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BADEN-BADEN TODAY

Reinsurers must prove worth beyond capital as competition shifts the risk transfer chain


Laurent Rousseau

REINSURERS MUST DEMONSTRATE what they offer beyond capital as technology, alternative investors and a softening market redraw the boundaries of risk transfer. The opportunity is to offer more protection, but greater efficiency must not weaken the industry's ability to withstand the next shock.

Those were the messages from the Marsh Re Baden-Baden Reinsurance Symposium 2026, held on Sunday, October 18 at the Kongresshaus. The session, 'Reshaping of the risk transfer chain', examined how competition across distribution, underwriting and capital provision is forcing businesses to reconsider their place in the market.

Speakers included Laurent Rousseau, CEO of global capital and advisory and head of international at Marsh Re; George Netherton, partner at Oliver Wyman; Cathal Carr, founder, group CEO and CUO of Oak Global; Velina Peneva, CEO of life and health reinsurance at Swiss Re and Christoph Jurecka, CEO of Munich Re.

Rousseau and Netherton set the scene with a warning about the "squeezed middle". 4

MORE THAN CAPITAL needed to keep risks insurable: Swiss Re


Leopoldo Camara

RISK IS GROWING, CONCENTRATING and becoming more interconnected. More insurance capital will be needed to keep risk insurable, but capital alone will not be enough.

That is the tension Swiss Re's Leopoldo Camara sees facing the European market as insurers and reinsurers head into this year's Baden-Baden, where the market begins staking out its positions for the January renewals.

Larger individual risks, greater geographic clustering, increasingly intertwined supply chains and shared physical and digital networks are changing where losses can build and how quickly they can spread.

"In a way, systemic risk is becoming more systemic," Camara, head of Northern, Central and Eastern Europe P&C Re at Swiss Re, told *Baden-Baden Today*.

"Primary insurers and reinsurers are dealing with larger individual risks. Data centres are one example that everybody talks about, although certainly not the only one. We also see greater geographic clustering 3

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

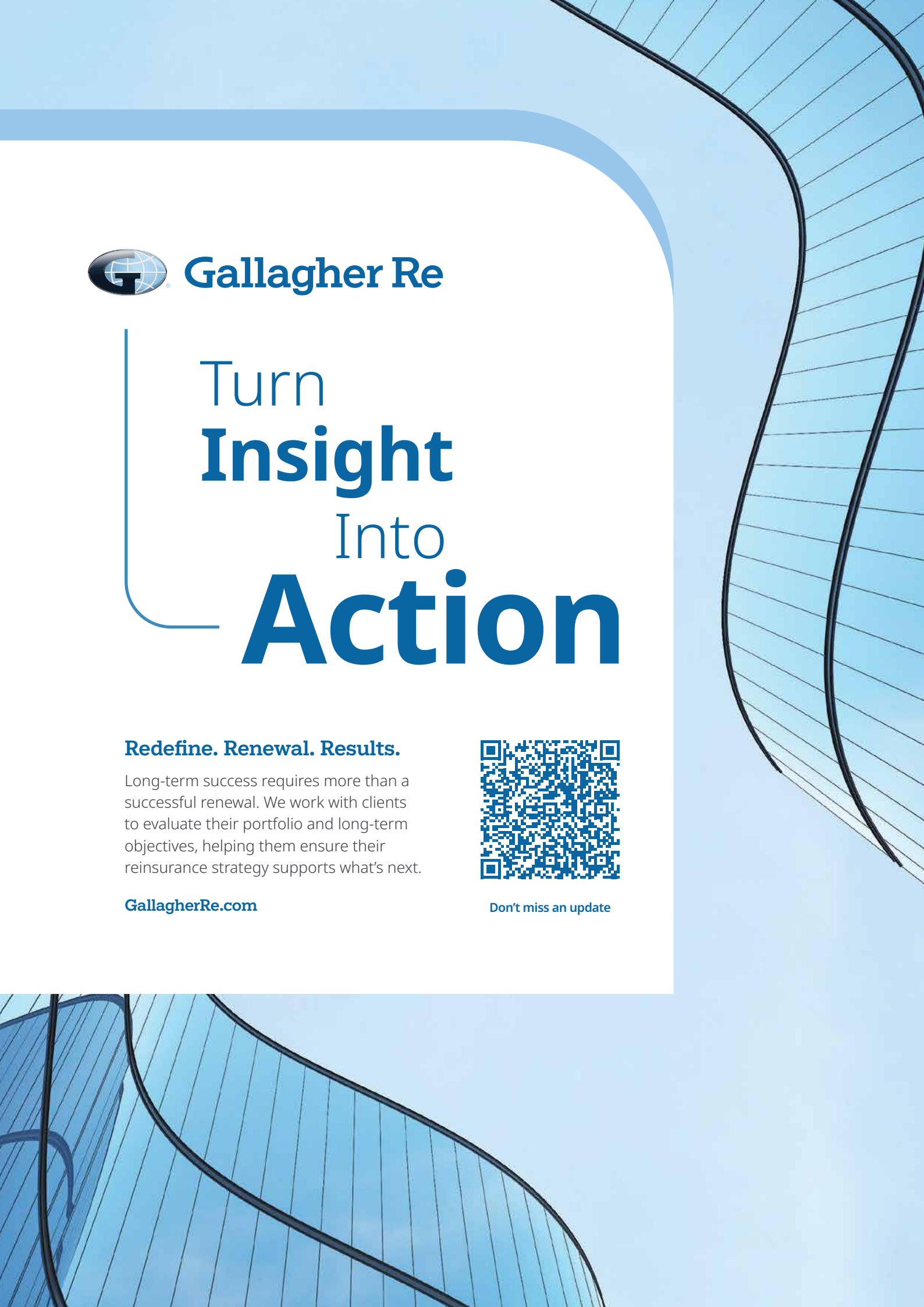

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REINSURANCE

More than capital needed to keep risks insurable

and that is an issue that keeps growing year on year."

Demand for reinsurance is rising alongside those exposures, while supply is also increasing. "There is an increase in the amount of capacity available to the market, which in our view is positive because we need more capital to cover the risk," he said.

But risk transfer is only part of the answer. "We need an ecosystem of risk management that goes beyond the sheer risk transfer aspect of it," Camara said.

"Risk transfer is obviously the primary topic in Baden-Baden, but during the rest of the year we should be talking about these other elements systematically, broadly and everywhere."

Losses build quickly

Secondary perils accounted for 65% of insured nat cat losses in Europe in 2025, according to Swiss Re Institute. Severe convective storms were the largest contributor, generating around $1.5 billion, or 36% of European insured nat cat losses.

The pattern has continued into 2026. July storms affecting France, Germany, northern Italy and Switzerland generated an initial €2.2 billion insured loss estimate, according to PERILS, while a further outbreak in August caused approximately €2.5 billion of insured losses, according to Gallagher, much of it in motor.

In Switzerland, insured losses from the August hail and storm event are expected to exceed CHF 1.7 billion, around half of which relates to motor, according to the Swiss Insurance Association and the Swiss Cantonal Building Insurers.

Camara said the speed of the Swiss event was as significant as its eventual cost.

"The recent event in Switzerland did not last longer than about half an hour in any given place and only affected part of the country before moving further north-east. Within a very short period of time, and almost out of the blue, we saw a very significant loss."

"What is important is not just that it happened, but how quickly it happened," he added. "It generated very large losses to property and motor."

Severe convective storms, hail and wildfire are not new exposures, but Camara said their frequency is increasing at the same time as housing, urbanisation and other

KEY POINTS:

- Risk concentration is rising
- More reinsurance will be needed
- Mitigation critical to insurability

concentrations grow in exposed regions. "If you combine that with increasing geographic clustering and significant amounts of housing and urbanisation in exposed regions, it compounds the problem and makes the situation increasingly complicated and difficult to address, both for societies and insurers."

The Swiss storm, he said, was "a very important reminder of how quickly these kinds of events can materialise and affect insurance balance sheets, and societies".

Keeping risks insurable

The response, Camara said, has to extend beyond transferring more risk to insurers and reinsurers. "You cannot just think of insurance as the outcome and the solution.

> "You can either accept the losses every few years, or think about mitigation measures that help keep risks insurable."

We need to think about mitigation in a more robust manner," he said.

"You can either accept the losses every few years, or think about mitigation measures that generate insurability," Camara said. "Something that might otherwise cause losses every five years could, through mitigation, become something that happens much less frequently, making the risk insurable where previously it might not really have been."

That effort cannot sit with insurers alone. Camara said households, governments and the insurance industry all have roles to play, including sharing prevention measures that have worked elsewhere.

He pointed to the flood relief tunnel being built between the Sihl river and Lake Zurich as an example of infrastructure being used



IMAGE: SHUTTERSTOCK.COM / SNEHIT PHOTO

to reduce a major urban accumulation risk. "Imagine Zurich and its main railway station being paralysed for months, or potentially longer, because of flooding. The consequences would extend well beyond the city itself."

The tunnel allows large volumes of floodwater to be diverted into Lake Zurich instead of flowing through the city, reducing the likelihood of severe damage from an extreme event.

"Governments, insurance companies, reinsurers, technical experts, people responsible for building codes and policyholders all have to move together on this," Camara said. "It is a challenge we can only tackle jointly."

More risk transfer

Mitigation does not reduce the need for reinsurance. Camara expects Baden-Baden discussions to focus on sustainable protection as underlying risk increases. "I think it will be a conversation about sound risk transfer mechanisms in a context in which risk is not diminishing; it is actually growing," he said. "I think more reinsurance will be part of the answer, with more risk transfer and more capital to back it up as well."

Clients are also looking for protection that can survive changing market conditions rather than structures that work for only one renewal. "People are interested in having steady reinsurance structures that are sustainable and available not just from one renewal to the next, but over longer periods of time. That is the kind of challenge we want to address," he said.

CAPITAL

Reinsurers face risk transfer squeeze

KEY POINTS:

- Alternative capital driving disruption
- Financial strength now 'table stakes'
- Technology, capital reshape risk transfer


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

Traditional insurers and reinsurers face pressure from distributors strengthening their access to clients and risk, while alternative capital providers compete with different costs and operating models.

Table stakes

Netherton identified three forces accelerating change: technology adoption, the rise of alternative asset managers and a softening market. He described capital provision by alternative asset managers as "probably the most disruptive trend we're seeing at the moment", highlighting their growing interest in P&C insurance after their expansion into life insurance. Better data makes portfolios easier to understand and trade, while private capital increasingly supports distribution businesses, MGA platforms and underwriting capacity.

During the hard market, businesses could earn attractive returns within established roles. As competition intensifies, the incentive to move beyond those boundaries grows. The longer that environment persists, Netherton argued, the more likely the changes are to become embedded. "How much of this blurring of the chain is a cyclical feature? We don't know yet," Netherton said.

Rousseau described financial strength as "table stakes", challenging reinsurers to explain what they deliver alongside their balance sheets.

Underwriting leadership requires specialist capabilities, pricing expertise and claims management. Follow capacity can also offer value through speed and lower costs. "I think over the longer term, the real challenge that is coming to traditional capacity providers is the value of what they provide," he said.

That includes willingness to address emerging exposures. Rousseau reiterated Marsh's preference for "no AI exclusions" and reinsurance treatment that mirrors the underlying insurance coverage. "Once the value proposition is there, the ease of operating, the ease of doing business has to increase," he said.

Alternative capital

The expansion of alternative capital raises a further question about how dependable the system will be under stress. Netherton described the efficiency of attaching capital to portfolios through streamlined structures. But investors able to allocate across many asset classes may reconsider insurance when returns become less attractive.

Traditional insurance and reinsurance capital, he argued, brings commitment to the sector and an understanding of its cycles.

"How do we, as an industry, balance the efficiency and the resilience?" he asked.

The responsibility extends across the chain. Rousseau questioned whether brokers should simply push for the best terms or "ensure that this chain is sustainable".

> "Capital from alternative asset managers is "probably the most disruptive trend we're seeing at the moment."
>
> George Netherton

Netherton also challenged businesses to consider whether their strategies could withstand third-party capital being allocated elsewhere. He also asked whether innovation was benefiting the ultimate insured, with more of the economic losses facing businesses and communities covered as the cost of risk comes down.

Expanding the market

Carr argued that rising risks, developing technology and broader capital sources could help the industry extend its reach.

"Rather than seeing that capital as a threat to the existing pie of risk that we're underwriting, how do we think about bringing that capital to increase the penetration of what we do?" he asked.

He highlighted climate-related losses, cyber exposures and geopolitical uncertainty as areas where increasing risk coexists with substantial unmet demand for protection.

AI could improve risk understanding, narrow uncertainty and reach more customers. But it also creates exposures across underwriting portfolios, investments and operations.

Carr warned that businesses could already have significant data-centre accumulations through property, construction, credit and other portfolios without pursuing a dedicated underwriting strategy. AI liability could also be silently covered within existing policies.

Investment concentration creates another potential source of volatility, while operational adoption brings efficiency gains alongside new dependencies.

Munich Re's Jurecka argued that increasing uncertainty strengthens the case for keeping risk expertise, underwriting judgement, capital and long-term commitment closely connected.

Capital might be abundant, but the more important question is who remains willing to deploy it when uncertainty is greatest and after major losses.

"The source of value creation is not changing. It remains the ability to absorb uncertainty and provide reliability when others cannot," he said.

Jurecka welcomed new capital and competition, acknowledging that they can strengthen the industry and increase choice. But he questioned whether separating risk insight, underwriting judgement and capital provision from long-term commitment necessarily produces better outcomes.

"Our view is that the more uncertainty increases, the more important these elements become when they are connected.

"Clients will choose the access route that works best for them. Our responsibility is to ensure that, whatever the route, the outcome remains anchored in risk understanding, disciplined underwriting and dependable capacity."



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MARKET

Baden-Baden needs a broader debate

The range of expectations separating buyers, brokers and reinsurers has narrowed considerably since Monte Carlo, setting up a different kind of debate in Baden-Baden as attention turns from the direction of pricing to how much protection cedants want to buy.

Joachim Racz, chief executive of Ageas Re, believes the different positions taken into the Rendez-Vous de Septembre are beginning to converge ahead of the January renewals.

"Everyone went into Monte Carlo with their own ideas," he told *Baden-Baden Today*. "Brokers had one view, buyers were not necessarily aligned with them and reinsurers had their own ideas about what the market would do next. I think all those views are converging. You still have some outliers, but the range is narrowing between all those parties."

That does not mean the debate is over. Racz expects attachment levels to feature prominently in Baden-Baden, alongside a question that received less attention during last year's renewal.

As reinsurance became cheaper, he had expected insurers to use some of the released budget to buy additional protection. That largely failed to happen in 2026.

"I hear from many clients now thinking about how to use the freed-up budget to build more resilience into their balance sheet and also protect parts of their P&L," he said.

Data centre 'how' not 'if'

That discussion goes beyond buying more of the same cover. Emerging risks are forcing insurers and reinsurers to consider where protection gaps might be developing and how rapidly changing exposures can remain insurable.

Racz pointed to the recent cyberattack affecting supermarket refrigeration systems in France as a stark illustration. Refrigeration units were manipulated remotely, causing temperatures to rise and stock to spoil, while fires were also reported.

"One cyberattack can basically destroy property in many different places at the same time," he said. "You see the accumulation risk in there."

Data centres present another fast-growing challenge. "The data centre is not an 'if' question; it's a 'how' question," he said. "That is where we, as an industry, need to step up and find solutions."

KEY POINTS:

- Attachment debate returns at Baden
- Insurability needs to be discussed
- Ageas Re keeps 'start-up spirit' intact

Rather than withdraw from difficult risks, he believes the industry needs to work together to understand them and preserve their insurability. "We need to find solutions for those topics, rather than saying, 'we don't want to write that.'"

Where is the floor?

The extent to which the market can continue correcting remains another renewal question, although Racz rejects the idea of a single floor for the industry.



> "The data centre is not an 'if' question; it's a 'how' question."

"There is not one answer for the entire market as to where the floor is," he said. "It depends on the portfolio, how risk is measured and viewed and the cost structure."

Racz describes recent movement as a "hazard-driven over-oscillation" of the cycle, with steep corrections after difficult loss years followed by movement in the opposite direction after several comparatively benign periods.

Year-end will reveal where individual reinsurers draw their own line. "It will be an interesting moment in time, to see who says stop at which level".

Building out Ageas Re

Ageas Re continues to broaden a third-party reinsurance platform that began predominantly as a European catastrophe business in 2023. Casualty followed in 2024, while specialty was expanded through 2025 and 2026. Today, Racz said, property, casualty and specialty account for roughly one-third each.

"I would call that horizontal growth," he said. "We've added products, geographies, clients and talent, growing in breadth rather than simply deploying more capacity or increasing line size."

The US will form part of the next stage. Christian Marx, currently chief underwriting officer for property at SCOR, is due to join Ageas Re on November 1 to develop its North American account, while the reinsurer will add inherent defects insurance from the start of 2027.

Racz believes the business is now "getting pretty close" to the breadth he originally wanted to create. There are only "two gaps left" before it can become "a real full-service reinsurer": marine and cyber. Both, he said, are "still under study" and currently there is no commitment to enter either.

"We're a four-year-old reinsurer, but we try to keep that start-up spirit," Racz said.

Ageas Re has also moved towards a regional structure, giving clients a lead underwriter to coordinate the specialists they need. The aim, he said, is to organise more closely "around the clients, around the market" while retaining specialist expertise.

Why Baden-Baden?

There is one other question surrounding the annual gathering that will be familiar to many regular attendees: "Why do we do this in this location that has fewer beds than delegates? That already mathematically doesn't work," Racz asked.

It is a frustration likely to resonate with anyone who has tried to secure accommodation or navigate the journey into Baden-Baden during one of the busiest weeks in the European reinsurance calendar, which now attracts around 3,000 professionals each October.

"Maybe we should look for a location with an airport that has better connectivity," Racz said. "From Belgium, I'm faster in New York than in Baden-Baden."

CAPITAL

More capital, better cover for buyers

Abundant capital is creating room for better protection, from restored frequency cover to wider access to hybrid capital for regional and mutual insurers, Aon's Phillip Esser tells *Baden-Baden Today*.



Several years of strong reinsurance results have left the European market with capacity to deploy just as demand for additional top-layer protection is slowing. Rather than simply use that imbalance to push down prices, Phillip Esser sees an opportunity for insurers to improve protection, restore cover lost during the hard market and broaden access to capital traditionally easier for the largest buyers to reach.

Speaking in one of his first interviews since becoming CEO of Reinsurance Solutions Germany at Aon, Esser told *Baden-Baden Today*: "There is plenty of capacity in the market. The question now is how we as an industry – and how buyers – can make the best use of that abundance."

Across continental Europe, Esser says supply is growing faster than demand. Inflation has eased, economic growth has slowed and many insurers remain well capitalised, reducing the need for further top-layer catastrophe capacity.

That is giving buyers more room to consider how existing programmes are structured.

"There are two options we are discussing: price reductions on current structures, or improving coverage by reducing retentions and restoring features lost during the hard market phase," he said. "clients are more frequently exploring coverage improvements rather than simple rate cuts."

Wider access

Esser sees another opportunity in extending newer sources of capital beyond the global insurers traditionally best placed to access them.

"We do see ever more investors in hybrid capital coming into the market, and of course, it's now our task to see how we can make that accessible for our clients," he said. "And I'm not speaking only about the big global clients, but also clients that are on a mutual side or rather smaller."

That includes regional and public law insurers in Germany, where hybrid and alternative capital could complement traditional reinsurance and help address protection gaps.

KEY POINTS:

- Buyers look beyond rate cuts
- Hybrid capital could reach smaller insurers
- Structures should survive the market cycle

Germany's elemental perils gap is one example. "We have a great opportunity to use the capital we have in the insurance and alternative market and make it available for clients and insured people in the end," he said.

Cover returns

More familiar forms of protection are also returning to buying discussions. Higher attachment points during the hard market left primary insurers retaining more frequent losses, while some sideways and frequency covers became difficult to place.

> "What we want is consistency and reliability across the cycle."

"Clients weren't able to place the structures they wanted to cover frequency losses," Esser said.

Claims inflation and rising loss costs are increasing interest in aggregates, stop-loss treaties, excess-of-loss structures with annual aggregate deductibles and other structured solutions.

"We see more and more clients now, given the claims inflation, given the rising loss costs, looking steadily into these covers," he said.

The aim is to reduce earnings volatility rather than simply add capacity.

Secondary perils are also taking a greater share of those conversations. Severe convective storms, flood, hail and wildfire feature far more prominently than a decade ago, while modelling is evolving around risks with less historical experience.

"The discussions we have with our clients have become increasingly technical and sophisticated when it comes to the hazard models," he said.

Better data and analytics are helping insurers and reinsurers assess those exposures more quickly, but Esser does not see technology replacing underwriting experience.

"The simple use of AI doesn't make you a better underwriter," he said. "We still need to combine the positive impact of AI with the experience of the underwriters, the claims analysts, managers and brokers."

Built to last

Greater choice in a softening market also raises a longer-term question over whether structures agreed today will remain viable when conditions change.

Esser said buyers have little appetite for programmes that need to be substantially redesigned every two or three years as the cycle turns. "What we want is consistency and reliability across the cycle," he said.

Aon is therefore discussing structures that improve protection in current conditions without depending on today's level of capacity or competition remaining in place.

"Together with our clients we are trying now to find structures that we put into place in a softening market, but that are also capable of sustaining and surviving in any hard market phase that could come up," Esser said.

Early discussions between cedants, brokers and reinsurers will be important if those structures are to meet buyer needs without becoming unsustainable once conditions tighten. "Let's work together to create structures, solutions and relationships that can sustain the cycles," he said. ●

Phillip Esser is CEO of Reinsurance Solutions Germany at Aon and can be contacted at phillip.esser@aon.com

RENEWALS

Balance sheet strain may lift demand

Falling bond values and claims inflation could increase demand for protection at January 1, although ample capacity should keep pricing competitive, says Arundo Re's Laurent Montador.



Insurers facing pressure on both sides of their balance sheets could seek more reinsurance protection at the 1 January renewals, as higher interest rates weigh on bond values while claims inflation puts reserves under strain.

But Laurent Montador, deputy chief executive of Arundo Re, expects sufficient market capacity to keep pricing competitive, even if demand increases.

"For this renewal, the situation is a little bit different now than it was at the end of August, because interest rates have risen quite a lot," Montador told *Baden-Baden Today*. "It means the value of the assets, and especially the bond portfolios, is lower. There are also claims of escalation with inflation that could put some reserves under pressure."

Deployable capital across the sector has fallen slightly from late-summer levels, Montador said, but remains sufficient to maintain competition.

He also cautioned against assuming that two relatively benign catastrophe years represent a new normal, warning that "Mother Nature will show that it's not the rule for every year".

Whatever the competitive pressures at renewal, Montador said deals still need to remain technically and economically viable.

"Pricing should reflect the risk taken. I think renewal negotiations will sometimes be hard-fought, but the industry should remain relevant."

Pricing risks

Determining what constitutes adequate pricing and wording is becoming more difficult as underwriters contend with risks that cannot be assessed through historical loss records alone.

"You cannot only rely on past data to predict the future because the future is not coming with the same processes," Montador said, pointing to changing loss drivers across both natural catastrophe and liability business.

KEY POINTS:

- Balance sheet pressure may lift demand
- Past losses can't capture changing risks
- Sidecars combine capital with expertise

Social inflation, while often associated with the US, is also putting upward pressure on claims in Europe, he said. Rising litigation costs and uncapped bodily injury awards, for example, can leave European motor insurers facing severe third-party liability losses exceeding €100 million.

"This has an effect. Many things are different now. The industry needs to adapt and be able to reduce the protection gap that, in some ways, in some areas, is continuing to increase."

Reinsurance has an important role to play where risks remain difficult to quantify, Montador added, pointing to renewable energy as one example where past experience may offer only limited guidance on future losses.

> "The risk is there, so the pricing should reflect the risk taken."

At the same time, reinsurers have access to increasingly mature datasets and more powerful analytical tools. Montador sees scope to use these to improve the speed and quality of underwriting decisions, claims management and wording analysis, while also improving the quality of data feeding models.

But judgement remains essential. "Models can give a kind of truth, but not all the truth," he said. "Models can make some mistakes."

Sidecars and ILS

The limitations of modelling also matter as third-party capital takes a greater role in supporting reinsurance portfolios.

Montador regards sidecars and insurance-linked securities as permanent parts of the market, but said their value extends beyond simply adding capacity.

"The real value of sidecars is not simply that they provide additional capacity," he said. "They allow reinsurers to combine underwriting expertise with third-party capital."

Alternative capital can also provide reinsurers with another layer of balance sheet protection. Montador favours a hybrid approach combining traditional retrocession with capital-markets capacity.

But investors increasingly want visibility over exactly where their money is deployed. "They really want to have a view on where their capital will be allocated, and they can be very precise in the type of risk to be seen," Montador said.

Meeting those requirements demands sufficiently granular data to allocate capacity to specific exposures, alongside regular and transparent valuations.

Investors also value reinsurers with established client relationships and direct access to original business, Montador said. Arundo Re uses long-term partnerships with cedants to take additional risk and secure larger shares of client programmes.

Ultimately, he said, sustainable underwriting depends on the interests of cedants, reinsurers and capital providers remaining aligned. "Alignment of interest is really the key."

That discipline will remain important at the coming renewals, particularly where negotiations become tougher over price and terms. "The risk is there, so the pricing should reflect the risk taken," Montador said. ●

Laurent Montador is the deputy CEO of Arundo Re. He can be contacted at lmontador@arundore.com

DIGITAL RISKS

‘Bravery needed’ and more creativity

Gallagher Re’s Baden-Baden cyber event is widening its lens beyond cyber, as new digital risks challenge traditional coverage and test the market’s appetite for new approaches that build greater resilience.



A softening market does not have to mean a race to cheaper capacity. It could instead create room for insurers, reinsurers and brokers to test new approaches and be more inventive about how rapidly evolving digital risks are covered and structured.

That’s the view of Jennifer Braney, head of international cyber at Gallagher Re, who argues that the market needs “more creativity and flexibility, and a bit of bravery”, as it tackles a new generation of interconnected digital exposures, from AI and data centres to other fast-moving risks.

“In a hard market, we might not see as much innovation,” Braney told *Baden-Baden Today*. “Given the soft market and carriers looking for growth, it’s an ideal time.”

That argument will run through Gallagher Re’s cyber event in Baden-Baden on Monday evening. Now in its third year, the event is deliberately widening beyond cyber into AI, data centres, emerging technology and other digital risks, reflecting both Gallagher Re’s new digital risks practice and the direction client conversations are already taking.

“Digital risk is the number one risk people keep talking about, whether you’re an individual, a company or a data centre,” she said. “It doesn’t affect just one area; it cuts across everything from personal lines and cyber-physical damage to data centres and AI.

“We want to be more intentional about bringing the broader digital risk conversation into the cyber event, because that is where the market is already heading.”

AI will feature heavily, alongside data centre aggregation, cyber-physical damage, SME and personal lines cyber and smaller clustered cyber events.

Dragon’s Den

One of the more unusual and interesting elements will be a series of Dragon’s Den-style pitches, with the audience voting on new product areas they believe are most relevant.

“There is a lot more possible in the market than people realise,” Braney said. “That applies at every level, from those who don’t yet have a cyber product, where there is so much capacity and capability to help them develop one, through to large global cyber insurers tackling data centres and AI.”

KEY POINTS:

- Soft market ‘ideal’ for innovation
- Bravery could pay off
- Reinsurer support is critical

AI is also forcing the market to revisit questions it has faced before. Braney compared the current debate with cyber 15 years ago, when insurers were working out what could sit within existing policies and what needed a standalone product.

> “It isn’t just about pricing. This is about coverage, structures and partnerships.”

“That’s what the cyber market has been doing for as long as it’s been around, evolving coverage as digital risk evolves,” she said. Those lessons can now help inform other classes.

Managing accumulation

As coverage evolves, so does the challenge of understanding where exposure is building up and how it should be protected.

“If business is being written across classes for data centres, where is it all going, and is it being managed from an accumulation perspective?” Braney said.

Gallagher Re is developing a tool to help clients understand data centre aggregation. Once those concentrations are clearer, insurers can assess whether they need specialist reinsurance structures or whether the exposure can sit within more traditional programmes.

AI brings a similar challenge. Higher attritional cyber losses could increase the need for earnings protection, while greater clustering or event aggregation could change how non-proportional structures are designed.

“The nature of the risk and the right reinsurance structures and solutions are interlinked,” Braney said.

Openness to change

Gallagher Re’s digital risks practice, launched just ahead of Monte Carlo, has already prompted strong engagement from clients and the wider market. “Even in the last month, there’s been a very positive response. People are saying, ‘Yes, we’re ready to engage. We’ve set ourselves up.’”

Reinsurers, too, are becoming more willing to engage. A year ago, Braney said, some larger organisations were still establishing a position before speaking openly.

New products cannot be developed in silos. If insurers develop new data centre or AI cover, they also need reinsurers prepared to support it.

“They’ll be the creative, brave ones who say, ‘We can see your needs. It’s a little different from how we do things now. We’ll work on it. It will take time, but let’s keep the conversation going.’”

“Those reinsurers will be ahead of the others,” Braney said. “They’ll be the ones you would expect to focus on partnership and a long-term approach.”

Baden-Baden, she said, is a chance to move the conversation beyond price. “This is about coverage, structures and partnerships around underwriting and aggregating these new risks.” The event will show how far the market is ready to go. ●

Jennifer Braney is international head of cyber at Gallagher Re and can be contacted at: jennifer_braney@gallagherre.com

PRICING

Unconvinced by lower attachments

Mapfre Re is folding its arms at brokers pushing for lower attachment points when it comes to aggregate covers for higher frequency secondary peril events.

Although higher property layers are experiencing the strongest pricing pressure, due to a benign natural catastrophe year so far, Mapfre Re says lower-attaching and aggregate covers remain under closer scrutiny following secondary peril events and weather-related losses across Europe.

Recent loss experience in Europe, particularly in France, Italy and Germany, has reinforced the importance of managing frequency risk and the growing impact of secondary perils, Mapfre Re chief regional officer EMEA Mark Meyerhoff told *Baden-Baden Today*.

"As a result, we do not currently see a compelling reason for a broad-based return to lower attachment points or a general return to providing cover for additional frequency layers."

Meyerhoff said property catastrophe pricing is clearly softening, particularly in higher layers where abundant traditional and alternative capital continues to create competitive pressure.

"The strongest pressure is in well-performing property catastrophe programmes, particularly in the higher layers. In these areas, brokers are understandably seeking to translate improved market conditions into lower pricing and, in some cases, broader coverage," he added.

Meyerhoff is cautious about declaring that the property reinsurance market has even reached a market floor. However, as brokers and re/insurers roll up their sleeves in Baden-Baden, the mood is noticeably more confident and constructive than a year ago, Meyerhoff said. For him, the reinsurance industry enters 2027 renewals with strong capitalisation, healthy profitability and ample capacity.

KEY POINTS:

- Higher property layer pricing pressure
- Property prices still softening
- Transparency, dialogue remain key

"Overall, I expect Baden-Baden to be characterised by competitive but rational negotiations. Competition is increasing, but portfolio quality, sound underwriting and long-term partnerships remain more important than growth for its own sake," Meyerhoff said.


Mark Meyerhoff

There is a clear trend of primary insurers trimming their list of reinsurers and leaning heavily on top-tier global partners, such as Mapfre Re.

Mapfre Re maintained a combined ratio of 95.2% in the first half of 2026, despite its reinsurance business being flat at €3.4 billion in premiums. Nevertheless, Mapfre's reinsurance arm reported net earnings up 24.6% in H1 at €186 million, driven by strong results of its reinsurance unit, which increased net earnings to more than €165 million.

Disciplined underwriting

So, what is the Madrid-headquartered reinsurer looking for when a client sits down opposite them here at Baden-Baden?

"We look for clients that demonstrate a disciplined underwriting approach, a clear strategy and willingness to build long-term partnerships … equally important is the broader relationship. At Mapfre Re, we increasingly take a holistic view of our client relationships across P&C, specialty, life and structured solutions. Broader relationships give us a deeper understanding of clients' strategies and risk profiles, helping us identify opportunities to add value across different lines of business."

As to what makes a renewal submission stand out on Meyerhoff's desk, the EMEA boss says the most attractive submission is not necessarily the largest or most complex. "What makes a programme stand out is transparency, a clear understanding of the underlying risk and an open dialogue around both opportunities and challenges," he said.

A successful 1/1 renewal, he added, is measured by more than the immediate commercial outcome. "It is about the quality and sustainability of the relationships we build, balancing competitiveness with technical discipline and supporting clients through every phase of the market cycle."

NEWS

Ukraine war risk facility expands as demand persists

The European Bank for Reconstruction and Development (EBRD) and Aon are expanding their Ukraine Recovery and Reconstruction Guarantee Facility (URGF) from €110 million to €150 million, supporting additional war risk cover for Ukrainian businesses amid the ongoing conflict.

MS Amlin is renewing its existing €80 million participation and adding reinsurance capacity, taking its total support to €130 million.

The facility has generated more than €500 million in reinsurance coverage for goods and vehicles across nearly 10,000 policies. UNIVERSALNA, part of Canada's Fairfax Financial Group, and USG, part of Vienna Insurance Group have joined existing participating insurers INGO, Colonnade and UNIQA.

Coverage now includes assets associated with gas transportation and storage. A new line will protect inventory temporarily held in warehouses, complementing existing inland cargo, motor vehicle damage and railway rolling stock cover. The additional capacity is supported by EU donor coverage under its Ukraine Investment Framework.

Aon president and CEO Greg Case said war risk insurance is "central to sustaining investment and building resilience in Ukraine".

Martin Burke, CUO of MS Amlin, stated that this expansion is an "important step towards building a broader, more sustainable market" as Ukrainian businesses continue to trade and invest despite the conflict, driving strong demand for war-risk insurance.

PRICING

Renewal terms should reflect rising risk

Competition is putting retentions and pricing back into focus, but better data and prevention must also shape renewal discussions, says AXA XL's Bertrand Romagne.



A more competitive reinsurance market is reopening discussions about who bears frequent weather losses, but shifting those claims back to reinsurers comes at a cost, says Bertrand Romagne, chief executive of international reinsurance at AXA XL.

Speaking to *Baden-Baden Today*, Romagne said retentions and attachment points will feature in January renewal negotiations.

"There is a tendency for the market and for clients to say, 'Oh, we have more frequent losses and we should share those with reinsurers'," he said. "Maybe, but the problem is there is a cost to that."

Those losses shifted towards insurers because the previous situation was "unsustainable", he said. The discussion, therefore, needs to consider whether the reinsurance market can sustainably provide protection for more frequent losses, alongside deciding how claims should be shared.

AXA XL, he added, remains ready to offer capacity, but its approach is guided by a sustainable balance between risk and return. "We'll look at the data and make sure we remain relevant for our clients and we will be disciplined and think long term rather than just short term."

KEY POINTS:

- Risk transfer alone is not the answer
- Mitigation belongs in renewal talks
- Flood, hail, wildfire are primary perils

No longer 'secondary'

Assessing that balance requires better information on the perils driving claims. Romagne said the industry needs to apply the same discipline to flood, hail and wildfire that it has developed over decades for windstorm and earthquake.

"We have to stop calling them 'secondary perils' because they're not secondary any more," he said. "In terms of losses experienced, they are probably first."

Cedants' data is well organised for wind and earthquake, but information on flood and wildfire still needs improvement. More granular exposure information would help reinsurers understand accumulations and determine appropriate pricing and terms.

Changing hazards and growing exposures mean historical loss records alone are insufficient to assess future risk. "You can't say what happened 10 years ago is a reflection of what will happen in the next 10 years," Romagne said.

AXA has engaged with the Cambridge Centre for Risk Studies on wildfire research. Scientific work and better exposure information, he said, can support more forward-looking underwriting judgements.

"Doing insurance and reinsurance as we used to, just looking backwards and relying on historical statistics, is not going to work any more," he said.

> "We'll look at the data and make sure we remain relevant for our clients and we will be disciplined and think long term."

Data and resilience

The information gaps extend beyond physical damage. Romagne highlighted that business interruption is becoming a larger component of losses, alongside disruption to transport, utilities, internet connectivity and supply chains, where increasingly interconnected businesses can face consequences that are difficult to evaluate from existing data.

Insurers need to collect more information from their own clients to understand those dependencies and improve the assessment of potential losses.

Romagne acknowledges that improving resilience requires work over a longer period but argues that prevention and mitigation should complement risk transfer, and must be discussed proactively during the forthcoming renewals.

"We offer risk transfer, and will continue to support our clients on that," he said. "But it should not be the only response."

Insurers and reinsurers need to help build resilience through better protection and construction, drawing on reinsurers' experience across markets, he said. Brokers and researchers also have a role in developing practical action plans.

"The best insurance is actually not to have any loss," he said.

Longer view

For buyers, financial strength, reliable capacity and risk-reflective pricing remain key requirements. Romagne also stressed the importance of technical expertise and support through the cycle. AXA XL, he said, will continue to focus on clients that demonstrate sound underwriting, claims and risk management, alongside transparency in their data.

"For us, it's not just about providing the lowest price," he said. "It's also about being the more valuable partner through the cycle, through changing market conditions and trends."

He cautioned against judging the relationship solely on price competition and urged buyers to consider broader, long-term partnerships with reinsurers.

"Cat is not the only product. It's important for our clients to write cat, but we also write other business with them," he said, pointing to casualty, aviation, marine, credit and other businesses it writes.

"For this renewal, I think our expectation is obviously to talk about the immediate concern of our client, but also to go beyond that."

Overall, he said European reinsurance needs a broader perspective covering climate, technology, interconnected risks and collaboration with cedants, brokers, regulators and researchers. ●

Bertrand Romagne is the CEO of international reinsurance at AXA XL. He can be contacted at: bertrand.romagne@axaxl.com

CASUALTY

Softer market opens door on retentions

KEY POINTS:

- Cedants can address net loss positions
- Secondary perils sit below retentions
- Aggregate cover offers another option

European cedants should use the softening reinsurance market to improve catastrophe protection rather than simply negotiate lower prices for the same programmes, says Howden Re's Tobias Andersson.

"The conversation has moved beyond price," Andersson, head of continental Europe at Howden Re, told *Baden-Baden Today*.

"Rates have fallen materially from their peak, and reinsurers remain very well capitalised and profitable. So, cedants are increasingly looking at how to extract the best value from current market conditions."

He also noted "growing interest in alternative ways of finding that value compared with the past couple of years".

Barring a major market shock, industry capital will continue to expand, Andersson said. While declining to predict exact rate movements, he added that strong reinsurer profitability is likely to keep competition high and reinsurers are clearly more open to engage and support new solutions and structures.

Retention burden

The opportunity is particularly relevant after several years of elevated retentions, which have left primary insurers absorbing losses below the point at which treaty protection responds.

Howden Re's 'Breaking the Glass' report, released in September, found that reinsurers paid less than 25% of global insured natural catastrophe losses in 2025, the fourth consecutive year below that level, despite assuming an average 40% of insured natural catastrophe exposure since 2021.

The report attributes the gap, despite elevated catastrophe activity, partly to higher attachment points established since January 2023.

"It's not necessarily the very big events, but the sheer number of them," Andersson said of European secondary peril losses, citing repeated flood, hail and storm activity.



> "We see a real opportunity for cedants and the market to secure the protection they need at the right price."

He added that wildfires have increased loss frequency further.

With higher attachment points leaving many of these losses below the level at which treaty cover responds, a lower price for the same programme does little to reduce the burden remaining on primary insurers' P&Ls.

Andersson sees scope for cedants to use abundant market capital to secure improved net loss positions, lower attachment points or aggregate protections.

He said the timing matters because reinsurance pricing and underlying risk are moving in different directions. While the cost of reinsurance protection has been easing, broader risk levels have continued to rise.

> "Resilience is best built before it's tested."

Beyond price

Capturing that opportunity will require a different renewal conversation.

"Rather than trying to predict rates, I'd like us all to focus on advocating the value of reinsurance," Andersson said. "That goes for brokers, reinsurers and buyers alike."

Buyers need to demonstrate why they are seeking different protection, while reinsurers need to understand the additional risk they would be assuming. "If you're a buyer, it will take hard work to find the best solutions and explain the rationale behind them," he said.

Reinsurers must likewise examine the business being offered and ask: "What risk am I taking on?"

If both sides do that work properly, he argued, "there are plenty of opportunities for the market to keep growing."

Local realities

The scope to reshape protection will differ significantly across Europe. "Our approach starts by treating every country on its own merits, because there are clear differences," Andersson said.

Recent catastrophe losses in Europe illustrate some of these differences. Andersson pointed to loss activity from flood, hail, wildfire and windstorm hitting different countries to varying and new extents, bringing the attention to perils that have not been considered to be peak perils, but now generating considerable loss levels.

These differences underline why cedants' reinsurance requirements cannot be approached uniformly across the region. "We see a real opportunity for cedants and the market to secure the protection they need at the right price," he said.

The upcoming renewals offer a chance to act while conditions remain favourable.

"Now is the time to lean in, not lean back," Andersson said. "Resilience is best built before it's tested."



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Isaias losses to cost insurers billions

KEY POINTS:

- Isaias exposes grid resilience risks
- Modest economic shock
- No 'meaningful' impact on 1/1 renewals



IMAGE SHUTTERSTOCK.COM / ZINAIDA SHEVCHUK

Isaias was the ninth named storm in the 2026 Atlantic hurricane season but the first to reach hurricane strength, making it the latest first hurricane of a season on record. Insured loss estimates have since started to emerge following its October 9 landfall on the US Gulf Coast, with the latest being approximately $3 billion, according to Karen Clark & Company (KCC).

The estimate, based on KCC's high-resolution US hurricane model, includes business interruption losses but excludes boats, offshore properties and losses covered by the National Flood Insurance Program (NFIP).

The figure sits within the low-to-mid single-digit billion-dollar range anticipated as the storm approached landfall.

Gallagher Re had initially put losses in that range while Isaias was still developing over the Gulf of Mexico but later updated its estimate saying losses were expected to settle towards the lower end of it, including wind, storm surge, inland flood, tornado impacts, and expected NFIP losses. It also reiterated that current reinsurance market capital levels suggest the event is unlikely to affect upcoming January 1 renewal discussions.

Verisk separately estimated insured losses at between $1 billion and $2 billion.

Gallagher Re said the event was unlikely to "meaningfully" affect upcoming January 1 reinsurance renewal discussions, a view it reiterated after landfall given current levels of reinsurance market capital.

Moody's Analytics had identified as many as 32,000 commercial properties along the 225-mile stretch of coastline initially expected to be affected, with a combined estimated value of $71.8 billion.

Its subsequent estimate put the economic output loss at $1 billion to $2 billion and described the broader economic shock as "modest", helped partly by the storm striking during the Columbus Day/Indigenous Peoples' Day holiday weekend, when many schools and businesses were closed.

Earnings impact

AM Best and Fitch Ratings both said the losses were more significant from an earnings perspective, with fourth-quarter and full-year 2026 results for affected insurers likely to take a hit.

Fitch said the storm's reduced intensity at landfall should keep insured losses manageable.

"A wide range of re/insurers will be affected by Isaias, as Florida specialist homeowners' insurers manage concentrated risk by ceding a significant share of exposure to third-party reinsurers," Fitch said.

"Most large national insurers have limited market share in Florida and have reduced policies in force through non-renewals to manage balance sheet exposure and reinsurance costs. National insurers are expected to retain a more meaningful share of wind-driven losses in Alabama and other states impacted by the storm."

> "Isaias is a reminder that energy security is ultimately a resilience issue."
>
> Adrian Hall

The agency added that the US coastal property market had not experienced a hurricane landfall since Hurricane Milton in 2024, allowing insurers to retain earnings and strengthen surplus in the interim and supporting continued market stabilisation.

Isaias developed from an area of low pressure over the south-western Gulf in early October. Favourable environmental conditions, including warm ocean temperatures and high relative humidity, helped it reach tropical storm strength and receive its name early on October 7.

It made landfall near Destin, Florida, at 8.30pm US Central Time on October 9 as a Category 2 hurricane, with maximum sustained winds of 105mph and peak storm surge of about eight feet.

The most severe impacts were concentrated in coastal communities including Destin, Pensacola Beach and Navarre, with significant damage also reported around Pensacola Bay, including Milton and Pace.

Losses were greatly reduced in Louisiana, Mississippi and Alabama which were included in initial forecasts but largely spared as the hurricane tracked on a north-easterly path toward Florida.

Grid resilience

Power outages were widespread across Florida and Alabama and extended into western Georgia, where the storm's outer bands brought down trees and power lines.

Swiss Re said the damage to critical power infrastructure highlighted wider questions around the resilience of energy systems. Around 900,000 electricity customers lost power at the height of the storm.

"Isaias is a reminder that energy security is ultimately a resilience issue," said Adrian Hall, CEO US, Swiss Re Corporate Solutions.

"Reliable energy supply depends on grids, energy networks and critical infrastructure that can withstand disruption and recover quickly when it occurs. With significant capital flowing into energy infrastructure, understanding physical risks is increasingly important to keeping those investments resilient, financeable and insurable."


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UNDERWRITING

Hyper-specialisation key to EU MGAs

Bridgehaven Europe, the newly established Dublin-based arm of hybrid fronting carrier Bridgehaven, says that "hyper-specialisation" is key to what it's looking for in an MGA.

The European arm of Bridgehaven has reportedly drawn up a shortlist of a dozen MGAs in Europe it wants to work with, although EU chief underwriting officer Mark McCormick demurs as to whether any EU-based MGA has signed on the dotted line yet. Negotiations are still ongoing, McCormick told *Baden-Baden Today*.

But a specialist surety MGA is top of his list, despite the specific expertise needed to run one, along with cyber. "Hyper-specialists are exactly what the MGA model is made for," said McCormick.

Bridgehaven hopes to "ride a wave of structural shift that we see happening in Europe over the next few years".

Although European MGAs only have a market share of 3 to 5% in terms of non-life insurance premiums, Continental Europe is currently the fastest-growing region for MGAs. In the US, MGAs write around 10 to 12.5% of total US property and casualty premium. In the UK, delegated authority business, including MGAs, accounts for roughly 30% of total Lloyd's of London premium volume.

Bridgehaven is also interested in working with European MGAs that wish to expand into other territories. Many successful European MGAs might dominate their domestic market, as happens in France or Germany, but struggle to expand into neighbouring countries. This push into being pan-European reflects how brokers and reinsurers actually run their European-wide teams.

The hybrid fronting carrier launched in July 2023, backed by Erik Matson, ex-CEO of US fronting carrier Transverse, and US private equity investor Flexpoint Ford, which has more than $7.5 billion of assets under management.

'Skin in the game'

As a fronting carrier and MGA capacity platform, Bridgehaven operates a shared-risk hybrid model. Rather than act as a traditional fronting carrier that passes on 100% of the risk to reinsurers, Bridgehaven keeps 10% of the risk for itself as "skin in the game" before passing over the rest.

KEY POINTS:

- EU MGAs claw 3-5% market share
- Europe fastest-growing MGA region
- US MGAs earn ~13% of P&C premiums



> "If you have a profitable MGA with a good track record, call us, especially if you have a niche."

And that emphasis on sharing the risk extends to the European MGAs Bridgehaven wants to work with.

McCormick said: "It's just wonderful if you have alignment, where the MGA is taking some of the risk, we're taking some of the risk, and the reinsurer is taking some of the risk. Everybody's taking some risk.

"That's a really good recipe for keeping your eye on the bottom line as opposed to volume."

As to MGAs it's not so keen to work with, red flags include agencies which are too small and do not have room to scale, or which have overly complex ideas for a product in hyper-regulated niches such as healthcare. Lines it would duck include personal lines, health and motor, despite brokers crying out for more capacity in Europe.

> "Hyper-specialists are exactly what the MGA model is made for."

Another differentiator between Bridgehaven and a traditional fronting carrier is that it offers three to five-year capacity, not annual renewals, as with most others, he said. The platform sees itself as a bulwark in a softening market, as carriers draw in their horns when it comes to offering MGA capacity in a downturn.

McCormick said: "If, say, the professional lines market starts softening, there's a temptation by traditional capacity providers to maybe pull some capacity back from your MGA activities in that line of business. The risk for an MGA is that they lose their capacity because they were working with a particular carrier who decided to pull back."

No black box

One criticism reinsurers have made of fronting carriers is that they sometimes bundle all their MGA data into an opaque "black box" to buy reinsurance as a whole. Bridgehaven takes a different tack.

"There's full transparency when we're buying a reinsurance treaty just for a particular MGA. Typically, we buy a quota share from the reinsurer, sharing everything we have about this particular MGA," said McCormick.

"In a softening market, the model we're offering gives them greater transparency into the underwriting."

Traditionally, an MGA launches when an underwriter with deep industry expertise in a niche strikes out on their own, chafing at working for a big company. Increasingly, though, Bridgehaven sees brokers wanting to set up their own MGAs or even carriers themselves.

McCormick said: "If you have a profitable MGA with a good track record, call us, especially if you have a niche and you're looking to expand or looking to get resilient capital behind you.

"All the commissions a reinsurer pays are passed through to you. You're probably going to get a better deal by connecting directly with reinsurance capital than you are with a traditional carrier."

ANALYTICS

Renewals: two sides of the same coin

Record reinsurance capital is giving European insurers more choice over how they buy protection, but analytics will be critical in matching that capacity to long-term business objectives, says Willis Re's Tina Thomson.



By Dr. Tina Thomson, head of data and analytics, Willis Re

KEY POINTS:

- Science sharpens view of emerging risk
- Analytics turns risk insight into decision
- Brokers can link both with placement

European insurers approach the 2027 renewals from a position of strength. Reinsurance capital, including alternative capital and catastrophe bonds, stands at record levels, and rates have continued to soften through 2026.

Yet even in a well-capitalised market, shock losses are being watched most closely, as a single large event, or clusters of events, can move a year's result. Insurers that understand and can evidence their exposure are best placed to secure the protection they want, on their terms.

Evidencing it takes two things. The first is science: models combining the latest peril research with high-quality, current exposure data. The second is analytics: an actuarial, technology enabled approach connecting that view of risk to decisions on capital, reinsurance, portfolio optimisation and pricing. Together they give cedants and reinsurers a view of risk both sides can trust.

We have designed our analytics, data and technology on a modern platform, integrated with broking from the start. Catastrophe modelling, actuarial analysis, pricing, structuring and market data share one platform, giving analysts and brokers a single evidenced view of each client's portfolio. With AI-assisted data cleansing and a full audit trail, reinsurers can see exactly what has changed in a submission and why, which is the foundation of that trust.

Understanding the science

Wildfire, for example, is a peril where the science is moving quickly. Recent events have highlighted rapid fire intensification, where fires escalate from manageable incidents to major loss events within hours.

Dr. Matthew Jones, of the University of East Anglia's (UEA) Tyndall Centre for Climate Change Research, co-lead author of the annual State of Wildfires report, works with us through the Willis Research Network (WRN). "The world is experiencing really drastic, fundamental changes in the global geography of wildfire," he told a recent Willis Re webinar. "Fires are increasingly encroaching upon the built environment." He points to "hydroclimatic whiplash" – intensifying swings between drought and heavy rainfall. Vegetation grows vigorously in the wet spells, then dries out, turning landscapes into fuel.

The current work with UEA is evaluating vapour pressure deficit (how strongly the atmosphere draws moisture out of vegetation) as a wildfire hazard metric alongside traditional fire risk indices. A physically grounded measure of dryness helps distinguish between locations that traditional indices treat alike, sharpening risk selection, pricing and accumulation management, and informing how much wildfire risk to retain or transfer.

> "Understanding what drives a loss, not the headline, allows risk to be priced on its merits."

Testing the models

In a current proof-of-concept, we are testing a new-generation, physics-based wildfire model by re-running historical events, including the January 2025 California wildfires, under alternative conditions: ignition point, wind strength, fuel dryness, timing and development at the wildland-urban interface.

Moving the ignition point by two kilometres almost doubled the modelled loss. Limiting development at the wildland-urban interface to its 1975 extent cut it by more than a third. Re-run a month later, as the January 2025 fire caused no loss at all: the vegetation had already burned. Counterfactual analysis turns one loss into a distribution of plausible outcomes. This is needed to test whether a model is fit for purpose and to set retentions and limits with confidence.

The same discipline applies to Europe's convective storm risk. WRN has partnered with the Karlsruhe Institute of Technology (KIT) for more than a decade, producing the first Europe-wide stochastic hail model, with a higher-resolution update due at the end of October. KIT's analysis of June's heatwave, co-authored by our Willis Research Fellow, found that despite a highly unstable atmosphere, most thunderstorms stayed small and short-lived. Extreme heat does not automatically mean extreme hail. Understanding what drives a loss, not the headline, allows risk to be priced on its merits.

From science to decisions

The second side of the coin brings portfolio, reinsurance and capital decisions into one framework. Building a client's objectives into an economic capital model lets us test how different reinsurance structures and alternative capital affect earnings volatility, solvency and growth. Risk scoring and loss-trend analysis feed back into pricing, so capital management becomes continuous rather than an annual event.

With more options available in the market, analytics lets each client test whether a lower retention pays for itself, where frequency protection adds most value, and which mix of traditional and alternative capital is most efficient. It gives insurers insight to manage and price their own risk and reinsurers the confidence to support them.

The role of the broker is also evolving. Our ambition is to give every client actionable insight and a distinctly better experience of working with a reinsurance broker. For European insurers building long-term security in a changing risk landscape, both sides of the coin matter. ●

DATA CENTRES

The next great accumulation challenge

Brokers have a critical role: to help insurers uncover hidden data centre accumulations, improve exposure management and connect growing risks with new sources of capital, says Gallagher Re.



By Luca Drane, global data centre lead, Gallagher Re

KEY POINTS:

- Data centre risk spans multiple classes
- New capital needed to close the gap
- Brokers help map and manage exposure

Few sectors have captured investors and insurers' attention quite like data centres. Driven by the explosive growth of artificial intelligence, cloud computing, digital infrastructure and rising demand for data processing capacity, the sector is experiencing one of the largest infrastructure build-outs in modern history.

Estimates from McKinsey suggests data centres will require $6.7 trillion worldwide to keep pace with the demand for computer power by 2030. Data centres equipped to handle AI processing loads are projected to require $5.2 trillion in capital expenditure, while those powering traditional IT applications will need $1.5 trillion.

Much of the conversation has understandably focused on the construction of ever larger, higher capacity facilities. Data centres have moved beyond a standard property risk, impacting multiple lines of business including property, business interruption, cyber, surety, trade credit, D&O, renewable energy, third-party and employers' liability, environmental liability and political violence.

Yet for re/insurers, the more immediate question might be whether they already have significant exposure to data centres without fully understanding the degree of concentration that exists within their portfolios.

As a result, data centres are rapidly emerging as one of the insurance industry's most important accumulation challenges.

Unlike many established classes of business, data centre risk remains relatively immature from an exposure management perspective. The sector is expanding quickly, but there is not yet universal consistency in how these risks are identified, coded, modelled or aggregated across the market.

This creates a fundamental challenge for insurers seeking to understand their true exposure. In many portfolios, occupancy coding alone is unlikely to provide a complete picture. Data vendors classify data centre risks in a variety of ways, often taking distinct approaches to building values, contents values, tenant exposures and occupancy definitions. As a result, two datasets might produce materially different views of the same portfolio.

For many carriers, the starting point is understanding where exposure exists. Concentrations can develop through geographic clusters or individual facilities whose values continue to grow as assets become larger and more sophisticated.

This is where specialist analytics are becoming increasingly important. By ingesting portfolio data and applying multiple methodologies to identify data centre risks, insurers can develop a far more comprehensive understanding of their exposures. That includes assessing concentrations at both a geographic and a single-site level, identifying areas where portfolios might be overweight, and benchmarking exposure management approaches against wider market practices.

> "This is not simply another growth opportunity. It is one of the defining risk management challenges of the digital economy."

Many insurers are still at the beginning of this journey, with questions around exposure identification, concentration management, risk appetite and growth strategies remaining high on executive agendas.

Gallagher Re is helping clients navigate these questions through a combination of analytics, advisory and risk transfer expertise. Our newly launched Digital Risk practice has a dedicated central team that triages and executes data centre opportunities across the full risk value chain, from facilities through to treaty reinsurance. The team also connects clients with specialists across property, cyber, engineering, capital markets and other relevant disciplines. And, as a global broker, we have a broad view of emerging trends, risk management practices and evolving insurance solutions across the market.

Understanding exposure is only part of the challenge. The scale of data centre growth means the industry will require significantly more risk-bearing capacity if it is to keep pace with demand. Traditional insurance and reinsurance markets will continue to play a critical role, but are unlikely to be the sole source of capital supporting the sector's expansion.

Instead, the future is likely to involve a broader ecosystem of capacity providers. Captives, catastrophe bonds, sidecars, contingent capital structures and other forms of institutional capital all have the potential to contribute toward closing what is becoming a substantial protection gap.

For insurance-linked securities investors, natural catastrophe exposures within data centre portfolios may represent a familiar starting point. Investors have demonstrated a willingness to deploy significant amounts of capital against well-understood catastrophe risks, creating opportunities to support data centre growth through established structures.

There will not be a single solution to the challenge. Supporting the next generation of digital infrastructure will require collaboration across insurers, reinsurers, capital markets participants, technology providers and data specialists. Success will depend on combining deep exposure expertise with access to diverse and scalable sources of capital.

As data centre investment continues to accelerate, the industry's ability to understand, manage and finance these emerging accumulations will become increasingly important. For insurers and reinsurers alike, this is not simply another growth opportunity. It is one of the defining risk management challenges of the digital economy.

RENEWAL

Divergence at renewal over cat strategies

As catastrophe rates come under pressure, buyers and reinsurers are set to diverge over how recent performance, programme design and retained risk should shape January renewals, says MS Re's Philippe Froncioni.



Some clients might seek greater recognition for the balance built with reinsurers during benign years. Others could adjust retentions, limits or programme structures, or decide to retain more risk based on their own capital position and appetite.

Those choices are likely to create very different renewal discussions at January 1, according to Philippe Froncioni, head of international complex cat and APAC at MS Reinsurance.

"This is where views are likely to diverge at renewal," Froncioni told *Baden-Baden Today*. "Reinsurers will differ in how they weigh technical price, recent performance and the value of the broader trading relationship; clients will differ in how they use programme design and retained risk to address rate trends."

Renewal choices

That debate is becoming more important as catastrophe pricing comes under pressure in Northern Europe. Froncioni pointed in particular to the UK, the Nordics and the Netherlands, where the absence of major catastrophe losses over the past 15 to 20 years has helped push rates lower.

He acknowledges that recent performance should influence pricing but says it cannot become the only measure of technical adequacy.

"A catastrophe programme is designed to cover a much longer time horizon than the most recent loss experience," Froncioni said. "When we price a treaty, we consider events at the 50-, 100- and 250-year return periods."

The challenge, he added, is to recognise favourable experience without giving too much weight to recency and weakening protection intended for much rarer events.

Cedants and brokers are also playing a more dynamic role in setting renewal expectations as capacity remains plentiful. "In a softer market, we are seeing cedants and brokers play a more active role in driving pricing," Froncioni said. Some are increasingly "desk-pricing" programmes or setting expectations before fully canvassing market appetite.

KEY POINTS:

- Renewal views are set to diverge
- Broader terms could add volatility
- Open dialogue strengthens outcomes

He sees that as a normal feature of this stage of the cycle, but questions how far price and terms should be pushed.

Buyer leverage

"The question we would ask cedants and brokers is whether their role is simply to secure the cheapest price and broadest terms in any given year, or to build a stable catastrophe programme that supports the cedant and its underlying business over the longer term," he said.

> "The strongest outcomes will come from an open, partnership-based discussion."

If margins and terms deteriorate too far, he warned, programme sustainability can weaken and leave buyers with a harder adjustment when the market turns.

One of the bigger risks, Froncioni said, in a soft market is not price alone but the broadening of cover. He pointed to the addition of cyber coverage to catastrophe treaties, particularly in upper layers where minimum rates on line may apply.

Packaging additional cover can be attractive to buyers, but it also increases uncertainty around how a programme should be priced. "Broadening them today may create much greater pricing volatility tomorrow," he said.

When conditions turn, reinsurers might reassess which terms they are prepared to accept, potentially changing the cover available to buyers.

MS Re itself is open to considering more catastrophe opportunities than it did several years ago. Froncioni said: "We have now built that more diversified and balanced portfolio and recognise that this gives us a stronger foundation for taking on more catastrophe risk."

Long-term partnership

That does not mean capacity will be deployed indiscriminately. He clarified that greater participation depends on "the right relationship, client and price", with attachment points, exposure, terms, pricing and margin all considered alongside the wider client relationship.

"Primarily it comes back to the quality of the client partnership," he said. "Is it broad and balanced? Do we understand what a client is looking to do, and does the cat strategy help support that relationship?"

For the coming renewal, he expects abundant capacity and competitive pressure to remain, but also expects significant differences in how reinsurers assess and price catastrophe risk after several benign years.

MS Re is prepared to recognise improving conditions where treaty performance and the strength of the relationship justify it, he noted, while keeping pricing and structure technically sound.

"We do not view our client relationships as a zero-sum game, where one side can succeed only at the expense of the other," Froncioni said.

"The strongest outcomes will come from an open, partnership-based discussion that recognises the client's experience while preserving the long-term integrity of the catastrophe cover."

Philippe Froncioni is the head of international complex cat and APAC at MS Reinsurance.

EXPOSURE

Secondary perils shape risk decisions

Flood, hail and wildfire are reshaping underwriting decisions across Europe, says Everest Re's Harald Jacobsen, requiring deeper risk insight and portfolio discipline.



Secondary perils are no longer sitting at the edge of European catastrophe portfolios. Flood, hail and severe storms are increasingly influencing underwriting decisions, capital allocation and reinsurance purchasing, forcing insurers and reinsurers to look more closely at where risk is building and how it should be priced.

Harald Jacobsen, head of reinsurance Continental Europe at Everest, says recent loss activity has reinforced how much these risks now matter to portfolio management.

"Secondary perils have become a significant driver of insured losses across Europe," he told *Baden-Baden Today*. "Recent loss activity has reinforced that secondary perils are no longer secondary from a capital and portfolio management perspective.

"They are increasingly shaping underwriting decisions, portfolio construction and reinsurance purchasing strategies."

The shift puts more pressure on insurers to understand concentrations at a much finer level. Jacobsen believes better data, analytics and technology are improving the industry's ability to model these risks, but warned against relying on models alone.

"Secondary perils remain complex and require a combination of model output, local expertise and underwriting judgement," he said. "Discipline remains critical to ensuring risk is appropriately understood and priced."

Granular view

For insurers, the response starts with pricing the exposure properly and continually reassessing where concentrations are developing.

Jacobsen pointed to more granular portfolio management, stronger data-led underwriting and closer scrutiny of aggregation risk as priorities. Reinsurance then must be structured around the actual shape of the portfolio rather than treated simply as additional capacity.

"The journey starts with insurers' confidence that the perils are adequately priced," he said, adding that insurers should work closely with reinsurers to structure solutions that support long-term portfolio resilience.

That is becoming more important as the broader European market becomes more balanced and predictable while risks become more complex.

KEY POINTS:

- Cedants expect more than capacity
- Underwriting discipline remains critical
- Risk concentrations need closer scrutiny

Jacobsen said clients are increasingly looking beyond price and capacity to reinsurers that can help them navigate emerging exposures and longer-term uncertainty.

"Success will come from combining underwriting expertise, analytics and capital solutions to support sustainable growth. The value of reinsurance increasingly lies in helping clients understand how their risks are changing, anticipate potential pressure points and develop solutions that support their long-term objectives," he emphasised.

> "Secondary perils remain complex and require a combination of model output, local expertise and underwriting judgement."

New exposures

The same discipline is being tested by the energy transition. Growth in renewable infrastructure is creating new technologies, asset classes and operational risks that demand specialist knowledge, Jacobsen said. For insurers and reinsurers, the opportunity is significant, but he noted that expansion must be matched by a better understanding of how those assets behave and where losses could emerge.

"The energy transition is creating new technologies, asset classes and operational risks that require specialist expertise," he said. "Everest brings together dedicated renewable energy capabilities and expertise from across the business to help clients understand and manage these evolving exposures."

As renewables scale, product development and risk insight must keep pace.

"Supporting innovation does not mean compromising underwriting fundamentals," he said. "On the contrary. Long-term success depends on maintaining discipline while helping clients navigate emerging risks and being there for them for what comes next."

Partnership test

"Partnership today is about more than capacity," he said. "Clients value responsiveness, technical expertise and consistency across market cycles."

He sees data and technology as part of that relationship rather than a substitute for underwriting expertise. Better data can sharpen risk selection and help identify trends earlier, while advanced analytics can improve understanding of exposures as they evolve.

"Technology is an increasingly important enabler, but it complements, rather than replaces, underwriting expertise," Jacobsen said.

He identified one of the main challenges for the European market as "balancing growth with underwriting discipline" while still offering solutions that help clients manage increasingly complex risks.

He also sees tailored reinsurance playing a larger role in helping insurers use capital more efficiently, particularly where standard solutions no longer reflect the shape of the underlying exposure. Everest's strategic reinsurance capabilities enable clients to access bespoke structures aligned to specific portfolio, capital and risk management objectives.

The priority for Everest Re is to continue to deepen the company's relationships across key markets, engage early in strategic discussions and developing cutting-edge solutions for emerging and evolving risks, leveraging specialist expertise across the business, including dedicated renewable energy capabilities within its marine & energy team.

"We want to support clients with tailored solutions for increasingly complex risks," Jacobsen said, while making sure the structure, pricing and capital deployed continue to reflect how those risks are changing.

"The strongest partnerships are built on shared objectives, transparent dialogue and a long-term commitment to creating value - together," he concluded.

NEWS

Value beats price for 1/1 renewals

Reinsurers will need to offer more than competitive pricing to stand out at the January 1 2027 renewals, as excess capacity and a relatively benign catastrophe environment continue to put pressure on rates, according to Christopher Gray, divisional director of reinsurance at Westfield Specialty International.

"Excess capacity remains a key driver of reinsurance market dynamics, with intense competition across most classes," Gray said.

The extent of pricing changes will depend on the class, territory, loss experience and quality of the underlying risk, but cedants are expected to review their programme structures, particularly attachment points, as they respond to market conditions.

Gray said reinsurers would need to demonstrate their value through technical expertise, innovation and solutions tailored to clients' needs, rather than relying on capacity alone.

"Technology and data analytics are increasingly crucial underwriting tools, but relationships remain a cornerstone of the reinsurance market," he said.

KEY POINTS:

- Excess capacity fuels price pressure
- Reinsurers must compete on expertise
- Relationships vital amid automation



> "Success in today's reinsurance market requires more than capacity alone."

As automation and AI become more prevalent, Gray warned against overlooking direct engagement with clients. Face-to-face discussions help reinsurers better understand clients' requirements and identify solutions to increasingly complex risk challenges.

He said the quality of underwriting expertise, claims support and client service would become increasingly important as pricing pressure intensified and products became harder to differentiate on cost alone.

While price remains important in a competitive market, reinsurers able to tailor coverage to clients' specific needs will be better positioned to differentiate themselves, he said.

"Success in today's reinsurance market requires more than capacity alone; it requires expertise, partnership and a clear commitment to delivering value," he said.



RISK TRANSFER

Rules tighten for funded reinsurance

Insurance regulators worldwide are tightening rules for asset-intensive reinsurance (AIR) – so-called "funded reinsurance" – while promoting alternative forms of insurance risk transfer, says Fitch Ratings.

There has been a coordinated effort by watchdogs in the US, UK and Japan to rein in counterparty and recapture risks. According to Fitch, regulatory bodies are moving aggressively to tighten the rules governing AIR.

The global AIR market represents anything between $1.1 trillion and $2.1 trillion in transferred liabilities and backing assets under management (AUM), according to analysts.

In the UK, the Prudential Regulation Authority (PRA) is advancing a sweeping reform which proposes to align the counterparty default adjustment applied to funded reinsurance with the fundamental credit spread. In the UK pension de-risking sector, the PRA has estimated domestic life insurers have accumulated approximately £40 billion in funded reinsurance exposures ceded to international counterparties to collateralise bulk purchase annuity liabilities.

Under these new proposals, the PRA estimates that the capital required to be held against an average existing funded reinsurance transaction will surge from between 2% to 4% to approximately 10%.

Across the Atlantic

The US National Association of Insurance Commissioners (NAIC) is similarly tightening its grip. NAIC intends to revise risk-based capital (RPC) treatment of recapture risk related to asset-intensive reinsurance agreements outside reciprocal jurisdictions. Furthermore, it plans to increase the RBC factor for recoverability risk adequately to reflect the heightened credit risk associated with reinsurers that possess lower financial strength ratings.

In a move to attract US cedants and bolster its position as a leading hub, the Cayman Islands officially applied for qualified jurisdiction status (QJS) with the NAIC. Attaining QJS is a key milestone that signals a robust solvency oversight regime. It serves as the primary stepping stone toward reciprocal jurisdiction status, which would ultimately eliminate collateral requirements for reinsurers transacting with US cedants – a highly coveted advantage in the current tight regulatory climate.

Beyond Western capital rules, regulators

KEY POINTS:

- AIR market worth $1.1–$2.1 trillion
- Synchronised action by regulators
- Hubs battle for ART business

in Asia are imposing stricter asset-liability management (ALM) regimes. China and South Korea have both strengthened their ALM frameworks to ensure insurers can better navigate interest-rate volatility and liquidity constraints. South Korea has introduced the duration gap as a quantitative indicator for interest-rate risk, while China's new measures focus on duration matching and resilience against prolonged low-interest-rate environments following the adoption of new accounting standards.

Japan's Financial Services Agency has followed suit, updating its supervisory expectations to demand enhanced scrutiny of reinsurer counterparty risk, asset management practices and overall risk management frameworks.



While market capacity and natural catastrophe pricing typically take the spotlight at Baden-Baden, the wave of regulatory tightening on asset-intensive risk transfer is bound to be a talking point in the Kurhaus.

These developments mark a paradigm shift as to how capital is managed across borders. For years, the booming asset-intensive and funded reinsurance markets have provided a highly efficient capital relief mechanism for primary life insurers, driving rapid, lucrative growth for offshore and private equity backed reinsurers.

However, this synchronised regulatory tightening signals the end of such a lightly capitalised era. Reinsurers will be forced to hold substantially more capital against these transactions, which will inevitably compress returns on equity and force a widespread repricing of life and annuity reinsurance deals globally.

It might also sharply dampen the aggressive expansion of funded reinsurance, compelling firms to fundamentally reassess their capital allocation strategies and risk appetites just as they sit down to negotiate 1/1 treaty renewals.

Competition building

Meanwhile, competition is building between the world's insurance hubs, as they race to capture the burgeoning market for alternative and innovative risk transfer.

Bermuda, Singapore, Hong Kong and the UK have launched consultations to introduce innovative risk transfer solutions built on protected cell companies (PCCs) and insurance-linked securities (ILS). They aim to improve access to insurance covers for SMEs and to better spread peak natural catastrophe exposures.

Bermuda, for example, is not only refining a dedicated framework for parametric special purpose insurance (PSPI) targeting alternative capital reinsurers, but is also consulting on the integration of stablecoins in insurance and investment funds.

The parametric insurance boom is also being felt in Latin America, where regulators in Argentina and Peru have recently introduced formal regulatory frameworks to govern products triggered by verifiable environmental indices rather than traditional, lengthy loss adjustments.

As delegates hunker down for hard negotiations in Baden-Baden, the volume and complexity of shifting global capital standards, coupled with the rising cost of funded reinsurance, could see the industry transform over the coming year. ●

UNDERWRITING

AI boom tests underwriting expertise

The AI infrastructure boom is expected to bring huge new values into the insurance market, but VIG Re's Aleš Mirnik argues that understanding those risks may prove as difficult as finding the capacity to cover them.



The re/insurance industry is excited about the huge investment flowing into data centres, seeing them as a major growth opportunity. But as these facilities become more complex, there is a danger that the appetite to write the business runs ahead of the industry's ability to understand the risk.

As reinsurers gather in Baden-Baden, Aleš Mirnik, head of CEE & East Mediterranean at VIG Re, is urging the market to look beyond premium and capacity and spend more time understanding what sits behind the exposure.

"Quite a lot of the time, industry professionals see the premium, the volume and the growth. They don't see the complexity," he told *Baden-Baden Today*.

Part of that comes from the speed at which the technology is changing. Semiconductor production is moving through successive generations of smaller and more sensitive technology, while chip manufacturing equipment can be vulnerable to relatively minor disruption. "Technology is advancing faster than the infrastructure built around it," Mirnik said. "The complexity is increasing day by day."

He pointed to cases where an earthquake caused little or no direct damage to semiconductor machinery, but triggered sprinklers that damaged sensitive production equipment. "You almost need to be a scientist to assess whether a production line will face a delay, a complete shutdown or damage, and whether you need to replace everything or just one part," he said. "This is now a completely different game."

"As an industry, we will need more specialists working alongside insurance companies to assess these risks," Mirnik said.

Scale of risk

Technical complexity is only one part of the problem. The values concentrated at individual locations are already stretching available insurance capacity. Some of the largest semiconductor facilities and data centres carry values running into tens of billions of dollars, while available cover may represent only a fraction of the exposure. "It will take the whole market to insure this technology space, and that is only the property exposure," Mirnik said.

"Then there is business interruption and contingent business interruption, because a whole chain of industries may depend on a particular data centre."

KEY POINTS:

- Complexity needs deeper expertise
- Connected risks raise accumulation
- Data still needs judgement

Interconnected risks

Data centres also rely on power, cooling, water and telecoms, while many customers can depend on the same facility. Some planned AI campuses are approaching gigawatt scale. "The underlying perils may be familiar, but their scale and interdependence take the analysis to another level," Mirnik said.

> "Commercial opportunities are substantial, but sustainable capacity requires specialist expertise."

That means looking beyond buildings and equipment to water availability, fire protection, power and cooling redundancy, cyber security, contractual obligations and accumulation across portfolios.

"Commercial opportunities are substantial, but sustainable capacity in such a fast-changing environment requires specialist expertise, regular reassessment and a multidisciplinary understanding of the risk," he said.

The same concern runs through Mirnik's view of emerging risks more broadly. Technology, climate change and geopolitics will all shape insurers' portfolios, but the greater challenge is how those risks interact. "A geopolitical conflict can disrupt energy supplies and trigger cyber events; extreme weather can affect infrastructure and supply chains; and a technology failure can interrupt businesses across several countries at once," he said.

For a reinsurer, the question is not only how severe an individual loss could be, but how far it could spread across policies, portfolios and lines of business.

"The greatest emerging risk may not be one specific peril but failing to recognise how different risks connect and accumulate," Mirnik said. Climate risk adds to that challenge. Changing weather patterns, asset values and concentrations mean model output must be tested against recent experience, alternative scenarios and expert judgement.

"Models structure our understanding of risk; technical underwriting determines how we act on it," he said.

Underwriting judgement

AI can help handle some of that complexity. VIG Re sees value in using it to organise information, identify patterns and reduce routine work, giving underwriters more time for complex risks and portfolio management.

But Mirnik draws a clear line around responsibility. "AI should strengthen technical underwriting without weakening accountability." he said. He emphasised that good underwriting is "not a choice between data and judgement" but comes from combining the two. Imperfect data does not automatically rule out a risk, but uncertainty must be reflected in assumptions, pricing or structure.

As investment in AI infrastructure grows, the harder task, Mirnik said, will be understanding those risks well enough to know where capacity should be deployed and how far a loss could spread beyond the original site. ●

Aleš Mirnik is head of CEE and East Mediterranean at VIG Re, and can be contacted at: a.mirnik@vig-re.com

PARAMETRIC

Brokers' parametric use 'accelerating'

Brokers are increasingly adding parametric cover to address exposures poorly served by traditional reinsurance, and that trend is accelerating, says Tanguy Touffut, chief executive and co-founder of Descartes Underwriting.

Ahead of the January renewals, Touffut said "reinsurers are holding fast to their harder-market shift towards higher attachment points", leaving primary insurers exposed to large losses, particularly from severe convective storms, wind and wildfire.

Parametric reinsurance, he believes, plays several roles. "Parametric is often a complement to traditional indemnity coverage, and occasionally a replacement for it," he said.

For cedants exposed to severe convective storms or wildfire, that can mean aggregate protection designed around the losses they retain. For hurricane business, the objective might instead be protection against a second or third event, or freeing capacity where an insurer has excessive exposure.

"Ultimately, it frequently serves to address a 'pain point' that is poorly covered by traditional reinsurers," he told *Baden-Baden Today*.

"As brokers become increasingly aware that parametric is available to fill such coverage gaps effectively, more and more are adding parametric protection to their programme. That trend is accelerating."

Touffut also points to an alternative to industry loss warranties (ILWs), whose market-wide loss triggers can differ from an individual buyer's experience. "For instance, it can replace ILWs that carry high basis risk by utilising the cedant's modelled losses rather than market-wide losses," he said.

The structure depends on the particular exposure or protection gap. Touffut stressed solutions are bespoke. "Every solution we create is bespoke, built for the particular clients and their specific circumstances," he said. For brokers bringing a difficult placement, he added, Descartes might already have encountered a similar problem and can work with them on a solution.

Liquidity after losses

At the corporate level, the attraction also lies in access to cash following an event, particularly when disruption extends beyond the immediate cost of physical damage. "As knowledge of parametric products grows more widespread, more risk managers seek parametric coverage for its liquidity advantage," Touffut said.

KEY POINTS:

- Aggregate covers protect retentions
- Faster payouts support cash flow
- Subsidence cover set to grow

He gives the example of a manufacturer with multiple riverside warehouses. One storm could flood several locations, destroying stock and interrupting operations. The financial consequences could include lost contracts as well as the immediate costs of repair.

"The costs of such a calamity can be enormous, not just in terms of loss of stock and other physical damage, but also arising from business interruption and potentially even loss of contracts which may halt cash flow," he explained.



> "[Parametric] can replace ILWs that carry high basis risk by utilising the cedant's modelled losses."

Parametric payouts can provide liquidity for those consequences and urgent clean-up and repair costs, he said. "Risk managers are beginning to recognise these advantages, and their brokers are supplying the cover."

Technology and capacity

Technology supports Descartes' approach, although Touffut distinguishes a business built around technology from established carriers adapting existing operations.

In June, Descartes secured Lloyd's coverholder status through a binding authority agreement with OAK Global's Syndicate 2843. The arrangement gives it access to Lloyd's underwriting capacity and supports expansion into new markets and larger risks.

Descartes says it has provided more than $15 billion in capacity to over 600 corporate and public-sector clients worldwide. "Descartes was built from the ground up as a tech company, leveraging AI across all departments," Touffut said. "We have no old way of doing things, but many longer-established carriers don't enjoy that luxury."

He describes the challenge as changing established operations rather than a lack of willingness to embrace technology. "Their systems, processes, people and approach are embedded, which can make it incredibly challenging to swap to an entirely tech-driven approach," he said. "So it isn't reluctance."

Expanding applications

Looking into 2027 and beyond, Touffut sees opportunities both in developing risks and changing how established covers settle claims.

He identifies subsidence as a particular concern in France and the UK, where alternating wet winters and hot summers can cause repeated soil swelling and shrinkage, damaging buildings.

"I think that will become increasingly important in the next five years," he said. "Again, it's something conventional policies find difficult to manage."

Other applications are already established. Descartes covers data centres against natural perils and has introduced protection for exposures under service-level agreements with tenants arising from grid downtime.

Renewable energy business includes hail protection for solar panels and cover for insufficient wind energy. "We are doing more in the contingency market providing weather-related coverage for events, although such insurances have always been parametric from the perspective of the trigger," Touffut said.

Here the opportunity lies in changing the settlement process rather than introducing a new weather trigger. "Removing the adjusting element of settlement will simply make them more transparent and efficient for everyone."

GROWTH

Discipline in a changing risk landscape

More capital is chasing opportunities, but the risks are becoming harder to assess. Deutsche Rück's Caren Büning speaks to *Baden-Baden Today* about international expansion, client needs and underwriting discipline.



Deutsche Rück is stepping up its international growth ambitions at a time when reinsurance capital is plentiful but the risks competing for that capital are becoming more complex. CUO Caren Büning believes that disciplined risk selection, pricing and capital allocation are just as important as identifying where the next opportunities lie.

"There is significant capital available in the reinsurance market today. But more capital does not mean less risk, nor does it fundamentally change the economics of the risks we assume," Büning told *Baden-Baden Today*.

Much of the increase in traditional reinsurance capital, she noted, has come from retained earnings following several years of strong results rather than a significant influx of new external capital. "A stronger capital base therefore does not automatically translate into structural excess capacity," she said.

Sustainable capacity

Alternative and private equity-backed capacity are adding competition, but different sources of capital can come with different investment horizons, risk appetites and levels of commitment to the market.

"For clients, the question is therefore not only how much capacity is available, but also how reliable and sustainable that capacity will be throughout the cycle and following major loss events," Büning said.

That question becomes more important as the underlying risks themselves become harder to assess. Climate-related exposures, geopolitical uncertainty, cyber risk, claims inflation and growing concentrations of value are all increasing the complexity and potential severity of losses.

"Historical loss experience remains an important input but needs to be complemented by forward-looking assessments," she said. "We need to consider changing exposures, emerging risks, accumulation potential and the increasing interdependencies between different risk classes."

Pricing, she added, still needs to reflect the exposure, expected losses, volatility, uncertainty and cost of capital. "Competition is a normal and healthy feature of the market, but sustainable pricing is essential if capacity is to remain available when clients need it most."

KEY POINTS:

- More capital does not mean less risk
- Pricing must reflect changing exposures
- Growth depends on discipline

Selective growth

The same discipline is shaping Deutsche Rück's international expansion. The reinsurer has brought its activities across the Middle East, Asia and Latin America together within its International Growth Markets Division, as it looks to strengthen and diversify its portfolio across markets where it sees attractive long-term potential.

"Internationalisation and premium growth are not our objectives in themselves," Büning said. "Our focus remains on profitable and sustainable growth. While markets differ, experience and underwriting insights from one region can create value in another," she noted.

> "Competition is a normal and healthy feature of the market, but sustainable pricing is essential."

"At Deutsche Rück, we seek opportunities where we can combine local market expertise, strong partnerships and our underwriting capabilities to create long-term value for clients while strengthening the resilience of our portfolio," Büning said.

Deutsche Rück's first Fitch rating, an A+ with stable outlook, and its long-standing A+ rating from S&P is also expected to support that international development, Büning said, by improving access in markets where cedants, brokers and counterparties increasingly look for more than one external assessment of financial strength. "As our business becomes more international, a second rating increases our visibility and credibility in the marketplace," Büning said.

Client solutions

The international push comes alongside growing demand for structured and tailor-made reinsurance, particularly where standard products do not fully match a cedant's balance sheet, risk appetite or strategic objectives.

"Every cedant has a different balance sheet, risk appetite, capital position and strategic objective," Büning said. "Standard reinsurance products will therefore not always provide the most effective answer."

Structured solutions can be used to address objectives ranging from risk transfer and earnings stability to capital efficiency and managing volatility over time.

"For us, the starting point is always to understand what the client is trying to achieve," she said. "It is not about creating complexity for its own sake, but about designing a solution that is closely aligned with the client's underlying risks and financial objectives."

"We have never viewed ourselves simply as a provider of reinsurance capacity," Büning said. "Rather than pursuing short-term opportunities, we have focused on building lasting partnerships and supporting our clients through different market cycles.

"Deutsche Rück has consistently put this commitment into practice," Büning added. "Throughout the pandemic and during major loss events such as Storm Bernd, we maintained a close and open dialogue with our clients, working together to find timely and sustainable solutions. We write risks that we understand," she said. "International business is not an end in itself, nor have we ever pursued growth for growth's sake." ●

Caren Büning is an executive board member of Deutsche Rück and chief underwriting officer. She can be reached at: caren.buening@deutscherueck.de.

ACCUMULATION

Hidden links reshape non-cat exposure

Casualty, cyber and credit exposures are becoming harder to aggregate, pushing reinsurers to assess portfolio impact before contracts are bound, says Allphins' Joseph Harrison.



Casualty, cyber and credit underwriters are moving towards pre-bind exposure checks as reinsurers seek a clearer view of how new treaties could add to portfolio accumulations before they sign the business.

Unlike property catastrophe, where exposures can be tied to known locations and defined physical events, non-cat losses can spread across corporate, financial and technology networks that are much harder to map. "Underwriters need to understand what an account will do to their aggregates before they sign," said Joseph Harrison, senior exposure manager at Allphins.

The challenge, he said, is that event definitions become much less clear outside of the nat cat space.

"Property cat is very well understood. You have known locations and a defined physical event," Harrison said.

"Once you move into casualty or cyber, the event definition becomes much blurrier and it is far harder to predict how losses will develop and propagate."

Hidden connections

Because those losses can spread through networks rather than remain within clear physical boundaries, exposure managers cannot rely on simple policyholder checks alone. "If you're pricing single-risk business and looking at individual insureds, name matching and some additional enrichment may be enough," Harrison said. "But when you step back and try to build large-scale scenarios, that misses a lot."

For treaty portfolios, the problem is not simply whether the same insured appears twice. Exposure managers also need to understand how companies are linked, how losses might travel between them and whether a single event could affect multiple cedants at the same time.

Incomplete policy schedules can therefore obscure the true extent of portfolio overlap. Without linking insureds to ultimate parent companies across different cedants, concentrations might remain hidden until the portfolio is viewed as a whole.

KEY POINTS:

- Non-cat accumulation moving pre-bind
- Operational links hide clashes
- Richer data enables accurate risk analysis

Data deficiencies vary considerably by line of business. In cyber, one of the biggest challenges is identifying the software and infrastructure dependencies that connect underlying policyholders.

"I don't think the market necessarily falls short here. The data is simply very difficult to obtain, particularly for smaller companies," Harrison said.

He compared the problem to trying to identify how a single component sits within a much larger supply chain. "It is like being given one bolt and asking which car it belongs to, whether it appears in several vehicles, or whether those vehicles share the same components."

> "AI is not making the decisions for you. The responsibility still sits with exposure managers and underwriters."

Similar gaps exist elsewhere. Credit portfolios might omit the ultimate parent company, while casualty policy schedules can lack basic information such as industry sector or company size. Exposure teams may then need to infer or reconstruct missing information before realistic stress testing is possible.

Ownership alone does not necessarily determine how risks should be grouped. Harrison said exposure managers increasingly distinguish between financial ownership and operational relationships.

"You want to end up with an aggregation where your entities are not just financially connected, but operationally connected as well," he said. That matters because two businesses under the same holding company may not share meaningful operational exposure, while apparently separate companies can still be linked through common suppliers, systems or infrastructure.

Reinsurers are also asking cedants for richer underlying data at treaty renewal as pre-bind analysis becomes more important.

"Treaty reinsurers are not asking for more data simply because they want it. They need it," Harrison said.

"Cedants understand that, and they also understand that better data can lead to more accurate analysis of their risks."

Judgement still matters

Where exact dependency data is unavailable, underwriters still rely on market assumptions and realistic disaster scenarios to test portfolios against possible shocks.

AI can help exposure teams cleanse policy data and categorise business, but Harrison cautioned against treating automation as a substitute for judgement.

Using the example of a schedule containing 60,000 insureds across 30 treaty portfolios, he said running raw AI models across hundreds of thousands of records can quickly become slow and expensive.

"AI is not making the decisions for you, and I don't think it should," Harrison said. "The responsibility still sits with exposure managers and underwriters."

That distinction becomes more important as non-cat lines move towards the systematic pre-bind assessment already established in property catastrophe.

"It is much like the nat cat space, where everything is assessed pre-bind before the signatures go on paper," Harrison said. "The market is moving casualty, cyber and credit towards the same approach, so underwriters understand what an account will do to their aggregates before they accept the deal." ●

To explore how Allphins can support your business, scan the QR code

GROWTH

Peak Re to broaden European portfolio

Structured solutions, deeper client relationships and selective expansion into CEE and the Nordics will shape Peak Re's European growth plans, Matteo Cussigh tells *Baden-Baden Today*.



Peak Re's Switzerland-based subsidiary plans to increase its structured solutions business in Europe while building further in Central and Eastern Europe, the Nordics and Latin America under the group's growth plan.

Treaty reinsurance will remain the core of its European business at the 1 January renewals, Matteo Cussigh, chief executive of Peak Reinsurance AG told *Baden-Baden Today*, with the bigger changes expected to develop over several years rather than at one renewal.

One area likely to move sooner, Cussigh said, is structured solutions, a business Peak Re launched at group level three years ago. These can include multi-year, aggregate and proportional structures designed to support an insurer's capital position or smoothen losses over time.

"We have had very good success here in Europe, so the intention is to do more," he said. "Over time, we also want to move towards more complex and sophisticated solutions."

Deeper relationships

Peak Re also wants to do more business with existing European clients and strengthen its position outside its core Western European markets.

Cussigh pointed to Central and Eastern Europe and the Nordics as areas where the reinsurer has a smaller presence today.

"We want to continue establishing ourselves geographically throughout Europe and build a more balanced portfolio," he said. "With existing clients, we will also try to expand the relationship to additional lines of business."

Peak Re has spent more than a decade building its European treaty book.

"We are a relatively young reinsurer. We have been operating for 14 years and have mainly offered standard treaty reinsurance across the main lines," he said. "The vision is to grow in scale so that, over time, clients can come to Peak Re and discuss a much broader range of products, services and needs."

KEY POINTS:

- CEE and Nordics offer room to grow
- More sophisticated structures planned
- Looks to expand in MGA market

MGA partnerships

Distribution will also broaden. Peak Re wants to increase its work with brokers and expand in the MGA market, particularly where specialist partners bring expertise the reinsurer cannot access through traditional channels.

"We are especially interested in MGAs that bring specialised expertise and innovative underwriting capabilities," Cussigh said.

The Zurich operation is also progressively building a Latin American book. Peak Re has written business in the region directly from Zurich for the past three years and is licensed in 10 Latin American countries.

> "We want to continue establishing ourselves geographically throughout Europe and build a more balanced portfolio."

Cussigh estimated Latin America could account for close to 10% of the Zurich portfolio this year and expects it to grow faster than Europe, albeit from a far smaller base. Mexico, Dominican Republic, Chile and Peru are among its larger markets.

"As Peak Re aims to further expand its global reach, Latin America is a very important area of development for us," Cussigh said. "The portfolio has grown steadily over the past three years, and we have ambitions to do a lot more going forward." The region offers substantial demand for catastrophe protection and gives Peak Re another source of geographical diversification.

Soft market test

How quickly Peak Re pursues those opportunities will depend on market conditions. Cussigh described the current situation as a softening market, with strong capital generation and additional money entering the sector continuing to compress margins.

"At this stage of the cycle, we want to be selective and decide which clients we want to support in the soft market," he said. "Opportunities are always available. You just need to make sure you pick the right ones."

The same pressure is visible in renewal discussions. Cussigh said lower attachment points and frequency covers had come up at Monte Carlo as cedants looked to get more protection from their existing budgets.

Higher attachment points since 2023 have in many cases left insurers retaining a larger share of natural catastrophe losses. Reinsurers do not always see some of the events, but cedants continue to feel the impact in their P&Ls.

Cussigh said it is therefore reasonable for buyers to look for ways to reduce that volatility, although any frequency cover would still need meaningful cedant retention to avoid simply exchanging premium for predictable losses.

Peak Re's own growth plans will be subject to the same return discipline.

"We mostly finance our growth through our own profits," Cussigh said. "Discipline is paramount; it's where it starts and where it ends. If the market is soft, we might slow down the growth." ●

Matteo Cussigh is the chief executive officer for Peak Reinsurance AG.

EXPANSION

Taking the long view through cycles

What does long-term growth look like when the market is softening? Malaysian Re's CEO sits down with *Baden-Baden Today* to explain how it is building capability and deepening its presence in Europe.



Malaysian Re is taking a long-term view of its ongoing expansion in Europe, focusing on deeper relationships and the capabilities it wants to build through the cycle rather than allowing the current soft market to dictate the direction of the business.

"When we transact business, it has to be about long-term solutions rather than short-term gains," president and chief executive officer Ahmad Noor Azhari Abdul Manaf told *Baden-Baden Today*. "We need to make sure the business works for both parties over the longer term."

The reinsurer has steadily built its European presence in recent years, and now sees structured solutions, facultative reinsurance and specialist lines as areas where Malaysian Re can grow.

"We have done well with structured solutions across ASEAN and Asia, and we see an opportunity to take that experience further west," he said.

"Facultative is another area where we can do more. We have been speaking with clients and the demand is there."

That long-term view is also shaping how Malaysian Re is navigating the softer market. Ahmad Noor Azhari said rate reductions have become more pronounced this year, but the company is looking closely at terms and conditions rather than judging business on price alone.

"Pricing is pricing, but we look closely at the terms and conditions," he said. "If those remain stable, pricing is a conversation we can have with clients. We are looking at the relationship over several years, not just one particular year."

Broader capability

Its international push is being supported by a wider investment in specialist underwriting capability.

Malaysian Re is strengthening expertise in cyber, aviation and space, trade credit and surety, energy and health, including by bringing in talent from outside Malaysia and, where necessary, outside the wider ASEAN region.

KEY POINTS:

- Structured and fac offer opportunity
- Expertise key to retaining risk
- Underwriting discipline is key

Much of that specialist business has historically been placed with larger international markets. Ahmad Noor Azhari wants more of it to be retained within the region over time, but says that will depend on building the technical knowledge to underwrite those risks properly.

"We have been building our specialist teams and will continue to strengthen them," he said. "We should not be shy about bringing in expertise where we need it."

> "When we transact business, it has to be about long-term solutions rather than short-term gains."

Capacity itself, he argued, is only part of the equation and "can often be accessed through retrocession or partnerships. The harder part is developing the knowledge and underwriting capability".

The same emphasis on expertise shapes Ahmad Noor Azhari's view of ASEAN as a growth market for international reinsurers. The region cannot be approached as a single market, he said, because regulation, catastrophe exposure, insurance penetration and market maturity vary significantly from country to country.

Malaysia, he said, has a very different catastrophe profile from the Philippines, while Thailand and Vietnam offer large populations, lower insurance penetration and different opportunities for product development.

"You need to understand how individual markets operate, how people are likely to react and where opportunities can be created," he said. "That is something international markets need to appreciate when looking at Asia."

Specialist reach

Retakaful is another established area of expertise for Malaysian Re, but Ahmad Noor Azhari sees scope to broaden the business beyond its traditional concentration in motor and property.

"What we are trying to do is take some of the specialist knowledge we have developed across the wider reinsurance business and apply it more deeply within retakaful as well," he said. "If retakaful is going to become more sizeable and attractive, the offering has to develop beyond those traditional areas."

He sees opportunities not only in Malaysia and Indonesia but also across the Middle East, including Saudi Arabia and the UAE, with interest also emerging in markets outside the traditional base.

Ahmad Noor Azhari said softer conditions should not stop reinsurers pursuing opportunities where the underwriting still makes sense. "The market may not always be where you would ideally like it to be, but markets move through cycles," he said. "You need to keep an open mind about how you structure a programme and provide a solution to the client."

Buyers currently have greater influence over terms, he added, but that does not change the need to think beyond the next renewal.

"Underwriting discipline still has to be maintained. Reinsurance is a long-term business and we need to make sure the decisions we take today remain sustainable over time." ●

Ahmad Noor Azhari Abdul Manaf is president and chief executive officer of Malaysian Re. He can be contacted at: arie@malaysian-re.com.my

NEWS

‘Extreme heat is an interconnected risk’

Secondary perils, the catch-all term used to describe wind, rain and hail events, has become an outdated term given the extreme weather Europe suffered this summer, said Leopoldo Camara, head of northern, central and Eastern Europe P&C Re, Swiss Re. He was speaking to journalists on October 13 as part of Swiss Re’s media conference ahead of Baden-Baden.

“Not so long ago, we used to call extreme weather events secondary perils ... this term is actually inappropriate at this point,” he said.

Swiss Re experts describe extreme heat as an interconnected risk in Europe, not just a driver of wildfire. It can worsen fires, disrupt energy and other infrastructure, contribute to business interruption, and create liability exposures – for example, where people work outdoors in extreme heat. In 2023 and 2024, 78% of the world’s population experienced at least 31 days of extreme heat, Swiss Re said.

Nikhil da Victoria Lobo, head P&C reinsurance Western and Southern Europe and Middle East and Africa at Swiss Re, emphasised that extreme heat effects can spread across multiple lines of business and through the wider insurance value chain.

“Extreme heat is an interconnected risk that touches multiple parts of the P&C portfolio. We know it makes wildfires worse; it disrupts energy, impacts infrastructure and of course contributes to business interruption,” he said.

“Where we used to see individual perils, we now see these risks permeating and touching across the whole value chain ... it’s not just the ignition, or the limited severity or the impact of the severity, it’s how it flows through the entire insurance value chain.”

Insured wildfire losses in Europe have risen by about 8% to 11% per year since 1970. Da Lobo pointed to this summer’s record heat and drought: France’s area burned exceeded any annual total of the previous 20 years, putting the country in “uncharted territory” for acreage scorched, while fires in Spain were wider but less numerous.

Camara identified four drivers of interconnectedness: larger individual risks (such as highly concentrated data-centre values), geographic clustering, increasingly interdependent supply chains and digital and social networks which can amplify risk propagation.

“We believe risks are becoming increasingly interconnected, hence more systemic,” he said.

For Kaspar Müller, CUO structured solutions at Swiss Re, this interconnectedness also extends to reinsurance needs. Recurring, interconnected losses might affect multiple parts of a client’s portfolio at once, so clients need to manage persistent volatility and decide what risk to retain or transfer.

He said: “The common challenge is increasingly not managing one individual large event, but how do clients manage recurring losses over time that affect multiple parts of their portfolio, potentially simultaneously, potentially with accumulations?”





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RENEWALS

‘Not soft yet’: an attractive 1/1 ahead

Softening market is an opportunity to reshape cover, expand protection and grow selectively without losing sight of sustainable pricing, says DEVK Re chief underwriting officer.



Growing market capacity will give cedants greater bargaining power at 1/1, but DEVK Re chief underwriting officer Cliff Falkenhagen sees little room for further rate cuts in European catastrophe cover.

Additional traditional and alternative capital is pushing supply ahead of demand. Barring a major US hurricane landfall before January, Falkenhagen expects conditions to favour buyers, with cedants also purchasing more European cat protection.

“We hope that we will still be trading in a sufficiently attractive market. We consider the market to be softening, but it’s not a soft market yet for the time being, and surely there will be options for buyers to save money or buy more reinsurance for the same money or buy different structures than in the harder market two or three years ago,” Falkenhagen told *Baden-Baden Today*.

Pricing limits

DEVK Re nevertheless believes the price of risk transfer must remain sustainable over the full reinsurance cycle. In European cat business specifically, Falkenhagen sees limited scope for further reductions because pricing is already close to what the reinsurer considers technically fair for the risk.

He stressed that the reinsurance market is not monolithic, either globally or within Europe. “We will take the individual situation of every client into consideration in the renewal negotiations, so that will not be a one-size-fits-all solution.”

Falkenhagen also cautioned against assuming the significant price reductions seen at the April and mid-year renewals in markets such as Japan and Florida would be replicated in Europe.

“We will not see price decreases in Europe that we saw in Japan or Florida in April or June or July,” he said.

Falkenhagen said cat pricing has not returned to 2017–19 levels, although some pockets of the market are already soft. However, the wider reinsurance market has not yet reached the bottom of the cycle.

KEY POINTS:

- Europe cat cuts have limited room left
- More frequency cover expected at 1/1
- DEVK Re sees room for selective growth

Frequency cover

Despite speculation that softer conditions could lead cedants to lower retentions, Falkenhagen expects attachment points to remain broadly stable, with buyers having become more comfortable holding higher levels of risk in recent years.

“If they want to buy down to a lower retention level, it will come down to the pricing exercise,” he said, warning that “a buydown might be less attractive than some people hope for.”

He does, however, expect more frequency protection to be placed at 1/1 than in the past two years, with pricing ultimately determining how much buyers purchase.

> “We will not see price decreases in Europe that we saw in Japan or Florida in April or June or July.”

DEVK Re maintained a small book of frequency covers, including aggregate excess-of-loss treaties, even during the harder market, but Falkenhagen said underwriters will continue to require an appropriate distribution of risk.

“We are not looking for treaties that see losses every year or every second year,” he said. “We are talking about extraordinary frequency, and there is definitely an appetite to cover that. A prerequisite for this is that we receive transparent information, understand why this coverage is being purchased, and that the price is appropriate.”

On broader terms and conditions, Falkenhagen said: “We do like what we achieved in the wordings in the last couple of years, as this had been needed to ensure a proper alignment of interest.”

Selective growth

DEVK Re is prepared to write more business where it believes profitability can be sustained across the cycle, while reducing participation where returns no longer meet its targets.

As part of a mutual group, the reinsurer operates without outside shareholders demanding a particular growth narrative or share-price performance. Falkenhagen said that, together with its comparatively low-cost ratio, gives DEVK Re scope to continue finding attractive opportunities as market conditions soften.

“Our cost of capital might be a bit lower than for some of our competitors, and together with our comparatively low-cost ratio, that means that we might find attractive business in a softening market longer than others,” he said.

The DEVK group’s direct insurance business gives it substantial exposure to Germany, so he wants the reinsurance portfolio to grow faster outside that peak zone while continuing to write attractive German business.

Specialty lines account for around 40% of the portfolio, while DEVK Re is also expanding in international casualty and European life.

Falkenhagen also sees excess market capacity as an opportunity to narrow the protection gap, arguing that expanding the amount of risk transferred could offer a more sustainable route to growth than competing for existing business.

“Reinsurance is a long-term partnership,” he said. “We are looking forward to see that also in the next renewal.” ●

Cliff Falkenhagen is chief underwriting officer at DEVK Re. He can be contacted at cliff.falkenhagen@devk.de

REINSURANCE

Don't compare 'apples with oranges'

Comparing alternative reinsurance capital's share of the market with the risks it supports is "comparing apples with oranges", Munich Re's Thomas Blunck says, arguing traditional reinsurance remains the backbone of capacity as climate change, inflation and cyber threats reshape Europe's risk landscape.

Munich Re's reinsurance CEO made the comments at the company's Baden-Baden briefing on Thursday, October 15, where executives warned that benign recent natural catastrophe loss quarters should not obscure rising exposures across Europe.

"The traditional capital of reinsurance companies is backing up a huge diversified global portfolio of more than 50 nat cat scenarios, and of course the whole [of] property, casualty, marine, and specialty exposures," Blunck said. "And at the same time, this diversification creates a lot of efficiency."

He was responding to the commonly cited figure that alternative capital accounts for around 20% of the reinsurance industry's capital. Blunck said alternative capital typically targets one or a few perils, or a smaller, less diversified portfolio.

"If you were to measure the share of the alternative capital relative to the exposure, it's only a fraction, much lower than 20%," he said.

Blunck also argued that alternative solutions complement rather than replace the foundations established by traditional insurers and reinsurers, including data, modelling, coverage structures and market testing.

"This tells you really that the reinsurance capital in our industry is the backbone, and is the driving force," he said.

Blunck pointed to Munich Re's response to the natural catastrophe market pressures of 2021 and 2022, when he said 20% of nat cat capacity was withdrawn from the market amid pressure from capital markets and investors over the profitability of the business.

While some reinsurers reduced their capacity or exited parts of the nat cat market, Munich Re increased its capacity, particularly in Europe, he said. The company also provided additional capacity following the earthquake in Turkey.

Blunck said the company's approach reflected its confidence that natural catastrophe risks could be managed profitably over the cycle through a diversified portfolio, even under climate change.

He also highlighted the importance of claims-paying capacity and liquidity for clients, alongside long-term capacity, data and modelling expertise and the development of new coverage.

KEY POINTS:

- Munich Re challenges 20% alt capital figure
- Motor claims costs outpace inflation
- Non-peak perils drive 70% of nat cat losses

Claims costs

Patrice Michellon, chief executive for Continental Europe, said rising claims costs showed why reinsurance support needed to extend beyond the provision of capital.

Between 2017 and 2025, average motor claims costs increased by approximately 5.3% a year, compared with around 3% for consumer prices, he said. Spare part costs rose even faster.



> "The reinsurance capital in our industry is the backbone, and is the driving force."
>
> Thomas Blunck

"Headline inflation does not equal claims inflation," he said, arguing that insurers need to understand the specific drivers of claims costs and whether those increases have already been reflected in premiums.

The impact varies by market and portfolio. In motor insurance, higher repair costs can reflect increasingly sophisticated vehicles, specialised labour and expensive components, while bodily injury claims can be affected by wage increases and costly medical technology.

Michellon said European markets responded to the inflation shock of 2022 at different speeds. In some, repricing restored profitability relatively quickly, while in others premium increases were still catching up with accumulated claims inflation years later.

Cyber risk presented another example of the need to combine capacity with specialist knowledge and innovation, Michellon said. Although market growth had moderated as rates softened, he said the protection gap remained large.

"AI, geopolitical tensions and growing digital interdependencies are changing both the frequency and the nature of cyber risk," he said.

Climate change is also reshaping the region's natural catastrophe exposure beyond major, infrequent events.

Tobias Grimm, Munich Re's chief climate scientist, said insured natural catastrophe losses in Europe had increased by around 5% a year since 1980, despite substantial year-to-year volatility.

Non-peak perils accounted for around 70% of insured nat cat losses in Europe over the past 20 years, he said. These include floods, severe convective storms and increasingly wildfires.

"Non-peak perils are not secondary any more," Grimm said, highlighting the growing importance of a broad range of weather-related hazards alongside major catastrophe events.

Grimm also warned that heat acts as a risk multiplier, increasing drought and wildfire risks while raising atmospheric moisture levels that can contribute to severe convective storms when conditions are conducive.

The impacts extend beyond property damage. Low river levels can disrupt shipping, industry and supply chains, while extreme heat can reduce labour productivity. Rising hail risk also matters for insurers because small increases in hailstone size can lead to disproportionately large increases in damage.

Grimm said prevention and adaptation were essential to limiting future losses, requiring joint efforts from governments, society, the insurance industry and property owners.

"Prevention is cheaper than just remediation," he said, adding that targeted adaptation measures can pay off many times over, depending on the measure and context.

OUTLOOK

Germany P&C ratio set to trend back

German insurers' P&C combined ratio is expected to trend again to its long-term average of 95% in 2026-27, following this year's unusually low natural catastrophe losses, said Moody's Ratings.

P&C pricing has caught up with claims inflation. P&C underwriting profitability recovered in 2025, with the average combined ratio (costs and claims as a share of premiums) improving to 89% from 96% in 2024.

P&C underwriting profitability will likely remain strong in the rest of 2026, assuming no major natural catastrophes, Moody's Ratings said.

The recovery reflects price increases in previously loss-making motor and home markets, alongside catastrophe claims of just €2.6 billion — well below the prior year and long-term average. At the 2022-2024 average, catastrophe losses would have put the ratio near 93%.

Speaking to journalists ahead of the Baden-Baden Reinsurance Meeting, Moody's EMEA insurance ratings vice-president Christian Badorff said claims frequency might rise with a more normal catastrophe environment, which would mean limited room for further price increases. Last year "was a one-off effect that we shouldn't assume will happen again" Badorff said.

Even so, it will take a period of sustained strong underwriting performance to rebuild claims reserves and equalise reserve redundancy used up in the loss-making years. Although higher prices have offset past claims increases, claims costs continue to rise, partly due to energy-driven inflation. The sector must also remain disciplined to keep prices in line with claims trends, Moody's Ratings said.

Strong underwriting performance, improved pricing and solid capital positions are helping German insurers navigate a challenging operating environment, although growth pressures and regulatory changes remain key areas of focus.

Compulsory natural catastrophe insurance is expected to come into force in Germany in 2027. Its impact is uncertain. Compulsory natural catastrophe coverage in 2027 could expand premium volumes but may also increase insurers' catastrophe exposure, earnings volatility, reinsurance costs and capital requirements.

The scheme's impact will depend on its final design and on any accompanying government catastrophe prevention measures. Unresolved issues include how its opt out mechanism will work, whether insurers will be free to apply risk-based pricing, and the treatment of high-risk properties. The scope and attachment point of any government backstop will also be critical. Diversified insurers with good catastrophe models and strong capital will adapt best.

Life insurers continue to benefit from higher interest rates and years of liability de-risking, which support earnings and capital strength. However, German life insurers continue to face structural challenges in generating premium growth.



SURVEY

AI and big data now top emerging risks

Artificial intelligence and big data have overtaken climate change as the leading concern among experts in AXA's Future Risks Report 2026.

AI rose from fourth place in 2025 to first, followed by climate change and geopolitical instability. Cyber risks fell from third to fourth, while energy risks completed the top five.

Experts surveyed in the Americas, Africa, Asia-Pacific and the Middle East ranked AI first, while those in Europe ranked it third, behind geopolitical instability and climate change.

AXA said preparedness for AI risks remains a concern as only 9% of experts believe public authorities are well prepared, falling to 3% in Europe.



> "Insurer's role is "not only to provide compensation, but also to better anticipate risks and strengthen prevention."
>
> Thomas Buberl

Experts identified stronger regulation, cited by 40%, and improved risk governance frameworks, cited by 36%, as the main actions authorities should take.

Ethical concerns, including human rights, data misuse and bias, were the leading AI-related worry among respondents who selected the risk, cited by 34% of the respondents.

KEY POINTS:

- AI overtakes climate change
- Prevention can avert leading risks
- Insurers have a key role to play

Cyber risks remain prominent despite their lower ranking. The report attributes the change to AI overtaking cyber risks rather than any easing of concern. Among experts who selected cyber as a leading risk, 48% said it was already present and 42% considered it rapidly emerging.

Cyberwarfare and attacks on critical infrastructure were the leading cyber concern among experts, cited by 35%, followed by reputation and impersonation risks at 31%. The report says generative AI is making impersonation, fraud and misinformation more sophisticated and difficult to detect.

The findings also point to growing expectations of insurers beyond compensation. 85% of experts believe their leading concerns could be totally or partially avoided through prevention.

Among commercial-client expectations reported by AXA, 66% cited risk management and transfer for innovative solutions, followed by knowledge sharing and risk education at 65%, and support for prevention and resilience building at 59%.

95% of experts and members of the public said they believe the risks that concern them most can be "at least partly prevented through prevention measures".

A majority of the public also said it is willing to adopt behaviours that reduce its exposure to risk.

This expectation directly concerns the insurance sector. 68% of the public believe "insurers have an important role to play in protecting society against emerging risks".

As risks evolve faster and become increasingly interconnected, authors wrote, the challenge for insurers is therefore twofold: to continue providing protection when risks materialize, while contributing more actively to anticipating and reducing them.

AXA chief executive Thomas Buberl said the insurer's role is "not only to provide compensation, but also to better anticipate risks, strengthen prevention and support our customers and communities through their transitions".

"In a world where risks are evolving faster, multiplying and becoming increasingly interconnected, insurance is an essential factor of stability," Buberl added. "This is how insurance can make a tangible contribution to protecting what matters and strengthening collective resilience."

The report was produced with Ipsos. Of the 4,345 experts surveyed across 62 countries and regions, 89% work for AXA.

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