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BADEN-BADEN TODAY

Munich Re open to aggregate covers but only where interests align with cedants


Patrice Michellon

MUNICH RE IS OPEN TO AGGREGATE covers as European insurers seek more protection against the accumulation of frequent weather losses – but its senior executives also stress that any new structures must be economically sustainable.

"We are always open to developing effective solutions – and that includes aggregate coverage," Patrice Michellon, chief executive of Continental Europe at Munich Re, told *Baden-Baden Today*. "But an alignment of interests and adequate terms and conditions are important."

A return to structures that had once proved unsustainable would not solve the problem, he said, stressing the importance of reinsurers holding the line despite more capacity being available and pressure from cedants and brokers.

His comments came in the context of this issue being a big talking point at Baden-Baden. Many participants have debated whether greater capacity will give cedants more room to revisit catastrophe programme structures at the January renewals. 3

GROW THE PIE: buy better, innovate more while market is soft


(L-R) Lars Nelson, Alexander Roth

"THE QUESTION IS WHAT THE PROGRAMME DOES in a bad year, not what it costs in a good year," says Lars Nelson, managing director and head of Germany at Howden Re.

Rates are falling and buyers have leverage, but the more interesting question is whether those savings can strengthen protection against losses accumulating within retentions rather than simply make the same programme cheaper.

In Germany, repeated hail, convective storm and flood losses have often remained with cedants. For some insurers, Nelson said, accumulated losses from smaller and medium-sized catastrophe events in 2024 have exceeded those experienced in 2021, when the Bernd flood produced a far larger single loss. Renewals since 2022 have shifted the risk-sharing balance with medium-sized natural catastrophe years now having a greater impact on insurers' net results, as primary insurers' retentions have increased significantly following Bernd. 4

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

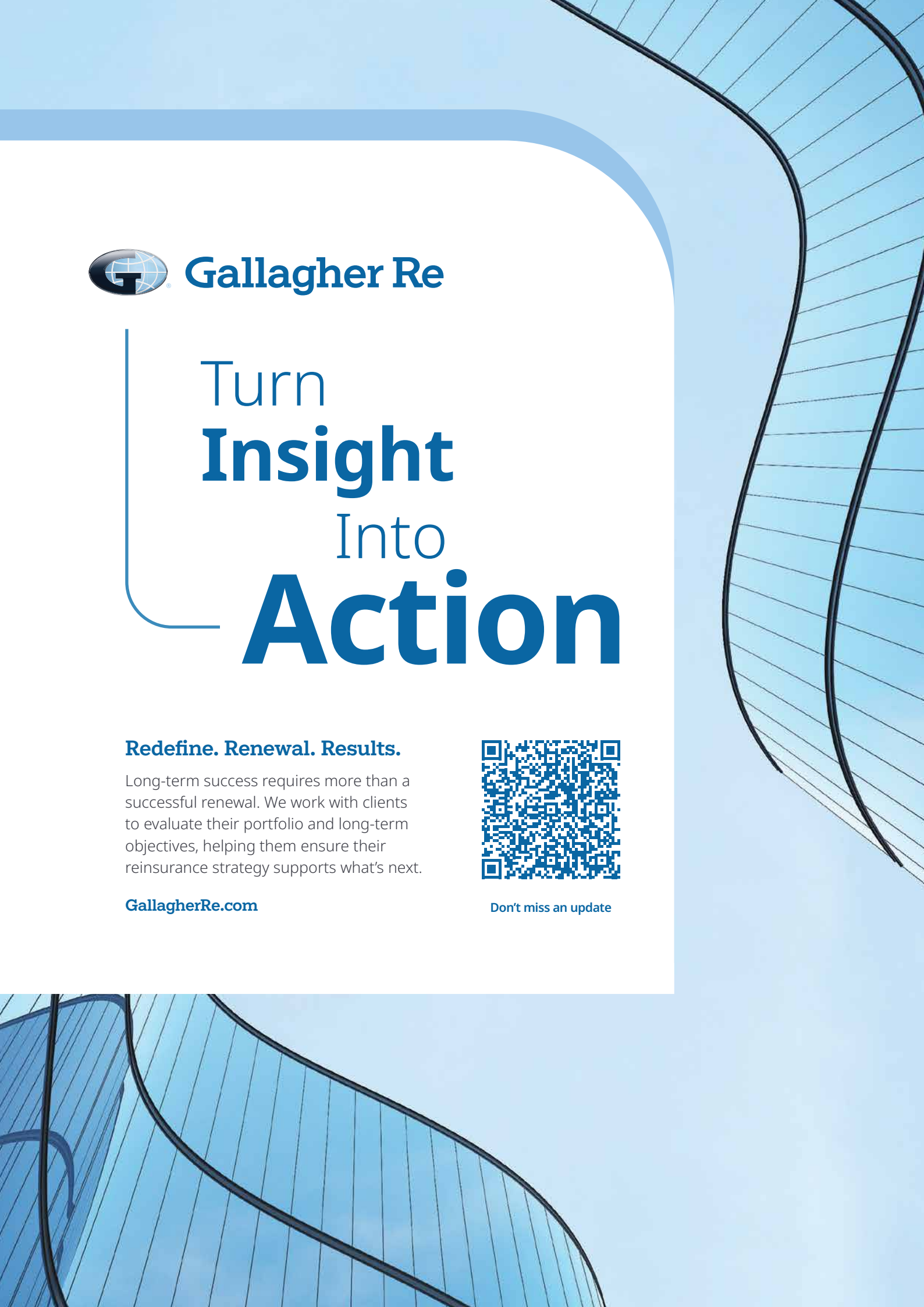

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COVER STORY

Aggregate covers possible if sustainable

"I would say that buyers have more choice, and brokers are definitely pushing for lower prices and broader terms," Michellon said.

But he cautioned against that trend representing a uniform shift across Continental Europe.

"There is no such thing as one single European market. The conversation always depends on specific countries, the performance of each individual portfolio and different strategies with different clients."

That distinction sits at the core of Munich Re's approach to renewals. The reinsurer is prepared to deploy more capacity where it believes the underlying economics support it, while continuing to assess individual portfolios based on their own performance and risk characteristics.

"As always, we are open and ready to deploy more capacity and provide solutions to our clients where the economics make sense. That is the rule," he said.

The stance is also consistent with Munich Re's approach through the harder phase of the catastrophe market. When a significant amount of nat cat capacity was withdrawn in 2021 and 2022, Munich Re increased its own capacity, including in Europe, arguing that catastrophe risk could still be managed profitably within a diversified portfolio.

Now that capital has returned and competition has intensified, the company is not signalling a retreat from that business. But neither does it see greater capacity as sufficient reason to relax underwriting standards.

"Flexibility, in general, cannot come at the expense of sound underwriting, clear contracts and an adequate return on risk. It has to benefit both sides," said Michellon.

"We want to grow the lines. We want to enter in new innovative segments, but it needs to be something possible as well," he added.

Retaining more risk

That creates an important discussion around programme structures. Higher attachment points introduced during the hard market left primary insurers retaining more frequent losses. At the same time, Munich Re's own analysis suggests those non-peak events are becoming a larger part of the European risk picture.

Floods, severe thunderstorms and wildfires increasingly contribute to the cumulative loss burden, while small changes in hazards such as hail can produce disproportionately large increases in claims. "Non-peak perils are definitely not a secondary issue," Michellon said.

KEY POINTS:

- Munich Re open to aggregate covers
- Underwriting discipline must hold
- Europe not a single market

Munich Re's wider message at Baden-Baden is that this is also where technical expertise becomes more important.

Capital on its own does not determine the value of a reinsurance relationship; understanding how exposures and claims trends are changing is increasingly important to deciding where that capital can be deployed sustainably.

Motor insurance provides one example of why Munich Re is reluctant to make broad judgements from headline market indicators.

> "I would say that buyers have more choice, and brokers are definitely pushing for lower prices and broader terms."

"Lower inflation does not mean claims costs have stopped rising," Michellon said.

Between 2017 and 2025, average motor claims costs rose by around 5.3% a year, compared with roughly 3% for consumer prices. Spare-parts costs increased faster still, while more sophisticated vehicles, specialist labour and higher medical costs continued to push claims higher.

European markets have also adjusted at different speeds. Some insurers responded quickly to the inflation shock with substantial repricing and restored profitability, while premiums in other markets are still catching up with accumulated claims inflation.

"In motor, for example, we still expect costs to rise faster than general inflation, and in some markets, premiums are still catching up," Michellon said.

The company describes this as "knowledgeable capacity": combining capital with portfolio analysis, claims expertise, modelling and experience across markets and cycles.

Munich Re has used its Baden-Baden briefing to stress the importance of reliable capacity over the cycle, alongside claims expertise, liquidity and the development of new forms of coverage. The company argues that those capabilities become particularly relevant when capacity is plentiful and buyers have more choice.

Michellon made the same point when discussing what cedants should consider beyond the immediate economics of a renewal.

"There is more than just capacity," he said. "I think we have demonstrated that over the years. We have a solid track record of delivering that, and that is something that is recognised and also valued by our clients."

Growth potential

That does not mean Munich Re sees a lack of opportunity. Michellon said there is room to grow across Continental Europe where terms, economics and client strategies align.

"Right now, there is growth potential everywhere, but as always, it really comes down to adequate terms and conditions and a real alignment of interests."

Cyber is one area where Munich Re wants to expand despite softer rates. The company sees a substantial protection gap as digital dependence grows and AI, geopolitical tensions and interconnected systems reshape the threat landscape. But growth must be accompanied by clear coverage boundaries and control of systemic accumulation.

"I would say that the starting point is always the same: clarity. We need to explain to our clients what is covered and where the boundaries must lie. Systemic accumulation is a real challenge, and we have to manage it responsibly," he said.

Asked what keeps him awake at night, he said: "Making sure that our clients understand that they are choosing the right partner. They are not just choosing price.

His advice heading into renewals: "Choose your partner and not just the price."

MARKET

Grow the pie: buy better, innovate more

Reinsurers are unlikely to give much ground on attachment points, he believes, which is bringing retention buydowns, aggregate and frequency protection, pre-paid reinstatements and more creative structures below traditional layers back into the renewal discussion.

"Don't focus only on price discussions and what you can save," Nelson says. "Take the savings you achieve and reinvest them intelligently to make your overall reinsurance buying more resilient."

Buy better

Switzerland has its own version of the same problem. Flood and severe convective storm have never really been regarded as secondary perils there, according to Christian Schaer, head of Howden Re Switzerland, and the large hail event in August has put aggregate losses and earnings volatility firmly back on insurers' agendas.

"It isn't a market-changing event, but it means Swiss insurers are focusing even more on aggregate losses, event-frequency protection and annual earnings volatility," said Schaer, head of Howden Re Switzerland.

Frequency covers, parametric solutions, captive structures and alternative programme designs are consequently getting more attention, while clients are also reassessing retentions and limits.

Programme improvement can also come through contract wording. Nelson pointed to loss-occurrence definitions and hours clauses as areas where buyers can still pick up value, particularly if their terms have not kept pace with changes agreed elsewhere in the market.

"Our ambition is not just to help clients achieve a good renewal", Schaer said.

"It is to help them build a programme that remains effective when the next unexpected event occurs." The opportunity isn't simply to buy the same programme more cheaply. It's to buy a better one for the longer term."

Diversify early

Alexander Roth, managing director and head of alternative solutions at Howden Re International, sees another advantage in acting while conditions are favourable. Buyers can establish relationships with alternative sources of capital before those relationships become essential.

KEY POINTS:

- Rethink structures, retentions and limits
- Use savings to build stronger cover
- Innovation can make the pie bigger

"Clients who diversify their panels now will be better prepared when capacity tightens as the market will turn again." Roth said.

Structured reinsurance, parametric solutions, insurance-linked securities and catastrophe bonds can all sit alongside traditional capacity. "They won't replace the traditional market, but they're an interesting addition and give clients flexibility," he said.

For larger clients, Roth said, the discussion is increasingly about balancing several competing demands at once. Many still have ambitious growth targets, while also facing higher dividend expectations and pressure to control earnings volatility. "Many clients are comfortable addressing two of the three, but all three together can be a bigger topic," he said.

> "We're making the overall pie bigger, rather than simply competing with peer brokers."
>
> Lars Nelson

The aim, he argued, is to "smooth some of the extremes of the cycle" by building a broader set of relationships and structures before conditions become difficult.

Parametric cover also opens possibilities where traditional indemnity products struggle. Building a broader mix of capital and structures, he said, can also reduce reliance on whichever part of the market happens to be most competitive at a particular point in the cycle.

"We don't want to pitch individual products," Roth said. "We want to understand clients' strategies, what they want to achieve over the next few years and their key challenges."


Christian Schaer

Look both ways

There is another risk that might be getting less scrutiny than it deserves. Roth said while much of the industry's attention remains fixed on underwriting exposures, some German and European insurers also carry substantial private-credit portfolios.

"Everyone talks about liability-side risks, but asset-side risks can be underestimated," he said.

Changes in long-term yields, inflation or wider macroeconomic stress could affect those holdings and eventually feed back into liabilities and future claims.

He believes insurers need a fuller view of what is driving risk on both sides of the balance sheet.

None of the executives sees alternative capital or newer structures displacing conventional reinsurance. Nelson described them as additional "tools in the toolbox", while Schaer wants the current market to produce new structures and innovative solutions, rather than simply cheaper versions of existing programmes.

Howden Re says it has placed more than 30 new strategic purchases for international clients during 2026, while demand for aggregate protection has risen sharply.

"It's important to say we're on the innovation side," Nelson said. "We are not here only to compete for existing business, but also to innovate and grow the pie. We want to implement new solutions and create new business benefiting both reinsurers and ceding companies.

"We're making the overall pie bigger, rather than simply competing with peer brokers for existing business."

UNDERWRITING

Motor insurance enters a new risk era

Nat cat, autonomy and electrification are changing the motor risk landscape. Swiss Re's Sophia Reich explains the challenges the industry must adapt to across all disciplines.



Motor insurance is being pulled beyond the traditional model of driver accidents. Severe weather can damage thousands of vehicles at once, EVs are changing repair economics, and increasing autonomy is introducing new questions around data, liability and systemic exposure.

Severe weather is adding another dimension to motor claims. While motor remains fundamentally an accident risk, Reich said, recent events have reinforced the need to view portfolios through a more explicit nat cat lens.

Nat cat is a motor risk

"Severe weather can affect thousands of vehicles simultaneously and generate substantial, geographically concentrated losses," Sophia Reich, head of motor at Swiss Re, told *Baden-Baden Today*. "This can turn an otherwise diversified Motor portfolio into a significant accumulation exposure."

Recent market loss examples include around €1.3 billion of motor losses from the July 2023 Italian hailstorms and approximately CHF 800 million of motor own-damage losses from storms in Switzerland in August 2026.

Hail can be particularly damaging when highly localised storms hit densely populated areas, dealerships or fleet locations.

Flood presents similar concentration potential. Exceptional rainfall in the UAE in April 2024 contributed to approximately $300 million of market motor losses.

Motor liability can also produce less obvious catastrophe-scale exposures. In Spain in 2021, an electrical fault in a vehicle ignited vegetation and developed into a wildfire affecting around 22,000 hectares.

"A single vehicle-related ignition can potentially turn a traditional motor liability exposure into a nat cat-scale event," Reich said.

Insurers are responding through better forecasting, early warning systems, geospatial data, covered parking and more active portfolio steering. Vehicle connectivity could also allow more targeted warnings of severe weather.

But Reich sees no single answer. "Effective mitigation requires a combination of underwriting, pricing, accumulation monitoring, claims preparedness and practical prevention measures," she said.

KEY POINTS:

- Motor nat nat accumulation is growing
- Underwriting and claims to evolve
- EVs are changing repair economics

"The industry's ability to insure autonomous vehicle technology at scale will depend not only on advances in underwriting, but also on claims functions adapting to this changing risk landscape," Reich said.

That shift is already visible well before full autonomy arrives. Liability is becoming more complex as responsibility moves beyond the driver to manufacturers, software providers, sensor suppliers and fleet operators.

"Much of the evidence required to establish liability will reside within the vehicle," Reich said, pointing to data logs, software status, operating mode, sensor information and takeover requests. Claims teams will therefore need expertise in data and software interpretation, accident reconstruction and product liability, while insurers will require reliable access to vehicle data to establish responsibility and pursue recoveries.

> "Recent loss experience means we need to apply a nat cat lens to motor accumulation management."

Autonomy also introduces an accumulation potential unfamiliar to traditional motor portfolios, which insurers need to anticipate and adapt their underwriting practices, exposure management and product design accordingly.

"A common software defect, cyber incident or faulty over-the-air update could potentially affect many vehicles simultaneously," Reich said. "That creates a more concentrated and systemic exposure than the independent driver accidents on which traditional motor insurance has largely been based."

Changing claims

Electric vehicles are already testing claims models in a different way. EV repairs tend to cost more and take longer than comparable internal-combustion-engine vehicles, although Reich stressed that the gap varies considerably between markets, models and types of damage.

According to the German Insurance Association (GDV), comprehensive EV claims were around 15–20% more expensive than comparable ICE vehicles during 2021–23, while Thatcham Research reported that UK repairs have been reported at around 25% more expensive and 14% longer.

"The underwriting response is better segmentation," Reich said. That means understanding vehicle type and usage, manufacturer and model mix, repair network availability, parts lead times and whether damaged batteries are repaired or replaced.

"As new brands enter the market and model ranges change more rapidly, insurers should also assess whether spare parts, software updates and repair expertise will remain available throughout the vehicle's useful life."

All modern vehicles are laden with tech for driver assistance and safety, ramping up repair costs. "Headline inflation does not tell us enough about what is happening inside a motor claim," Reich said.

Bodily injury has its own pressures, from wage growth and medical costs to shortages of care professionals, legal frameworks and changes in discount rates used to value future losses.

These issues will shape Swiss Re's discussions with cedants in Baden-Baden, from how portfolios are being steered and where accumulations sit to whether treaty structures and event definitions properly reflect the underlying exposure. As the risk changes, Reich said, both underwriting and claims will need to change with it. ●

EXPANSION

Munich Re Specialty deepens Europe push

Munich Re Specialty is pushing further into continental Europe with a new Italian operation, a broader product offering and plans to take more "lead" positions in the markets where it is already established.

Italy will be the latest addition to a European build-out that has taken the business into Spain and Germany, with construction and engineering, property and surety forming the initial offering. Professional indemnity and casualty are also being added progressively elsewhere as the insurer expands the range of specialty business it can write for mid-market clients.

"We are building a European primary specialty insurance business for the long term through measured expansion focused on commercial clients in the mid-market," Silvi Wompa Sinclair, CEO Europe at Munich Re Specialty – Global Markets, told *Baden-Baden Today*.

The approach, she said, is deliberately focused rather than attempting to enter each market with a full suite of products from the outset. Munich Re Specialty is focusing initially on construction and engineering, renewable energy, property and surety, while adding further lines step by step.

Wompa Sinclair described the proposition as "selective, yet meaningful", built around long-term commitment to individual markets, local underwriting expertise and close relationships with both regional and global brokers.

"Each market we enter builds on the successes and the lessons learned from the one before," she said.

Italy fits closely with the existing portfolio. It is Europe's third-largest insurance market after Germany and France, according to Munich Re Specialty, with significant property and construction business. It is also Europe's second-largest surety market after Germany, while surety is one of the central pillars of the insurer's European expansion strategy.

The build out is also changing the role Munich Re Specialty wants to play on individual risks.

In Spain, where it has been writing risks since early 2025, she said, Munich Re Specialty is now ready to take greater responsibility on the risks it writes. In Germany, it already does so in surety, while property and construction remain on a follow basis for now, with plans to take "lead" positions in those classes in 2027.

KEY POINTS:

- Italy next step in European expansion
- Local underwriting key to strategy
- Surety remains a core, counter-cyclical

Wompa Sinclair sees room for differentiation because the number of carriers willing to take that responsibility remains relatively small.

"The amount of lead carriers – ca. 4-5 per market – compared to follow carriers – ca. 40-50 per market — remains limited," she said.



> "We are building a European primary specialty insurance business for the long term."

"Being a lead carrier with strong underwriting expertise still provides an excellent route to differentiation."

That imbalance is also one reason she believes parts of the portfolio can be less exposed to pricing cycles, with fewer insurers capable of setting terms at the lead end of the market.

The model depends heavily on local underwriting authority. Munich Re Specialty is putting underwriters in-country alongside claims expertise rather than building continental Europe predominantly through a central underwriting hub.

"Providing access to locally based, knowledgeable underwriters, who speak the local language, hold the local relationships and inherently understand the risk, is a prerequisite for success in specialty lines in Europe," Wompa Sinclair said.

Brokers, she added, consistently want responsive underwriting within their local market.

Different cycles

That expansion comes as competition is increasing, but Wompa Sinclair cautioned against treating Europe as if it were experiencing a single, uniform soft market.

"Like everyone else, we operate in a cyclical market where rates have been softening, but not across all lines, and technical profitability has largely held," she said.

She sees several characteristics of Munich Re Specialty's target business as moderating those pressures.

"European regional markets tend to be less cyclical compared to international centres like London or New York, as capital flows typically are smaller and slower," she said.

The mid-market can also behave differently from large corporate business because deployed capacity and carrier interest are lower. Surety, meanwhile, is considered counter-cyclical and forms one of the pillars of the company's European expansion.

Wompa Sinclair nevertheless expects conditions to move quickly.

"Because the softening we now experience came on rapidly, we think there's a likelihood that the subsequent hardening will happen just as quickly," she said.

The wider Munich Re Group is another part of that proposition. Wompa Sinclair said access to expertise across the group becomes particularly useful as geopolitical and systemic risks make underwriting decisions more complex.

"The environment we're operating in today is less predictable than it was even two or three years ago," she said.

"Now more than ever [underwriters] are under pressure to read a new situation quickly and accurately, respond in real time, and maintain the discipline to stand by their decisions."



The market needs choice. But choice only creates value when it is matched by insight, judgment and the willingness to challenge what has gone before. Clients deserve a broking partner that brings them new thinking and creates genuine competition for their risk.

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CYBER

Cyber re/insurance will converge

Today, the cyber re/insurance market is broadly demarcated between how cedants buy cover: more mature markets look for higher limits, comprehensive coverage and cheaper premiums; less mature ones are more focused on securing capacity because of exposure concerns.

But at some point, the two markets will converge when it comes to buying cyber re/insurance cover, Tokio Marine Kiln head of cyber reinsurance solutions Cesar Silvestre told *Baden-Baden Today*.

"Recently, in one part of Europe, there's a lot of worry about limits," said Silvestre. "They want high limits, even if it's not justified for that exposure."

However, Silvestre cautions against making the distinction too absolute, emphasising that markets show "combinations of the three" – limits, coverage breadth and price – depending on their maturity and circumstances.

It's the same thing when it comes to reinsurance. Mature markets are moving towards non-proportional excess-of-loss (XoL) protection, while less mature markets tend to use quota share reinsurance to protect capital.

Silvestre said he expects emerging markets to mature and eventually reach a point where they meet today's more mature markets.

At a time when cyber attacks are increasingly linked to nation states, how would Silvestre reassure potential buyers that they would still be covered? Cyber war and state-sponsored attack exclusions are broadly settled in the market, Silvestre said. Instead, current discussions centre on affirmatively including AI-enhanced cyber threats in policy wording, which he distinguishes from AI errors and omissions exposure.

KEY POINTS:

- Mature markets want higher limits
- Capacity most pressing for emerging markets
- Cedants weigh XoL versus quota share



> "The solution is not to eliminate the systemic cyber risk, which is basically impossible."

But, from a reinsurer's perspective, unlike an easy-to-understand isolated peril such as a one-off flood or storm, in cyber a single incident can hit thousands of balance sheets worldwide in minutes.

"This is one of the main concerns everywhere," said Silvestre. "When you model a natural catastrophe, you more-or-less know what to expect and in what sort of time frame. Sometimes you create a more or less accurate model, and the week after that, the model is obsolete because the threat landscape has shifted already.

"The solution is not to eliminate the systemic cyber risk, which is basically impossible. The work we have ahead is to make it measurable, manageable and commercially sustainable."

Silvestre said: "The exciting thing about cyber is that it doesn't stagnate. It's ever shifting. We need to allow ourselves to get all the information, experience and expertise which other lines have that have been insured and reinsured for decades.

It's not as easy, because of the systemic exposures which can come from business interruption or supply chain attacks or massive malware or ransomware campaigns, but that's also what makes it interesting. We work on this a lot at Tokio Marine Kiln."

NEWS

P&I rate increases to slow at renewals despite UW losses

International Group P&I clubs are expected to raise rates by about 4% on average at the February 2027 renewals, less than a year earlier, according to S&P Global Ratings.

The agency expects most of the 12 clubs to announce general increases of between 0% and 6%, with actual increases typically coming in below the levels announced the previous October.

The slowdown comes despite continued underwriting losses. The group's weighted average combined ratio was 104.8% for the year to February 2026, producing losses of almost $220 million. S&P expects the ratio to remain around 105% this policy year, although clubs publishing half-year results averaged 98%.

Pool claims have eased from the record 2024 year, but 2025 still shows more than $400 million of gross losses from 17 notified claims at 18 months. Four pool claims were notified in the first six months of the current year, compared with five a year earlier.

Investment returns of $340 million helped almost all clubs post profits last year and left many with record capitalisation. S&P expects investment income to fall significantly, however, and said some clubs could report net losses this year as market volatility weighs on bond portfolios.

Strong capital could also limit clubs' ability to push through larger increases, making negotiations with shipowners tougher. Reinsurance pricing is expected to rise as reinsurers factor in the MV Dali loss, estimated at more than $2.8 billion, which has reached the collective overspill layer of the International Group programme.

The Middle East conflict is another factor. Clubs offering commercial war risk cover are expected to see significant premium growth, while standard mutual P&I exposure has so far been limited.

S&P expects most club ratings to remain unchanged. Nine carry stable outlooks, two positive and one negative. It warned, however, that persistent underwriting losses could trigger reassessment if they begin to strain capital without support from a favourable investment environment. The agency will assess through 2027 and 2028 whether rate increases are sufficient to restore sustainable technical performance.

FACULTATIVE

Fac to the future of risk transfer

Facultative reinsurance is moving from a tactical purchase to a strategic growth tool for insurers, the global CEO of facultative at Aon's Reinsurance Solutions explains.



Facultative reinsurance is becoming a more strategic part of insurers' growth plans as they look to expand without excessive strain on their balance sheets. That's the view of Nick Fraccalvieri, global CEO of facultative at Aon's Reinsurance Solutions.

He says insurers can use facultative not simply to cover individual risks, but to support growth while managing the additional exposure expansion creates.

"Every time they expand, they expose their balance sheets a little bit more than is perhaps desirable," Fraccalvieri told *Baden-Baden Today*. "The most efficient way to grow is strategically to utilise facultative as a lever.

"By buying facultative capacity where appropriate, clients can continue to expand while actively managing and mitigating exposure, rather than placing additional strain on their balance sheet"

With competition across the insurance and reinsurance markets intense, and reinsurers continuing to report profitable combined ratios, Fraccalvieri said facultative capacity was plentiful and the cost of cover "quite competitive".

KEY POINTS:

- Clients using fac as strategic growth tool
- Facilities offer certainty and flexibility
- Digital tools cut friction, aid adoption

Bringing fac and treaty together

Aon is encouraging clients to think about treaty and facultative strategy together as they approach the 2027 renewals rather than treat the two as separate purchasing decisions.

"By expanding beyond a single transaction approach, we develop optimal risk transfer strategies that might encompass elements of treaty, fac, insurance-linked securities and parametric. This capital flexibility to client needs can help to enable top line growth," Fraccalvieri said.

This approach gives clients greater flexibility in how they deploy and protect their capital, preserve treaty capacity and selectively take on additional business without increasing aggregate exposure beyond their desired risk appetite. In effect, it creates an additional capital allocation lever, enabling clients to turn risk transfer into a tool for unlocking capacity and accelerating profitability.

Aon is also seeing growing interest in cedant facultative facilities, which allow them to secure facultative capacity at agreed terms with stable counterparty risk management in advance. Such facilities also provide flexible access to reinsurance, at clear terms and conditions and with more efficient administration.

"With facilities we can structure customised solutions, from single product and geography, to complex multi-line and global programmes," Fraccalvieri added. "I don't think there are many brokers that can sit down with their clients, articulate their needs and help develop a full global facility that is aligned to their particular business aims," he noted.

> "The most efficient way to grow is to strategically utilise facultative as a lever."

Removing the friction

One obstacle to wider use remains the administrative intensity of facultative placements. "It's very frictional, very intense in terms of management," Fraccalvieri said.

Aon is seeking to digitise more of the placement process. From January 2027, its trading platform is expected to be able to analyse information regardless of the format in which it arrives.

By mid-to-late 2027, the broker hopes the technology will further help guide brokers towards markets suited to particular products and risks.

"As we remove friction, as we make the process more efficient, the benefits will be felt by our clients, which will be even more attracted to facultative capacity as a result," he said.

Data shaping strategy

Data generated through placements is also giving Aon a broader view of clients' portfolios, including where they are writing business, the classes involved and whether exposures are primary or excess, property or casualty.

Some clients do not collect or analyse their information at such a level, Fraccalvieri said, allowing Aon in some cases to provide a portfolio-level view they do not have themselves.

That data can also help identify market trends earlier and adjust advice as conditions change.

"The quicker we can adapt and develop and utilise these advanced tools, the quicker we can help our clients to make even better business decisions at the appropriate time," he said.

For him, the underlying proposition comes back to growth – insurers need to continue looking for profitable growth opportunities without allowing expansion to place excessive strain on their balance sheets.

"There are two ways to do that – either expose your balance sheet to the unknown, or utilise facultative as a way to mitigate potential or realised exposures," he said. ●

Nick Fraccalvieri is the global CEO of facultative at Aon's Reinsurance Solutions. He can be reached at: nick.fraccalvieri@aon.com

INSURABILITY

Blanket exclusions are not the answer

"We as an industry far too often simply exclude things rather than spend the time and invest the money to actually understand them."

Julian Enoizi, CEO of Marsh Re Europe, was talking about artificial intelligence, but his point reaches much further into the renewal debate now unfolding in Baden-Baden.

Marsh has taken a firm position against broad or absolute AI exclusions, warning that blanket restrictions risk creating gaps in cover as the technology becomes embedded across businesses. Earlier this month, Marsh Risk and Marsh Re wrote to insurance and reinsurance market leaders setting out those concerns, with Marsh Re calling for reinsurance to mirror underlying primary cover for routine AI applications.

Enoizi strongly backs that stance, but says the principle also applies to climate change, the reconstruction of Ukraine and geopolitical disruption, where the industry should spend more time working out how to provide cover rather than default to exclusion.

"If you start to apply a blanket exclusion to something that everybody is using, where does that leave us?" he told *Baden-Baden Today*. "That's just lazy."

"There is far more risk than there is capital to insure it," Enoizi said. "It's just that we, as an industry, are not looking to find ways to insure it.

"What are we doing about climate change and the reconstruction of Ukraine?" he asked. "What's our role in finding ways to help insure our way out of the Middle East crisis and the oil crisis?"

"We're just simply walking away from it and excluding it, as opposed to leaning in and trying to find ways to say, look, we've got all this capital. Let's find products that we can actually offer to industries that need it, or situations that need it, and deploy them, and grow the size of the pie and make more money as a result."

The instinct to find a structure for risks the commercial market struggles to absorb is familiar territory for Enoizi, whose CV includes top experience in UK terrorism insurance.

"We need a trillion dollars to rebuild Ukraine. How about we start thinking about how we do that, rather than blanket exclusion?" he said.

KEY POINTS:

- Use capital to widen insurance cover
- Excluding risk is the 'lazy' option
- Use savings to buy more protection

Use the savings

Reinsurers have come through another relatively benign year with strong earnings and retained capital, while alternative capital is adding further competition. Enoizi describes the market as being at the "beginning of a soft cycle, rather than deep into one".

He thinks cedants should use that stronger position carefully.

"What I think we should be doing, as an intermediary, is encouraging our clients not necessarily to push things to the limit, but actually to take advantage of the circumstances," he said.



> "There is far more risk than there is capital to insure it. We, as an industry, are not looking to find ways to insure it."

"Let's not take all of the savings, but let's actually use some of those savings to buy additional protection."

Programme structure is one place he expects buyers to focus. Retentions are another.

After 2023, retentions moved sharply higher as reinsurers pushed more frequency risk back onto insurers. Enoizi believes the balance now needs revisiting. "There is an imbalance between what's being retained by insurers at the moment and what's being assumed by reinsurers," he said.

"I'm not saying it should be out of kilter the other way, but there needs to be some sort of redressing of the balance if the value of reinsurance continues to be understood and valued. There needs to be a sharing of the burden along more equitable lines."

Attachment points might be where that conversation becomes harder. "Attachment points is where I would see reinsurers resisting the most. That's where they'll resist the most."

'Select the best'

More abundant capacity is also giving cedants greater choice over which reinsurers they want to keep.

"You want somebody who's going to be there throughout the whole of the cycle, not just there in the good times and disappears in the bad times," Enoizi said. "You want the players that are consistent, that don't run away immediately after there's a loss."

He also sees value in reinsurers that treat the cedant as a whole client. "What you have seen a lot of over the hard market was players that were just cherry-picking. They were playing in one area, not in another.

"Cedants, I think, really value players that look at them as a holistic client and want to support them across the whole cession that they're giving.

"Buyers have got choice now. They can afford to select the best and leave the rest," Enoizi said. "They don't need to go with substandard capital."

That does not mean the broker's job is simply to push for the lowest possible number, Enoizi, a former lawyer and former CEO of terrorism specialist Pool Re, is clear.

"The broker has the duty to the client not only to obtain the best possible terms and conditions, but also to advise the client that actually a win-win is a better solution, a better outcome than a win-lose solution," he stressed.

"If you want the partnership to be sustainable throughout the cycle, you don't want to push the reinsurers so hard to provide terms and conditions today that are below technical pricing and therefore unsustainable." ●


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CAPITAL

Underwriters more crucial than ever

KEY POINTS:

- More capital, greater underwriting need
- Risk expertise remains key differentiator
- Alternative capital needs UW discipline

The abundance of alternative capital in today's reinsurance market has made the role of reinsurance underwriters more important, not less, says Swiss Re.

Velina Peneva, CEO life and health reinsurance at Swiss Re, said there will be more of a premium put on those who can understand and weigh risk as third-party capital continues to enter the market.

"The value of underwriting is only increasing, independent of the source of capital. Value chains are becoming more fragmented, but the ability to originate, select, price and manage risk are only increasing in importance," Peneva said. "It's not who has the capital, but whose underwriting judgement that capital follows."

Peneva was speaking during the Marsh Re Baden-Baden Reinsurance Symposium 2026, held on Sunday, October 18 at the Kongresshaus.

Swiss Re Institute has estimated the traditional reinsurance market to be worth $550 billion with alternative capital providing a further $50 billion. Others have put the figure higher.

"I don't believe that the increase in capital should be mistaken for increase in underwriting capabilities. Capital is abundant, but underwriting expertise is not manufactured early," said Peneva.

"The value chain is becoming more modular, which means that there is an increased need of genuine risk understanding. Somebody needs to understand the underlying risk. Somebody needs to decide whether to underwrite it at what price? At what terms? Somebody needs to understand the data and claims history, and look at it across the portfolio ... I would argue that because of this, the role of the lead reinsurer only increases."

Long-tailed P&C sidecars cannot be viewed only through the lens of cheap capital and the potential returns, she said. "Cheap capital and asset returns only get you so far. The rest of the equation is understanding the risk."

And it's not a binary choice between alternative or traditional capital, she said, but it is about how to combine the two.

Peneva said that alternative capital had a part to play in diversifying a reinsurer's portfolio, but you had to start from first principles, which meant "understanding the risk and the ability to underwrite it is where you need to start". Alternative capital can help diversify or transfer risk, but it still needs sound underwriting judgment and expertise behind it.

Peneva added: "Supply can change, capital supply can change, but in the end, our responsibility to underwriting the risk should not."

Oliver Wyman partner George Netherton agreed. "The industry can never get too far from the underwriting," he said during the post-presentation panel discussion.



(L-R) Laurent Rousseau, George Netherton, Christoph Jurecka, Velina Peneva, Cathal Carr

> "Underwriting has to be the core risk allocation tool and the mechanism through which capital must pass."
>
> Velina Peneva

"Underwriting has to be the core risk allocation tool and the mechanism through which capital must pass. I don't think capital can attach to risk without flowing through a proper underwriting allocation process ... I think that the notion of the underwriter as the unification is increasing."

Cathal Carr, group CEO and CUO of Oak Global, made the point that underwriters are going to be even more necessary in a world of interconnected and converging risks, to manage claims on a correlated line of business.

Technology can support underwriting, Carr said, but human underwriters remain central and accountable for decisions. He described technology as enhancing the work — not replacing the people doing it. "Technology will provide power, but people will drive," Carr said.

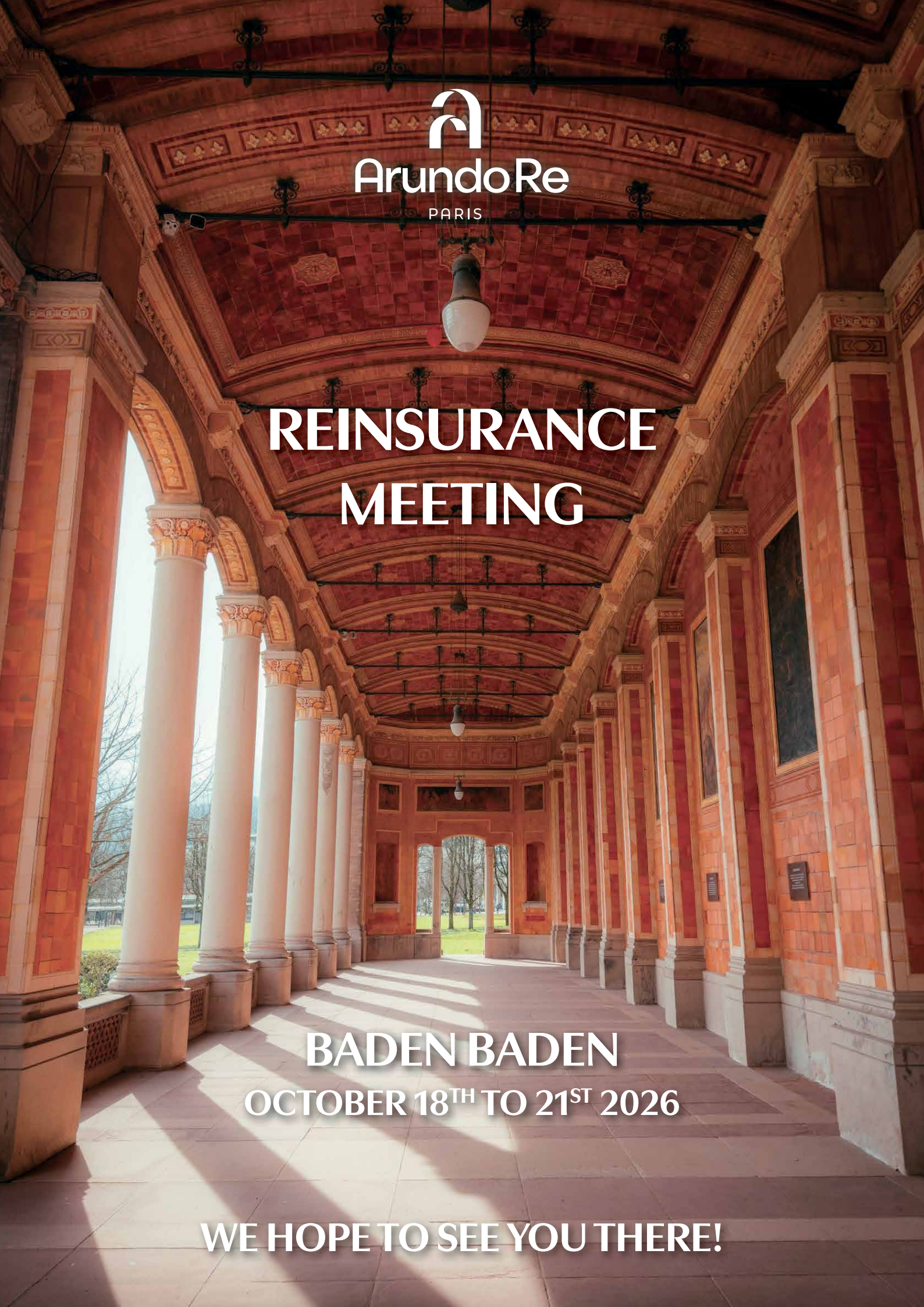
Carr said: "The underwriter is ultimately accountable for the decision, whether it's the view of pricing for that risk, or the decision to support or not."

Laurent Rousseau, CEO of global capital and advisory and head of international, Marsh Re, suggested that the influx of alternative capital could also make brokers' advisory role more valuable: investors need help directing capital toward risks and brokers can provide that guidance.

But he stressed that brokers have to demonstrate value through data and advice; the opportunity isn't automatic.

"There's so much capital looking to be allocated that some kind of — I wouldn't say hand-holding — but some kind of direction, some kind of steering... is an opportunity for brokers.

"Is there room for more value from intermediaries? I believe so, but it's not at any price, at any cost. It has to be data driven, it has to be advice driven and it has to be value driven."


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RENEWALS

Reinsurance market 'not at the floor'

January 1 will test whether reinsurers' pledges to support core cedants translate into tangible renewal terms as abundant capacity and improving claims experience keep downward pressure on pricing, Lockton Re says.

"The buyers are saying, 'Okay, now's the time I want to see some delivery on some of those commitments,'" Sam Sweeney, partner at Lockton Re, told *Baden-Baden Today*, outlining expectations ahead of the renewals.

Sweeney said reinsurers had signalled a willingness to support cedants across multiple classes and grow with core accounts, putting those commitments under scrutiny as January approaches.

Although some margin could be returned to cedants, Sweeney does not expect the same level of giveback seen in previous years. Aligning buyers' expectations with reinsurers' desire to maintain returns will be a central challenge in negotiations, he said.

Casualty could soften

Casualty reinsurance rates could continue to soften as improving claims experience strengthens cedants' confidence in their portfolios, but Sweeney does not expect the class to become a major battleground at the January 1 renewals.

Capacity remains plentiful, with the key question being whether softening original insurance rates will prompt cedants to reverse portfolio adjustments made during the harder market.

European casualty portfolios with US exposures remain a particular focus because of social inflation and claims volatility. Although social inflation is more advanced and severe in the US, Sweeney said litigation funding and class actions could signal emerging pressures in some European markets.

"The focus is a separation between US exposed business and non-US exposed business," he said.

Sweeney said reinsurers are monitoring whether cedants maintain tighter limits on US-exposed business and avoid returning to historically unprofitable areas as they pursue growth.

He does not expect either PFAS or emerging AI liability risks to trigger significant new treaty restrictions at January 1. Cedants have been proactive in managing PFAS exposure through underwriting and exclusions, he said, while reinsurers remain prepared to support buyers on AI-related risks.

KEY POINTS:

- Casualty could soften further
- Specialty capacity weighs on pricing
- Reinsurers seek to protect returns

Specialty capacity

Specialty reinsurance faces continued pricing pressure from abundant capacity and high levels of available capital. However, Martin Stephenson, head of global specialties division at Lockton Re, said reductions were unlikely to match the pace seen at January 1, 2026.

"Generally at the macro level, too much capacity, too much capital, no windstorms, pricing coming under pressure, but not to the degree as it was previously," he said.



Sam Sweeney (L) and Martin Stephenson

> "Too much capacity, too much capital, no windstorms and pricing coming under pressure."
>
> Martin Stephenson

Stephenson pointed to strong reinsurer profitability and a lack of significant windstorm losses as factors weighing on pricing. He also highlighted the impact of Middle East conflict on specialty classes, particularly political violence and terrorism, where capacity has contracted and prices have risen sharply for exposed risks.

Marine war has followed a different trajectory, with capacity remaining available despite elevated geopolitical tensions. Stephenson said the distinction between marine war and onshore war, terrorism and political violence was important, as the latter markets had seen far sharper capacity reductions.

For buyers with substantial Middle East exposure, pricing and capacity depend heavily on the location and nature of the risk. Programmes without significant exposure to the region face a different renewal environment.

Stephenson also flagged the potential impact of major losses on individual reinsurance programmes, including the approximately $3 billion Dali claim, which could influence pricing where reinsurers have significant exposure.

Market might not be at floor

Both executives said there was still room for rates to fall, although the pace of softening was slowing.

Sweeney said cedants were reassessing the profitability of long-tail casualty and professional lines portfolios written during the harder market between 2019 and 2022. Better-than-expected results and reserve releases are improving confidence in those years, potentially allowing further reinsurance rate reductions or higher cedant commissions.

"There is the potential for it to continue, but it's going to be off the back of increased certainty around the amount of profit that's been made by the clients in those years," Sweeney said.

Stephenson said reinsurers' models could also be recalibrated as actual results improve. He added that rating agencies' expectations around portfolio diversification could encourage reinsurers to write more casualty and specialty business if property catastrophe losses remain limited.

That could create further competitive pressure in classes outside property catastrophe, even where reinsurers would otherwise be reluctant to accept lower returns. "I don't think we're at the floor," Stephenson said.

The pressure to maintain client relationships could reinforce that trend, with reinsurers looking to demonstrate support across multiple classes even as they seek to protect profitability.

Sweeney cautioned that not all reinsurers would necessarily achieve the outcomes they expected from those commitments, making delivery a key test as negotiations progress towards January 1.



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SOLUTIONS

NewRe explores parametric frequency

KEY POINTS:

- Earns €7bn premiums annually
- Alt capital 'overestimated'
- Europe avoiding social inflation

NewRe, the Zurich-based reinsurance subsidiary of Munich Re, is exploring parametric cover for lower frequency events.

At a time when everyone is talking about secondary perils, NewRe sees the percentage of non-peak losses is now 70%.

"But obviously it depends on the price and the terms if it is really attractive for the insurance industry," NewRe CEO Thomas Braune told *Baden-Baden Today*.

"The challenge for our clients here is that these are very local, often very local events or only regional events, and it's not really predictable as to what lines of business are affected. It could be the wildfires in France this year, which affects motor business because one of the large wildfires was caused by a by a burning car. Or it could be professional liability as one of the fires was caused by electrical workers for maintenance work."

Although NewRe is known for its embrace of newer solutions such as parametric, the reinsurer sees both pros and cons. Although parametric offers fast, inarguable payouts, from a cedant's point of view parametric will not cover total eventual losses.

"A parametric solution can only be an additional part of an overall reinsurance programme, but cannot substitute full reinsurance," Braune said.

NewRe, which celebrates its centenary this year, was acquired by Munich Re in 1988. But NewRe operates with its own mandate in parallel with Munich Re and with a different strategy. It focuses on broker business and only property & casualty cedants. Its focus is on motor in the UK and property P&C in both Europe and the UK, European casualty, but there are service-intensive specialty lines it swerves such as cyber, credit and marine.

"This different approach compared to our mothership means we are successful in covering other segments than Munich Re is doing, and therefore this kind this second-brand strategy makes a lot of sense within Munich Re group," said Braune.

And New Re also focuses on different clients to its parent, being aimed at smaller and mid-sized national insurers, as opposed to multinational insurers, which are the preserve of Munich Re.

> "A parametric solution can only be an additional part of an overall reinsurance programme, but cannot substitute full reinsurance."



By way of comparison, Munich Re has around 43,000 employees worldwide, compared with just 135 people at NewRe — and with only 30 of those are focused on P&C business.

Not that New Re is a minnow itself. Generating €7 billion in premium volume annually, with a 200% solvency ratio, New Re can stand shoulder to shoulder with reinsurers the size of Arch Capital Re and Partner Re.

NewRe does not see social inflation spreading to European casualty for the time being. "It's starting in the UK but social inflation that we have seen in the US isn't comparable to Europe," said Braune.

Like Christoph Jurecka, CEO of parent company Munich Re, Braune questions how sustainable alternative capital will be in the long-term.

"Alternative capital is being overestimated," Braune said. "It's only increased from 16% to 18% of total reinsurance capital, according to Aon."

Half of alternative capital is in insurance-linked securities, said Braune, which are mainly focused on the US.

"The new capital and the new sidecar solutions with alternative asset managers still have to prove how sustainable they are.

"Currently, the sidecar solutions are mainly focusing on a limited period of anything between three to eight years, and we need to see, therefore, what is happening during these years and how sustainable these solutions will be."

In addition, said Braune, alternative capital relies on the technical and underwriting expertise of traditional reinsurers, "and they don't bring in any kind of technical expertise".

Braune is hesitant over making broad-brush pronouncements over what the 1/1 renewal cycle might look like from the vantage point of spring 2027. It was too early to predict their outcome, he said.

However, clients are beginning to present concrete renewal ideas; emerging themes include further price softening and adjustments to reinsurance structures based on changing needs.

And these adjustments vary by client: some are looking to shrink their structures, while others want to expand protection, for example against frequency losses or at the top of their programmes.

Braune doesn't see one market-wide cycle; instead, different markets and lines of business have their own dynamics and shorter cycles.

"All the different markets and lines of business have different dynamics," Braune said. "There are many smaller cycles in the different lines of businesses in different markets, which needs to be understood by cedents as well as by we, the reinsurers." ●

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DATA CENTRES

Counting the cost of data centre risk

How do you eat an elephant? Slowly, in the case of nat cat risk modeller Verisk, which is getting to grips with the vast problem of modelling data centre exposures.

According to a widely quoted McKinsey report, global investment in data centre infrastructure could reach as high as $8 trillion by 2030 to keep pace with AI and digital workloads.

But data centres are exposed to a slew of different risks, from business interruption to systems failing to business interruption claims when a centre goes offline.

To try and get to grips with the problem, Verisk released exposure modelling for 2,500 of the most relevant US data centres last month. Its US Data Center Exposure Database provides building-level modeling and risk data to help insurers, reinsurers, and brokers assess physical risk, catastrophe exposure and portfolio concentrations driven by the growth of AI and cloud infrastructure.

"Development is happening so quickly that the whole industry is kind of grappling with keeping up," Bernhard Reinhardt, Germany managing director of Verisk, told *Baden-Baden Today*. Reinhardt points out that $8 trillion of exposure equates to the entire building stock of smaller European countries on the scale of Austria or Belgium.

Verisk's view is to break down modelling into manageable, bite-sized pieces. Just looking at how severe convective perils can affect data centre cooling systems is room enough for analysis, said Reinhardt.

KEY POINTS:

- Data centre investment $8tn by 2030
- Investing heavily in flood modelling
- Average annual insured loss $171bn

Verisk sees its role as providing the market with an independent view of risk, said Reinhardt.

Given the summer extreme heat Europe has just endured, Reinhardt said that Verisk is investing in modelling lower level, higher frequency nat cat losses, just as reinsurers are turning back to offering higher-frequency aggregate structured solutions.



Verisk is investing heavily in flood modelling and other higher frequency perils. On a global scale, these frequency perils – severe thunderstorm, flood, winter storm, and wildfires – account for 60% of losses on average, Reinhardt said.

Not that modelling higher-frequency losses is easy, said Reinhardt. "A flood model is computationally more advanced. We may only have had the computing power to do this in high resolution in the past couple of years."

Of course, this past year has been an exceptional one for the absence of market-moving natural catastrophes apart from Hurricane Isaias which, although devastating for those involved, still only racked up insured losses in the "low-single digit millions" said Reinhardt.

The absence of any major natural catastrophes has given the market time to take stock, said Reinhardt.

"For our clients, it gives them a bit of breathing space and to absorb our new North American hurricane modelling which includes specific climate signals."

Not that re/insurers can breathe easy. Verisk now pegs the average global natural catastrophe loss that the industry should brace for each year at $171 billion – a 13% increase from $152 billion.

Another development is that Verisk can now crossmatch and cross-relate extreme weather events in a country, rather than investigate them one by one – and even extreme weather in different parts of the world – to see how they correlate. Reinhardt said: "If we look at the global insurance industry, my expectation is that we may see a more atypical risk profile."

This includes more drought, but that does not necessarily translate into a loss, he said.

"El Niño is typically associated with drier weather in some parts of Asia. So, I mean, I've just been in Hyderabad, visiting our colleagues there. In India they're already experiencing drought conditions in some areas." ●

NEWS

FM expands alternative risk transfer with parametric, captive

Commercial property insurer FM has expanded its alternative risk transfer offering to help commercial property insurance clients manage constrained market capacity, insurance costs and unexpected financial losses.

New solutions comprise parametric insurance, structured risk solutions and captive cell arrangements. They are designed to complement traditional property insurance, giving clients greater flexibility and control over their risk management strategies while helping them access additional capacity and manage retained risk.

Parametric insurance provides rapid payments when pre-agreed triggers are exceeded, allowing clients to address the immediate financial impact of an event alongside their traditional insurance cover. Structured risk solutions enable organisations to participate in loss outcomes in exchange for the potential return of premium, aligning insurance spending more closely with actual loss performance.

Captive cell solutions offer many of the benefits of a captive insurance programme while reducing the cost, complexity and administrative burden associated with establishing a standalone captive.

FM said the combined offering could help organisations recover more quickly following qualifying events and develop broader approaches to protecting their operations and maintaining business continuity.

The solutions are intended to work alongside, rather than replace, traditional property insurance. FM will combine the alternative risk transfer options with its scientific research, engineering expertise and focus on property loss prevention.

Laurel Rudnick, CUO at FM, said: "Our clients have a wide range of risk management needs and goals. We're building solutions that give them more flexibility, greater financial certainty and new ways to strengthen resilience over the long term." ●



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DIVERSIFICATION

Reinsurers are reinventing themselves

Reinsurers are reinventing themselves, becoming more like specialty insurers in parts, according to Moody's Ratings.

They are moving away from offering just pure-play property and casualty and life and health reinsurance and starting to behave more like insurers, moving into specialty lines, Moody's Ratings vice president and senior credit officer EMEA Christian Badorff told *Baden-Baden Today*.

The attraction, from a reinsurer's point of view, is that the specialty lines cycle at different times to broad-brush P&C and L&H. It's the diversification that's attractive, Badorff said.

"What we are seeing a bit is also companies kind of moving out of the pure reinsurance P&C towards other lines of business, such as specialty lines, which can be similar to what primary companies are doing."

However, despite a hot topic at Baden-Baden being reinsurers moving back into higher frequency, lower-level cover, Moody's view is to wait and see. Older hands might be more cautious, as reinsurers were in the past literally burned by frequency covers. Those with a longer institutional memory will remember this, he said.

Badorff said: "Reinsurers were never abstaining from frequency covers but were very selective. They may try to hold the line. There was a time when reinsurers were on the hook for frequency losses."

Indeed, according to Moody's Ratings, retention levels in frequency covers today are still what they were back in 2023.

"For all the talk of frequency covers, let's see what happens," said Badorff. "From a credit perspective, it's not good news to be exposed to all these frequency claims."

KEY POINTS:

- Higher frequency layers mooted
- Alt capital gaining acceptance
- Market softening bottoming out

Another development, said Badorff, is that reinsurers are coming round to the idea of alternative capital being a permanent feature, despite what they might say publicly.

"With regard to alternative capital, reinsurers are keen to take the view that alternative capital is not here to stay, that it's fluid. However, we are now seeing some more acceptance from traditional reinsurers that alt capital is here to stay," Badorff said.



> "There was a time when reinsurers were on the hook for frequency losses."

Speaking during Marsh Re Baden-Baden Reinsurance Symposium 2026 on Sunday October 18, Velina Peneva, CEO life and health reinsurance, Swiss Re pointed out that casualty sidecars were the fastest-growing sub-niche of the insurance-linked-securities market.

This is despite US casualty being especially difficult to model because of long-tail losses stretching back years, which can eat into casualty reserves.

Indeed, Moody's Ratings still sees market distortion in casualty because Covid-19 claims are still working their way through the system. However, US cedants expect American casualty pricing to keep on rising, driven by vociferous social inflation, while European insurers see prices softening. "So there's a divide," said Badorff.

Badorff's perspective is that, when it comes to US casualty, the ILS market stepped in to cover what reinsurers balked at. "The ILS market was more willing to offer casualty cover because reinsurers did not want to go there," said Badorff.

As for this year's abnormally low natural catastrophe losses, Badorff said that it is important to appreciate just how unusual 2026 has been coupling very strong reinsurance balance sheets with low combined ratios, which are unsustainable. "It can't last because the world is getting riskier," said Badorff.

Moody's Ratings says that if, back in 2023, there was too much tightening of reinsurance capital being offered to cedants, with insurers not getting the cover they wanted, then today the market is in danger of tipping over the other way, even as market softening bottoms out.

He said: "In 2023, there might have been an overshoot in favour of the reinsurance companies, but now there's a risk we are overshooting in the other direction."

EXPANSION

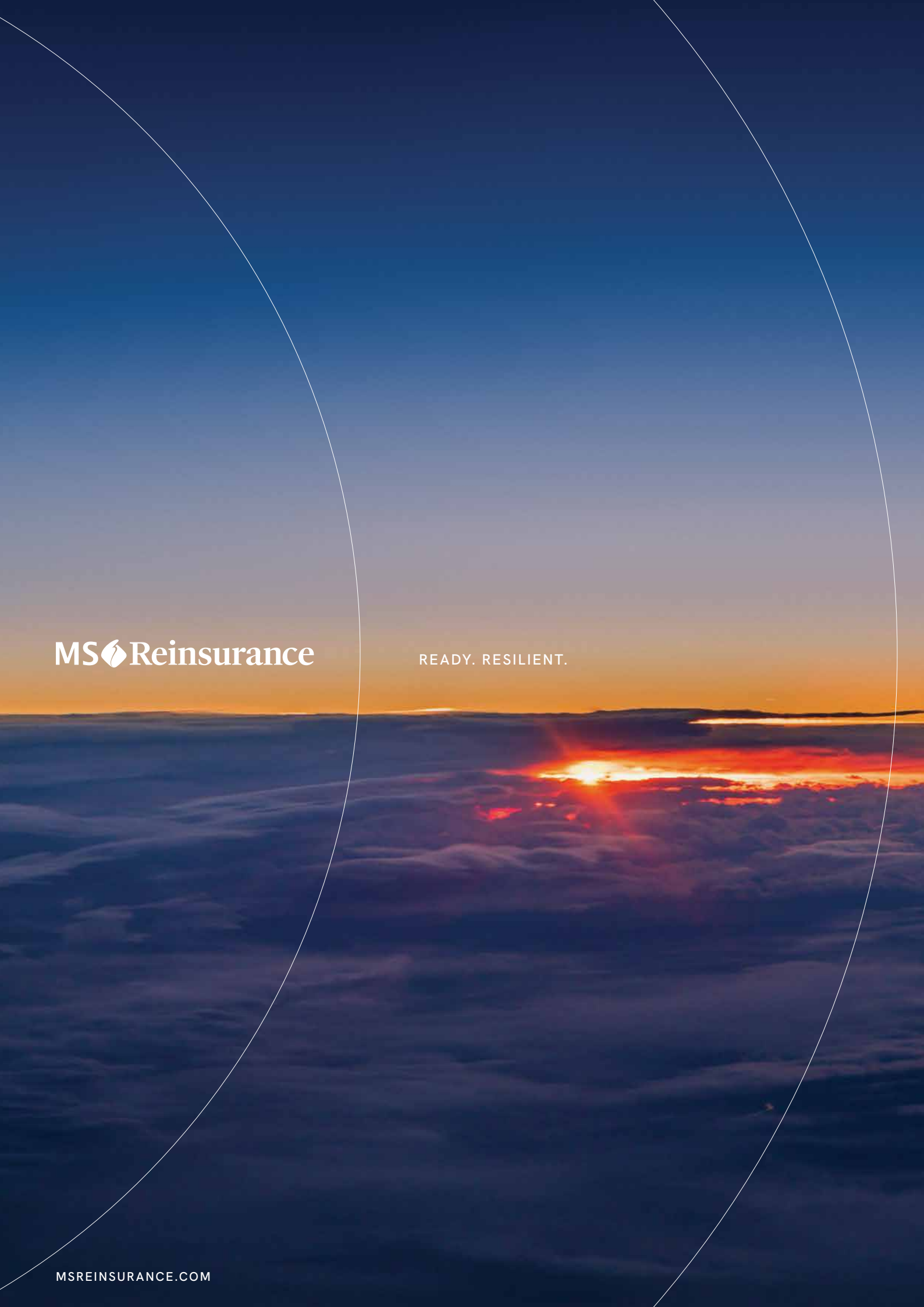
BHSI enters Polish market to accelerate European growth

Berkshire Hathaway Specialty Insurance (BHSI) has entered the Polish market as it continues to expand across Central and Eastern Europe, appointing an experienced insurance executive to lead its business in Poland and the wider region.

Carsten Keune has been appointed country manager, Poland, and will lead BHSI's regional business, shaping its market strategy and developing relationships with customers and brokers.

Keune's appointment forms part of BHSI's expansion in Europe, with the insurer seeking to support businesses across the region through local underwriting expertise, claims services and specialist insurance solutions backed by Berkshire Hathaway's financial strength.

Andreas Krause, head of DACH at BHSI, said: "Carsten brings the experience, leadership and market insight to advance BHSI's growth across Central and Eastern Europe. He is well suited to establish our presence in Poland, build lasting relationships with customers and brokers, and bring BHSI's capabilities and long-term approach to business across the country."


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AVIATION

Aviation still absorbing Russia shock

KEY POINTS:

- Drones seen as growth area
- Aviation market has contracted
- Rates soften over summer

The impact on reinsurance of the landmark UK High Court ruling on aviation losses is still working its way through the market, according to Mandarin Re.

Back in June 2025, the High Court ruled that insurers and reinsurers were on the hook over aircraft left stranded in Russia following the Russian invasion of Ukraine in 2022. AerCap, the world's largest aircraft lessor, was awarded approximately $1 billion from its war risk insurers. Litigation covered 147 aircraft, 16 individual engines, and additional equipment with a combined total insured value of over $4.5 billion.

Wayne Murphy, aviation underwriter for Mandarin Re, said the High Court ruling exposed a misunderstanding: many expected lessors' and finance companies' all-risk policies to cover everything, but they did not.

As a result, brokers, insurers, leasing companies, and finance companies are reviewing coverage available for contingent risks and working toward products which better fit those exposures, Murphy told *Baden-Baden Today*.



> "We see a sort of a hardening in airline rates next year."

Policy wording and coverage have changed, but the changes are still developing. Insurers, leasing companies, and brokers are continuing discussions to find a "happy medium", Murphy said.

As for areas that Mandarin Re does see growth in, drones are top of mind, whether they're for medicine delivery in Africa, border surveillance in the US and Mexico, or large fleets used by government security organisations in Latin America.

Murphy said there has been some contraction in the aviation market, not helped by MGA Nexus Underwriting apparently pulling out of the sector, not having renewed its binders.

Murphy said that after "some summer softening", the market is taking a "wait and see" approach. Mandarin considers pricing and terms on a case-by-case basis rather than assuming the whole market is moving in one direction.

Murphy said: "We're trying to support those clients rather than just sort of take a carte blanche approach to the market, because the aviation market is so fragmented."

Major airline risks are receiving more scrutiny, Murphy said while general aviation is softer.

He said: "General aviation hasn't dropped as much as the airline market has, as it tends to trail behind what happens in the major airlines. So, if we see a sort of a hardening in the airline rates next year, maybe in the year's time, you'll see the same on the general aviation."

His overall outlook was "steady as we go" with some contraction in the direct insurance market. "Anything which has got major airline exposure is getting a lot more focus," Murphy said, "and there's a lot more concerns around the rated environment because of the attrition losses. The general aviation area is softer on the fac side."

NEWS

US P&C growth to trail the economy in 2027 before recovery

US property and casualty underlying growth is expected to outpace GDP in 2026 and 2028 but fall below overall economic growth in 2027, as monetary policy, replacement costs and geopolitical uncertainty shape the market outlook.

The forecast comes from the Insurance Information Institute (Triple-I) and Milliman, which expect tighter monetary policy to slow GDP and underlying P&C growth, particularly in homeowners insurance.

"While underlying economic conditions remain supportive, monetary policy, replacement costs and geopolitical uncertainty will continue to shape the industry's growth trajectory through 2028," said Michel Léonard, chief economist and data scientist at Triple-I.

P&C replacement costs are expected to rise more slowly than overall inflation in 2027 before outpacing it in 2028. Triple-I expects the US Federal Reserve to tighten monetary policy throughout 2027, contributing to slower growth in GDP and P&C underlying premiums.

Geopolitical risks remain elevated, although inflationary spillover from oil prices has not worsened significantly over the past three months. This could change as winter energy demand increases, analysts said.

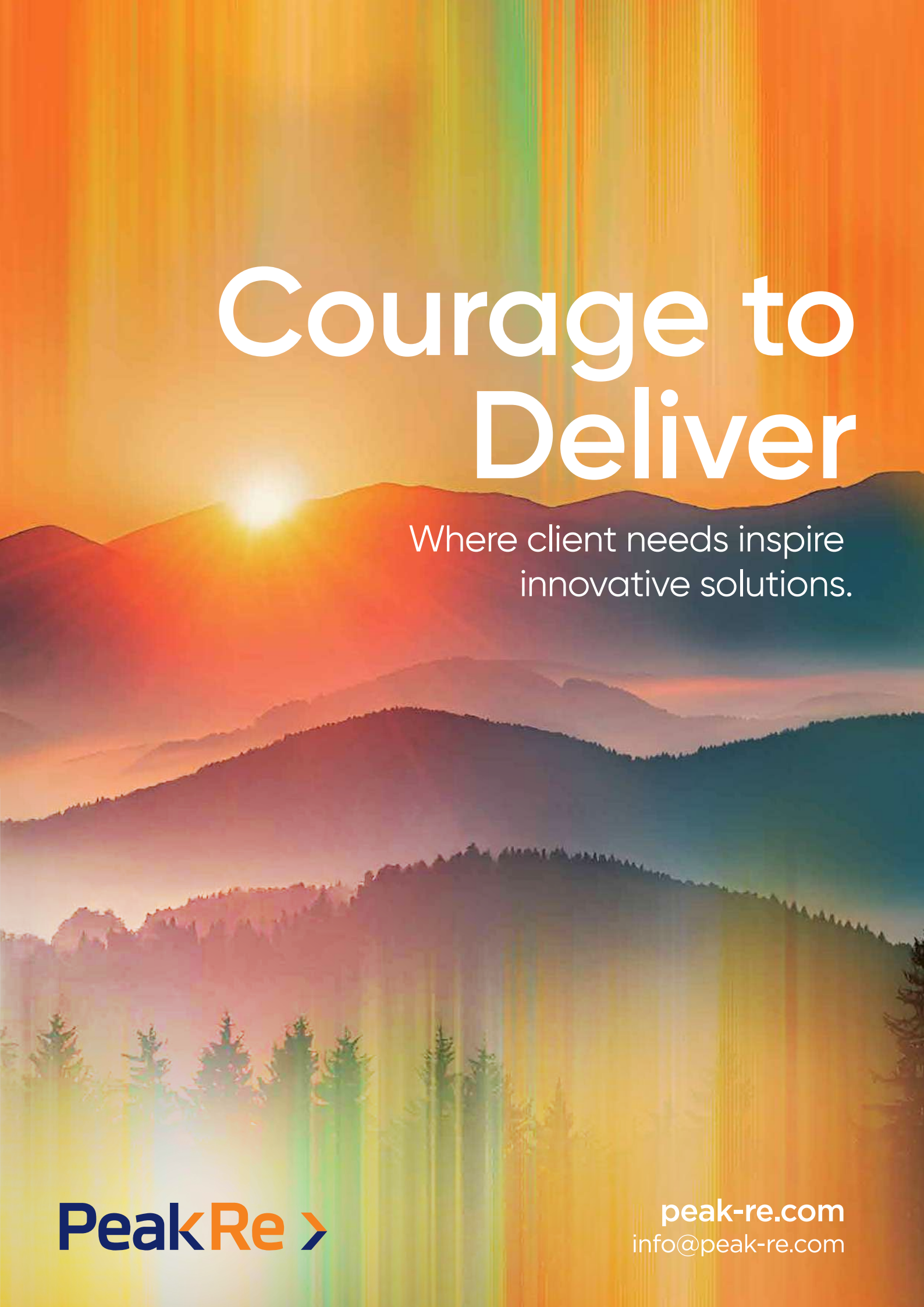
Homeowners net written premium (NWP) growth is forecast at 6.4% in 2026, its lowest rate since 2020. Personal auto NWP is expected to contract by 0.6%, a 4.6 percentage-point decline from 2025 and the second-lowest annual growth rate in more than 15 years, behind only 2020.

Underwriting conditions remain uneven across the market. Homeowners results are strong following several years of elevated loss costs, while workers' compensation continues to deliver strong underwriting performance.

Preliminary loss estimates from Hurricane Isaias are unlikely to materially change homeowners profitability. However, the storm highlights the potential for further catastrophe losses during the Atlantic hurricane season, which runs through November 30.

"General liability and commercial auto continue to present the greatest underwriting challenges, reflecting persistent loss-cost pressures," said Jason B Kurtz, principal and consulting actuary at Milliman. "We expect net combined ratios for both lines to remain above 100, although commercial auto quarterly loss ratios are showing early signs of improvement."

"While underwriting results have improved, they need to be viewed in the context of several years of elevated loss costs and significant catastrophe losses," said Patrick Schmid, chief insurance officer at Triple-I.


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APPOINTMENT

Howden appoints Nanni as Europe CEO

Howden has expanded its European leadership structure following five years of growth that saw the insurance broker increase its presence from 11 countries to 30 and its workforce from 1,000 to more than 6,000 people.

Enrico Nanni, currently chief commercial officer at Howden, will become CEO of Europe on January 1, 2027, retaining his existing responsibilities. He will report to Luigi Sturani, CEO of Europe, Middle East and Africa (EMEA).

Nanni will work with Howden's European CEOs to support organic growth and strengthen collaboration across the region.

Sturani will continue to lead the EMEA region, maintaining oversight of Europe while focusing on growth opportunities across the Middle East, Africa, Turkey and Central Asia.

Howden's European business has grown to $8.5 billion in gross written premium (GWP) over the past five years, according to the company.

Sturani said: "I have worked alongside



Enrico Nanni

Enrico since 1997 and know first-hand his ability to build businesses, develop talent and create lasting relationships with clients and partners. Throughout our time working together, he has brought the same energy, ambition and commercial focus to every role.

"Over the past five years at Howden, we have transformed our European business, growing from 11 countries to 30, increasing our team from 1,000 to more than 6,000 people with $8.5 billion in GWP. These achievements reflect the strength of our people and culture, but they also owe a great deal to Enrico's leadership, energy and relentless focus on growth.

Enrico's deep understanding of our countries and the relationships he has built make him the right person to take on this role. I can think of no one better to lead Europe through the next chapter of our journey."

Nanni added: "I am honoured to take on this role at such an exciting time for our business. What we have achieved over the past five years is a testament to the talent, entrepreneurial spirit and commitment of our colleagues across the region. Together, we have built a fantastic platform for future growth.

"The foundations are incredibly strong, but there is still so much opportunity ahead. I look forward to working with our country CEOs and teams to continue strengthening offering to clients and markets."



AI

Broad AI exclusions a red flag for Marsh

John Doyle, CEO of broking giant Marsh, has said no to broad AI policy exclusions for his clients, where they could create uncertainty or coverage gaps.

Given how embedded AI is in most companies' workflows, he is concerned that they create confusion and uncertainty.

Addressing analysts during Marsh's third-quarter earnings call on October 13, Doyle said the brokerage was working with clients, insurers and reinsurers to help the market adapt. Doyle wants a discussion with insurers about how AI changes exposures and how those risks might aggregate; he also noted there has been limited AI claims activity so far.

"We're not trying to poke insurers," he said. "We just are really trying to have a thoughtful discussion about how this might change exposures."

Nick Studer, president and CEO of Marsh's broking arm, Marsh Risk, described three potential categories of AI-related risk: AI as an evolution of an existing risk, and risks unique to AI that might require new insurance solutions.

Studer said: "And in all three categories, we're working with our clients and looking to work with carriers to help the market evolve."

Turning to market rates, Doyle announced that Q3 global primary commercial insurance rates fell 5% compared with a 6% decline in the second quarter.

Rates in the US decreased by 1%. Canada, Europe and Asia declined mid-single digits. The UK and Latin America decreased in the high single digits, while the Pacific region saw double-digit decreases.

Third-quarter global property rates declined 10%, financial and professional liability were down 3% while cyber was 4% off.

Global casualty rose 1%, with US excess casualty up 13% reflecting inflationary pressure and loss costs, while workers' compensation decreased by 5%.

In reinsurance, market conditions led by short-tail lines remain soft, said Doyle, driven by abundant capacity from both traditional reinsurers and alternative capital. Property catastrophe reinsurance losses have been relatively benign this year and capital is increasing, adding to a competitive market environment. Marsh expects these conditions to persist through the January 1 renewal cycle. As for casualty reinsurance, capacity is generally adequate.

And Marsh is pressing harder into its 'Thrive' global efficiency, operational restructuring and growth transformation initiative, launched time last year. Originally targeting $400 million in cost savings, Marsh now wants $600 million in annual saved costs. Thrive is expected to be completed by the end of 2028, with approximately $750 million spent to achieve its annual savings target, the majority of which consist of severance costs.

Doyle noted that Marsh is taking advantage of process efficiencies and AI tools to "harvest attrition". When mid- and back-office staff depart, many of those roles are simply dissolved or not refilled rather than replaced.



CAPITAL

Munich Re backs the traditional model

Munich Re CEO Christoph Jurecka has challenged the idea that abundant alternative capital can replicate the traditional reinsurance model, arguing that long-term reliability becomes more valuable as risks grow more complex.

Jurecka, speaking during the Marsh Re Baden-Baden Reinsurance Symposium 2026, on Sunday October 18 at the Kongresshaus, also questioned whether all sources of capital would remain committed through periods of heightened uncertainty and major losses.

"The traditional model is still the better model," Jurecka said, as the underlying reinsurance business is becoming more complex, more volatile, less predictable and more difficult to deal with.

"Uncertainty has always been where our industry creates value... What increasingly matters is the willingness to deploy capital long term, so against increasing uncertainty, and, very importantly, independent of eventual large loss events.

"In a more volatile environment, clients ultimately need reliability, and the reliability is built on insights, on consistency, long-term orientation and on trust, or what we call a long-term partnership.

"The real question is not whether capital is available, but who will still deploy the capital when uncertainty is highest, or even after the largest events," he said.

Jurecka questioned the durability of some sources of capital through severe loss events and periods of market stress.

"Munich Re will be around when a lot of other capital will be gone," he affirmed. "Our capital is there to stay."

Even after a very severe event, the company would still be there with capacity when clients needed it, Jurecka said.

"If there's a one-in-1,000-year event, we will still be there, and we will even double our capital," said Jurecka later during a post-presentation panel discussion. "This is the point in time when clients need the capacity most. And I am very curious to see who'll still be around.

"Our fundamental core value proposition is stability, and we will be stable and be there forever."

That said, Munich Re welcomed new forms of capital and competition, Jurecka explained, while emphasising that risk insight, underwriting judgement, capital provision and long-term commitment should stay connected.

KEY POINTS:

- Traditional capital offers stability
- Market faces 'unheard-of' opportunity
- Onus is on reinsurers 'to shine'

Squeezed middle

However, in its own presentation, broker Marsh Re described reinsurers as being part of the "squeezed middle" between distributors with access to risks and long-tail risk-takers.



> "Who will still deploy the capital when uncertainty is highest?"
>
> Christoph Jurecka

However, there are opportunities for reinsurers "to shine", said Laurent Rousseau, CEO of global capital and advisory and head of international, Marsh Re. These include exemplary speed, simplicity, relationships and value, while offering data transparency, liquidity plus the value of the contract. "We see a big shift coming through from efficiency," agreed Oliver Wyman partner George Netherton, who rhetorically asked what the risk transfer market needs to do to stay robust in times of stress. "The balance between efficiency versus resilience will be the key discussion over the coming years," he predicted.

"In the end, the value of the proposition has to be an answer to evolving risk," added Rousseau.

"What reinsurers can offer is financial strength, clarity of value proposition and ease of doing business," said Netherton. He said there were four questions reinsurers had to ask themselves: Am I sharpening my value proposition enough?

Am I monetising the value I add in the chain?

Does my strategy hold if third-party capital is suddenly allocated elsewhere?

And are reinsurers as a sector innovating in the customers' interest to secure our long-term relevance?

The current situation creates an "unheard of opportunity", said Cathal Carr, group CEO and CUO of OAK Global, with both increasing risk and widening protection gaps. The increasingly parlous state of the world and society is "a massive opportunity" to step up and grow the size of the market, he enthused.

He said opportunities to grow the market include using alternative capital to expand coverage and apply technology to improve risk understanding and reach more customers.

"We at OAK Global believe it to be a significant opportunity, an opportunity that's unlike anything, certainly over my career, and likely over further generations," Carr said.

"From a risk modelling perspective, AI has the ability to help us improve our understanding of these evolving risks to lower that band of uncertainty to give us more conviction in terms of the risks that we underwrite and assume.

"AI and advanced technology give us the ability to reach more people with the products we sell.

"It also gives us the ability to think about different products we can sell. Parametric is one great example."



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M&A

Mega deals lie behind global M&A surge

Global M&A deal value rose 23.9% in the first nine months of 2026, driven by a record run of mega transactions even as acquiring companies continued to underperform market indices.

Completed deal value rose to $1.65 billion from $1.33 billion in the same period of 2025, according to WTW's quarterly deal performance monitor (QDPM), produced in partnership with the M&A Research Centre at Bayes Business School.

Twenty-four deals valued at more than $10 billion were completed during the first nine months, marking the strongest start to a year for mega deals and the largest nine-month rolling period on record. Activity accelerated in the third quarter, when nine such transactions were completed, compared with three in the second quarter.

Overall deal volume also rose sharply year-on-year, increasing 16.1% to 614 transactions in the first nine months from 529 in the corresponding period of 2025. However, momentum was lower even beneath the headline numbers. The number of transactions valued between $1 billion and $10 billion slipped to 45 in the third quarter from 48 in the previous quarter, while total quarterly deal volume edged down to 200 from 202.

Jana Mercereau, head of Europe M&A consulting at WTW, said the concentration of activity in larger transactions reflected companies' push to secure scale, capabilities and technology in a more competitive environment.

"Mega deals continue to reshape the global M&A landscape, as companies move decisively to build scale, close capability gaps and secure critical technologies in an increasingly competitive market," she said.

Deal execution also accelerated. Transactions completed within 70 days of announcement accounted for 43% of third-quarter deals, up from 35% in the previous quarter. Cross-sector transactions, often used to support rapid inorganic growth or bring in new technologies, rose to 35% of deals from 25% over the same period.

Mercereau said the faster pace reflected a market being reshaped by uncertainty, but warned that speed could create its own risks. "While faster deal execution reflects the increasingly dynamic nature of today's M&A environment, shaped by AI-driven transformation, geopolitical tensions and macroeconomic uncertainty, speed must not come at the expense of rigorous due diligence," she said.

"Companies that prioritise pace over discipline risk undermining long-term value creation and increasing the likelihood of post-closing challenges."

KEY POINTS:

- Deal value rises 23.9%
- Mega deals hit record
- Acquirers lag markets



> "Early integration planning will be critical to capturing value from complex deals and driving long-term, sustainable growth."
>
> Jana Mercereau

The acceleration in activity has not translated into stronger relative performance for buyers. Of the 200 deals completed during the third quarter, 121, or 60.5%, underperformed the relevant index, while 79, or 39.5%, outperformed.

Globally, acquirers completing deals worth more than $100 million during the quarter underperformed the MSCI World Index by 10.3 percentage points. It was the second consecutive quarter in which global dealmakers underperformed companies not engaged in M&A, highlighting the gap between the appetite to transact and the market's assessment of the value being created.

The QDPM assesses completed transactions worth at least $100 million from the acquirer's perspective, comparing share price performance with the MSCI World Index or relevant regional benchmark. Performance is measured from six months before a deal is announced through to the end of the quarter, giving the study a broader view, the report said.

Regional performance was also under pressure. North American acquirers underperformed their regional index by 13.8 percentage points, despite completing 109 deals during the quarter, up from 103 in the previous three months.

European buyers underperformed by five percentage points and completed 37 transactions. European deal volume has now declined for four consecutive quarters, from 47 deals in the third quarter of 2025, although UK buyers bucked the broader regional trend with strong outperformance.

Asia-Pacific recorded the widest performance gap. Acquirers in the region underperformed their index by 18.7 percentage points, while deal volume fell to 43 from 51 in the previous quarter. Chinese buyers moved in the opposite direction, completing 21 transactions, up sharply from seven in the second quarter.

The contrasting trends leave dealmakers pursuing larger and faster transactions while facing greater pressure to demonstrate that those deals can deliver value after completion.

Mercereau said: "Corporate buyers continue to show remarkable resilience despite persistent market headwinds. Even amid rising interest rates, surging energy costs and November's US midterm elections, dealmakers are expected to press ahead with strategic transactions, particularly at the upper end of the market."

With more companies pursuing scale, she said the quality of planning before completion would be increasingly important to whether those deals deliver.

"As more companies pursue scale, early integration planning during the due diligence phase will be critical to capturing value from complex deals and driving long-term, sustainable growth."

REGULATION

Lloyd's sets rules for broker-led capital

Lloyd's is setting rules for broker-originated reinsurance structures, imposing requirements on portfolio participation, ownership and underwriting oversight, with safeguards against negative selection.

The framework takes effect on January 1, 2027, as Aon develops a proposed whole-portfolio quota share, known as Cortina, intended to channel Blackstone capital into reinsurance through a Lloyd's syndicate.

An initial market-wide risk appetite allows up to 10% of an individual broker's treaty portfolio to be placed into these structures. Lead reinsurers must provide at least 25% of capacity, although the document does not specify whether this applies per treaty, per cedant or across the portfolio. The managing agent must approve the lead panel.

Certain players are ruled out, including hybrid fronting carriers, MGUs and legacy providers, with the involvement of captives "subject to a prior submit arrangement". By line, exposure to cyber war "type 4" language is forbidden. Lloyd's is working to cut negative selection bias on the portfolio. Underlying cedants can put their whole eligible portfolio into the structure or none of it. All elements go in at the same cession level without cherry picker adjustments.

"If indexation of at least 70% has not been reached by year three of the structure, Lloyd's and the managing agent will agree next steps which can include winding up the structure," the new Lloyd's regulatory framework document states. The document does not define indexation mechanics.

Syndicate or structure ownership will also be regulated. Brokers cannot own or capitalise their structures. Lloyd's members aligned to the managing agent must hold at least 19.9%.

The framework retains Lloyd's overall 95% cross-cycle combined ratio target. New entrants remain subject to existing entry requirements, alongside standard oversight, data and engagement obligations.

Aon's plans, leaked apparently quite early at Monte Carlo, show a wide channel through which massive new pools of third-party capital might be channelled into reinsurance, much to the alarm of reinsurers doing the hard work of underwriting treaty.

Aon argues that its data and technology can make a representative slice of its reinsurance broking portfolio understandable and investable for outside capital.

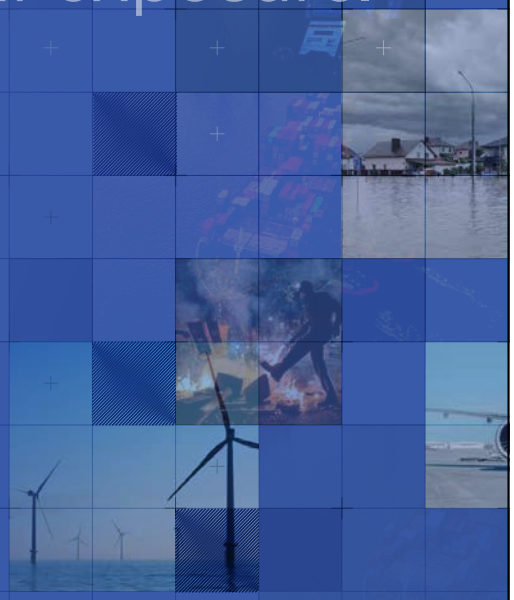
Aon CEO Greg Case has hinted the structure could have a "mini-index" format and said Aon was close to bringing it to market with Blackstone, involving $500 million. A Lloyd's partner has already been identified.

"That's net new, raw, permanent capital," Case told a recent investor gathering, describing the proposed capacity as coming from some of the world's most substantial capital sources. He argued that the underlying Aon business, spanning tens of billions of dollars, offered "the most diversified portfolio in the world in reinsurance, period".

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CLAIMS

BI claims now outstrip property losses

The average business interruption claim now exceeds around 70% more than the associated property damage claim, as concentrated production, fragile supply chains and technology dependencies amplify the cost of disruption, Allianz Commercial has warned.

An analysis of 7,888 business interruption claims with a combined value of around €6.74 billion found that while claims frequency has remained relatively stable, average claim values have risen by more than 30% annually over the past two years.

The average business interruption loss now exceeds €850,000, compared with close to €500,000 for the corresponding property damage claim, highlighting the extent to which the financial consequences of lost production can outweigh the physical damage that triggers them.

Thomas Lillelund, CEO of Allianz Commercial, said the growing gap reflects a business environment in which relatively contained incidents could have consequences far beyond an individual site.

"The scale of physical damage alone no longer determines the ultimate cost of a business interruption," Lillelund said. "Even a relatively contained incident can have consequences across production networks, customers and markets."

Allianz said businesses were increasingly exposed to disruption through concentrated production, geopolitical tensions, inflation, fragile supply chains and greater dependence on technology, including artificial intelligence.

KEY POINTS:

- Fire drives more than 40% of claim value
- Nat cat claims taking longer to settle
- Cyber disruption broadens loss exposure

Fire dominates losses

Fire and explosion remain the costliest cause of business interruption, accounting for more than 40% of the total claims value analysed, equivalent to approximately €2.9 billion.

Nine of the 10 costliest man-made business interruption events in the dataset were caused by fire, while fire was the most expensive source of loss in markets including Germany, Singapore, the UK and the US.

One case cited by Allianz involved a fire at a small manufacturing unit that caused relatively limited physical damage but severely disrupted downstream operations, ultimately producing a nine-figure group-wide business interruption loss.

The example illustrates a growing challenge for companies whose production networks depend on a small number of specialist facilities or suppliers. Disruption at one location can quickly propagate through the wider organisation and supply chain.

That concentration risk was also evident in the two costliest non-natural catastrophe events analysed by Allianz, both of which involved fires at semiconductor factories.

Natural catastrophes were the second-costliest source of business interruption losses, accounting for 34% of claim value, and the most frequent, representing 26% of claims.

Together, fire and explosion and natural catastrophe events generated more than three-quarters of the total claims value.

However, non-natural catastrophe events remained the broader driver of business interruption losses, accounting for 74% of claims and 66% of their overall value.



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Longer recovery

Allianz also warned that natural catastrophe-related business interruption claims are becoming increasingly long-tailed as companies take longer to return to normal operations.

Two years after Hurricane Helene in September 2024, many associated business interruption claims remained unresolved — not because of coverage disputes, according to Allianz, but because affected companies had still not fully recovered.

Supply chain delays, labour shortages and volatile material costs can all extend the recovery process and, in turn, the period over which business interruption losses develop.

The result is that the ultimate cost of a catastrophe may continue to rise well after the initial physical damage has been assessed. Lillelund said companies therefore needed to look beyond their own physical assets when considering business interruption exposure.

"Businesses therefore need to identify and better understand not only their own critical assets, but also those of the suppliers, technologies and infrastructure on which their operations depend," he said.

Digital dependencies

Cyber disruption is adding another layer of complexity. While ransomware remains the leading cyber-related cause of disruption, Allianz said cloud outages, software failures and incidents involving third-party technology providers were accounting for a growing share of loss activity.

More than 48,000 outages were tracked across cloud and software services in 2025, according to data cited in the report, underscoring how heavily companies now rely on external digital infrastructure.

Recent attacks on software providers and logistics platforms have also demonstrated how a single technology failure can disrupt thousands of organisations simultaneously.

As businesses become more dependent on cloud services, AI and third-party technology providers, Allianz expects cyber-related business interruption to become an increasingly significant and complex loss driver. Allianz said cyber-related business interruption is becoming a more significant and complex source of loss.

Alberto Barani, business interruption group leader, risk consulting at Allianz Commercial, said prevention remained the most effective way to reduce both the scale and duration of losses.

"In today's interconnected economy, preventing business interruption is no longer just about protecting individual sites," he said.

"Investments in fire protection, natural catastrophe resilience, cyber preparedness and business continuity planning can make a meaningful difference to both the duration and severity of a business interruption loss."

Barani added that even relatively modest investment in resilience could materially reduce the impact when disruption occurs. ●

P&C

Capacity drives tougher competition

January 1 renewals will pit rising risk exposure against growing reinsurance capacity, as competition puts pressure on pricing in selected German property and casualty (P&C) segments, Hannover Re subsidiary E+S Rückversicherung AG warns.

"The moderate catastrophe losses of the past few years should not obscure what remains a demanding and highly uncertain risk landscape. Natural perils, inflation, cyber risks and geopolitical instabilities are adding to the potential for losses," said Thorsten Steinmann, chief executive officer of E+S Rück and Hannover Re executive board member responsible for property and casualty reinsurance in Continental Europe, Latin America and North Africa.

E+S Rück expects strong demand for high-quality reinsurance protection, supported by improved earnings and capital positions among primary insurers.

However, it warned that additional capacity is intensifying competition, making disciplined underwriting and risk-adequate pricing essential.

"It is particularly in this environment that reinsurance remains a key tool for reducing volatility, enabling growth and securing financial stability," Steinmann said.

In German motor insurance, recent tariff adjustments have helped restore technical results to marginally positive territory. But spare-parts and repair costs continue to outpace general inflation, leaving the recovery in profitability vulnerable.

Many natural catastrophe programmes are now adequately priced for their risks, but increased capacity is putting pressure on rates and conditions. Recent hail losses across Switzerland, southern Germany and northern Italy highlight the continued exposure.

E+S Rück said individual claims experience, programme quality and risk-appropriate prices and conditions will remain decisive in the January renewals.

Industrial fire insurance is also facing greater competition following strong results, while marine and aviation reinsurers contend with geopolitical uncertainty, global claims and excess capacity. Despite these pressures, treaty conditions remain stable, according to E+S Rück, which said portfolio quality and business performance would remain central to risk-adequate pricing.

In cyber insurance, dependence on digital infrastructure and IT systems is growing faster than the capacity available to cover these risks. Fierce competition and higher capital costs are also pressuring market results. The growing use of artificial intelligence is creating further uncertainty, with implications for liability, cyber and operational risks that cannot yet be definitively quantified.

E+S Rück also highlighted catastrophe bonds and other insurance-linked securities as additional sources of capacity, complementing traditional reinsurance amid rising natural catastrophe exposure, climate change and persistent protection gaps.



ILS

Data key to widening SCS risk transfer

KEY POINTS:

- SCS losses keep rising
- Capital markets need better data
- Wildfire gains more attention



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Better data on severe convective storms could open the door to more risk transfer through ILS and ILWs as insurers and reinsurers build a clearer view of a peril generating increasingly large European losses.

Perils CEO Christoph Oehy says the industry is building a far clearer view of the peril as it absorbs another major summer event. Perils this week put the initial insured property and motor loss from SCS Raphaela at almost €3.3 billion after storms hit France, Germany, Switzerland and Italy in late August. It was the second European SCS event of 2026 to exceed €2 billion in insured losses.

The cat risk data provider has also lifted its estimate for SCS Cerry, which affected Germany, France, Switzerland and Italy from July 13 to 19, to €2.8 billion from an initial €2.18 billion.

CatIQ, the Perils subsidiary, has meanwhile raised its estimate for the severe convective storms that hit southern Ontario, including Toronto, on September 2 and 3, to C$671 million from C$563 million.

These events reinforce the need for better exposure and loss data as the industry tries to understand how the peril is developing.



> “Loss and exposure data can be very valuable in improving risk understanding.”

“What stands out is clearly the data on severe convective storm,” Oehy told *Baden-Baden Today*. That is the peril where the industry is learning most at the moment.”

Perils began collecting exposure data for convective storms in Europe, Japan and New Zealand last year.

This summer’s events are now adding loss data to that picture, giving insurers, reinsurers and model vendors more information on how hail, wind and associated flooding translate into insured losses.

“There are a lot of investments going into model development to better understand this peril,” Oehy said. “Loss and exposure data can be very valuable in improving that understanding.”

Risk transfer

Oehy believes improving risk assessment could eventually support more capital markets activity beyond the traditional peak perils.

European winter storm remains the dominant peril for ILS and ILWs, but he sees room for convective storm, flood and other weather-related risks to attract more activity as models and datasets mature.

“There is an opportunity for more activity in convective storm or flood or other weather-related perils,” he said. “The prerequisite is good understanding of the risk.” Activity remains limited today, with data availability still an important constraint.

Perils is also putting more investment into forecasting, combining weather forecasts with market exposure data to estimate losses from approaching events. Its platform currently provides this for European windstorms, wind in Japan and Australia and hail in Australia using radar data.

Better modelling is only part of the response, Oehy said. As heatwaves, hail and wildfire feature more frequently in industry discussions, he believes mitigation needs to receive greater attention alongside insurance and risk transfer.

“We have to adapt on all fronts,” he said, pointing to better risk understanding, suitable products and the way risk is transferred through the market.

“How can we adapt as a society to mitigate the risk, not just accepting it or taking on the risk, but also mitigating that? I think that’s an important topic that needs more attention.”

Wildfire is also appearing more often in conversations, while heat is part of the SCS discussion because of the role warm, humid conditions play in severe storm development.

For Perils, the priority is to keep expanding data where the market needs it most. “The core principle is that we listen to what the needs of the industry are,” Oehy said.

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CYBER

Siloed cyber buying risks major gaps

Organisations that exclude chief information security officers (CISOs) from cyber insurance decisions risk buying inappropriate limits, overlooking coverage gaps and wasting premium.

Speaking at a recent webinar, Umar Khan, head of cyberspace in Great Britain at WTW, illustrated the risks with a large retailer that reconsidered buying cyber insurance after another retailer suffered millions in uninsured losses.

The first retailer's chief financial officer and wider C-suite challenged the risk and insurance manager's previous recommendation against buying cover. The CISO had not been involved meaningfully, and the balance between security spending and risk transfer had not been properly examined.

"Ultimately, these were questions that didn't make sense to sit solely with the risk and insurance team," Khan said. The retailer eventually bought cover, but "the process was far more chaotic and contested than it needed to be".

> "Managing cyber risk means managing all three [risk mitigation, retained risk and insurance] together."
>
> Brian Paul

Brian Paul, managing director for risk and analytics at WTW, said the two functions brought different perspectives to the same exposure.

"The CISO knows how an incident would unfold. The risk manager knows how the policy would respond. You need both sides and both views to see when they don't line up."

According to WTW's latest cyber claims analysis, ransomware has the highest financial severity among cyber events, with business interruption accounting for more than half of ransomware incident costs. Paul said the same incident could have very different consequences depending on an organisation's spare capacity, alternative suppliers and business continuity arrangements.

KEY POINTS:

- Risk managers, CISOs must work together
- Misjudged exposure can waste premium
- Cyber risks rise despite softer pricing

Misunderstanding exposure can also lead to excessive cover and wasted premium, Khan said.

Security teams might also discover insurers' threat intelligence and pre and post-loss services only months into a policy or after an incident.

WTW illustrated the potential benefits of closer collaboration through several client engagements. A risk assessment for a large global retailer helped the business increase insurance limits by approximately $100 million across multiple coverage areas, while securing an additional $5 million to $10 million for security controls.

The exercise brought the risk manager and CISO together to examine control gaps and assess coverage for physical damage and food spoilage resulting from cyber incidents. Although the CISO understood the threats, the risk manager was more familiar with the available insurance, and the two had not previously aligned their understanding of the exposures.

In another engagement, a utility's assessment of risks to its water treatment plants highlighted the potential for months of disruption if operational technology failed and replacement equipment could not arrive for several months because of supply backlogs.

Paul said risk managers often struggle to engage CISOs because cyber is less familiar than traditional property risks, the teams work in silos and requests for security teams' time can feel one-sided. "You need a compelling reason to make the ask and something useful to offer in return," he said.

Annice Ma, head of cyber North America, said cyber insurance market conditions remained favourable as 2026 drew to a close, with abundant capacity and carrier competition. However, she cautioned against confusing favourable buying conditions with a reduction in risk.

"We can be in a favourable market environment. We can also be seeing a heightening cyber risk environment," she said.

WTW advised organisations to involve CISOs before buying cover or beginning renewal discussions, build realistic scenarios around how incidents would affect the business, quantify potential losses and map them against available policies.

Paul said risk mitigation, retained risk and insurance should be assessed together. "Managing cyber risk means managing all three together." ●

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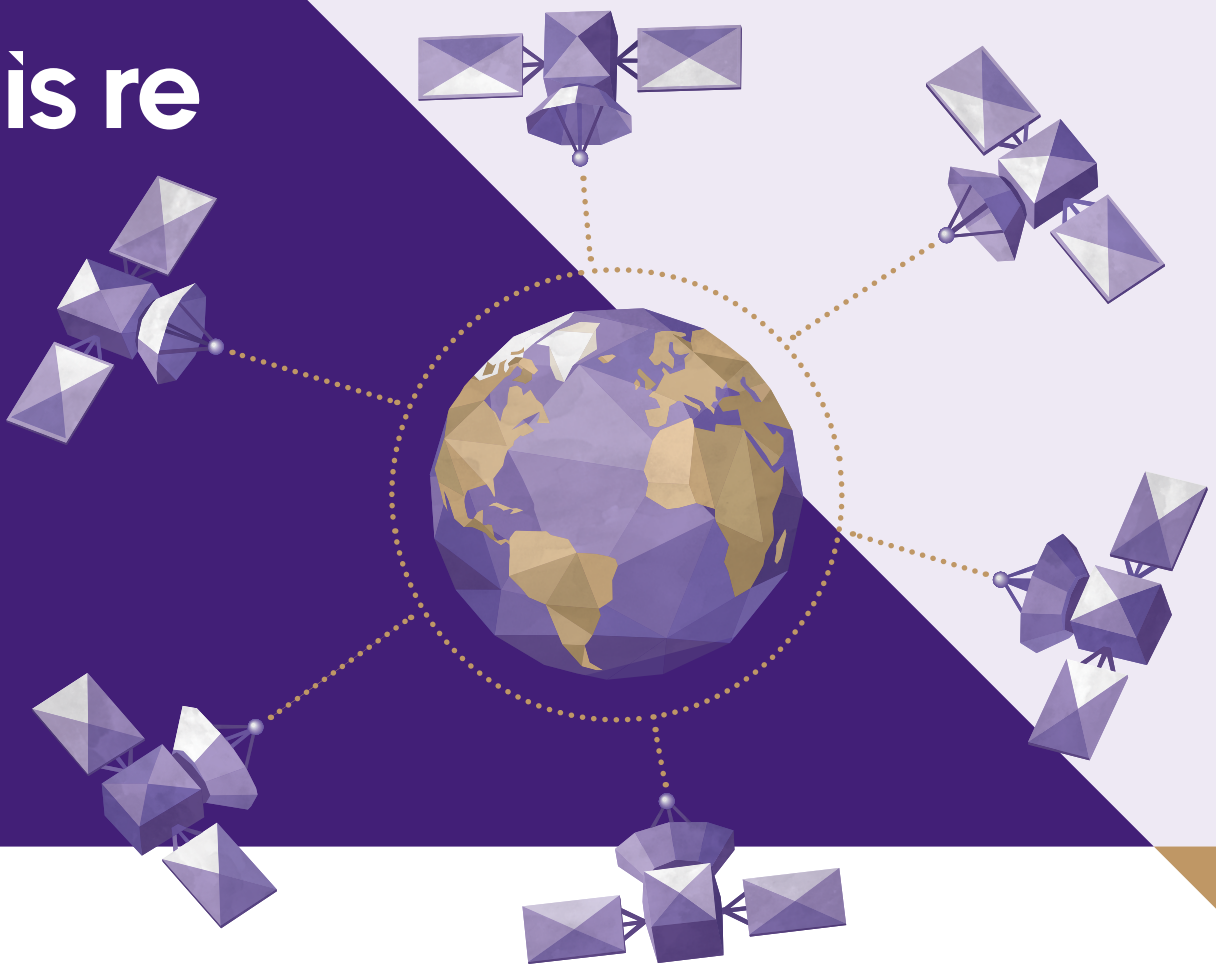
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