGI expects specialty reinsurance to be a growth area as it expands through a new cyber treaty MGA and its operation in India, but chief executive Waleed Jabsheh says abundant capital means new opportunities will require greater patience.

This month the specialty insurer and reinsurer launched Cipher Underwriting, a Bermuda-based specialty treaty reinsurance MGA initially focused on cyber, with surety and liability treaty business also in its sights in selected markets. Cipher is the first venture under the newly established IGI Managing Agencies, giving the group a platform through which it could potentially pursue similar future partnerships.

That follows IGI securing approval in June to establish a reinsurance branch in GIFT City in Gujarat, India's first operational smart city and international financial services centre and another market Jabsheh sees contributing to its business expansion. "I think in the short term, reinsurance for us is definitely a growth area with our focus on specialty, with our venture in Cipher and India," Jabsheh told *Monte Carlo Today*.

The timing of these developments gives IGI plenty to discuss in Monte Carlo. Jabsheh said the company comes to the *Rendez-Vous* more as a reinsurance buyer, meeting and catching up with its reinsurance partners. Cipher now gives those conversations another dimension. "We will look for more reinsurance partners in the market to support us in this venture," he said.

The expansion comes as competition across the wider specialty market intensifies. Jabsheh said capital was at an "all-time high", putting pressure on rates and intensifying competition. In specialty, he sees "tons of capacity" and excess capital continuing to drive appetite. "The opportunities are always going to be [there]. It's a matter of how you approach them, how you structure them and how you write them," he said.

Excess capital and capacity, however, make those opportunities harder to capitalise on than two or three years ago. "To build portfolios, to grow portfolios, you need to have more patience, more persistence, more resilience and take your time," he said.

Building out specialty re

Cipher is IGI's most significant recent move in that direction. Led by reinsurance specialist Ari Chatterjee, the MGA is intended to build

KEY POINTS:

- New opportunities 'require patience'
- Cipher and India broaden its reach
- Excess capital demands patience

a global specialty treaty portfolio, initially centred on cyber. IGI owns 60% through IGI Managing Agencies and will provide capacity, with additional reinsurance partners expected to support the business.

Jabsheh said IGI had already worked with Chatterjee on cyber reinsurance business over several years and had been pleased with the performance of that business. "First and foremost, you need the expertise, and Ari brings that expertise," he said. "He knows his markets, how to do business, how to structure deals."

Cyber reinsurance also gives IGI greater comfort than writing the class on a primary

though, it's the portfolio of business that provides interest to us," he said.

Selectivity as competition grows

That distinction matters in an MGA market where Jabsheh believes carriers need to become more selective as margins tighten. "We don't take giving our pen away lightly," he said. If carrier and MGA interests are not properly aligned, he warned, the model "can turn out to be very punitive, painful and dangerous for the carriers themselves".

When rates were rising, carriers had greater incentive to capture business through MGAs. With pricing now under pressure, Jabsheh said underwriters should reassess whether individual relationships remain viable. "Underwriters should be looking at their MGA portfolios and saying: are these worth continuing with, or viable to continue with, or not?" he said.

The same selectivity is evident across IGI's existing portfolio. Specialty conditions are a "mixed bag", he said. Marine liability, ports and terminals, marine trades and parts of cargo are holding up relatively well, while construction and engineering remains positive for IGI. Political violence could offer opportunities following market losses this year, although the industry is still determining how to respond, particularly in the Middle East.

Reinsurance remains attractive despite rates coming down from their highs. Jabsheh believes the next important test will be whether reinsurers preserve the structural improvements achieved during the harder market. "If the structures hold, then you're sort of winning half the battle," he said.

IGI's ability to move between opportunities remains central to its strategy. The company writes almost 25 lines and sub-lines across a geographically diverse portfolio, and Jabsheh expects the balance of that business to continue changing. "Ultimately, we're going to go where the best returns are," he said. "Where we think they are today may be different from where they are tomorrow."

Reinsurance and selected short-tail classes might grow, while long-tail business is expected to reduce as a proportion of the portfolio. But Jabsheh said those expectations will change if the returns do. "Our strength has been our ability to shift that focus when we see opportunities arise." ●



“If the structures hold, then you're sort of winning half the battle.”

basis, Jabsheh said, because deals can be structured with greater clarity around exposures and maximum downside.

He acknowledged that cyber is tougher than it was several years ago, but said that did not undermine the opportunity. "All business, if done properly, wherever you are through the cycle, can be good," he said. "We're not in a rush. We see the opportunity."

IGI Managing Agencies also gives the group scope to pursue other ventures. For Jabsheh, however, the attraction of Cipher is not simply ownership of an MGA or the fee income it can generate. "Most importantly,

MARKET

Discipline beyond the market cycle

How reinsurers manage portfolios and deploy capital will be crucial as the market becomes more competitive, Everest's Sharry Tibbitt tells *Monte Carlo Today*.



The reinsurance market is entering 2027 from a position of strength, but abundant capacity means success will increasingly depend on disciplined portfolio management, capital efficiency and client relationships rather than the tailwinds of the market cycle, according to Everest.

Record capital, strong balance sheets and healthy profitability provide a solid foundation, but greater competition is moving the market quickly towards rate adequate thresholds, said Sharry Tibbitt, deputy chief underwriting officer and global head of portfolio management at Everest.

"This phase of the cycle is where discipline really matters," Tibbitt told *Monte Carlo Today*. "Stable rates and a healthy market are where adequacy is maintained."

That puts greater emphasis on how reinsurers manage portfolios and deploy capital as conditions become more competitive.

"Those who maintain underwriting standards, invest in analytics and use capital solutions thoughtfully will be best positioned to support clients through whatever comes next," Tibbitt said.

For Everest, that starts with maintaining a clear view of risk-adjusted returns across segments and programmes and being prepared to move capital when the economics change.

"Discipline is the cornerstone of our portfolio management," Tibbitt said. "We are deliberate about where we deploy capacity, and we are prepared to reduce or redeploy it when margins no longer meet our return objectives."

Capital follows opportunity

Property provides one example of how that approach is being applied as market conditions change. Tibbitt noted that "we cannot talk about property without mentioning the series of South American earthquakes this year," which have been a reminder of the underlying volatility even amid relatively benign conditions elsewhere.

After several years of significant correction, property pricing has moderated materially during 2026 and is approaching 2022 levels, although conditions remain above those seen during the soft market of 2017–2018.

KEY POINTS:

- Strategic decisions on programmes
- Portfolio management is key
- Everest anchored to risk adequate returns

"We're clearly in the next phase of the cycle for property," Tibbitt said. "The market is now well-capitalised and increasingly competitive."

"If the remainder of the year is relatively benign, we expect further rate reductions – which will make thoughtful client selection and disciplined underwriting execution even more important as opportunities shift in the next phase of the cycle."

Everest has already refined its portfolio to focus on the strongest opportunities and is ready to adjust capacity to ensure returns remain risk adequate. "We're committed to

“We're committed to deploying capacity where it delivers long-term value for clients.”

deploying capacity where it delivers long-term value for clients," she said.

That does not mean retreating as competition increases. US property catastrophe remains technically sound, Tibbitt said, while Everest continues to see opportunities in well-run international programmes and markets such as Florida, where it has maintained its long-term commitments and underwriting discipline through decades.

Beyond headline rate

Maintaining discipline also requires looking beyond rate. Buyers can push on commissions, coverage and programme structures, meaning economics can deteriorate even when headline pricing appears adequate.

"The headline focus is often on price, but economics can deteriorate just as quickly through terms and conditions," Tibbitt said.

Exposure information, transparent loss histories and contract clarity therefore become increasingly important. Everest is also taking a forward-looking approach to wildfire, flood and severe convective storms.

"Our approach is to price climate-related perils with a forward-looking view of volatility and to ensure that aggregates, occurrence limits and deductibles are calibrated to today's risk, not yesterday's assumptions," she said. "Where structures don't support that, we will either re-shape them or limit our capacity."

That also means resisting the temptation to let a relatively quiet period reset assumptions about underlying risk.

"If we price only off recent benign experience, we risk underestimating volatility," Tibbitt added. Discipline is therefore "as much about defining the risk correctly as it is about selecting it".

Balancing risk and protection

The same emphasis on portfolio economics extends to how Everest approaches clients' protection needs. Falling reinsurance prices have not led buyers to substantially increase protection after many raised retentions and restructured programmes in the hard market.

Everest is seeing demand for top-layer limits, aggregate protection and earnings-stability solutions, particularly in US catastrophe business, but Tibbitt expects higher retentions to prove more persistent.

"Our role is to help clients optimise that balance rather than simply encouraging them to buy more for the sake of it," she said.

For Everest, the next phase will mean staying close to cedants, being clear about where it can add value and remaining willing to trade capacity for long-term value when economics demand it.

Tibbitt said: "Our message is simple: we're here to be a long-term partner, built for what comes next and positioning clients and Everest for opportunity regardless of the cycle." ●

REINSURANCE

Willis Re 'excited' by opportunities

Willis Re is back in the reinsurance market and sees plenty to play for as falling prices, abundant capacity and changing buying patterns create fresh opportunities for brokers and their clients.

The business, which WTW returned to the reinsurance market through a joint venture with Bain Capital in late 2024, is rebuilding at a very different point in the cycle from the hard market that followed its former operation's sale in 2021.

For John Fletcher, who joined this year to lead Willis Re in Bermuda, that timing presents an opportunity.

"Willis Re is excited by the opportunities in the current market," he told *Monte Carlo Today*.

Fletcher is equally enthusiastic about building the business itself.

"The opportunity to help build a business from the ground up was extremely appealing," he said. "The combination of Bain and WTW's expertise offered a unique opportunity to scale a business with detailed planning but at speed."

The build-out is gathering pace. Willis Re agreed in August, subject to regulatory approval, to acquire BMS Re's US reinsurance division, a deal that will establish an operational presence in the US and substantially expand its international footprint. Fletcher, meanwhile, says much of the infrastructure needed to compete is already in place.

"Our objective is to demonstrate that we are fully operational and capable of delivering from day one."

A market in motion

Willis Re's return comes as competitive pressure is reshaping the market.

Fletcher said prices are falling across many lines, although some loss-affected areas of marine and energy and heightened risks in political violence and terrorism are seeing flat rates or small increases.

Mid-year property treaty renewals produced double-digit price reductions, with "some of the most significant reductions towards the upper ends of programmes", he said.

Property D&F has also faced significant pricing pressure, particularly in North American open market business, while property retro buyers benefited from more favourable pricing at mid-year.

But Fletcher does not believe the market has crossed into territory where reinsurers can no longer generate attractive business.

KEY POINTS:

- Property treaty rates fall double digits
- Reinsurers still have room to grow
- Buyers can use savings to broaden cover

"That doesn't mean the market has reached pricing levels that are unattractive, or that are preventing reinsurers from achieving growth," he said. "So, although I expect many conversations to include price adequacy, I also expect to hear people discussing where they are seeing opportunities to grow."

For buyers, meanwhile, greater competition creates choices beyond simply pushing for another price reduction.

"While a lot of time is spent talking about price, retentions and contract language remain a key part of any negotiation," Fletcher said.

"There will be instances where it is preferable to maintain the same level of premium on a slip and look to add value through increased exposure."



“It is essential that insurers and brokers move beyond pure price negotiations.”

That could include broadening coverage restricted by named territories and perils or adding clash protection from non-property lines for natural catastrophe losses.

Built differently

That changing environment feeds into how Fletcher wants Willis Re to position itself. "We want to establish a reinsurance broking business built around the client and led by reinsurance professionals," he said.

His ambition is to combine the personalised service and attention associated with smaller

brokers with the technology and analytical resources of a larger organisation.

Starting again also provides an unusual advantage.

"By building new systems free of legacy constraints, we are creating an organisation which is modern and adaptable, and fully able to deliver on what our clients actually need," Fletcher said.

The proposition will be tested as buyers prepare for the 1 January 2027 renewals.

Recent renewals have concentrated heavily on price reductions and restoring consensus around terms and conditions. Fletcher expects both to remain important, but believes conversations now need to go further.

"It is essential that insurers and brokers move beyond pure price negotiations to articulate challenges buyers currently face and ensure they are optimising their outwards purchasing around these," he said.

Greater flexibility around structures and premium payment conditions could emerge as reinsurers respond to uncertainty in underlying portfolios and the rating environment. Fletcher is also seeing buyers consider greater use of multi-line and multi-year products.

More ways to buy

Retro is another area where he sees the range of options expanding as traditional and alternative capital increasingly overlap.

"There is clearly room for both and it's about utilising the best components from each area for the maximum benefit of the client," he said.

Quota shares remain a long-term option for many buyers, potentially combining traditional rated capacity with third-party capital through sidecars. Multi-year programmes can lock in certainty for part of a placement, while Fletcher expects index covers to continue evolving.

Parametric solutions are also starting to provide broader coverage more closely aligned with the exposure footprints of treaty and retro buyers.

The proliferation of options reinforces Fletcher's argument that brokers need to do more than execute placements.

"At Willis Re, we take a fresh perspective when reviewing existing reinsurance programmes, challenging established approaches rather than simply renewing historical placements," he said.

"Ultimately, our focus is on adding value through strategic advice and insight, rather than simply executing placements," he concluded. ●

CASUALTY

Casualty in one word: uncertainty

Every line of casualty business has its own specific dynamics, but there are key elements true for them all. Andrea Scascighini, of Swiss Re, takes a closer look at the critical moving parts that must be skilfully managed.



The casualty market, both in the US and Europe, can be characterised by one word at the moment: uncertainty. Yet there remains great nuance around the pricing and performance of different lines of business within it, driven by geography and the unique characteristics of each.

So says Andrea Scascighini, chief underwriting officer, casualty, P&C Reinsurance, Swiss Re, who, speaking in the context of Monte Carlo, acknowledges that the underlying trends in casualty remain challenging. This means reinsurers must use all available information and underwrite each on its merits.

"There is not one single market in casualty; every line of business in every country has its own specific dynamics. Some are hard markets; some are softer markets; the picture is definitely a mixed bag.

"That said, two key elements are true for all lines in casualty. First, uncertainty. There is uncertainty around the present, around future trends and, in certain segments, uncertainty around the past.

"The second common element is that underlying trends are, and remain, challenging, whether that is from legal system abuse, increased litigation or negative frequency trends."

US challenges

He states that the US market is posing some very specific challenges for carriers. He recognises a divergence of opinions around how to get to an ultimate loss cost on many risks. This is partly because an uncertain macro environment, including geopolitical risks and inflation, can lead to varying views.

"If you look at statutory data and try to analyse it, there are a few very specific assumptions that can have a disproportionate impact on the quantification of the ultimate loss cost," Scascighini said.

"Equally, opinions will differ by carrier. Reinsurers' portfolio strategies have been very deliberate in the last few years, so every carrier

KEY POINTS:

- Casualty challenging overall
- US markets biggest concern
- EU directives change landscape

book will be different. Terms and conditions will vary. But at the end of the day, it's the long-term nature of the business that matters – and the fact that the business is still developing in an uncertain environment."

The legal environment also remains challenging in the US. He describes it as a big part of the underperformance of US liability business. "Its outcome means having a loss severity that is growing every year, but also a loss severity that is unpredictable. This is the real challenge. For me, the biggest development

“There is not one single market in casualty; every line of business in every country has its own specific dynamics.”

is that nobody is immune to legal system abuse today."

He also notes that, in the US, some carriers continue to report adverse claims development. "It is probably more selective than a couple of years ago but those adverse developments span across underwriting years, even to the most recent years as well."

He adds: "US liability is and remains a concern. It is a concern that might see improvement in the future in view of the tort reforms that are being rolled out in quite a few states. But today it is definitely at the top of my mind every day and factored into our

underwriting assumptions. Swiss Re is being as proactive as we can."

New risks in Europe,

The European markets present a different challenge. He notes that every country and every product is different, but also identifies some overarching themes.

Ironically, the first he identifies is exposure to US risks. "This is a reality in European markets as well," he notes. But he also points to a raft of new European Union regulations introduced over the past couple of years, ranging from the Product Liability Directive and Collective Redress Directive to the EU AI Act.

"These are fundamental changes in the way liability and risk are viewed from an insurance perspective. That is what we are really watching closely and factoring into our underwriting assumptions: all this regulatory development that matters quite a lot for our products," he said.

A related concern in Europe, though it spans the US as well, are per- and polyfluoroalkyl substances (PFAS) – man-made chemicals which are building up in the environment in many areas. This has been on his radar for years.

"For me, as a chief underwriting officer, PFAS tests the fundamentals of insurance. We need to underwrite the exposures before the claims emerge and shape portfolios that really build on this principle of diversification."

But he adds that such principles are simply the building blocks of good underwriting. "We assess the risk itself. We look at the expected return, and the balance between the risk and return profile is what forms the basis for our decisions.

"We deploy our capacity where this balance is attractive, where the risk contributes positively to the construction of our portfolio, and where the treaty supports the client relationship we have in place." ●

Andrea Scascighini is chief underwriting officer, casualty, P&C Reinsurance, Swiss Re

MARKET

Topsail Re shrinks to suit the market

KEY POINTS:

- Book has shrunk as rates soften
- Invests in talent as it matures
- Eyes cat re play if market turns

Topsail Re's CEO anticipates its premiums written will shrink slightly in 2026 to around \$1.2 billion, as a result of exercising caution and underwriting discipline in a softening market. But this ability to adjust its appetite can work the other way – he intimated it could enter the property-cat space when the market turns again.

David Johnson, chief executive of Topsail Re, told *Monte Carlo Today*, he was pleased to see this retraction happen naturally – as a function of underwriters simply making good decisions and all incentives in the company being geared to profit rather than growth.

"In 2025, we saw softening in the market. Without any mandate from the top, our underwriters and actuaries responded appropriately. We're not listed, we don't have private equity, we're privately held. Our returns have been fantastic, but we don't grow for growth's sake.

"Everybody in the company profitability: underwriting profitability and overall profitability. We grew when it was time to grow. We flattened when it was time to flatten. We tend to be a good partner and we don't want to walk away from deals. But we'll also offer as much as we can, but then walk away."

He is especially pleased that it shrunk in the MGA space specifically – in line with what he calls other, well-respected, reinsurers. "I'm not saying we wanted to shrink in that space, we just did; our underwriters did the right thing."

Capital at the ready

The growth curve of the privately held reinsurer, formed in 2018 with investment from three high net-worth individuals including Johnson, has been steady. Domiciled in the Cayman Islands, Johnson describes Topsail as a traditional, balance sheet reinsurer, which posts collateral as well. It writes almost solely structured quote share business in property and commercial auto and acts as the lead market on more than 80% of its treaties.

“We’re not listed, we don’t have private equity, we’re privately held. Our returns have been fantastic, but we don’t grow for growth’s sake.”



While it is cautious on the size of its book, which was closer to \$1.5 billion at its peak, Topsail Re does have some available third-party capital, which serves as retrocessional capacity. That allows it to write bigger lines on business it likes, while sticking to its own limits. "It gives investors access to business which they could not otherwise have.

"Plus, we have a strict line-size tolerance. This allows us to take a bigger chunk and maybe negotiate better terms; it makes sense for all parties."

Such support could come in handy should it diversify. Johnson is keen to stress Topsail Re is a business that "sticks to its knitting". Some of the lines it plays in, commercial auto liability in particular, can be challenging. But he believes it understands the market well and has been able to negotiate the right terms with clients.

“We grew when it was time to grow. We flattened when it was time to flatten. We tend to be a good partner and we don’t want to walk away from deals.”

Agility to move

But it is also nimble to adjust to opportunities. He notes that Monte Carlo is much more focused on property-cat business. "But if there was a big loss in that space and rates were to harden, we don't have to stay in our lane. Our appetite could broaden. It might be through a different vehicle, maybe, but I think if it hardens, we could broaden our appetite.

"To be honest, I've thought that since the day we started Topsail. When it makes sense, we would back the truck up and we'd ride it. But we would need to do it thoughtfully and in a vehicle that would make sense economically for all parties."

But while its book may shrink slightly in the short term, its workforce has not. It has made a number of senior and key hires in the past year, including, most recently, Jason Callaway as chief information officer. He joins from Vantage Risk but has previously worked at Swiss Re and XL Group (later AXA XL).

Johnson said he views investment in talent on a form of saving. "If better talent saves even one point on your loss ratio, it's worth every dollar," he said. But Johnson's hire also coincides with a period during which the carrier is investing heavily in AI.

"We've been investing in technology for years, but it's starting to come to fruition. We're a more mature company now, but we still have an entrepreneurial spirit. AI can positively affect the whole business. We're being smart; it should certainly free up senior people to make decisions." ●

CAPITAL

Treaty MGAs open new risk pools

Institutional investors are looking beyond traditional catastrophe exposures, creating new opportunities for treaty MGAs and more adaptive capital structures.



That is the message Lee Ellis, managing partner for Capital Solutions at Augment Risk, is taking into Monte Carlo *Rendez-Vous de Septembre* as reinsurers, MGAs and investors navigate a market where capacity is plentiful but increasingly needs to be matched more precisely to risk and return.

“Do not start with the capital product or provider, start with the objective,” Ellis said. “Once the objective is clear, the right capital structure will become more organic and better aligned to underwriting and strategic goals.”

That advice reflects a wider shift in capital conversations. Ellis argues the question is no longer simply whether capacity is available, but whether it is fit for purpose — aligned to the risk being written, the strategy being pursued and the return profile being targeted.

“We are operating in a market defined by capital depth rather than scarcity,” he said.

Reinsurer balance sheets remain strong, diversified and increasingly profitable, while insurance-linked securities (ILS) continue to scale, institutionalise and seek diversification. Catastrophe bond issuance alone exceeded \$17 billion in the first half of 2026, with third-party capital now structurally embedded across multiple layers of the reinsurance ecosystem.

“That depth is healthy,” said Ellis. “But it changes the competitive dynamic as advantage increasingly comes not from access to capital, but from how intelligently it is structured and deployed.”

Capital with a purpose

The conversations Ellis says he is having increasingly centre on three related problems: financing growth without unnecessary equity dilution, managing earnings and capital volatility and building underwriting platforms capable of scaling without becoming dependent on a single source of capacity.

“Ultimately these are different expressions of the same challenge of how to optimise the relationship between risk, return and capital efficiency,” he said.

That is where Ellis sees reinsurance and ILS capital offering something different from conventional corporate finance.

“Reinsurance and ILS capital can be

KEY POINTS:

- MGAs can curate specialist risks
- ILS mandate continues to broaden
- Diversification drives new opportunities

particularly effective when explicitly engineered around underwriting risk rather than treated as generic funding,” he said.

Equity is permanent but can become expensive when used simply to support premium growth, while debt introduces fixed obligations that may sit uncomfortably with underwriting cycles.

“Well-structured reinsurance capital, by contrast, can sit directly alongside the risk it supports, creating a more flexible and economically efficient financing layer,” Ellis added. But capital only works when incentives are aligned.

“Investors are therefore not simply buying exposure, they are underwriting the quality

“Competitive advantage increasingly comes not from access to capital, but from how intelligently it is structured and deployed.”

of origination, portfolio construction and the credibility of the underwriting platform,” Ellis said.

That principle cuts both ways. Investors need transparency, disciplined underwriting and adequate risk-adjusted returns. Cedants and MGAs need capital capable of supporting sustainable underwriting economics through different parts of the cycle.

Beyond catastrophe

The more interesting development may come as institutional investors look beyond the catastrophe risks that have traditionally dominated ILS. Ellis sees treaty reinsurance MGAs potentially providing a bridge into risks

that investors might struggle to originate directly.

“Treaty reinsurance MGAs, as an example, could provide access to curated portfolios that investors may struggle to originate directly, combining specialist underwriting capability, disciplined risk selection and diversified distribution,” he said.

And the opportunity need not replicate existing catastrophe-heavy allocations.

“The most compelling opportunity often lies in portfolios that complement, rather than replicate, existing ILS exposures,” Ellis said, pointing to specialty property, selected casualty, marine, geographical diversification and non-peak risks as areas that could potentially produce different return streams.

That changes the role of the MGA in the capital chain. Its value is “not simply its ability to distribute risk, but its ability to originate, select and construct portfolios deliberately”, he said.

It also explains why Ellis draws a distinction between capacity and alignment.

“Capacity is cyclical, expanding when conditions are attractive and often rapidly contracting when volatility returns,” he said. “Alignment is more structural, built around shared underwriting philosophy, portfolio intent and a mutual understanding of how value will be created over time.”

An integrated capital stack

That ultimately makes the traditional reinsurance versus ILS debate increasingly artificial, in Ellis’s view.

“The future lies in a more integrated and adaptive capital stack, combining traditional balance sheets, ILS and institutional capital and deploying each where it is most efficient,” he said.

The task for cedants and MGAs is therefore not to decide which source of capital they prefer before determining what they are trying to achieve. The structure should follow the underwriting and strategic objective. ●

Lee Ellis is a managing partner for Capital Solutions at Augment Risk. He can be contacted at: lee.ellis@augmentrisk.com

COVERAGE GAP

Lack of dialogue spurs coverage gap

The reinsurance industry needs to strengthen its modelling of secondary perils as their frequency increases, according to Mapfre Re chief executive Miguel Rosa.

Speaking to *Monte Carlo Today*, Rosa highlighted wildfires, hail and severe convective storms as exposures demanding greater attention alongside traditional peak perils such as hurricanes, earthquakes and typhoons.

His comments came after a particularly hot summer in Europe this year, with Madrid-based Mapfre Re's portfolio including 44% from EMEA and 23% from Iberia and LatAm.

"We are seeing more frequency every year. Look at the summer that we had with the wildfires in Spain, in France," Rosa said. "Last year we were highlighting as well all the activity that we are seeing coming from these secondary perils."

While increased risk creates opportunities for insurers and reinsurers, Rosa said the industry needs to improve both prevention and its ability to model less-established catastrophe exposures.

"We will have to work on modelling properly for all of these secondary perils," he said. "Probably models are stronger for the main perils and not that strong for secondary because we have less experience on these ones."

Rosa also highlighted technology, including

KEY POINTS:

- Wildfire insured losses remain small
- Prevention needs public-private push
- Economic-insured loss gap persists



Miguel Rosa

AI, as potentially playing a greater role in prevention alongside clients and brokers.

Insurance gap

Rosa said the wildfires experienced in Spain and France this summer also demonstrate the challenge that increasingly severe natural catastrophes do not necessarily translate into substantial insured losses.

While describing the fires as an ecological disaster, he said their insurance impact was

expected to be limited. "From an insured losses perspective, it's not going to be relevant in Spain, and in France, I think it's not going to be something very relevant," he said.

That disparity points to a wider problem for the industry, according to Rosa. "The gap that we see between economic and insured losses, this is something that I think, as an industry, we need to find a solution for," he said.

Rising frequency

He said these issues around secondary perils were becoming more important due to the increased frequency trends being seen. Addressing the trend will require more than action from insurers and reinsurers, with governments and the public sector also needing to participate in prevention efforts. "There are many things we can do, but you need to put the different parties all together and aligned to make these kinds of decisions," he said.

Later, discussing the outlook for reinsurance pricing, Rosa reiterated that the market is confronting an expanding risk landscape despite strong results over the past two years. "We are seeing more and more risks, no doubt. There are more risks, and we are seeing more secondary perils," he said.

"Prices have been going down, which is a natural adjustment and part of the normal cycle. But I would say after the conversations I've had here, it's about finding rate adequacy." ●

NEWS

HDI Global UK & Ireland gets Lloyd's approval for syndicate launch

HDI Global UK & Ireland has secured approval in principle from Lloyd's to establish a new syndicate as part of its wider Xcelerate29 growth strategy.

The proposed syndicate, numbered 2029, will give HDI additional access to Lloyd's global licences, infrastructure and distribution capabilities, complementing its existing insurance platforms and international footprint.

HDI said the move is intended to broaden access to its specialist underwriting expertise and create additional growth opportunities with clients and brokers.

The approval in principle allows the insurer to move through the remaining regulatory and operational stages before receiving permission to underwrite, which is expected

in the coming months. The syndicate will be launched and managed in partnership with PoloWorks, with Polo Managing Agency providing the infrastructure and Lloyd's market support required to establish and operate the platform.

Simon Hunt, chief executive officer of HDI Global UK & Ireland, said the approval marked an important step in the insurer's plans for the London market.

"Establishing a syndicate will enable us to offer greater choice to clients and brokers, broaden our market reach and create additional opportunities for sustainable growth," he said.

David Hullin, member of the HDI Global SE executive board, said the syndicate fits directly with the insurer's Xcelerate29

strategy, which is focused on global growth and expanding distribution.

"Lloyd's provides access to global opportunities, specialist expertise and international distribution capabilities that will help us further enhance the value we deliver to clients and brokers," he said.

The syndicate number, 2029, was chosen to reflect the Xcelerate29 strategy.

Paul Andrews, chief executive of PoloWorks and Polo Managing Agency, said the firms had worked together to establish the foundations of the proposed Lloyd's platform and would continue preparations ahead of launch.

HDI said the move also underlines its long-term commitment to the London market. ●

CAPITAL

Reinsurance 'at an inflection point'

Reinsurers remain in a position of strength, but the tailwinds are fading. BCG executive explains why the next phase will be defined by discipline, capital allocation and repeatable returns.



Reinsurers are entering an “inflection point” where the favourable market cycle that helped deliver exceptional returns is giving way to a tougher test of underwriting discipline, capital allocation and the quality of earnings, according to a BCG managing director and partner Nathalia Bellizia.

The shift comes from a “position of considerable strength”, she said. Balance sheets have been rebuilt, pricing improved materially and returns have been strong. But that success has also attracted capital, changing the problem facing the industry.

“The question that, a few years ago, was: where can insurers find enough reinsurance capacity at a reasonable price? That has now changed to: where can all this capital be deployed and earn attractive risk-adjusted returns?” Bellizia told *Monte Carlo Today*.

“We’re already seeing that show up in property cat pricing, which is softening. I do think the next phase will be a lot more about underwriting discipline, capital allocation and quality of earnings than simply benefiting from a rising-rate environment.”

Reinsurance delivered one-year total shareholder returns (TSR) of 14% in 2021, 16% in 2022, 23% in 2023 and 29% in 2024, before falling back to 14% last year, according to BCG’s 2026 Insurance Value Creators Report. For the first time in many years, its one-year TSR fell below the broader insurance industry.

The longer-term picture remains strong. Reinsurance generated average annual TSR of 13.4% over the decade to 2025, compared with 10.8% across global insurance. But over five years, P&C insurance has moved ahead, returning 20.1% annually against reinsurance’s 19.1%.

Bellizia cautioned against interpreting that slowdown as evidence of an industry in trouble. Reinsurers continue to generate strong earnings; the change is in what returns investors believe can be sustained as capacity rebuilds and favourable market conditions normalise.

KEY POINTS:

- Capital abundance tests discipline
- Investors focus on earnings quality
- Growth must clear return hurdles

Management matters more

“I think the industry is moving from a market in which the cycle was doing a lot of the work to one in which management choices will matter a lot more,” Bellizia said.

That puts greater emphasis on risk selection, capital allocation, operating efficiency and portfolio flexibility – and on resisting pressure to grow.

“What should concern management teams is allowing an abundance of capital, which creates greater competition, to trigger growth without discipline. That’s when we typically see value being destroyed,” she said.

“Investors are increasingly going to distinguish between earnings and quality of earnings.”

The same discipline applies to where capital goes. Bellizia does not assume more should automatically be deployed into growth, arguing that returning it to shareholders can be an equally valid capital allocation decision when attractive opportunities cannot be found.

Demand for risk transfer is expanding in areas including cyber, renewable energy, data centres and digital infrastructure. But demand alone does not make them attractive businesses, she argues.

“Growth potential isn’t the same as attractive shareholder returns,” Bellizia said. “The relevant question is whether those

risks can be appropriately understood, priced effectively and written for an adequate rate of return.”

Quality over speed

The changing cycle could also alter what investors consider a good reinsurer.

“Investors are increasingly going to distinguish between growth and quality of growth, or headline earnings and what I would describe as quality of earnings,” Bellizia said. “The definition of a good reinsurer will certainly not be the one that can grow fastest. It will be the one that can compound capital at attractive rates without relaxing underwriting standards.”

Strong results alone may no longer be sufficient evidence of superior performance if investors believe they are not sustainable across the cycle.

That means looking beyond headline ROE to how repeatable those returns are. Bellizia noted that two reinsurers producing the same ROE today may warrant different valuations if one is generating repeatable underwriting economics while another is benefiting disproportionately from benign catastrophe experience, reserve releases or unusually favourable investment income.

For management teams, her message is relatively simple: protect underwriting standards as competition increases, deploy capital only where returns justify it and return capital when they do not.

“Growth should be the outcome of attractive opportunities, not a target in and of itself that could deteriorate returns,” Bellizia said.

After several years in which the cycle provided a powerful tailwind, the next test, she said, will be how well reinsurers can create value without relying on it. ●

Nathalia Bellizia is a managing director and partner at BCG. She can be contacted at: bellizia.nathalia@bcg.com



AI divide is set to reshape market

AI adoption is beginning to separate insurance businesses, with execution, leadership and the ability to rethink underwriting models set to determine who gains most from the technology, an Inner Circle panel says.

KEY POINTS:

- Divide growing on AI implementation
- Leadership key to successful execution
- Views vary on scale of disruption

A I is beginning to create a widening divide between insurance businesses that have successfully embedded the technology and those still struggling to move beyond pilots, with the gap potentially becoming increasingly significant as the market softens.

That was one of the central conclusions from an *Intelligent Insurer*-hosted roundtable at the *Rendez-Vous* in Monte Carlo on September 8. The discussion brought together Martin Henley, CEO of mea Platform, Mark Groenheide, CEO and co-founder of LIRG, Gavin Lillywhite, SVP sales, UK and EMEA at Xceedance, and Tim Quayle, CEO of OneAdvent, with *Intelligent Insurer* editor Aditi Mathur as the moderator.

The conversation began with where insurers are currently finding tangible value from AI, with the panellists pointing primarily to operational processes and the front end of underwriting.

Henley said data ingestion, extraction and validation represented some of the clearest early applications.

Lillywhite said Xceedance had developed an agentic platform across its operations,

but stressed that the industry still needed to understand the economics of adopting AI and accurately measure the cost of work before and after automation. “We’re seeing a number of clients come to us with specific challenges they have on the operational side, and that’s where we’re starting,” he said. “Starting small rather than a big bang.”

Groenheide offered his own company as an example of the productivity gains possible. He said LIRG has eight employees, including himself, while handling close to \$400 million

From pilots to underwriting

The discussion then moved into how AI is affecting risk selection and underwriting itself.

OneAdvent has around 27 MGAs on its platform, with those at various different stages of AI adoption. Some are using AI to work out how much more premium they can process. He said two or three MGAs it works with had gone considerably further in implementing AI from an underwriting perspective.

“Senior underwriters are now looking at



premium, something he argued would previously have been impossible.

“I walk in every day, I know exactly where our aggregates are in real time, what inefficiencies we have in the portfolio and where we can move capital around potentially on the collateral side to create opportunity for us on a daily basis,” he said. “I can’t imagine starting the company that we did five years ago, it just wouldn’t have been possible.”

the areas they want to look at, with more time to focus on the areas they need to focus on,” he said. “A lot of the more mundane parts of underwriting are being done for them now and that information is being presented to them in the way they want it and where they want it.”

Lillywhite pointed to submission triage as an area where the technology is already established, but suggested its value could become even more apparent as the market softens.

ATTENDEES:



Gavin Lillywhite,
SVP sales, UK and
EMEA, Xceedance



Tim Quayle, CEO,
OneAdvent



Mark Groenheide,
CEO/co-founder,
LIRG



Martin Henley,
CEO, mea Platform

If underwriters were faced with 50% more submissions without an equivalent increase in available premium, he suggested AI could help them identify which risks they actually want to write and where they have the greatest probability of winning the business.

The execution gap

How underwriters will be able to differentiate themselves in an environment of wide AI adoption was raised as an issue, with Henley often coming back to the importance of quality execution.

Already across the industry he said there was an increasing difference emerging between businesses that have successfully implemented the technology and those that have not.

“We’re already starting to see, and I think this will continue over the next two or three years, quite a big and growing disparity between those that have and those that haven’t done it yet,” he said. “Especially in a soft market that could start impacting significantly.”

Quayle said that among MGAs he could see this large disparity in approaches to AI adoption. Among those slower to embrace AI, he was unsure how quickly they will look into it, if at all.

Groenheide said other differentiators that could emerge in the future relate to what guardrails are put in place to prevent AI programmes being used for unintended means. “That’s part of the unknowns of differentiators that will likely blow up in people’s faces,” he said. “If you don’t have the right team around you guiding you through that process you could run into some catastrophic issues.”

Lillywhite agreed saying it highlighted how AI initiatives need to sit within an integrated strategy set from the top of an organisation. Panellists agreed that effective leadership was key to success, as opposed to siloing it within technology teams.

How far does disruption go?

Henley added that earlier successful implementation could also have a compounding effect, with better risk selection improving the book and combined ratio. This will give them an advantage that will continue to accumulate.

Quayle said smaller MGAs can have an inherent advantage because they are often starting with a “blank page”, without the legacy systems and organisational structures confronting established carriers.

“There aren’t some of the same challenges there around adoption and implementing this technology,” he said. “On the basis that if you were a small underwriting team spun out of somewhere with a blank page and you do it with the mentality this needs to be built into all our processes, that is the perfect time to be adopting these technologies.”

“Things are going to change much faster than we can ever realise in the next two years.”

That led the discussion towards the question of whether AI will simply make existing insurers more efficient or fundamentally change who participates in the risk market.

Groenheide took the more disruptive view. “Things are going to change much faster than we can ever realise in the next two years,” he said, predicting “major dislocation” and suggesting technology businesses could take a much greater role in the risk market, with more traditional carriers poorly suited to implementing AI effectively.

“We’re already starting to see that with some of the changes that have happened, Google setting up its captive at Lloyd’s, some of the other organisations that are on the

periphery. We’ve always talked about that,” he added.

“There’s always been the threat that big tech and Silicon Valley will get into the insurance space and dislocate companies that have been around for hundreds of years. We’re now at that intersection of opportunity and technology unlike it has been in the past.”

Lillywhite was more sceptical that technology companies would want to assume insurance risk directly once they confronted losses and regulatory capital requirements.

“I personally don’t see the day of Google being the next Munich Re,” he said, suggesting instead that the market would see deeper partnerships between insurers and technology businesses.

Rethinking the talent pipeline

The discussion later turned towards the question of what AI means for insurance talent, with Lillywhite optimistic that the large number of insurance professionals soon set to retire from the workplace would open the door for new talent with an AI skillset.

However, Quayle warned that the industry cannot simply remove junior processing roles without considering how future experts will acquire experience.

“I don’t think we get away from humans in the loop,” he said, highlighting that many of the specialists now expected to supervise AI systems originally developed their expertise through the processing jobs that technology is beginning to automate.

Henley, though, conversely saw this as a positive, arguing removing administrative work could make insurance careers more attractive. “This will become a talent driver because with those administrative jobs taken away people will be able to come in and get straight into more interesting risk selection topics,” he said.

“We need to change completely how we train people, but I see this as a big talent opportunity.” ●

LIABILITY

US liability losses dwarf nat cat

US commercial liability losses are now 45% higher than global natural catastrophe losses, according to European reinsurance giant Swiss Re.

Last year, US commercial liability losses totalled \$174 billion compared with global catastrophe insured losses of \$120 billion.

There were 190 elevated verdicts in US courts of \$10 million or more totalling \$26 billion, a record in the US and up 41% year on year. And litigation is increasingly investible; \$2.8 billion in new third-party funding was committed to US litigation in 2025, up 23% year on year. This comes at a cost to American policyholders, adding more than \$4,000 a year per household.

All of which has made Swiss Re swear off covering any new commercial liability risks. Emerging liability risks include AI and social media, climate litigation, microplastics and ultra-processed foods.

“Our underwriting appetite for new liability business is almost zero,” said Swiss Re P&C reinsurance chief underwriting officer Gianfranco Lot.

“We will keep what we already underwrite but don’t want to enlarge our footprint in

KEY POINTS:

- US commercial liability losses \$174bn
- Global cat losses total \$120bn
- Reinsurance capital stands at \$664bn



(L-R) Gianfranco Lot and Urs Baertschi

the newest liability classes. We don’t see it stopping or reversing.”

Urs Baertschi, CEO of P&C reinsurance Swiss Re, said this commercial liability contagion is also spreading to Europe, particularly in the UK. He said: “It started in large US commercial with the plaintiff bar going after the deepest pockets, which are the insurance policies of these large commercial companies. There’s an

element of societal sentiment in there as well. That was the trigger, and it’s certainly spreading from there on as well.”

Baertschi and Lot were speaking in Monte Carlo on September 7, giving Swiss Re’s annual state of the market presentation.

That said, Swiss Re has not forsworn all casualty risk: it still has appetite for workers’ compensation and auto, but little or no appetite for umbrella products or US liability classes.

Peak year loss

Swiss Re estimates that aggregated reinsurance capital stood at \$664 billion in 2025, which would more than cover its estimate of a \$320 billion peak year loss scenario if such an event happened this year.

As things stand, global nat cat insured losses have reached \$42 billion in H1 2026, well below the long-term trend. Last year, secondary perils drove 92% of the \$120 billion global insured losses, reflecting the absence of a major hurricane landfall in the US. But wildfires set a new loss record in 2025 at \$40 billion and severe convective storms remained elevated (\$51 billion). ●

D&O

D&O insurers firm on pricing as rate cuts slow: Gallagher

Directors’ and officers’ (D&O) insurers are beginning to resist further rate cuts after two to three years of cheaper, broader cover, although capacity remains widely available, Gallagher said in its Mid-year D&O State of the Market 2026 update.

Gallagher’s house view places the market between “optimise” and “protect” in mid-2026. Its cycle moves from rate reductions in a soft market, through coverage gains under “optimise”, to greater discipline under “protect” before eventual hardening and pricing pressure.

“As pricing stabilises, the market is now moving from optimise to protect,” the report said. “In this phase, competition remains intense, and the market remains price-sensitive, but pricing in some areas is testing insurers’ technical rate adequacy.”

Gallagher stressed this does not amount to a hardening market. Some clients can still secure cheaper, broader cover, but outcomes

increasingly depend on risk quality, claims, sector, financial performance and programme design.

In the US, insurers are resisting further reductions where pricing has already fallen sharply or where exposure, claims or sector concerns remain. Some use facultative reinsurance to support line sizes, which Gallagher said can create uncertainty over extensions, mid-term changes or renewals when insurers do not control the underlying capacity.

London insurers, by contrast, tend to use co-insurance and control their line sizes, giving clients greater certainty and flexibility during the policy period. They can also offer broader terms and tailored structures for complex or multinational risks, including primary layers.

In the UK, insurers are increasingly offering single-digit reductions while paying closer attention to liquidity, refinancing, covenant pressure, margins and restructuring. Gallagher also reported rising enquiries for standalone

employment practices cover alongside increased claims activity. Australian insurers remain competitive as new domestic and London capacity enters the market, while European insurers continue to offer meaningful limits at relatively low premiums.

Gallagher said renewal scrutiny is increasingly focused on securities litigation, insolvency, employment practices, regulatory investigations, cyber governance and AI disclosures. The report cited The D&O Diary, which said US securities class-action filings rose in the first half of 2026 and were running above 2025 and long-term averages.

“Conditions look likely to stay generally favourable in the near term,” Gallagher said.

However, insurers are expected to become more selective on price, line size and terms. Gallagher said companies that engage early and clearly explain their finances, governance, claims history and approach to emerging risks should be best placed to secure stable capacity and durable cover. ●



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MODELS

AI ushers in new cat model paradigm

AI is enabling catastrophe models to be refreshed much more frequently, with models that are even two years old at risk of falling behind changing climate and environmental trends, according to Karen Clark & Company (KCC).

KCC is moving towards annual updates of its catastrophe models as it applies AI to improve the accuracy and efficiency of modelling severe convective storm (SCS), winter storm and wildfire. “We’re really coming into a paradigm shift with respect to catastrophe modelling, and that’s because of the power of AI,” Karen Clark, its co-founder and CEO, told *Monte Carlo Today*.

“The old paradigm was updates relatively infrequently, every three, four, five years. Our belief at this point is if your models are even two years old, you’re already behind the trends.” More frequent updates will allow insurers and reinsurers to incorporate changes in climate and other environmental trends, alongside the additional insights generated as modelling techniques develop.

“As we learn faster, we want to make sure our clients have that knowledge right away,” Clark said. “The new paradigm is continually refreshed information in the models, so that companies can stay current.”

AI enhances model structure

The shift does not mean AI is replacing the fundamental architecture of catastrophe models. Clark said the established structure – comprising an event catalogue, intensity footprints, vulnerability and financial modules – remains unchanged. Instead, AI can be used to train data and improve the individual components.

“It’s not like they’re going to be radically

KEY POINTS:

- AI enables annual model updates
- Two-year-old models risk falling behind
- Exposure growth still drives losses

different models,” she said. “AI is helping us with the accuracy and efficiency.”

The technology is particularly applicable to SCS, winter storm and wildfire, where KCC has accumulated large quantities of high-resolution atmospheric data. Its SCS model, previously described as physics-based, has evolved into what Clark called an “AI-informed physics-based model”.



Karen Clark

KCC’s systems ingest more than 30GB of data a day and the company has archived hundreds of terabytes of high-resolution data, providing a training set for further model development. “Some people think AI is like a silver bullet to solve your problems, but it needs to be trained. There’s a process, and the training data that you have is very important,” Clark said.

Better modelling is also becoming increasingly important as the industry attempts to understand what is driving higher catastrophe losses. While

insured losses have increased, Clark cautioned against attributing that trend predominantly to changes in the underlying hazard. “The biggest driver is still exposure increases. Over the past 10 years, the cost to build the same single-family home in the US has doubled,” she said.

Improvements in modelling

Increasing property values, urbanisation and greater concentrations of insured assets are adding to the loss potential, while improvements in modelling can themselves make the increase appear larger. “With some older models, the industry was underestimating the loss potential in the past,” Clark said. “When you have a model that gives you a credible estimate, it looks like the loss has gone up, but it’s just that you now have an accurate model.”

KCC seeks to isolate those different drivers. Exposures can be held constant between model runs to identify the impact of changing property values, while climate impacts can also be assessed separately.

For hurricanes, for example, KCC “climate conditions” historical events to estimate how their intensity would differ under today’s climate before incorporating them into its model.

That ability to quantify change is ultimately what allows insurers to continue taking the risk, Clark said. “Are insurers and reinsurers afraid of climate change? Not if they’re confident in their ability to quantify it.

“If you can quantify it, then you’re comfortable that, yes, it is happening, but we can get our head around it. We can quantify it. We can price it, then we can underwrite it.” ●

NEWS

Aviva launches MGA hybrid fronting for global specialty market

Aviva has launched a new MGA hybrid fronting proposition through its dual platform Global Corporate & Specialty (GCS) business, expanding its capabilities in one of the insurance market’s fast-growing areas.

Aviva said the proposition offers MGAs a differentiated hybrid fronting solution.

Operating through a stand-alone P&L with London-based decision-making, it provides a single, coordinated platform for multi-country, multi-line insurance programmes.

Targeting larger, established MGA facilities, Aviva said it is designed to support opportunities from £20 million GWP upwards.

John Andrews, Aviva’s head of global MGA hybrid fronting, said: “We’re bringing something different to the MGA market by combining fronting capabilities with meaningful risk retention.

“As demand grows for partners that can support international, multi-class programmes, our hybrid model gives MGAs,

brokers and reinsurers a single route into Aviva’s global reach, specialist underwriting expertise and financial strength. For MGAs, that means access to a fronting partner with the credibility, flexibility and balance sheet strength they need to attract and retain capacity support.”

The proposition forms part of Aviva’s broader ambition to expand its presence across the global commercial lines market. It will initially focus on classes where Aviva already has established underwriting expertise. ●



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CYBER

Standalone AI cover may emerge

Standalone insurance coverage could emerge for some of the fundamentally new risks created by artificial intelligence, although there is currently much uncertainty on how this area may develop, according to CyberCube.

Jon Laux, vice president of analytics at CyberCube, told *Monte Carlo Today* that the evolving debate around standalone AI coverage has “a lot of echoes” of the insurance industry’s experience with silent cyber.

This was when insurers were forced to establish where cyber exposures sat within policies originally written without the risk explicitly contemplated.

“I spent a couple of years in my prior company working through the silent cyber, not affirmative cyber wave of 2018 to 2021, and I think there’s a lot of echoes of that in what we’re seeing now,” Laux said.

However, he cautioned against treating AI as a single risk that can simply be moved wholesale into a standalone product.

“It does not feel appropriate for AI to get shunted all into one policy,” he said. “There may be some for things that are fundamentally new, but I don’t see how you get it out of traditional lines where it just becomes another way that things can be triggered.”

CyberCube recently released a new framework intended to help insurers assess AI from a risk and analytics perspective. Its research concluded that AI is not simply “a new flavour of cyber risk”, but a new technology risk that can generate exposures spanning cyber, media liability, E&O and other professional lines.

KEY POINTS:

- AI risks cut across traditional lines
- First-party exposures show cover gaps
- Market faces period of ambiguity

New exposure

Laux identified insurance around AI agents themselves as perhaps the clearest area where genuinely new coverage could develop.

As organisations increasingly entrust functions previously performed by employees to autonomous systems, he said they could seek



“There’s a lot of echoes of (silent cyber) in what we’re seeing now.”

protection against an agent making decisions or taking actions without their knowledge.

“When we look at the coverages out there, one clear place where it doesn’t seem like there’s a lot right now is sort of the first-party risk of organisations that are using it,” he said.

An organisation outsourcing customer service or another function to AI agents, for example, could ultimately want “some kind of performance guarantee” around how those systems operate.

The liability side is less clear because AI-related losses could overlap substantially with existing policies, Laux said, with the ultimate division between new and traditional coverage likely to be determined over time.

He explained some key differences between how cyber developed compared to AI made the future direction less clear.

“Cyber is network risk. And so, the role of AI from a cyber point of view would be AI in the hands of others, not you,” he said.

“Whereas a lot of the risk with AI is how you, as an organisation, are using it, and maybe the risk that you incur from customers by virtue of what you do or don’t do to use it safely, and that’s all gated by what controls are around.”

He expects insurers initially to take different approaches depending on their existing wordings and risk appetites. Some will exclude AI where they do not want the exposure, while others will affirm coverage where they believe it naturally belongs.

“The market will test the new way of coverage over time,” Laux said, adding that an important denied claim could ultimately become the catalyst that pushes insureds towards purchasing dedicated protection.

In the meantime, he expects uncertainty over exactly where AI losses fall.

“I think we’re going to go through a period of ambiguity for sure,” he said. ●

NEWS

M&A opportunity increasingly shifting towards MGAs: CRC

M&A opportunities may be shifting increasingly into the MGA/delegated authority field, with pipeline already eclipsing opportunities in broker M&A, the top officer of wholesale brokerage and MGA stable CRC group has said.

CRC group “expects further growth via M&A on the CRC underwriting [delegated authority] side of its business,” analysts at TD Cowen said following talks with the group CEO Dave Obenauer.

CRC has “a pipeline of MGA targets that range in scale,” Obenauer told brokerage analysts of a market he said boasts some 2000

unaffiliated MGAs. Opportunities in the space are “more plentiful” than what CRC is seeing in its core business of wholesale broking, he added.

That could suggest a focusing of M&A for CRC, which has built its wholesale distribution through a broader range of M&A after shedding life and retail operations.

Deals to date have included E&S wholesale broking via Stone Point-backed ARC Excess & Surplus in May 2025 but have also moved along a spectrum towards delegated authority, including Stone Point-backed Lloyd’s business Atrium in July 2025 and transactional liability MGA Euclid Transactional in March 2026.

By contrast, the wholesale broking business is now being touted more for its organic growth potential amid assurances that the secular growth story for E&S channels continues strong.

E&S broking will continue to take a boost from ongoing migration from admitted markets, sufficient to overcome even the sharpest of recent rate softening. New risks like data centre construction, the surprise boom in surplus lines homeowners and a cross sell to the benefits business will all be CRC tailwinds. Recent producer hires stand at the ready to sweep up the business, Obenauer said. ●

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MARKET

The unpredictability of the turn

Conduit Re is prioritising margin and capital protection over growth as competition intensifies, arguing that the next test for the reinsurance market will be whether discipline holds as abundant capacity pushes pricing lower.

“Growing in this market right now, with the competition that there is, is not something that we would prioritise. Balance sheet management, capital management and margin protection over growth,” CEO and co-founder Neil Eckert told journalists during the Rendez-Vous de Septembre.

“Overall, in the absence of a tail event this year, there is a lot of capital, and people will be making a lot of profits,” Eckert said.

For Conduit, which launched into the hardening market in 2021, that makes understanding its position in the cycle more important than pursuing premium growth simply because it remains a relatively young company.

“The mantra is not that we’re young and we will grow, irrespective. We may be young, but we really make a virtue of actually understanding where we are on the cycle,” Eckert said.

What could turn the market?

While softening is already evident, predicting what ultimately brings the cycle to an end is considerably harder.

“It’s always possible to predict when a market’s softening because you just see it in slip signings. But it’s not been possible in my career to predict when a market turns because very often it’s fortuity driven,” Eckert said.

That turn can come from “a shock on the asset side of the balance sheet, or a shock on the liability side in the form of a massive claim”, he said, adding: “Sometimes you get a bit of both.”

Hurricane Ian demonstrated the effect of those pressures coinciding, in what Eckert described as a “double whammy,” with the catastrophe occurring alongside a rapid increase in interest rates that hit reinsurers’ bond portfolios.

A loss of around \$30 billion could begin reaching the retrocession market today, he suggested, but would be unlikely to create a broad market-changing effect.

A much larger event would be required. “I think \$75-\$100 billion north is the type of

KEY POINTS:

- \$100bn loss could hit retro hard
- Specialty losses bubbling underneath
- Cycle management takes precedence

level where it really does start to hit the retro market,” he said.

“What I think it takes to change the market is an event or a series of events that are big enough to hit the retrocession market, because that’s ultimately where the trends sit.”

Even without a market-turning catastrophe, Eckert said loss activity is emerging in pockets of the specialty market, including aviation and onshore energy. “Although this is quiet, and the big picture



“I just hope that the market does defend the attachment points because that’s a really important defence barrier.”

is lots of cat and everything else, there are things bubbling under the surface,” he said, pointing also to significant claims arising from geopolitical events.

Discipline moves beyond price

In the absence of a large single, or series, of events, the amount of available capacity means pressure is likely to continue.

Eckert expects price to be the first area

where competition manifests itself, but the more consequential question is whether pressure eventually spreads into programme structures. “I just hope that the market does defend the attachment points because that’s a really important defence barrier,” he said.

Conduit intends to do exactly that. “From our perspective, we will do everything we can to defend the attachment point.”

Factors that could distinguish the current softening phase from previous cycles are the sophistication of catastrophe modelling and greater visibility reinsurers now have into technical pricing.

“Things have changed a lot in the last 20 years,” Eckert said. “The amount of pricing accuracy, the amount of modelling – you will not see an excess-of-loss programme in North America that has not been modelled by AIR or RMS – and that puts the price in a box.”

The question is whether that technical discipline survives the competitive pressure created by excess capital. “I think everyone hopes there is more stabilisation, and it’d be interesting to see whether discipline holds,” he said.

Waiting for the opportunity

Third-party capital is adding another dimension to that competition, but Eckert sees its growing role as structural rather than a new feature of this year’s market.

“I think there is a long-term trend for the ILS market. It really started around the 2000s, and it’s probably gone from zero to about 10% of global market capital, and that’s not a short-term trend.”

For Conduit, the response to a softer market is therefore not to compete with that capital for growth, but to preserve the ability to expand when conditions become more favourable.

Eckert pointed to his experience at Brit following the World Trade Center attacks, when the business grew from around \$300 million to \$1.3 billion over five years after the event.

“There will be a time when you can grow like billy-o,” he said. When that opportunity arrives, however, remains unknowable. “The only thing I know is every day we sit here, we get one day closer to a hard market, but we don’t know when,” he said. ●



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CASUALTY

Casualty ILS has exponential potential

Forward-exit options help to broaden the range of casualty risks accessible to insurance-linked securities investors, but greater standardisation will be needed before casualty ILS can become a significantly larger source of reinsurance capital, according to MultiStrat.

The development of a deeper market for forward-exit solutions is addressing one of the fundamental challenges facing casualty ILS; investors might want exposure to the returns available from long-tail liabilities without committing their capital for an uncertain period.

"Before, there weren't that many options for exits," Kier James, chief underwriting officer at MultiStrat, told *Monte Carlo Today*. "If you needed an exit at seven, eight years, that used to be very challenging, which forced essentially casualty ILS to take a shorter-duration risk like commercial auto."

That constraint could limit both the attractiveness and diversification of casualty ILS portfolios. Commercial auto, James gave as an example, currently combines compressed margins with relatively rapid claims payments, reducing the investment float available to investors.

The uptick of forward-exit providers is changing that equation. "The emergence of these exit options has created increased access to a diversity of lines of business. You can build better portfolios with a defined exit. That means that, naturally, you're going to get more confidence from your investors because they know that now they're not trapped in an extremely long tail.

Raising investor certainty

"It also means you can build a diversified portfolio which has lower volatility," James said.

Longer-tail casualty business can offer characteristics attractive to asset managers precisely because claims are paid more slowly, allowing assets to remain under management for longer. But without a credible route out, that same duration becomes a potential deterrent.

Forward-exit solutions can reconcile those competing considerations by giving investors greater certainty over when their exposure will end. "They know that now they're not trapped in an extremely long tail, and it also

KEY POINTS:

- Forward-exit enhance casualty ILS appeal
- Standardisation is crucial for market growth
- Defined products can attract investors

means you can build a diversified portfolio which has lower volatility," James said.

That diversification aids investors seeking to avoid concentrated exposure to individual casualty lines. James said the preference is increasingly for smaller positions across broader portfolios, particularly during the early stages of an investment when assets under management are still building.



“The key is going to be standardisation, and also being able to offer a defined product.”

"A lot of our investors are wary of mono-line business, and generally have a preference for diversified portfolios for that very reason. Small limits on a large portfolio is probably the way to do it," he said.

The trend is also contributing to a convergence between prospective casualty reinsurance and the retrospective market. Forward-exit providers can observe the development of a portfolio before ultimately assuming the liabilities, while investors can

combine legacy transactions with prospective business.

"If you combine the two, then obviously you can get a legacy position, which means you've got assets to manage day one, and then you can take on the prospective business too," James said. That combination can overcome another challenge for casualty ILS: the relatively slow initial accumulation of premium and therefore assets available for investment.

Standardisation is the next step

The market now has a longer performance history for casualty ILS than it did several years ago, giving investors more evidence of how structures behave through different conditions: "Some of those early investors are now more comfortable with the product in general, and they understand it much better," James said.

Exit mechanisms alone, however, will not transform casualty ILS into a mainstream institutional asset class.

Asked what would be required for the sector to develop from a specialist market into a more meaningful source of reinsurance capital, James identified standardisation as the critical next stage. "The key is going to be standardisation, and also being able to offer a defined product," he said.

Capital markets investors are accustomed to instruments where contractual terms, duration and cash flows are comparatively well understood. Casualty ILS remains more bespoke, with differences in structures and wording adding another layer of uncertainty to already long-duration insurance liabilities.

Reducing that uncertainty could substantially widen the investor base. "Being able to offer a full package with a defined duration, tenor, limits and standardised wordings – it's then I think casualty ILS will thrive," James said.

Forward exits have already helped move the market in that direction by putting clearer boundaries around duration. The next challenge is creating greater consistency across the rest of the product.

"When it becomes a full product, I think then the growth could be almost exponential because then it's almost like a fixed-income instrument," James said. "You know how massive those markets are." ●



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DEBUT

Hippo makes its Monte Carlo debut

On his first visit to the *Rendez-Vous*, Hippo CEO Rick McCathron is using the opportunity to explain how the business has evolved and explore new relationships with reinsurance partners.

McCathron arrived at Monte Carlo for the first time as the US insurer looks to deepen its relationships with risk-bearing partners and give the market a clearer picture of how the business has evolved.

While Hippo is still widely associated with the homeowners MGA on which it built its name, McCathron said that now represents only a small part of a much broader business focused on building a diversified portfolio of risk.

"There are many people who still believe Hippo is a homeowners MGA, and that is a very small portion of what we do," McCathron told *Monte Carlo Today* in an exclusive interview.

"Our goal is to build a very diversified portfolio of risk, with a portion coming from our own products, like our homeowners MGA. But the majority of that premium, as we approach \$2 billion of premium, is coming from third-party MGA partners."

That evolution is also what brought McCathron to the *Rendez-Vous*. As Hippo takes a meaningful share of risk alongside programme partners, he said it was important to spend time with other risk-bearing partners, exchange views on the market and understand where there might be opportunities to work together.

"So it's really about educating the market on what we do," he said. "And with that

KEY POINTS:

- Hippo looks beyond homeowners roots
- Third-party MGAs drive most premium
- Monte Carlo opens door to partnerships

education often come creative partnerships and solutions."

A different Hippo

The shift McCathron is describing has its roots in a problem Hippo itself had to address. When he became CEO in 2022, he inherited a portfolio heavily concentrated



Rick McCathron

not only in homeowners but in particular US geographies. Hippo has since sought greater diversification through its own products and by taking risk alongside third-party MGA partners.

It has also been through a wider change in philosophy. McCathron said the priorities

of Hippo's earlier years as a venture-backed start-up were inevitably weighted towards growth. Becoming a more mature public company required a different emphasis.

"We've spent the last four years, under my tenure as CEO, transitioning the business from one of high growth and high potential to acceptable growth and high performance," he said. "We really think underwriting integrity is ultimately key."

Hippo now sees itself occupying an interesting position between traditional MGA and carrier models. Through its insurance companies, it can provide rated paper to programme partners while also retaining a meaningful share of the risk – an alignment McCathron believes matters to third-party reinsurers.

That positioning is particularly relevant as competition increases. Having lived through six market cycles in his 33-year insurance career, McCathron is wary of growth being bought through inadequate pricing.

"My personal belief – although I doubt we'll get there – is that we should have a little more discipline and hold the line in both hard and soft markets to reduce the volatility of the peaks and valleys," he said.

For Hippo, Monte Carlo is therefore partly an introduction and partly a search for partners that fit the business it has become.

"I think there is no substitute for in-person meetings," McCathron said. "Often an in-person meeting creates opportunities for two companies to say, 'This is something I need', or, 'This may be something very interesting'." ●

REPORT

Buyers need to think smarter, not larger on data centre cover

Data centre stakeholders may be buying more insurance capacity than they need, with up to \$15 billion available for large risks, according to Willis.

The broker said owners, developers, operators and investors should take a more data-led approach to purchasing cover as rapid expansion in digital infrastructure and AI-driven demand encourages increasingly large insurance towers.

Rather than basing limits on available capacity, Willis said buyers should assess exposures across the digital infrastructure

lifecycle, including site selection, power infrastructure, construction, operational resilience, supply chains, climate and cyber risks.

Risk engineering and resilience investment can also reduce exposures more effectively than simply purchasing higher limits, it said. Measures can include flood protection, enhanced wind resistance, seismic design, heat and drought adaptation and wildfire mitigation.

"The capacity is there. The focus should be on using data-led analysis to quantify and differentiate exposure to secure appropriate insurance limits," said Alastair Swift, head

of global specialties and the global digital infrastructure group at Willis. "Buying more insurance is not always the same as being better protected."

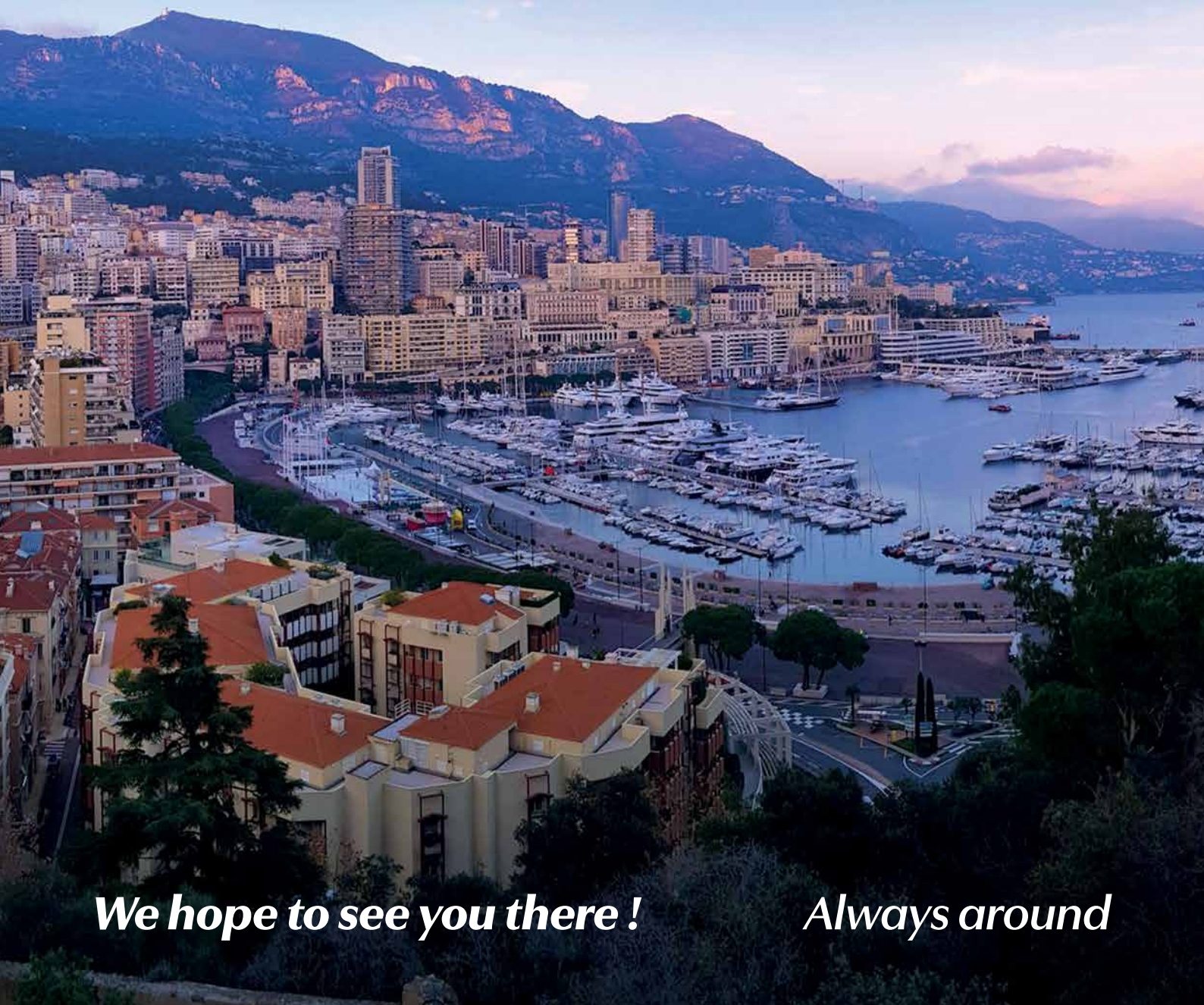
Jackie Bolig, head of placement and broking solutions for North America, added that buyers need a clearer understanding of what they are seeking to insure.

"The goal should be to buy the right amount of insurance, supported by evidence, analytics and a thorough understanding of risk, not simply seeking the largest capacity available." ●



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CAPITAL

Don't overestimate abundant capital

While abundant levels of capital in the market are undeniable, be it traditional or alternative, the status of its impact may be overstated when taking a global stance, according to NewRe CEO.

Speaking to *Monte Carlo Today*, Thomas Braune was clear in stating: "Many talk about the abundant capital. From my perspective, it should not be overestimated. The first reason is that traditional capital comes from all activities of the reinsurers, from P&C reinsurance, life reinsurance, investments and also from primary insurance activities, and it will also be used for all these activities."

While rates are softening in property, casualty is broadly considered to be holding in comparison and many are turning to the life and annuity sector's more favourable conditions for growth opportunities. Braune's point is that there are many opportunities to deploy capital; it's "not all allocated only for the P&C business".

A second reason Braune pointed to is that "the increase in alternative capital is mostly capacity for US exposures, not the European market. So it should not be overestimated". If the abundant capital isn't in the same region as the risk in question, its effect will differ.

The growth of non-peak perils

KEY POINTS:

- Abundant capital may be overstated
- Non-peak perils are on the rise
- Clients focus on new risk dynamics

The European market, in which New Re focuses on natural catastrophe risk, is experiencing increased exposure.

The combination of pressures from rising interest rates, inflation and the rise in non-peak perils is becoming "increasingly significant", with the latter being a relatively new phenomenon from Braune's perspective,



Thomas Braune

citing the wildfires seen only this year in France, Spain, Greece, and Scotland as examples.

"What is new is that last year we once more saw natural catastrophe insured losses worldwide of more than \$100 billion US. The largest part is now coming from non-peak events like wildfires, floods, storms."

While New Re has retained its strategic approach, which Braune stressed is part of risk and cycle management, it has changed the questions clients are posing to the reinsurer: "We have a lot of discussions with our clients: What does it mean now for their exposure? And how is it modelled? Why? Clients are asking themselves. What does it now mean for me?"

The current environment, abundant in capital, is facing a convergence of pressures: "Claims of inflation and uncertainty throughout the year due to climate change and the geopolitical situation are the technical discussions we currently have with our clients."

The dynamics of capital in the reinsurance market are complex, with abundant capital needing careful consideration. Effective communication and strategic planning will be a differentiator for navigating the evolving risks in this landscape. ●

TREATY

London company treaty reinsurance premiums fall 6%

Treaty reinsurance premiums written in the London company market fell 6% in 2025 as firms maintained disciplined underwriting amid a more competitive pricing environment, according to new data from the International Underwriting Association (IUA).

Total treaty premiums reached £11.270 billion last year, down from £11.985 billion in 2024.

The IUA said the decline reflected the underwriting discipline reported by many firms as global non-life pricing moves towards a cyclical low point.

Treaty reinsurance accounted for 26% of premiums written in London in 2025, with direct and facultative business making up the remaining 74%. The proportions were broadly unchanged year on year, but treaty has increased in importance over the longer term.

In 2020, treaty premiums written in London totalled £5.320 billion, representing 19% of the market.

Companies operating in the City also oversaw a further £0.621 billion of treaty reinsurance written through overseas or UK regional offices in 2025. This "controlled business" figure increased by almost 10% from £0.567 billion in 2024.

Scott Farley, IUA director of communications, said: "The overriding message we have received from IUA member companies this year is one of disciplined underwriting."

He added that the figures illustrated a shift towards a more competitive pricing environment compared with the hard market seen in recent years.

"Whilst there has been a fall in treaty reinsurance premiums over the past 12

months, the market aggregate total is still more than double the figure from six years ago," Farley said.

Where growth has occurred, firms described it as "deliberately selective", with performance varying by class and geography.

Property remained the largest treaty class, generating £3.083 billion of premiums in 2025. Motor followed at £2.393 billion, marine at £1.555 billion and liability at £1.365 billion.

The UK and Ireland accounted for more than half of treaty premiums, at £6.328 billion. The US and Canada generated £2.517 billion, while continental Europe contributed £1.437 billion.

The figures were released as an advance preview of the IUA's London Company Market Statistics Report, due later this month. ●

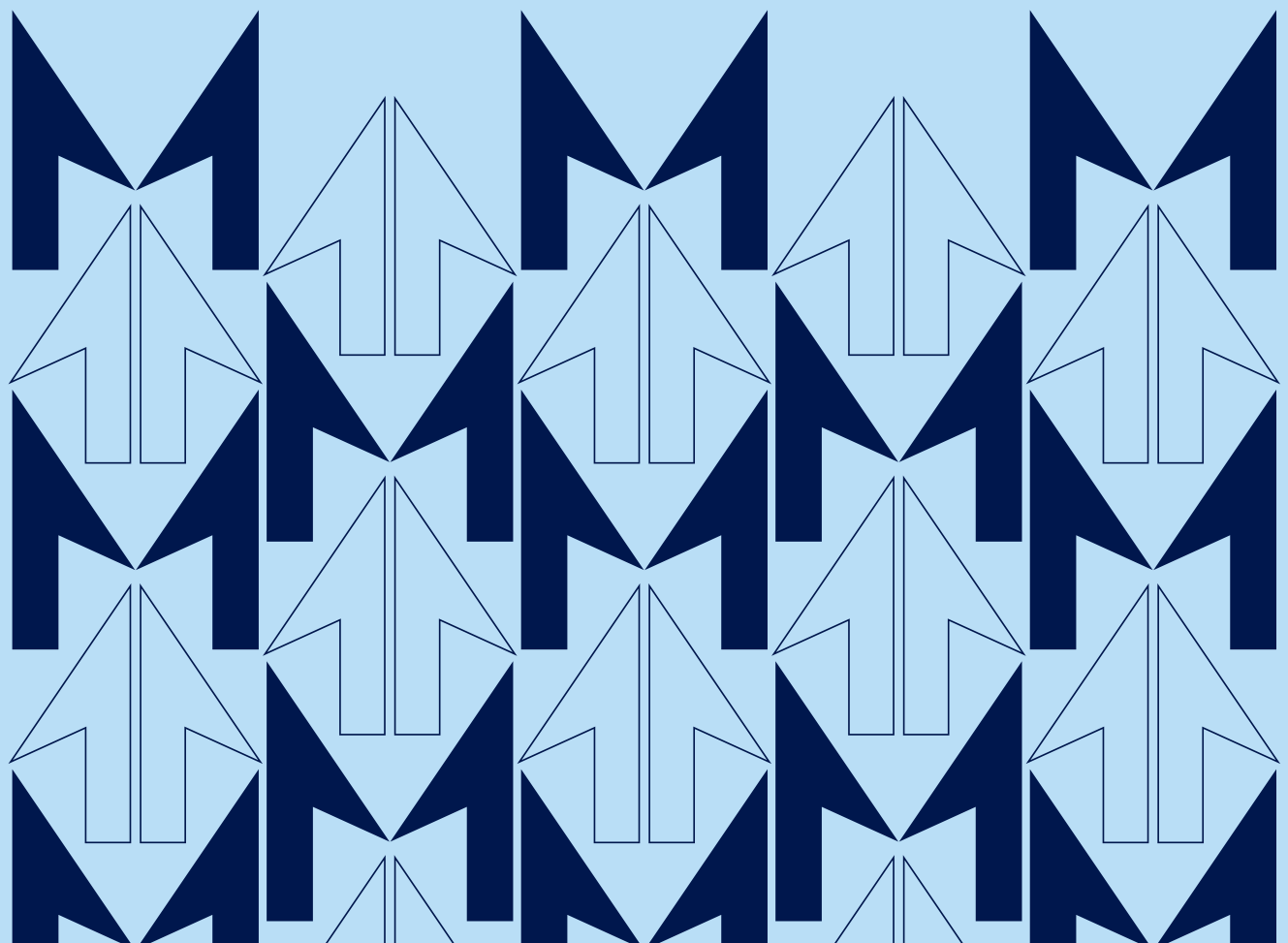
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STRUCTURES

Trillion-dollar market on the horizon

Reinsurance is on the cusp of becoming a trillion-dollar market and cedants should grasp this generational opportunity to rethink their structures.

So says Ben Rose, co-founder of reinsurance intelligence company Supercede, who argues that cedants should take advantage of the largest amount of capital the industry has ever seen.

Swiss Re estimates that aggregated reinsurance capital stood at \$664 billion in 2025 while, according to AM Best, total reinsurance capacity is now at \$705 billion.

Cedants should not be thinking about how to pocket savings in a softening market on a deal-by-deal basis, said Rose; rather, they should be looking at this as a transformative opportunity.

Supercede platform describes itself as a web-based app that has become the meeting space for cedants, brokers and reinsurers. Today, Supercede says 99.9% of brokers and reinsurers have signed up. However, there is still plenty of room to grow on the cedant side, said Rose.

Rose said at first it was difficult at first trying to get brokers and reinsurers to adopt its technology. "When we started the business, they were very risk averse.

KEY POINTS:

- Cedants should rethink structures
- Reinsurance approaches \$1tn market cap
- AI set to transform industry within 3-4 years



“We see lots of asset managers who are interested in this space.”

Nobody likes to be the first mouse,” said Rose. “Technology change in our market doesn’t happen in some sort of ‘big bang’ moment.”

The problem with the Lloyd’s of London’s Blueprint Two digital transformation project was it was trying to be one-size-fits-all solution for the entire industry along with a cut-over challenge, said Rose.

Blueprint Two was “a nail in the coffin” for long-term transformation projects, said Rose, “as much as it would have been very convenient for everybody to choose to adopt the same platform simultaneously. That’s not really how the real world works”.

Supercede says it is insulated from other companies’ AI anxiety because what it offers cannot be replicated by just “vibe coding”. This marketplace aspect of Supercede, where participants meet, is what brings its real value, said Rose.

Furthermore, the industry only has three or four years before the reality of AI transforms reinsurance. Because AI is only as good as the data it ingests, Supercede positions itself as single point of truth.

The other issue, Rose said, was that the industry has yet to wake up to the full cost of AI tokens “which could leave companies facing a huge bill”, he added. ●

CAT BONDS

Moody’s starts rating cat bonds ‘as proof of concept’

Moody’s has started rating catastrophe bonds as part of its services to the insurance market.

To date, it has issued an investment-quality rating to a debut €100 million cat bond issued by German property & casualty insurer BarmeniaGothaer. Yardstick Re was launched in June, covering flood risk across Germany (including severe river events, localised flooding and coastal flood risk exposure).

Moody’s Corporation managing director Simon Harris said he saw this initial cat bond rating as “proof of concept” that more cat bonds could be rated going forward — although Moody’s would only be interested in rating investment-worthy instruments.

Moody’s is also exploring whether to review pools of cat bonds, which could be assembled by banks or investment managers and sold

to investors. Collateralised reinsurance could be another pool worthy of rating. The idea is that investors could then choose what level of risk they are interested in, said Harris.

Brookes added: “If you think about the risk structure on a typical portfolio, the first dollar is most likely to have a loss. The idea is to have different risk profiles so that you can move through that stack.”

Total ILS capital reached a record \$144.5 billion in the first half of 2026, according to Moody’s, while catastrophe bonds outstanding grew to approximately \$63.4 billion, almost double their size in 2021.

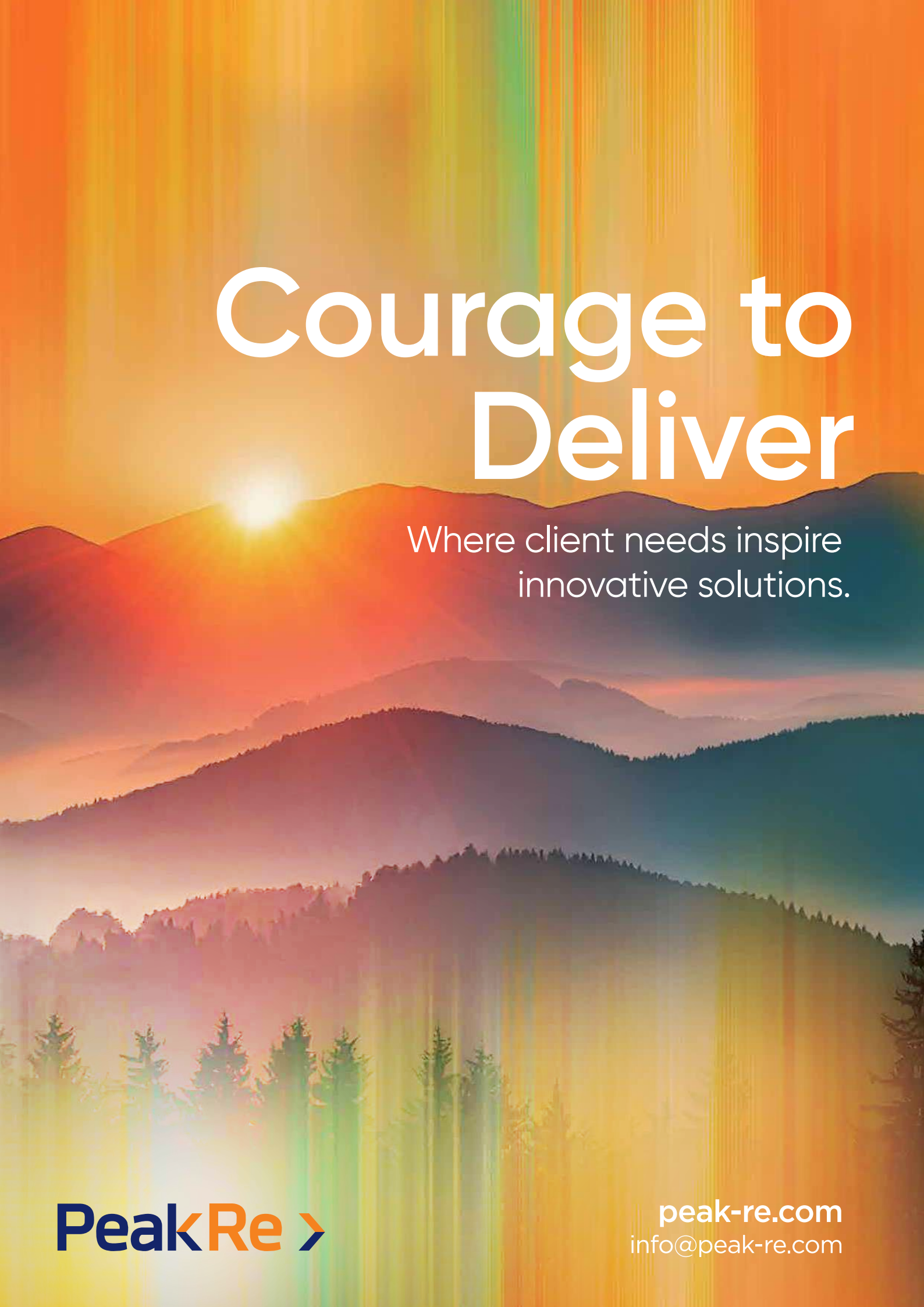
However, ILS is still a relatively small asset class compared to the overall size of the alternative investment market, but it is only bound to grow bigger, Moody’s managing director, insurance advisory, Ben Brookes told *Monte Carlo Today*.

Harris and Brookes suggested that Moody’s ILS accounts for less than 1% of third-party investment today but could grow to anywhere between 4-5%. “We see lots of asset managers who are interested in this space,” said Brookes.

Harris said that Moody’s also had a lot of inquiries about property sidecars, which are another “new way to get new capital into the industry”.

Sidecars have grown to around \$23 billion of outstanding investments, according to Aon and quoted by Moody’s, up by around 50% since the end of 2024.

The issue with casualty sidecars though, said Harris, is over long-tail losses, which can take years to emerge after underwriting, and for which modelling is still being developed. From an investor point of view that would mean years waiting for a final return. ●



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MARKET

Reinsurance value chain to shorten

The traditional reinsurance value chain is likely to shorten over the next few years as the boundaries between brokers, underwriters and capital providers become increasingly blurred, according to Canopus.

The shift is changing relationships that were once clearly defined, while raising a more fundamental question over who ultimately controls access to risk and capital.

"Historically, the value chain was broken into distinct parts: the retail broker who sourced the risk, the wholesaler who placed it, and the underwriter and capital provider who evaluated, structured and priced it," Charles Cooper, CEO of Canopus Bermuda and global head of reinsurance, told *Monte Carlo Today*.

"More recently we've seen the capital provider that assumes the risk separated from the people who structure and price it."

At the same time, the distinction between other parts of the distribution chain is becoming less clear, with retailers and wholesalers continuing to converge and the roles of producers, MGAs, underwriters and capital providers increasingly overlapping.

KEY POINTS:

- Traditional market roles increasingly overlap
- Control of capital emerging as key battleground
- Fewer intermediaries could retain premium



Charles Cooper

That evolution is creating what Cooper described as a "tug-of-war" over control of the value chain. "The people closest to the risk would love to control the capital, and those closest to the capital don't want those

sourcing the risk controlling it," Cooper said.

However, fiduciary and regulatory responsibilities mean those functions are unlikely to converge into a single model. Instead, Cooper expects pressure to build on the number of intermediaries sitting between clients and the balance sheets ultimately assuming their risks.

"Ultimately, what clients want is straightforward: a hassle-free buying experience, the best price and the broadest coverage, from a secure and stable source of capital," Cooper said. "Today a lot of parties sit between the buyer and that capital, each taking a share of the premium along the way."

That creates an incentive to simplify distribution and reduce the distance between the original buyer and capital provider, particularly as different participants seek to capture a greater share of the economics. "I'd expect that chain to shorten over the next few years, so more of every premium reaches the capital that actually carries the risk," Cooper said.

"This is one of the most complex and interesting questions the market will face over the next few years," Cooper said. ●

EXPANSION

VIPR targets global expansion after £80m deal

VIPR is looking to accelerate its international expansion and product development after securing new investment from Bridgepoint, according to chief revenue officer Tony Russell.

The deal was announced last week, with Bridgepoint acquiring a 75% stake in the delegated authority technology specialist for £80 million.

Speaking to *Monte Carlo Today* at the Rendez-Vous this week, Russell said the investment would give VIPR additional resources to expand, with the US in particular identified as a significant growth opportunity. "We've kind of established ourselves as global market leaders in the space, but it's going to help us to accelerate away further," he said.

VIPR currently has more than 55% of London Market MGAs, according to Russell, but has increasingly expanded overseas. It has seven clients in the US, two in Canada and a number across Europe, while recently signing

its first deals in Bermuda and Asia-Pacific.

Russell said the strengthened balance sheet resulting from the investment could also make VIPR a more credible partner for large global insurers seeking to manage delegated authority data across multiple countries centrally.

"We've got a couple of quite big global companies looking at how they can actually manage their delegated book better," he said. "Now with the extra funding, we've got capital and a balance sheet that actually supports some of those bigger companies."

US at 'tipping point'

The US represents a major target for VIPR, with Russell believing the market could reach a "tipping point" on delegated authority automation within the next six to 12 months.

He said US insurers are currently about 24 months behind their UK counterparts in recognising the difficulty of scaling delegated business while relying heavily on manual data collection.

"We are making good inroads into the US, but I think there'll be a tipping point probably in the next six to 12 months," Russell said.

VIPR also intends to invest in new products, including plans for a data hub positioned between MGAs and capacity providers.

The proposed platform would collect and standardise information from MGAs and coverholders before distributing it downstream, reducing the administrative burden associated with delegated authority reporting.

Russell said improving the speed at which carriers receive delegated authority information is becoming increasingly important as market conditions soften. Data can currently arrive 60 or 90 days after business is written, while one VIPR client has already moved to weekly processing.

"In a soft market, early insight on that data is vital," he said. "You can lose your margin on that delay." ●

The logo for MS Reinsurance, featuring the letters "MS" in a bold, sans-serif font, followed by a stylized flame icon, and then the word "Reinsurance" in a similar font.

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PRICING

A resistance to dropping the anchor

Pricing discussions at the Rendez-Vous de Septembre are being driven more by sentiment than hard numbers, as brokers and carriers hold differing expectations over how far rates will fall and both sides remain wary of setting an early anchor for negotiations, according to PwC.

That is according to Andy Moore, London market lead at PwC UK, who told *Monte Carlo Today* that while the direction of travel is increasingly clear as competition intensifies, market participants appear reluctant to put firm numbers around the extent of the decline.

That caution comes as the market moves further into the downward phase of the pricing cycle. Several years of strong profitability have left re/insurers earning well above their cost of capital, attracting additional capital and increasing competition for business. "Economics dictates that capital flows into the market in those circumstances, and competition increases and prices start to fall, and that's where we are at the moment," he said.

"There is, at this stage, a difference between where the broking market is and where the carrier market is around that expectation. I don't think we'll really see the numbers settle until much later in the year this year."

KEY POINTS:

- Broker-carrier expectations diverge
- Early numbers risk anchoring renewals
- Pricing may not settle until year-end

Avoiding the anchor

Part of the reluctance to quantify expectations stems from the risk that an early indication becomes a reference point for subsequent renewal negotiations. "Everybody's very



“Everybody's very nervous about putting a number out now that becomes an anchor point.”

nervous about putting a number out as that can become an anchor point,” he said. “Anchoring is a really strong negotiation technique.”

Carriers nevertheless have increasingly sophisticated pricing models and know where their individual thresholds lie. The challenge as the cycle turns is that renewal outcomes will not be determined solely by technical assessments of risk.

“This is the part of the market cycle where it's not just about the technical price of the risks; it's about where the traded price of things are at,” he said.

The familiar tension between brokers and reinsurers is also re-emerging as profitability remains strong. “The brokers only have to look at the results of the reinsurers, and they can simply point and say, ‘You're making too much money. Prices need to fall.’”

The bigger question is whether the market can find an equilibrium before falling returns force reinsurers to withdraw capacity and send pricing back in the opposite direction. “If you get to a point where reinsurers consistently earn below their cost of capital, they won't write any more,” he said. “Then all of a sudden they have the upper hand, and then prices start to rise.” ●

CAT BONDS

Reinsurance M&A to stay selective as casualty risks mount

Global reinsurance M&A is expected to remain selective as firms pursue scale, diversification and specialty capabilities, AM Best has said, maintaining a “stable” outlook for the non-life segment.

The ratings agency noted that the recent hard market did not trigger the surge in new company formations seen in previous cycles, while strong capital positions and earnings continue to shape competitive conditions.

AM Best said its stable outlook was supported by pricing that continues to deliver solid operating results, robust nominal and risk-adjusted capitalisation, sustained property catastrophe underwriting performance and elevated investment income.

While terms and conditions have eased in some areas, retentions have not fallen significantly. Instead, changes have included broader policy wording and narrower exclusions. Capacity for aggregate covers has

also increased, which AM Best described as “a possible early indication of a deteriorating market”.

Specialty reinsurance remains competitive, supported by strong capitalisation and demand for diversified premium growth. Assuming catastrophe activity remains within expectations, AM Best expects underwriting performance to support returns above the segment's cost of capital in 2026.

US casualty remains a more difficult area. The ratings agency warned that litigation financing, nuclear verdicts and social inflation continue to create uncertainty around reserve adequacy and pricing.

“The risks associated with systemic litigation abuse and the resulting inflationary pressures are expected to persist,” it said.

Reinsurers have reduced capacity in higher-volatility classes including commercial auto, general liability and excess liability. Capacity

remains available for well-performing portfolios, but underwriting scrutiny has intensified, particularly in US casualty, resulting in tighter terms and higher attachment points.

Several reinsurers strengthened loss reserves during 2024, 2025 and the first half of 2026, a trend AM Best expects to continue.

Looking ahead, the agency said record capital, underwriting discipline and supportive investment income should allow reinsurers to absorb accelerating property rate softening, US casualty reserve uncertainty and catastrophe and macroeconomic risks while maintaining profitability.

Against that backdrop, M&A is expected to remain targeted, with reinsurers favouring transactions that add scale, diversification or specialist capabilities rather than pursuing broader consolidation. ●

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CAPTIVES

Two new captive syndicates to launch

KEY POINTS:

- New syndicates could launch around 1/4
- Expected to each write around \$30m-\$40m
- Argenta has discussed with other prospects

Two new captive syndicates are set to enter the Lloyd's market next year, according to Argenta Private Capital.

Its managing director Robert Flach and executive director Kate Tongue told *Monte Carlo Today* that the two syndicates have now been given the go-ahead, and will both initially write premium of around \$30-\$40 million.

Tongue explained the timing of the launches would not need to be aligned with renewal dates as they would be able to transfer into the syndicates their existing books. However, she expects both to launch around the start of 1/4.

"We will set up its corporate member for them, talk through how to get the capital in, how it needs to be managed, do all the administration to try and take the pain away from that process," Flach added on Argenta's role.

"That's our only involvement really because there's enough to do just with setting up the captive syndicate and getting through everything on the management side."



(L-R) Robert Flach and Kate Tongue

The developments follow the establishment of Lloyd's first captive syndicate, widely reported to be owned by Google, formed under its revised captive syndicate model in June 2024. Syndicate 1100 is managed by Apollo Syndicate Management and was the first captive syndicate to launch in more than 20 years.

“It's taken Lloyd's a while to advertise and get over some of the issues but it feels like they are there.”

Despite some expectations, the launch could open the floodgates to more formations, amid more than 100 expressions of interest shown in the newly repurposed Lloyd's captive proposition, no other captive syndicates have since launched.

"We've looked at four or five over the last few years and only have one that's in, and now two have been given the go-ahead," Flach said, adding that the Lloyd's capital infrastructure was a big part of the appeal for these prospects.

"It's taken Lloyd's a while to advertise and get over some of the issues but it feels like they are there. It would be nice if that ballooned, because I think it is a good thing for Lloyd's, captives and insurers."

One of the new syndicates has been speaking with Argenta about the proposition for years, while the other was said by Tongue to be "quite new to us."

Tongue added how at least one of the new syndicates had sought to learn from the first captive's experience so far.

"They're talking to the brokers and the managing agents that looked after the first syndicate and getting the experience that way," she said.

Despite writing a relatively small amount of premium for Lloyd's she said they both had great "growth aspirations."

"Captives are quite different, there is a different fee structure, so they're able to do it at slightly smaller levels," Tongue added. ●

REPORT

Reinsurer returns leave room to take back frequency risk

Reinsurers have sufficient financial strength to take back more frequency risk at the January 1, 2027 renewals, according to Marsh Re, which points to abundant capacity and reinsurer returns continuing to outperform those of cedants.

"The 2023 reset moved risk to cedants," Marsh Re said in its 2027 renewal outlook released ahead of the Monte Carlo *Rendez-Vous*. "2027 will reflect a better balance."

Higher attachment points introduced from 2023 have reduced reinsurers' share of global catastrophe losses from the upper teens before the reset to the lower teens since then. In the relatively benign first half

of 2026, that share fell to just 8%. Marsh Re argues reinsurers' returns provide scope to absorb more volatility.

"Since 2023, cedants have carried the volatility and reinsurers have carried

the returns," it said. "A market earning above its cost of equity for a fifth year has the strength to take back some of the frequency risk."

That five-year assessment includes projections, however. Reinsurer returns moved above the cost of equity in 2023, with the spread reaching 11.3 percentage points. Marsh Re puts it at 9.2 points in 2025 and projects margins of 6.9 points in 2026 and 6.3 points in 2027.

Underwriting returns have already moderated, with P&C underwriting's contribution to ROE falling by around a third from its 2023 peak, while investment earnings remain a significant contributor. ●

“A market earning above its cost of equity for a fifth year has the strength to take back some of the frequency risk.”

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CASUALTY

Cat bonds are ever more appealing

There is a growing sense in the investment community that the correlation between stocks and bonds is closer than ever – and that makes the diversification of cat bonds more attractive than ever. This dynamic could tighten the spreads of cat bonds as more capital moves into the space, while also potentially making casualty structures more attractive to investors.

That is the view of Michael Millette, co-founder and managing partner at Hudson Structured Capital Management. He told *Monte Carlo Today* that such a trend has implications for ultimate cat pricing, which could move closer to credit than it has ever been – and soon.

At the heart of Millette's argument is the experience of institutional investors in 2022. Pension funds have traditionally allocated across stocks and bonds partly on the assumption that the two asset classes would provide some diversification against each other. But that assumption was severely tested when both markets fell together.

"Both markets fell, and the negative experience of each exacerbated the other such that it was one of the four or five worst years of the past century on a combined basis," Millette said.

More importantly, he does not see that experience as an isolated event. Instead, he believes there has been a longer-term drift towards greater correlation between stocks and bonds, with potential to continue.

Diversification matters

For investors searching for genuinely uncorrelated returns, that changes the calculation around catastrophe risk.

"The value of diversification has risen," Millette said. "I was a little surprised at the speed at which investors were willing to re-embrace cat risk in the aftermath of six difficult years from '17 to '22. I thought it might take longer, but I believe the reason was 2022 reinforced the value of diversification."

If that appetite proves durable, Millette believes the implications for catastrophe pricing could be significant. Rather than capital retreating as spreads tighten, investors might be willing to accept lower returns because of the diversification benefits the asset class brings to their wider portfolios.

"I believe we've reached a point where the market, which is now 30 years old, is likely to achieve pricing levels in the future that may

KEY POINTS:

- Stocks bonds correlation an issue
- Makes diversification more appealing
- Could move capacity to casualty sidecars

actually be tighter than the pricing levels that we saw in 2016 on a risk-adjusted basis," he said.

That challenges some established assumptions about where catastrophe risk should ultimately price.

Cat moves closer to credit

"Cat risk has traditionally cleared wide to credit," Millette said. "I think that we may finally get to the world that some of our theorists outlined in the 1990s, where cat trades tight to credit because of its value as a diversifier."

The consequences could extend well beyond pricing. Millette estimates that there is

and shorter," he said. "And that's something that reinsurers have to price in."

That development also helps explain growing interest in casualty sidecars. Millette sees a confluence of factors behind the trend. Cedants are interested in accessing additional capacity, while some private credit investors are searching for new opportunities as returns elsewhere become tighter. At the same time, specialist insurance investors concerned about softening catastrophe pricing are looking for alternatives.

Casualty needs precision

But Millette also sees reasons for caution. Following Covid, both underlying casualty insurance pricing and reinsurance rate on line increased. More recently, he believes that momentum has slowed, while there is less evidence that the underlying loss trend has done the same. "Social inflation is driven by both alt litigation finance and social attitudes," he said. "So we may be drifting back into a world where loss trend exceeds price increase."

He also questions whether some casualty sidecars are currently being structured with sufficient precision. For a class of business as complex as casualty, he would prefer greater specificity.

"I would love to see casualty sidecars that are much more focused on precise parts of the casualty market rather than being articulated as an asset class," he said.

The comparison with catastrophe risk is therefore imperfect. While investor demand for diversification might push cat further into the capital markets and ultimately tighten pricing, casualty presents a different set of challenges around liability selection and loss development.

Yet those two developments are increasingly connected. If cat spreads continue to tighten as more capital recognises its diversification value, investors will have an incentive to search for other insurance risks capable of delivering attractive returns.

That could create an opportunity for casualty – provided structures can give investors sufficient confidence about exactly what risks they are assuming.

As Millette put it: "We should see more focus on specific areas of value in casualty rather than just talking about the ability of the whole line of business to provide a venue for private credit. Casualty deserves to be loved on its own merits." ●



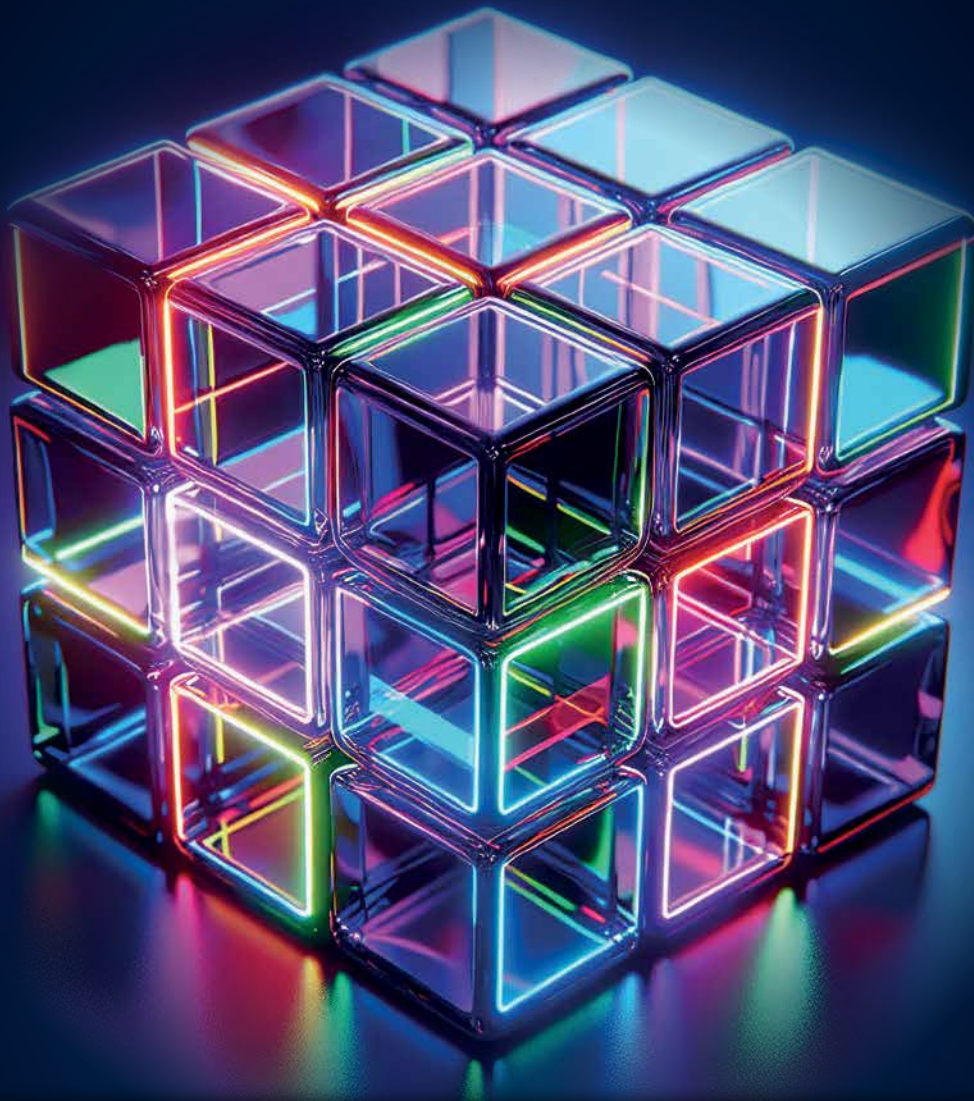
“The value of diversification has risen. I was a little surprised at the speed at which investors were willing to re-embrace cat risk in the aftermath of six difficult years from '17 to '22.”

currently around \$600 billion of catastrophe limit, depending on the measure used, with approximately \$140 billion coming from the capital markets – just under a quarter of the total. He believes that capital markets participation could ultimately become substantially larger.

His conclusion is that catastrophe risk is moving progressively further into the capital markets – potentially changing the traditional rhythm of reinsurance pricing. "The implication of that for reinsurers is cat cycles become tighter

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CASUALTY

Reinsurers eye 'least worst' casualty

As abundant capital forces further softening in property lines through 2026 and 2027, reinsurers able to easily move capital around could increasingly be drawn into writing more in the currently more attractive areas of casualty business – a “least worse” business line in these market conditions. But the consequence of that could mean initiating softening in what in those casualty lines that currently seem relatively well priced.

That is the view of Stuart Shipperlee, the managing director at Litmus Analysis and an expert in insurance ratings and credit analysis with more than 40 years of experience. He explained that rating agencies expect combined ratios to worsen in 2027, with S&P forecasting an average of 97% for the set of reinsurers it uses to benchmark the industry – and that reinsurers needing to deploy capital have few options.

At the heart of the problem is the pace at which conditions have already weakened in property. Shipperlee said softening through 2026, particularly in property, has been greater than anticipated by the main rating agencies. While a decline had been expected, the scale has surprised many in the market. “I think it’s more than most people expected, double digit rather than single digit,” he said.

Nor does he expect the pressure to disappear next year. “Pretty much everybody I talk to, including the agencies, expects probably the same degree of softening next year,” he said.

There are pockets of specialty business where conditions remain comparatively attractive, but Shipperlee sees the wider direction of travel as similar to property.

That creates an increasingly difficult strategic decision for reinsurers. Rating agencies expect them to respond defensively, protecting profitability rather than pursuing top-line growth in a deteriorating pricing environment.

KEY POINTS:

- Property rates falling
- Some casualty rates flat
- Doing nothing not an option

“What reinsurers need to do, and quite probably will seek to do in the aggregate, is try and go defensive to defend their profitability rather than try and, on a top-line basis, grow into an ever more unprofitable market,” Shipperlee said.

But simply standing still is unlikely to be a realistic option. “While it is undeniably sensible, probably in the pricing environment, to say, ‘We want to just kind of hang on as much as we can to the profits we’ve got, not just try and grow into a problematic market’, you can’t just sit still and optimise your position,”

he said. Instead, reinsurers are likely to look across their portfolios for areas where the economics remain relatively more attractive and shift their weighting accordingly.

The problem, according to Shipperlee, is that there are not many obvious places to go. Apart from selected areas of specialty, casualty contains some of the only business where pricing conditions could currently be described as broadly flat.

That does not mean casualty as a whole is attractive. Shipperlee highlighted areas where reinsurers are likely to remain particularly cautious. Elsewhere, apparent rate increases can be deceptive because they are required to address significant reserve deficiencies rather than representing genuine pricing improvement.

But there are also parts of casualty where the position is genuinely more stable. “Quite a few parts are probably genuinely flat or even improving,” he said.

For diversified reinsurers, that relative attractiveness creates an obvious incentive. The ability to move capital between different parts of the portfolio is a strength from a financial perspective. But in current market conditions, Shipperlee believes that same flexibility at the individual reinsurer level could create an undesirable consequence at the industry level.

His expectation is that reinsurers will move some capital away from property and weaker specialty areas and towards the better-performing parts of casualty.

“The inevitable conclusion is that all of these now very diverse insurers, which is a positive in terms of their financial strength, are going to move capital out of property, to some degree out of specialty, and put it into the more attractive lines of casualty,” he said. “And the only thing that can do is drive prices and terms and conditions down.” ●



“Reinsurers need to... go defensive to defend their profitability rather than... grow into an ever more unprofitable market.”

NEWS

Reinsurer returns leave room to take back frequency risk

Vantage Group Holdings has appointed Yves Charbonneau as chief risk officer and a member of its leadership team as the re/insurer pursues growth following its acquisition by Howard Hughes Holdings in June.

Charbonneau has nearly three decades of

actuarial and enterprise risk experience. He joins from Arch Insurance Company in Canada, where he headed the actuarial function. He previously spent more than 15 years at Arch Reinsurance in Bermuda, holding roles including chief risk officer, chief actuary and head of actuarial function for Arch Re Europe.

He succeeds Krista Robinson, who is leaving Vantage for a new opportunity.

Executive chairman Marc Grandisson said Charbonneau’s experience in enterprise risk, capital and reserving would support Vantage’s continued expansion under Howard Hughes Holdings. ●

CYBER

Cyber's roadblock is inflexibility

The cyber market needs to look beyond price if it wants to close the protection gap, with greater product flexibility potentially key to attracting buyers that do not see value in existing coverage, according to Ariel Re.

While the cost of cyber insurance is frequently cited as a barrier to greater take-up, the more fundamental question is whether the products being offered reflect what individual clients actually want to buy.

"Rate is very easy to scratch at with a narrative that someone's not buying because it's too expensive," Dan Carr, head of cyber at Ariel Re told *Monte Carlo Today*.

That challenge is particularly acute in cyber where buyers may not be privy to the significant loss exposures that the changing risk landscape continues to pose. Buyers therefore need both to recognise their exposure and believe the protection being offered represents sufficient value.

"At the moment, the general approach

KEY POINTS:

- Blanket cover value questioned
- Modular cover could unlock demand
- Understanding exposures key motivator

to cyber is an expanded 'one-size-fits-a-few' product. The real question is: why are more people not buying this because they have computers and therefore they have risk?"

Reducing price doesn't account for appropriate exposures, and thus cannot provide the answer. Instead, Carr proposes that the market could offer clients the ability to buy narrower protection against the risks that concern them most, rather than a blanket cover.

"In certain regions, in certain areas, or for certain clients, they might only care about one of 10 features that a cyber product actually provides," he said.

Rather than continually broadening

coverage, offering specific, modular products at a rate considered for that specific exposure could allow buyers greater coverage selectively.

"There's going to be a subsegment that doesn't want all the bells and whistles. They just want a thinner, specific component, and they want to pay less," he said.

The need for flexibility is becoming more pressing as AI adoption changes companies' technological exposures and creates risks that do not necessarily fit neatly within established insurance products.

The issue running alongside cyber coverage inflexibilities here is mind set: "How does the client see their risk, and how do they want to buy against that risk?" he said.

With ample capacity already available in cyber, the immediate constraint is not necessarily capital. "At the moment they're communicating to us they don't see the value. So we need to figure out ways to either articulate that or give them optionality so they can create more value in their purchase," he said. ●

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Cat bond boom masks structural issues

Catastrophe bonds continue to enjoy unprecedented momentum, fuelled by record issuance, strong investor demand and growing use by insurers and reinsurers seeking alternative sources of capital. Yet beneath that success lies a series of structural challenges that could shape the market's next phase of development, according to new research from investment firm Morningstar.

Those issues are explored in *Catastrophe Bond Fund Landscape*, published by Morningstar in August. While the report highlights the asset class's impressive growth and attractive performance characteristics, it also points to a market that remains concentrated among a small number of managers, constrained by limited capacity, characterised by relatively high fees and lacking a deep secondary market.

Catastrophe bonds – the largest segment of the broader insurance-linked securities (ILS) market – transfer the risk of predefined catastrophic events from insurers and reinsurers to investors. Unlike traditional fixed-income assets, returns are driven by the occurrence, or otherwise, of insured events rather than economic cycles or financial market movements, making them an attractive diversification tool for institutional investors.

Morningstar identified 43 dedicated catastrophe bond and ILS investment vehicles globally as of the end of June 2026, managing a combined \$37.7 billion in assets. The sector has attracted \$10.2 billion in net inflows over the past three years alone, with strong investment performance contributing further to asset growth.

But the report notes growth has been unevenly distributed. Assets are increasingly concentrated among a relatively small group of managers including Twelve Capital, Stone Ridge, Schroders, Fermat and GAM accounting for a significant proportion of the market. Indeed, the top 10 funds now represent around three quarters of total assets under management.

That concentration has created its own challenges. Two of the three largest catastrophe bond funds have already closed to new investors after reaching internally defined capacity limits, limiting access for prospective investors.

Assets increasingly concentrated

"Capacity constraints are increasingly visible, with some of the largest funds now closed to new investors, while fees remain significantly higher than those of traditional bond funds. Manager

KEY POINTS:

- Asset class promising but concentrated
- High fees can be a challenge
- Core perils still predominate

expertise, portfolio diversification and liquidity management are also critical considerations when evaluating catastrophe bond strategies," commented Mara Dobrescu, senior principal, manager research at Morningstar.

Morningstar argues that these closures highlight one of the defining characteristics of the catastrophe bond market: capacity is not unlimited. Unlike many traditional bond markets, catastrophe bonds benefit from only a limited secondary market, making it more difficult for managers to increase allocations without affecting liquidity or portfolio construction.

The report also suggests that building and maintaining a successful catastrophe bond business requires considerable scale and

catastrophe risks and structuring portfolios, but also to relatively limited competition among specialist managers.

Even exchange-traded funds have yet to deliver the lower-cost access seen elsewhere in fixed income. Morningstar noted that the market's only catastrophe bond ETF, launched earlier this year, carries an expense ratio exceeding many traditional open-ended catastrophe bond funds.

The report also questions how differentiated many catastrophe bond strategies really are.

Core perils dominate

Although every fund in Morningstar's database is actively managed, the report suggests it is often difficult to determine how substantially portfolios differ from the broader catastrophe bond market as represented by the Swiss Re Global Cat Bond Index. While some managers have expanded into so-called non-natural catastrophe risks, including cyber and terrorism, most remain heavily exposed to the traditional core perils of hurricanes, earthquakes and winter storms.

Those underlying risks are themselves evolving. Wildfires and floods are becoming a more important component of catastrophe bond issuance as insurers seek additional protection against increasingly costly secondary perils. At the same time, climate change continues to complicate catastrophe modelling by raising questions about whether historical loss patterns remain reliable indicators of future events. Newer risks, including cyber attacks, energy-related events and terrorism, present further modelling challenges because of their relatively limited historical experience.

However, Morningstar notes catastrophe bond performance has remained resilient. Although Hurricane Melissa triggered only the second full weather-related catastrophe bond payout since Hurricane Ian in 2022, the affected securities represented only a small portion of the wider market and had little impact on overall investor sentiment.

For insurers and reinsurers, the report reinforces the increasingly important role catastrophe bonds play in diversifying sources of risk capital. But it also suggests as the market matures, issues including capacity constraints, liquidity, concentration among managers and specialist expertise become just as important as issuance volumes in determining the evolution of the asset class. ●



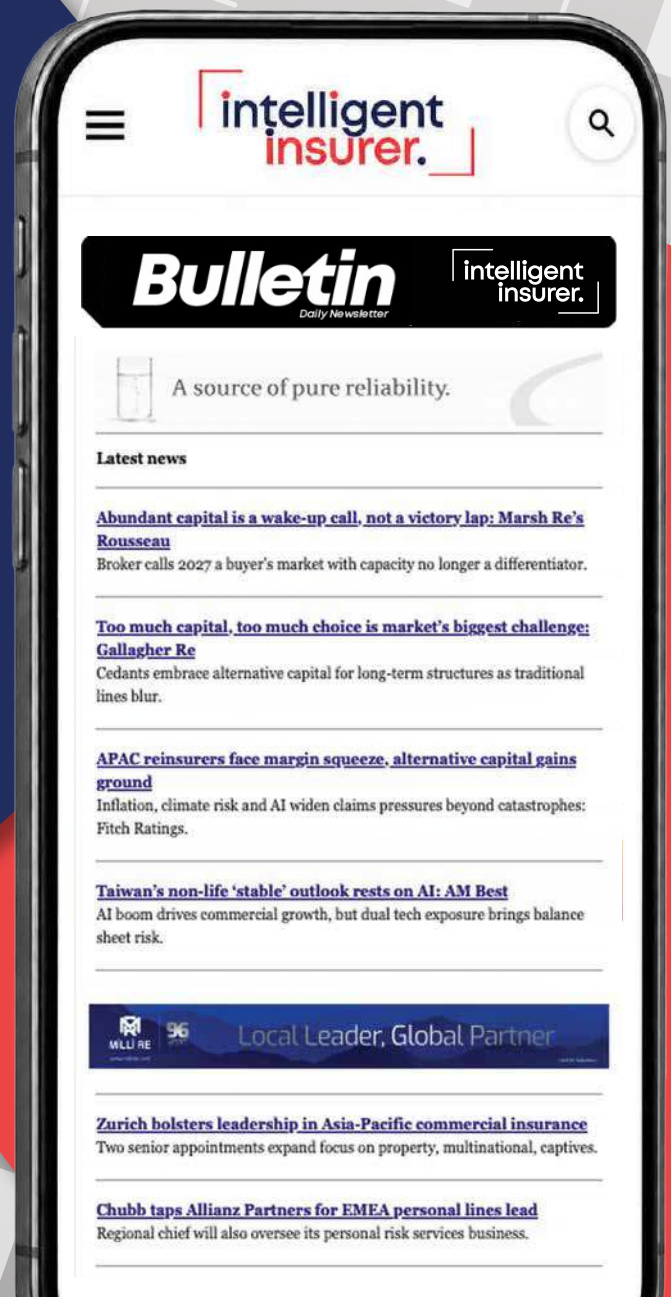
specialist expertise. Over the past three years, seven new catastrophe bond or ILS funds have launched, but 13 have either merged with other vehicles or been liquidated. While some reflected normal fund consolidation or the maturity of fixed-term products, others saw established managers exit the asset class altogether, illustrating the challenges of sustaining specialist ILS capabilities without sufficient scale.

Fees remain another distinguishing feature of the market. Morningstar found that the average annual representative cost for catastrophe bond funds stands at around 1.14%, considerably higher than the typical global diversified bond fund, where costs are generally below 0.70%. The report attributes this partly to the complexity of analysing

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GROWTH

New products to drive 2027 growth

New products and specialties are emerging as the strongest growth opportunity for the insurance market in 2027, according to the Intelligent Insurer pre-renewals season survey 2026. Respondents are looking beyond traditional portfolio expansion towards areas where underwriting expertise and product innovation can support growth.

Almost half identified new products or specialties as where they expect growth opportunities in the year ahead. Expanding existing portfolios followed, with 39% of the selection. The findings suggest, even as market conditions become more competitive and pressure grows to maintain underwriting discipline, growth strategies are increasingly focused on finding new areas of opportunity rather than rely solely on writing more of the same business.

Strongest underwriting opportunities identified for the next 12 months lie in areas where growth could emerge. Property catastrophe was the clear leader, selected by 41%, while cyber and structured or alternative solutions, including captives and parametric products, were each chosen by 34%.

Specialty lines also featured prominently, with 24% of respondents identifying them as among the strongest underwriting opportunities.

The results suggest growth expectations are concentrated in areas where risk is becoming more complex, specialised or difficult to address through conventional insurance structures.

Property catastrophe remains an important opportunity despite continued uncertainty around catastrophe losses and pricing, while cyber continues to offer potential as organisations face an evolving threat environment. Structured and alternative solutions could also become an increasingly important part of growth strategies.

KEY POINTS:

- New specialties lead growth ambitions
- Property cat remains top UW opportunity
- Cyber, structured solutions gain ground

Respondents identified such solutions as one of the strongest underwriting opportunities over the next 12 months, while 25% said structured solutions, including captives and parametric products, represented a 2027 growth opportunity.

The prominence of these products indicates that growth might increasingly depend on insurers and reinsurers developing solutions that can respond to risks not easily accommodated by traditional policies.

AI-enabled underwriting and operations also ranked among the leading growth opportunities, selected by 32% of respondents. The same proportion identified improving portfolio profitability, underlining the fact that growth is not being viewed purely in terms of premium expansion.

Instead, the survey points to a more selective approach in which technology, underwriting efficiency and portfolio management could all play a role in supporting expansion.

Expanding existing portfolios remains an important part of that strategy, with nearly four in 10 respondents identifying it as a growth opportunity. However, the stronger response for new products or specialties suggests businesses might see greater potential in broadening their capabilities rather than simply increasing exposure within established portfolios. Entering new lines or geographies and developing structured solutions were each selected by 25% of respondents. MGA partnerships were

cited by 18%, while alternative capital was selected by just 7%.

The overall picture is one of targeted, as opposed to indiscriminate, growth.

With one respondent warning that “everything is under pressure”, the survey nevertheless identifies clear pockets of opportunity.

For now, the strongest signals point towards businesses that can develop new specialties, address complex risks and use technology and alternative structures to best effect. ●

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Where are you seeing growth opportunities for your business in 2027?	
New products or specialties	46%
Expanding existing portfolios	39%
AI-enabled underwriting and operations	32%
Improving portfolio profitability	32%
Entering new lines or geographies	25%
Structured solutions (captives/parametric)	25%
MGA partnerships	18%
Alternative capital	7%



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