

intelligent insurer

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APCIA TODAY

Empowered populism drives political risks industry must refute: APCIA CEO Sampson

ARGUABLY THE GREATEST RISK facing insurers comes not from cat losses nor even economic volatility, but from so-called “empowered populism” leading to government intervention. The industry must understand this and respond, David Sampson, president and chief executive officer of the American Property Casualty Insurance Association (APCIA), told *APCIA Today*.

“I believe political risk, driven by an empowered populism both on the left and the

right of the political spectrum, is at the highest level I’ve seen in my career. It is probably without parallel in American history,” Sampson said. “It is a reality we need to be aware of and sensitive to as we conduct our business.”

The only comparisons Sampson can offer go back to 1828, during the presidency of Andrew Jackson, or the 1930s in the depths of the Great Depression. He notes that in recent years, there have been many examples of elected officials targeting industries, and even specific



David Sampson

CLAIMS MADE COVERAGE: Hannover Re advocates a new approach



Axel Freiboth

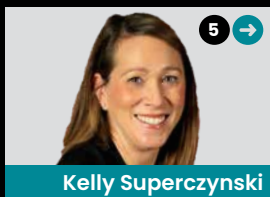
HANNOVER RE HAS BECOME THE LATEST REINSURER to advocate the logic of a shift to claims made, as opposed to claims occurring, coverage for certain risks. While carriers acknowledge the move would be challenging and complex, it has been a theme of conference season – such are the concerns over some risks.

A shift to claims-made policies, where both the incident and notification of a claim must be made during the policy period, may be a

necessarily solution for insurers and reinsurers alike grappling with certain casualty risks – made worse by an increasingly difficult legal environment, Hannover Re has suggested.

Axel Freiboth, managing director and chief underwriting officer, treaty reinsurance, North America, Hannover Re, told *APCIA Today* that such a change may be the only way of covering some risks including PFAS (per- and polyfluoroalkyl chemicals) and microplastics.

INSIGHTS AND ANALYSIS FROM MORE LEADERS INSIDE



Kelly Superczynski



Frank Harrison



Tim Driscoll



Greg Schiffer



Lindsey Frase



Reshaping the

A vertical photograph on the left side of the page shows a rugged, dark rock formation jutting out of the ocean. The rock is textured and appears to be made of layered stone. The ocean is a deep blue with white foam from breaking waves at the base of the rock. The sky is a pale, hazy blue.

landscape

At Howden Re, we're building something different — and it's working. From just one office to 40 in less than five years, we've grown by focusing on what matters: our clients' ever changing needs. In a world of evolving risk, our strength lies in how we adapt, and how we help our clients do the same. Backed by the full force of the Howden group, we've redefined what it means to deliver broking, advisory, and capital solutions as one business globally. Entrepreneurial, collaborative, and always forward-looking — we are reshaping the industry landscape for our clients' benefit.

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COVER STORY

'Empowered populism' drives political risks

➔ ❶ companies. It is a challenge that needs tackling – and APCIA is leading the way.

Sampson believes the industry must proactively educate and promote “the noble purpose of insurance as a risk transfer mechanism for society”. He argues it must remind society how insurance “enables individual consumers and businesses to conduct the most important economic transactions” – something that gets lost in the current populist environment.

“This industry has a track record dating back hundreds of years of making economic decisions possible for individual consumers and businesses. The idea that they don’t have to retain all the risk on their own balance sheets really is the marvel of insurance. What we do has been described as the financial world’s greatest gift to the economy. We must not forget that.”

Rebuilding trust

He notes that the phenomenon is not unique to insurance. From politics to the media to education, public trust is decreasing in institutions. One exception is the US military. But this makes it even more urgent that the industry embarks on a mission to educate and change perceptions. “We help communities rebuild; we help businesses continue to trade and employ people. We must remind people of that.”

He also identifies a related challenge where he also believes APCIA has a role to play. The industry is regularly subjected to unjustified attacks and false narratives, messages often perpetrated by the plaintiff’s bar, which spends millions on advertising, undermining the reputation of the insurance industry.

“We have an imperative to aggressively refute and defend against these unjustified attacks,” he said. “We simply cannot let those false narratives go unchallenged. That will mean an increased emphasis for APCIA in years to come.”

There is also a third strand to APCIA’s role: advancing the case for private insurance market solutions – something that can get obscured in such a populist environment. “Private insurance market solutions empower consumers. Competition gives consumers choice, better products, better service and reduced costs.”

Yet Sampson highlights a propensity for more calls for government-backed insurance programmes. Often, such schemes come from

KEY POINTS:

- Government intervention a key risk
- Re-education needed on ‘noble’ industry
- Regulatory overreach a concern

the unintended consequences of curbing the freedom of the private insurance markets. California is a case in point. A prohibitive regulatory environment has prompted many carriers to exit. Now, the state-backed California FAIR Plan is seeing a surge in policyholders.

“The insurance marketplace in California has deteriorated impaired by an outdated regulatory system in California,” he said. “We are also seeing calls for a federal natural catastrophe insurance programme. As such, there is a great imperative on APCIA and the industry to advance the advantages of private insurance market solutions, which can empower consumers and promote competition, innovation, and service.”

“Political risk, driven by an empowered populism on the left and the right of the political spectrum, is probably without parallel in American history.”

Regulatory overreach

He also addresses a deeper regulatory point – one which is more based on approach and a philosophy of the role of regulators. He confirms APCIA is a backer of the state-based regulatory system, but has observed a tendency in some states to overreach in terms of what insurers are, and are not, allowed to do. And this includes freedom to set appropriate rates.

“Regulators hold together the twin pillars of state-based regulation: market conduct and solvency. But we see a growing emphasis on market conduct and a lack of attention on the solvency pillar. In some cases, that has led to rate suppression that does not reflect the risk on the ground.

“But in a healthy insurance marketplace, to

cover losses going forward, rates must reflect the risk on the ground. Equally, carriers need to use sound underwriting tools. We have seen efforts to roll back or restrict insurers’ ability to use tools like credit-based insurance scores, for example. We’re seeing that raise its head again.”

He stresses that he sees one of APCIA’s jobs as actively defending and demonstrating the value of those tools – as well as future developments in technology that can also help insurers and customers alike.

One of these is the use of artificial intelligence (AI), which can increasingly help insurers in operating decisions, claims and underwriting. It is also increasingly valuable in tackling insurance fraud and legal system abuse, something that benefits all parts of the value chain.

“The big question to me is whether regulators are going to allow insurers to deploy AI in ways that can significantly enhance the insurance marketplace or not. I see that that as an area where we’ll have a lot of engagement with the NAIC and state regulators.”

Turning his attention specifically to this year’s annual conference, Sampson said he is proud of the calibre of some of the speakers. He notes that Dino Robusto, executive chairman of the board of CNA Financial Corporation and chair of APCIA, will offer a great scene-setter for the event while summarising the challenges the industry is facing.

He also plugs an onstage fireside chat with Gen. Stanley McChrystal, former commander of US and international forces in Afghanistan and author of “Risk: a user’s guide” and “On character: choices that define a life”.

“I’m really looking forward to that conversation and the way he has approached risk. His key insight, which has been so important to me, is that sometimes the greatest risk we face is internal risk. We spend so much of our time talking about external risk, whether it be increased severe weather or inflation, but we also need to look at ourselves as an industry in terms of how we serve the marketplace and serve policyholders.”

Finally, the keynote speaker on Tuesday morning will be Dr. Mark Zandi, chief economist of Moody’s Analytics, where he directs economic research, who will present a session called “Economic risks and the new global equilibrium”. ●

CAPITAL

Creative capital can seal deal

Aon's Kelly Superczynski explains how innovative capital solutions can help to finalise challenging placements in the current buyers' market.



As global capital reaches record levels, reinsurance buyers are not only finding more favourable deals, but also more creative offerings in risk transfer.

Kelly Superczynski, head of Capital Advisory at Aon's Reinsurance Solutions, told *APCIA Today* that clients were no longer considering capacity shortfalls, but were engaging experts to help them optimise their programmes given the range of options available in the marketplace.

"Capital is creative, and it's chasing opportunity where dislocation is greatest," Superczynski explained. "Where there's dislocation, there is opportunity for capital to solve bespoke challenges, and we don't see signs of this abating any time in the near future."

New investors are entering the property and casualty re/insurance space, while existing players are looking to grow materially. Most notably, Superczynski said there had been an expanded presence from existing reinsurers and new markets dedicated to structured reinsurance.

"In recent years, a common structured reinsurance cover has been net quota share solutions used to manage leverage, while companies were absorbing significant premium growth from rate increases," she noted.

"Today, there is renewed interest from insurers and markets alike for structured reinsurance that focuses on managing earnings volatility – example products include aggregate stop-loss and multi-year spread-loss covers to mitigate against the impact from catastrophe retentions being pushed up in recent years."

Superczynski said that structured reinsurance remains available to develop bespoke client solutions, and she wants cedants to keep an open mind.

"Our focus is on bespoke solutions, and

KEY POINTS:

- Dislocation creates capital opportunity
- Structured solutions back in focus
- Sidecars and re-shares gaining traction

that's where reinsurers are pivoting as well. They want to work with clients to solve their challenges. Just because a market doesn't always want to write a specific deal at an exact price doesn't mean there isn't a deal to be had. It just takes some creative thinking, and that's what I think Aon does really well."

Another fast-developing area is the use of re-shares: transactions that move a slice of a cedant's outward reinsurance placement

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into the hands of large asset managers. "We completed two re-shares last year, one of which received a lot of attention, and led a large number of clients and investors to be interested in the solution as a way to source third-party capital at scale," Superczynski said.

Sidecars, too, remain a "hot topic" as both traditional and specialist alternative managers search for diversification. Aon has already closed several this year, with more in the pipeline.

While innovation is grabbing headlines, traditional tools still matter. "We also closed a couple of key legacy deals in the past year, which are of ongoing interest to our clients as adverse loss development remains prevalent, and social inflation isn't going anywhere any time soon."

Superczynski's wider role within Aon is to help clients think holistically about their capital strategy. "Within Capital Advisory, our primary goals are to help our clients understand how to leverage all forms of available capital and best match risk and capital, which helps to drive better business decisions," she explained.

Technology makes that task faster and provides more insight. "AI enabled us to conduct this research more efficiently and on a more global scale.

"We're also using AI to generate analysis and different quantitative insights for our clients, again, much more efficiently and at a broader scale."

For reinsurers, the big question remains: where is capital focused now? Superczynski pointed to several themes.

"Alternative capital remains interested in property cat – just look at the record number of cat bonds closed over the past 12 to 18 months. We don't think this will abate as inflation persists and companies need to find much more limit."

Casualty lines are also attracting strong interest while rates remain elevated. "In recent times, those investors have been able to pretty easily invest well above the risk-free rate and earn their desired returns on casualty deals," she noted. ●

Kelly Superczynski is the head of Capital Advisory at Aon's Reinsurance Solutions. She can be contacted at: kelly.superczynski@aon.com

CASUALTY BUSINESS

Hannover Re advocates a new approach

“Legal system abuse, PFAS and microplastics are at the very top of the list of developing risks. While these are not new topics, they still need to be addressed more effectively by the insurance industry,” Freiboth said.

“Tort reform, as we have seen begin in several states, needs to continue. With respect to PFAS and microplastics, the much-discussed change to claims-made policies may become a solution. Eliminating the exposures by exclusions or sub-limits are also possible approaches.

“These topics are not just for the reinsurance industry, but even more so for primary insurance carriers, and above all, they represent a general public concern. These issues need to be tackled collectively.”

PFAS are a large family of industrial, man-made chemicals that persist in the environment for a very long time. They are increasingly being linked to various health issues, triggering insurance claims. Insurers and reinsurers are increasingly concerned they could be hit by a wave of litigation stemming from the impact of these substances on the environment and health.

Light at the end...

Commenting on casualty business more broadly, however, Freiboth does see cause of optimism. He believes improvements are coming through – but stresses that it will take time for a true picture to emerge.

“Compared to previous years, we are currently seeing some improvement in more recent underwriting years, due to rate increases and limit management. But it will take a few years to get a clear indication of where things are headed as the development of late claims has revealed weaknesses in the adequacy of the provisions,” he said.

“Therefore, despite some positive trends, it is still too early to confirm that these years will ultimately hold up well, given the general deterioration in reserves. Social inflation remains at an above-average level and continues to pose a challenge for the insurance sector. It leads to rising claims costs due to increased litigation, higher amounts of compensation and expanded definitions of liability.”

That said, he believes that reinsurance rates and terms and conditions overall in North America remain attractive. He describes rates

KEY POINTS:

- Claims-made policies on the table
- Legal system abuse a concern
- Some perils no longer secondary

in property as maintained an adequate level, though also concedes that early indications of rate reductions are emerging. Though reinsurers experienced a challenging start to the year due to wildfire losses in California, sufficient reinsurance capacity remains available.

He observes an “increasing openness to price adjustments” for loss-free programmes but believes rates are sustainable – though it will be down to individual reinsurers to maintain discipline.

“Property and casualty reinsurance markets remain attractive. Adequate prices as well as terms and conditions are indispensable for reliable reinsurance protection. Therefore, we will stay

“Property and casualty reinsurance markets remain attractive. Adequate prices as well as terms and conditions are indispensable for reliable reinsurance protection.”

focused, writing only business that meets our profitability requirements. If these are not met, we are also willing to refrain from accepting business in the interests of active cycle management. We also expect that retention levels and other terms and conditions will largely remain unchanged.”

He also highlights the importance of reinsurers in uncertain times. “Given the various challenges facing our industry, reliable reinsurance protection is indispensable, and we continue to see strong demand for it.”

No longer secondary

One part of this uncertainty comes from the shift of what were once described as secondary perils to the source of the majority of losses for

the industry. Severe convective storms (SCS) and wildfires have come to the fore in the US in recent years – but he believes the industry is responding.

“We have observed an increasing frequency and severity of claims [from SCS and wildfires] in recent years. These so-called secondary perils are thus not secondary any longer but have become a main focus area for cat protections. We need to continue to price for these exposures adequately and manage overall exposure aggregation. Risk management and loss mitigation must take a more central role in order to better manage such volatility,” he said.

He said the industry is adjusting its models – but it must also look beyond simply providing insurance. “In addition to providing more reinsurance coverage, we also need to invest in adaptive measures and build more disaster-resistant communities. We will continue to work on innovative solutions together with our clients and business partners,” he said.

Such engagement sets some reinsurers apart. At a point in the cycle when there is more than adequate capacity in the market, Freiboth urges cedants to carefully consider different types of capacity – and the importance of long-term relationships.

“We see both stable, long-term oriented capacity and more opportunistic capital supporting the insurance industry. Cedants need to be aware of the type of capacity supporting them on their reinsurance purchases. We have a proven track record of being a stable, long-term oriented reinsurance partner committed to supporting our clients and their brokers on a broad basis,” he said.

“Purely looking at the premium for reinsurance covers may leave cedants exposed to surprises when opportunistic capital finds other, more interesting investment opportunities. Thus, building relationships with reinsurance partners who remain committed throughout the cycle, not only during favourable market conditions, will strengthen the capital management and risk management of cedants.

“Various reinsurance structures, options and tailor-made solutions with the right terms and conditions are long-term strategies that promote stability and resilience in this volatile environment.”

INSURANCE

Discipline and trust fuel growth

While the competition is tough, AM Specialty's Anne Hoffmans reveals the true drivers of programme growth.



While fierce competition and shifting distribution models might be reshaping programme underwriting, AM Specialty Insurance Company is betting on what it believes are the real differentiators: discipline, data and deep trust with partners.

For Anne Hoffmans, executive vice president of programme underwriting at AM Specialty, it all begins with strong relationships. "We are in constant communication with our programme partners and brokers, and that's so important in this environment, where things can and do change quite rapidly," she told *APCIA Today*.

The company focuses on specialised, niche MGAs that demonstrate strong underwriting discipline and differentiated distribution. "When the distribution partners are aligned with the MGA, that's when we see improved results."

This philosophy runs through the evaluation of new programme opportunities, and Hoffmans stressed that profitability remained the first measure. "For us, the most critical criterion when evaluating a new MGA is its track record: not just loss ratios, but how the premium has developed over time, whether it has scaled in a controlled and acceptable manner," she explained.

Just as importantly, AM Specialty also looks closely at how each MGA reacts when parts of its book do not perform.

"If a particular segment or class within its book was not performing, how did the MGA respond? We want to know what steps were taken to reduce writings, and if the MGA had a profit improvement plan in place."

Retention ratios, efficiency, operational capabilities and transparency all matter, as do long-term commitments. "There's so much competition in the E&S space, so we target those niche writers with experience through both hard and soft market cycles," Hoffmans said. "These aren't transactional relationships."

KEY POINTS:

- Data analytics boosting MGA partnerships
- Alignment drives long-term programme results
- Growth ahead in SME and parametrics

Technology is a major enabler of this evolution and Hoffmans described how AM Specialty had been building data and analytics into the underwriting process to sharpen efficiency and decision-making.

"This is critical in the programme space where tailored risk selection is key," she said, explaining how the company had developed its own proprietary analytical database that adapts to underwriting needs and makes the team more agile.

“We stay true to our targeted profitability margins. We don’t chase premium.”

The next step is strengthening data flows with MGA partners. "As a programme carrier, you're always going to have that lag with receipt of the MGA data," she explained. "That's what we're looking at next: developing APIs so that we can create a more seamless and efficient way to ingest the data."

The same transparency extends to AM Specialty's reinsurance relationships. "We maintain open, consistent dialogue with our reinsurers throughout the year. We don't just touch base at the renewal," Hoffmans stated. "We want to be very open so our reinsurance partners can allocate their capacity with confidence."

Our portfolio has always been managed with discipline, and we stay true to our targeted profitability margins. We don't chase premium." This discipline is matched by a belief in partnership attributes that stand the test of time.

"An aligned strategic vision, trust, open communication and cultural compatibility really matter. We want to be collaborative rather than transactional," Hoffmans said. While technology can indeed enhance efficiency, she insisted that "human expertise will always be central to the underwriting process."

Hoffmans expects programme business to continue expanding as carriers seek efficient access to niche markets through specialist MGAs and MGUs. She highlighted growth potential in the SME space, within the E&S sector and through parametric products.

"Parametric products are an alternative to traditional insurance. Typically, they have a short tail and more of a stated payout amount, so that's easier to forecast loss ratios," she noted.

Hoffmans also pointed to the importance of innovation and creativity. "With E&S, you've got to be creative; it goes a long way."

"There will continue to be new exposures which create new opportunities. It's about how to control and understand the risk." For nimble MGAs, the market is ripe.

For AM Specialty, the strategy remains clear: disciplined underwriting, strong partnerships and openness to innovation. Hoffmans concluded: "I like to think this is still a relationship business."

"Human expertise will always be central, but technology can help reduce friction with some of those operational tasks alignment can enhance what our MGAs are already doing and help us scale together." ●

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Anne Hoffmans is executive vice president of programme underwriting at AM Specialty Insurance Company. She can be contacted at: anne.hoffmans@amspecialty.com

E&S LINES

E&S carriers must stay flexible to grow

The excess & surplus (E&S) lines market will likely see growth again this year – but carriers operating in that space must stay focused on remaining flexible and servicing the needs of clients, reflecting the very reason the market exists.

That is according to Mike Miller, president and CEO, Pivix Specialty Insurance Services. He told *APCIA Today* that he anticipates the market will grow by some 8% this year, but notes: “The continued expansion and growth of the E&S market will challenge us to stay ahead of the changing landscape and to be responsive to risks and the related insurance needs as they arise. E&S was built on this premise; sometimes, growth and market size cause us to lose focus on flexibility and being able to adjust to the ever-changing market needs.”

He also believes property rates, broadly softening in the wider market, will be a topic of discussion. But he believes Pivix Specialty is well positioned in what is a changing insurance landscape.

“We have a team that is unparalleled in market knowledge and expertise to deal with the changing E&S market. We also have a technology platform that is specifically designed for these markets and is aimed at speed and efficiency while making users more productive.

“Also, we have the knowledge of the marketplace and the underwriting tools that are needed to successfully navigate this market. Adding to that is our focus on customer service, where we provide quick responses and work well with our agent partners,” he said.

KEY POINTS:

- E&S market tipped to grow
- Technology/AI key to success
- Expertise still critical

He stresses that he anticipates further growth in the market, as it is best placed to offer the flexibility needed to deal with increasingly complex risks. “The E&S marketplace is designed to be able to deal with these changing needs.”

But he also believes carriers able to embrace new technologies will have an advantage.



“You need a (technology) platform that is highly efficient and makes the underwriter’s job easier to execute.”

“Technology and the use of AI will continue to be a priority if you want to survive. These tools will be focused on efficiency and speed while being flexible enough to adjust to the market. Also, talent will continue to be a need, and the industry must continue its efforts to attract the talent needed in the changing markets.”

With this in mind, Miller says its technology platform is the cornerstone of the business. But he stresses that its strength comes from a mixture of cutting-edge technology and the individual expertise of its executives.

“In the binding authority and brokerage space, you need a platform that is highly efficient and makes the underwriter’s job easier to execute. You also need to have platform that handles differences by state – and even inside the state,” he said.

“Knowledge from our top underwriting officers is embedded in the platform to eliminate errors and to make it fast and easy for our agent partners. Finally, astutely embedding AI into the platform where it makes sense will be important.”

This is also how he believes Pivix differentiates itself from larger incumbents in the specialty market. “We have a top-of-the-line technology platform that is designed for speed and efficiency. We also have a significant level of expertise as we have been in these markets for many years. We know what is needed and how to deliver on that need. Finally, we are very responsive to our agent partners. E&S risks usually come into our market late in the cycle and the need to be responsive is a key to assisting our partners in securing the business.” ●

APCIA

APCIA offers support to FAIR Trucking Act targeting frivolous litigation

Growth slowed from 2022’s 19 percent and The American Property Casualty Insurance Association (APCIA) has offered strong support for the Forum Accountability and Integrity in Roadway (FAIR) Trucking Act, which has been introduced by Congresswoman Ashley Hinson and Congressmen Tom Barrett and Brandon Gill.

The FAIR Trucking Act addresses the growing trend of forum shopping and staged

accidents, which insurers say have led to an increasing number of nuclear verdicts and liability costs for commercial carriers. By ensuring that cases are heard in appropriate jurisdictions and curbing abusive legal tactics, the bill promotes a more predictable and equitable legal environment.

Sam Whitfield, APCIA’s senior vice president of federal government relations and political engagement, said: “The FAIR Trucking Act is a critical step toward restoring balance and

fairness in our legal system. Frivolous litigation targeting the trucking industry not only drives up insurance costs but also threatens the stability of our supply chain and the livelihoods of small businesses across the country.

“Truckers are essential to our economy, and they deserve protection from predatory legal practices. This legislation will help reduce unnecessary litigation costs, improve road safety, and support a more affordable and sustainable insurance market.”

STRATEGY

Holborn is playing a different game

Amid a turbulent backdrop characterised by industry consolidation and risk volatility, independent Holborn stands alone. Here, Frank Harrison, its CEO, and Gregory Kaiser, the company's executive vice president, explain how.



Frank Harrison



Gregory Kaiser

As consolidation has swept through the reinsurance broking sector, one independent stands firm – and its business model is more relevant than ever, its leaders argue. Holborn is now the only fully employee-owned reinsurance broker in the US. Its growth and success suggest its unique mix of independence, continuity and client-first culture is a compelling alternative to the mega-brokers.

“It’s not about placing a policy and moving on. It’s about making sure the structure we build performs when the market is strained and the pressure is real,” Frank Harrison, its chairman and CEO since 2005, explained in a recent interview.

That strain has indeed been real for many of Holborn’s clients in recent years. A sharp hard market meant some tough negotiations: higher rates and less favourable terms and conditions forced some into difficult strategic decisions. Add to this, economic volatility, inflation and unexpected losses from perils such as severe convective storms and wildfires, and brokers have needed to earn their place at the table.

But Holborn has been well placed to respond. Its broking philosophy, which blends the importance of long-term relationships with advanced analytics and deep experience, has been able to shield clients from some of the tougher edges of a volatile market. “Continuity matters,” Harrison said. “Knowing why a deductible was raised in a hard market, or how a layer was originally structured, provides an advantage when markets shift again.”

He makes the point that whereas some brokers treat every renewal as a fresh start, this means Holborn can revisit past decisions to consolidate what has been learned. This approach has helped build enduring partnerships with both insurers and reinsurers, where trust and alignment are as important as analytics.

ESOP gives an edge

This difference in approach is not by chance. A key differentiator in company culture and thus

KEY POINTS:

- Client-first culture is key
- Employee ownership sets it apart
- Rising leaders in its ranks

client ethos comes from Holborn’s ownership structure. Through its Employee Stock Ownership Plan (ESOP), implemented in 1998, every employee has equity in the firm. This creates what Gregory Kaiser, the company’s executive vice president, calls “truly unbiased” advice.

“Our success is intrinsically tied to our clients’ success,” Kaiser said. “With no outside shareholders or conflicting interests, we can focus entirely on what’s best for them.”

The ESOP also drives a unique culture within the broker. “It means helping a colleague

makes it rewarding for us – and for our clients.” This means that, despite celebrating its 100th anniversary five years ago, Holborn retains an entrepreneurial edge. Its comparatively small size, with offices in New York, Minneapolis and Kansas City, means ideas can be implemented quickly, without the bureaucracy of larger rivals.

“It means having the freedom and artistic licence to develop and articulate new solutions – no fear of stretching the bounds of what has been done before,” Kaiser said.

Holborn is equally disciplined about what it won’t do. Harrison, who has now been CEO for two decades, has always maintained that Holborn cannot and should not try to be all things to all people. Growth is pursued only with the right clients on the right terms – and if it strengthens client value and culture. It does not chase headlines or scale.

The next chapter

In the context of its long history and the extraordinary tenure of leader Harrison, it is perhaps only natural now also to consider the future. The broker has several rising leaders, including Kaiser, in its ranks and they are already shaping its future strategy and direction.

Yet new faces will not necessarily mean change. Holborn is doubling down on what has always set it apart: independence, continuity and client focus. Kaiser says the firm will continue to be selective in hiring talent and in the clients that it partners with. It will always seek an alignment of values.

“Trust is everything. Our reputation is everything,” he said. “Holborn has a long history of doing things right by both clients and markets. True teamwork will continue to be our differentiator.” ●

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Frank Harrison, chairman and CEO, and Gregory Kaiser, executive vice president, can be contacted at frankh@holborn.com and gregoryk@holborn.com respectively

“Make sure the structure we build performs when the market is strained and the pressure is real.”

complete a difficult task for a client even when you get no credit personally,” Kaiser explained. “It means waking up at night with an idea for a client and making sure you capture it the next morning. Everyone is invested in the outcome.”

Holborn’s leadership likes to compare the firm’s talent to a high-performing sports team. While the analogy is not uncommon in business, Holborn can give it some gravitas. Harrison was a world-class decathlete, and Kaiser, a college All-American, excelled in both football and track.

“There are no egos here,” Kaiser said. “The name on the front of the jersey is more important than the one on the back. That alignment

BROKING

Three next big tests facing brokers

As capital returns and client needs evolve, analytics, talent and innovation are key to driving the reinsurance market forward.



It's safe to say that after years of sharp price corrections, reinsurers are enjoying strong returns. Yet as competition intensifies and capital flows back into the sector, brokers face new tests.

Gallagher Re's North America president Tim Driscoll believes success will hinge on data, innovation and people. Driscoll, who has spent more than two decades with the firm, assumed his new role earlier this year. "We've shifted our model here in North America to align an approach which is more focused on client segments," he told *APCIA Today*.

Driscoll, who has spent more than two decades with the firm, assumed his new role earlier this year. "We've shifted our model here in North America to align an approach which is more focused on client segments."

"Now we're very much closely aligned with analytics and product, which brings us the ability to generate insights and processes that are valuable to clients and prospects."

He also highlighted the "power of Gallagher" and the strength of its collaborative culture, which he said exceeded expectations when the reinsurance business joined the group.

Looking at the market, Driscoll noted that the challenge for reinsurers was maintaining differentiation after several years of hardening. "Reinsurers are producing tremendous returns at this moment, close to 20%. With that comes supply and demand factors," he observed. While competition is set to increase, he expects a steady trading environment heading into renewals.

"We're just not seeing anything of significance that's going to dictate one or two single-focus themes," he added.

Capital trends are also reshaping the sector. "We are seeing alternative capital, ILS, capacity; cat bond issuances are at an all-time high. It's become a staple and mainstream to risk financing," Driscoll said. The share

KEY POINTS:

- Growth focus on large, complex clients
- Alternative capital now a market staple
- Competitive landscape set to intensify

of global reinsurance capacity attributed to alternative structures, once around 10%, is now approaching 15%+, reflecting a more educated market and diversification beyond catastrophe bonds into casualty sidecars.

Driscoll firmly believes opportunities for growth in Gallagher Re's North America business are broad, and said the company was "really focused" on that large and complex segment.

"It's an attractive growth arena for us, particularly in the short line space where we've made meaningful progress in the last 24 months."

“All these risks underpin the need for innovative solutions and strategic planning.”

He also cited the middle-market segment, regional and super-regional carriers, and cross-selling across Gallagher's wider platform, including retail, wholesale and claims operations. "We now have 17 branches, so we've got people on the ground that can generate opportunities in areas where maybe others don't have a footprint," he added.

Innovation is central to Gallagher Re's strategy, and the firm is investing heavily in its Gallagher Re Insight platform, integrating placement, modelling, structuring and digital tools.

"It's a platform that offers insights in real

time, creates AI-driven analytics and tailored risk insight. It creates speed, allows for more informed decisions and connects data in a way that creates innovation for our clients," Driscoll explained. The roll-out will continue through 2026, providing brokers and clients a platform to assess, manage and monitor risk with unprecedented speed and precision.

Talent, however, remains a top priority. "People are our greatest asset, and while we are automating and delivering AI products, it's still a people business," he reflected.

Cultural fit and a drive for excellence are key when hiring, and Gallagher Re's programmes such as Reach, its analyst scheme, and internships, help develop "home-grown talent", while leadership and financial fluency training equip colleagues for senior roles. Driscoll explained how the role of the broker was changing, and the requirements needed to have high-level discussions about risk "require us to up our game".

Driscoll closed by identifying the main risks challenging the industry: climate change, inflation, labour and material costs, cyber threats and geopolitics. "All these issues underpin the need for innovative solutions, strategic planning, getting close to the clients, understanding their challenges and developing solutions that allow us to address risks as they arise," he summarised.

But the unknowns remain the greatest challenge. "Those are the ones we spend a lot of time thinking about. What's the next issue that's going to be impacting our clients?"

"We're really excited about what's going on here at Gallagher Re. Each month, each year, is just a better environment for us, and we're excited about what the future holds." ●

Tim Driscoll is president for North America at Gallagher Re. He can be contacted at: tim_driscoll@gallagherre.com

US CASUALTY

Opportunities despite softer market

If we see attractive opportunities to expand our footprint at 1/1 renewals, we are certainly open to growth, says Maria Amelio, of MS Reinsurance.



The US casualty market might be softening, but it's still attractive to reinsurers. That is the view of Maria Amelio, head of national carriers and MGAs, MS Reinsurance.

Speaking to *APCIA Today*, Amelio added that the frequency and severity of casualty claims, many of which are characterised by large, so-called “nuclear” jury awards continue to be of concern to the market.

On top of this, persistent social inflation is here to stay and managing general agents (MGAs) are coming under pressure from investors to deliver high top-line growth, which could lead to short-term thinking about the underlying profitability of these businesses.

But while there is no doubt rates are under pressure, the market remains an area of potential growth, said Amelio. She added that as we approach 1/1, 2026 renewals, MS Reinsurance continues to look for growth opportunities in US casualty.

She said: “Although the US casualty market is softening somewhat, it is still a good market for reinsurers. If we spot attractive opportunities to grow our footprint there, we are certainly open to growth.”

However she cautions that while casualty cedants are seeking greater capacity, reinsurers need to exercise discipline when it comes to requests to expand limits.

She added: “Clients might say: ‘we are not going to use that capacity, but it is nice to have,’ but that is a concern for reinsurers, especially at a time when we are seeing more ‘nuclear’ verdicts where jurors are awarding plaintiffs higher verdicts than ever.”

While MS Re is actively considering working with new cedants, Amelio stressed the main focus going into renewals is to increase the levels of business with existing clients.

“We take a long-term approach, which means we commit to our clients that we will

KEY POINTS:

- Focus on growing with existing clients
- US MGAs expanding to Europe face ‘growing pains’
- Keep limits tight amid nuclear verdicts

show up at renewals and support them,” she added. “We will look to take a bigger share of business with some clients, and will examine what they need, and if there are additional lines of business where they require capacity beyond our current relationship, we will see if can support them and help them grow.”

Turning to MGAs, Amelio, who has 25-plus years’ experience in the MGA space, opined on the recent uptick in European MGA start-

ups. “The market in the US is more mature than in Europe. Established players in the US MGA market might experience ‘growing pains’ such as access to existing data and technology infrastructure, if they try to expand into the European market,” she said.

“The MGA market, especially in the US, has been a cornerstone of our move to diversify our portfolio since 2021, and it is an important part of our strategy,” said Amelio. “We have underwriters who have many years of experience, and as the overall market grows,

we have an appetite to expand with it.” She said one of the main things MS Re looks at when considering working with an MGA is whether it has a proven track record. It is also important that they have a strong commitment to invest in technology. Finally, she feels reassured if the MGAs themselves are risk takers who had “skin in the game”.

MS Re was initially attracted to MGAs because these companies can bring a level of expertise that is more niche than that offered by some of the more broad-based reinsurance carriers.

“We take great care to understand MGAs to ensure our interests are aligned, so that we can share in the profits but also in the pain,” she said.

Amelio added that the MGA casualty market is seeing more M&A activity and outside investment from third-party capital buying up or investing heavily in these businesses. Pressure is put on the MGAs to achieve top-line growth by both the private equity backers, who are looking for a quick return, and principals of the MGAs who are looking for higher payouts.

“We often don’t know the terms of MGA sales, so we need to keep watching the companies to see how they continue to perform under their new owners,” she said. “We need to continuously monitor how they are doing using real-time data. All of this underscores the need to cultivate strong relationships with our MGA partners.”

This perspective was reinforced when MS Re recently reorganised its underwriting teams, aligning expertise with client needs, to prioritise ease of doing business and partnership. Amelio and her team support key client segments – national carriers and MGAs – out of the firm’s New York office for both property and casualty risks. ●

.....
Maria Amelio is head of national carriers and MGAs at MS Reinsurance.

“We take a long-term approach, which means we commit to our clients that we will show up at renewals and support them.”

REPUTATION RISK

Reputation risk tests resilience

A shifting landscape of social and cultural norms has changed the nature of reputation risk to the point it is now regarded by risk managers as a threat to resilience, as opposed to a public relations issue. This shift also meant that measures to mitigate and manage it are being welcomed by shareholders now.

That is the perspective of Nir Kossovsky, chief executive, Steel City Re, which helps companies understand and insure this risk. He believes any notion that taking steps to address this risk would be viewed negatively is now misplaced. The landscape has changed.

“Reputation risk is now viewed as a resilience threat, so reputation insurance makes boards look astute and, by covering personal losses beyond directors’ & officers’ (D&O) liability insurance, prudent,” he told *APCIA Today*.

Kossovsky claims internet searches for reputation insurance are up 500% over the past six months versus the same period last year. “The bottom line is that historical concerns about signalling moral hazard have become irrelevant in the face of cultural changes, just as they did with liability insurance in the mid-1980s.”

He offers several examples where the equity markets have welcomed public disclosure of corporate actions to mitigate reputation risk. He cites AstraZeneca’s announcement of a captive-based risk transfer solution and both Apollo Global Management and UnitedHealth Group’s announcements about governance changes as examples of this.

UnitedHealth Group, in August, created

KEY POINTS:

- Reputation risk more than PR
- Reputation insurance is prudent
- Parametric solutions offer solutions

a single committee to oversee financial, compliance, and reputation risk. He notes that the DCRO Risk Governance Institute’s June 2025 guidelines add nine more recommendations – and it also suggests



“Reputation risk is now viewed as a resilience threat, so reputation insurance makes boards look astute.”

reputation insurance for companies and their boards, as does the American Law Institute.

Other companies are increasingly monitoring reputation risk with intelligence tools, such as Reputation Forecast recently released by We. Communications, that tie issues to financial consequences.

Parametric solutions have emerged in recent years as being particularly well-suited for managing reputation risk. Kossovsky sees indexing is the only practical way to build a reliable actuarial model for what he describes as a complex cash-flow risk, which “arises from emotionally charged stakeholder behavioural shifts driven by unmet expectations”.

Steel City Re recently launched a new open market risk transfer product called Reputation Insurance Side R, specifically geared to directors. “Their personal reputations and prospects are at risk from damage by asset managers, activists, and regulators advancing their own agendas linked to equity underperformance, succession disputes, adverse litigation outcomes, identity-based criticisms or politics,” he said.

But Steel City Re must also match capital with the risk. He said he is aware it is important to “meet the industry in its comfort zone” in this regard. It does this by building confidence in the stability of its actuarial model, demonstrating the model’s role in disciplined underwriting through quantitative exclusion, and by limiting individual carrier exposure. It also dilutes potential losses through broad demand and beneficial selection. ●

CLAIMS

Lawyers cited for hike in personal auto costs on firms and public

The American Property Casualty Insurance Association (APCIA) has released a report highlighting the cost impact rising personal automobile litigation is having on businesses and consumers nationwide.

The report, “Trends in attorney representation: US private passenger automobile insurance”, conducted by the Milliman actuarial firm, examined close to one million claims over a 10-year period.

It concludes that claims with attorney

involvement increased significantly. The costs to resolve a claim are dramatically higher when an attorney is involved, while the time taken to resolve claims is substantially prolonged, with more than 20% of claims with an attorney still unresolved after two years.

The report showed attorney involvement can drive up the average cost to resolve a claim 15-20 times and that in five years, the number of claims greater than \$50,000 has doubled. It also illustrated that, without an attorney, two

thirds of claims are closed within 90 days of reporting and only 2% are open after two years. For claims with attorney involvement, less than 9% are closed within 90 days of reporting and more than 20% remain open after two years.

Bob Passmore, APCIA’s department vice president of personal lines, said: “APCIA advocates for common sense reforms that support regulations that address deceptive or misleading lawyer advertising and include transparency and disclosure in third-party litigation funding.” ●

MARKET

Fix the risk, not just the rate

As wildfire and SCS losses rise in North America, AXA XL Reinsurance's Greg Schiffer says the industry must rethink risk classification and work together on sustainable solutions.



Secondary perils such as wildfires and severe convective storms (SCS) have firmly stepped into the foreground of the North American risk landscape – and should now be treated as “primary” exposures, says Greg Schiffer, CEO of AXA XL Reinsurance in North America.

“In the last five years we’ve seen a lot of nat cat events – hurricanes, but also wildfire and SCS. Secondary perils have really become primary perils for our clients and consumers,” he told *APCIA Today*. “It’s important our clients have availability of reinsurance.”

Schiffer called the situation “a big opportunity”, and urged insurers, reinsurers and governments to “stand shoulder to shoulder” and collaborate far more closely to keep coverage both viable and available.

In high-risk regions such as California, where volatility is mounting, coverage is becoming harder to sustain without broader alignment.

“Our industry needs to align with municipalities on zoning, building codes and broader mitigation strategies. It’s not about walking away from risk. It’s about making coverage sustainable.”

Avoidance, he added, is not a strategy AXA XL Reinsurance supports. “We want to provide reinsurance, traditional or otherwise, while ensuring there is adequate mitigation and adaptation.”

Targeted growth, with discipline intact

Almost a year into the role, Schiffer spent his first 100 days mapping where AXA XL Reinsurance can grow without compromising discipline. He sees four clear areas for expansion, particularly in specialty business lines, such as engineering and credit and surety.

“We see opportunity to grow our business in North America,” said Schiffer. “If you look at macroeconomic conditions over the next five years, there’ll be continued infrastructure growth and advancement. And we want to be

KEY POINTS:

- AXA XL Reinsurance to pursue targeted growth in North America
- Sustainable cover needs shared risk
- Pricing adequacy is non-negotiable

front and centre for those opportunities. That means being present to support construction activity, not just in the US, but also across the border in Canada,” he added.

In Canada, AXA XL Reinsurance is looking to grow its P&C book, expand facultative writings and build out its construction and surety portfolio. But that growth will not come at the expense of underwriting discipline – a point Schiffer is keen to underline.

“We want to work with the right clients and stay consistent through the cycle,” he said.

He noted the company’s intent to maintain

“It’s not about walking away from risk. It’s about making coverage sustainable.”

and deepen its relationships with core global and national clients, while expanding selectively into the “super regional” space – larger regional insurers with room to grow.

Adequacy is non-negotiable

Looking to the 1/1 renewals, Schiffer’s main message is pricing adequacy across all lines. “Whether it’s property or casualty, we need to be able to offer a sustainable product,” he said.

Litigation funding, social inflation and secondary perils are all pushing future loss burdens higher. While the property market has

seen some stabilisation, Schiffer said AXA XL Reinsurance will continue to underwrite every programme on its own merits, guided by strong data and individual risk profiles.

On attachment points and aggregate protection for US wind and SCS, he said AXA XL Reinsurance will consider products “where sustainable over the long term and priced adequately”, but “We have to be confident we’re covering the risk we’re taking on.”

Casualty caution

In US casualty, Schiffer sees mixed signals. On the positive side, in the excess casualty market “loss costs and rates are outpacing loss trend”, but prior-year reserve strengthening still continues particularly in long-tail lines.

“The professional lines market shows some flattening of rates, which is positive,” he said, “but social inflation remains across both excess casualty and professional lines.

Schiffer said clients are evolving their reserving and claims practices, which is a step in the right direction, but these changes need to be understood and factored into pricing models. “Again, it comes down to data,” he said.

Retrocession and alternative capital continue to play a central role in AXA XL Reinsurance’s capital strategy. With stabilisation in property and further innovation in third-party capital structures, he sees continued appetite across property, casualty and specialty.

“What gives us confidence is understanding the exposure units and ensuring all perils are captured in the total loss cost. We take a long-term view, growing with our clients as they grow,” Schiffer concluded. “We’re global yet local and consistent in what we offer.” ●

Greg Schiffer is the chief executive officer of North America, reinsurance at AXA XL Re. He can be contacted at: greg.schiffer@axaxl.com

CASUALTY

Casualty reshaping renewal dynamic

Casualty is no longer just a line on a balance sheet, it is the pulse that will define reinsurance negotiations heading into 1/1 renewals. This is the view of Salvatore Sama, head of QBE Re North America, who believes casualty is now at the centre of renewal dynamics.

“Casualty is in a unique space right now, because there are obviously the wounds of the past, and some challenges that continue to bring about tough decisions and adverse development from past writings,” Sama told *APCIA Today*.

Rate corrections, compressed limits and new attachment strategies have reshaped the market, yet capacity is not absent. “For the right performance, the right strategies and the right teams, there is capacity available, but those portfolios that have more challenging results could see a tighter situation in terms of negotiations.”

Sama believes balance between selective appetite and disciplined caution will define casualty at the upcoming 1/1 renewals. “The hardest lines will really be about where performance has been and what the appropriate reinsurance cost or ceding commission should be and how much the past is going to predict the future.”

He added that QBE Re weighed up fundamentals, management experience and cycle strategy. “If those all check, we could have an open mind to pursue. But when they are not there, that’s where teams generally negotiate quite hard.”

Property remains in focus, though Sama

KEY POINTS:

- Casualty renewals hinge on past performance
- Property focus turns to attachment points
- Talent and diversity support resilience



“The hardest lines will really be about where performance has been and what the appropriate reinsurance cost or ceding commission should be.”

sees reinsurers shifting their emphasis from pricing to structure. He conjectured that reinsurers would probably draw the hardest lines on where the attachment points were, as rate adequacy has largely been achieved, leaving volatility management through attachment points as the lever for sustainability.

QBE Re’s broader approach is rooted in consistency and a long-term view and Sama said the company was “looking to continue to find good opportunities” to grow in the US reinsurance market.

“We want to be a sustainable and long-term partner of choice for clients,” Sama said.

Technology and data are central to that ambition. Sama explained their internal programme aims to bring about modernisation and invest in data analytics technology. Enhanced property PML analytics, advanced casualty exposure management and real-time portfolio insights are giving underwriters sharper tools.

“We do believe that the key differential for a reinsurer to be successful in the future is to have these analytical capabilities at the fingertips of underwriters who are on the front lines,” Sama noted.

Casualty’s outlook, he argued, is shaped by external as well as internal factors. Litigation, social inflation, nuclear verdicts, tort reform, pricing trends and attachment strategies all carry weight.

“Casualty is a challenging place to navigate because it’s so multifaceted, but we remain very disciplined in how we approach the market.” ●

LITIGATION

APCIA targets frivolous lawsuits, backing Lawsuit Abuse Reduction Act

The American Property Casualty Insurance Association (APCIA) has announced its support for the Lawsuit Abuse Reduction Act of 2025, which seeks to amend Rule 11 of the Federal Rules of Civil Procedure to require mandatory sanctions for frivolous lawsuits and eliminate the current “safe harbour” provision that allows attorneys to withdraw meritless claims without consequence.

Misleading legal advertising, inflated jury awards, and third-party litigation funding have

created a litigious environment that costs the US economy more than \$557 billion annually, adding \$5,215 to the average household’s expenses. These practices have also contributed to rising insurance premiums and reduced availability of coverage.

Sam Whitfield, APCIA’s senior vice president of federal government relations and political engagement, said: “Unchecked legal system abuse is driving up costs for consumers and businesses. Targets of frivolous lawsuits, often small

businesses, are also burdened with unnecessary legal expenses. The Lawsuit Abuse Reduction Act is a vital reform that will help restore fairness and predictability to our courts by holding bad actors accountable and deterring frivolous litigation.

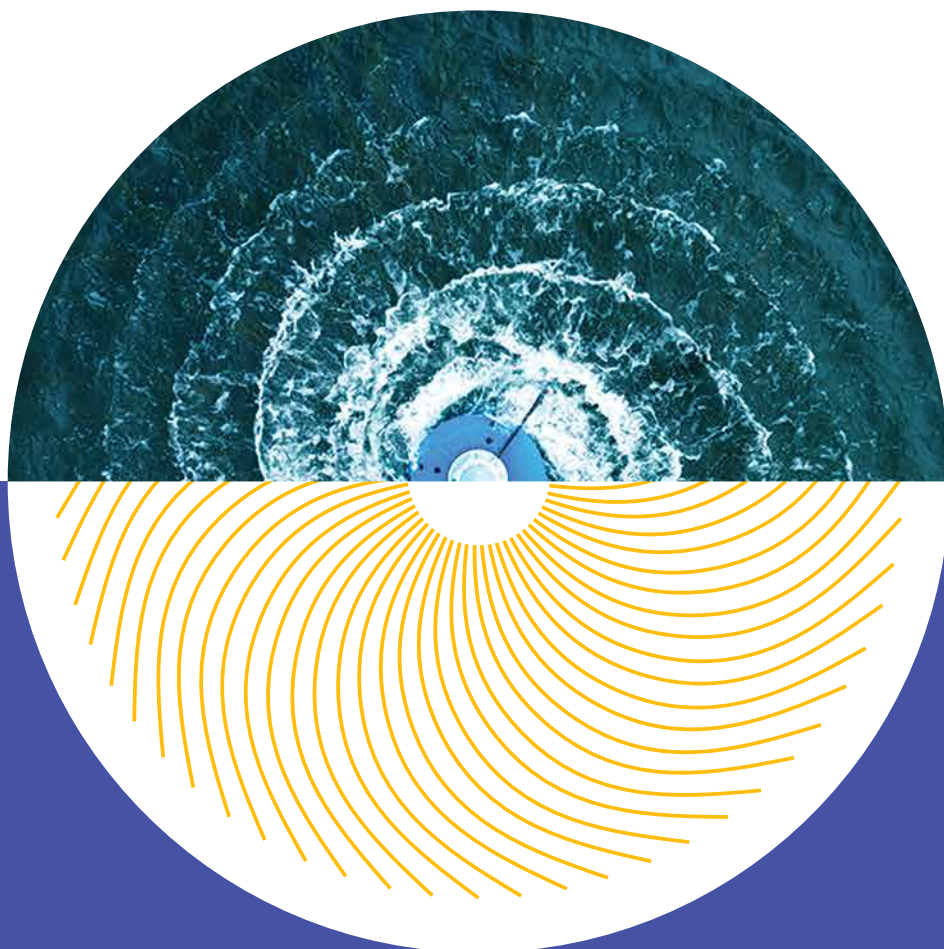
“The misuse of the legal system has far-reaching economic consequences. By strengthening Rule 11, this legislation will help curb abusive tactics and promote a more balanced legal environment, ultimately benefiting consumers and preserving the integrity of our judicial system.” ●



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WILDFIRE RISK

California stands at crossroads

Lindsey Frase, of Howden Re, explains how regulation, capital and innovation must align to narrow California's wildfire protection gap and restore market confidence.



“Wildfires are now regarded as a primary peril, given their increasing frequency, severity and multi-billion-dollar loss potential,” says Lindsey Frase, California resident and managing director at Howden Re. “Insurers must re-evaluate underwriting models, capital allocation and pricing assumptions, putting wildfire risk on the same footing as hurricanes.”

In the wake of California's devastating January 2025 wildfires, Howden Re's report “2025 Los Angeles wildfires: a path forward” highlighted the state's growing insurance protection gap. Since 2015, California has seen 15 of its most destructive wildfires. Insurers had already paid out roughly \$20 billion in losses before this latest event, and many carriers had scaled back or exited the market entirely.

“Homeowners were scrambling to find coverage, and the ‘loss gap’ – the difference between total economic losses and what is actually insured – was growing wider,” Frase explains. Projected insured losses from the January fires range from \$20–45 billion, with many losses uninsured, leaving homeowners and the state financially exposed.

Over the past decade, underwriting losses and restrictions on risk-based pricing pushed insurers to rely on the strained California FAIR Plan.

Reform and innovation essential

Howden Re's report called for urgent reform: approval for catastrophe modelling, recognition of reinsurance costs in rate-setting, and a \$6 billion investment in mitigation efforts like forest management and stricter building codes. Frase adds, “Public-private partnerships, premium incentives for resilient construction and parametric insurance are key to restoring capacity.”

KEY POINTS:

- Wildfire now a primary peril
- Regulation and reform essential
- Capacity needed to close gap

California's regulatory landscape is evolving. Bulletin 2025-1 imposed a one-year moratorium on policy cancellations in fire-affected ZIP codes. Meanwhile, state and federal efforts are promoting mitigation, insurance affordability and public-private collaboration. Proposals such as the INSURE Act have drawn criticism, but signal momentum for reform.

California now allows catastrophe models in rate filings—subject to new requirements that carriers expand coverage in high-risk areas. Although filings have been submitted, none has yet been approved.

“If we align regulation, capital and innovation, we can rebuild a market that actively reduces risk.”

At the same time, substantial rate increases have been approved, but many carriers still see them as inadequate.

FAIR Plan under pressure

This year's first FAIR Plan assessment in more than 30 years underscored system strain. Assembly Bill 226, awaiting the Governor's signature, would allow the Plan to issue bonds to bolster claims capacity. Meanwhile, legal action over smoke damage claims has drawn

further scrutiny of its ability to respond. “At the centre of these efforts, we aim to narrow the protection gap by bringing in new capacity through traditional reinsurance and innovative structures,” Frase says.

While the E&S market is growing in California—particularly for high-value homes – it remains a small portion of total coverage. Rising insurance premiums, interest rates and inflation are also contributing to a muted real estate market.

“By leveraging London's specialty market, MGAs and tech-driven pricing tools, we're focused on the admitted market where most homeowners buy insurance. The goal is a sustainable market blending policy reform, private capital and solutions like ILS.”

Lessons from other states

California's challenges mirror those in Florida, where repeated hurricane losses have driven insurers out and expanded reliance on Citizens Property Insurance Corp. Louisiana and Texas face similar pressure. Other less populated states such as Oregon, Washington and Colorado have taken action and avoided the crisis.

“Looking ahead, the focus must be on restoring both confidence and capacity,” says Wade Gulbransen, divisional CEO, North America. “Sustainable capital must return and remain committed so the market can move from short-term fixes to long-term stability.”

“At stake are not just balance sheets, but communities,” adds Frase. “The real test is whether we can turn this crisis into an opportunity. If we align regulation, capital and innovation, we can rebuild a market that actively reduces risk—and sets a global benchmark for climate resilience.” ●

Lindsey Frase is managing director at Howden Re. She can be contacted at: lindsey.frase@howdenre.com

NUCLEAR VERDICTS

Litigation drives higher costs: Swiss Re

Rising insurance premiums; larger deductibles; limited access to coverage. These are just a few of the growing costs silently passed on to consumers by an often-overlooked force: legal system abuse.

That is the observation of Swiss Re in its latest behavioural research report, published in September and called “Verdicts on trial: the behavioural science behind America’s skyrocketing legal payouts”. Its introduction, “The hidden forces behind rising verdicts”, reveals what it calls troubling new trends.

The report shows that Americans increasingly support litigation and nuclear verdicts – awards exceeding \$10 million – regardless of whether corporations are at fault. In fact, approximately 25% of respondents would support such verdicts even against small and mid-sized businesses (SMEs).

The report suggests this growing litigiousness is driven not just by facts, but by psychology. Its data shows that injury severity – not company

KEY POINTS:

- Support for nuclear verdicts
- Higher litigation means higher costs
- Insurers must get smart on defence

size – is the main factor driving juror sympathy and high compensation expectations. Also, that plaintiff anchoring – setting high initial demands – greatly skews judgments upward, especially when unchallenged. And that younger, lower-income jurors are significantly more supportive of litigation and larger awards.

But the report articulates the underlying problem: that higher litigation risks mean higher costs for everyone. “Insurers are forced to raise rates or pull back capacity in affected markets – leaving families and small businesses underinsured or completely unprotected,” it notes.

But there is some hope in its findings. It claims that insurance, when paired with

smart defence strategies, can help rebalance the system. It suggests that defence counter-anchoring (e.g. presenting low, fact-based compensation alternatives) can drastically reduce award expectations. Also it says jurors are more moderate when given balanced context, suggesting a real opportunity for legal teams and insurers to reduce legal system abuse through education and transparency.

“It’s time to shine a light on this issue – because unchecked legal system abuse doesn’t just hurt insurers. It hurts every household and business that depends on affordable, accessible protection.

“Liability claims costs in the US have entered a self-reinforcing spiral. Traditional economic drivers such as wage inflation, medical-cost trends and CPI growth no longer explain the pace at which liability claims are escalating. This growing gap between economic fundamentals and actual claims experience has been termed social inflation, which is, in large part, driven by legal system abuse.” ●

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APCIA

Survey reveals new top worry

It's not casualty reserves, climate losses or cyber risk that's keeping insurers up at night. Find out what is in *APCIA Today's* latest survey results.

This year's APCIA conference might well be remembered as the moment social inflation became more than a buzzword, rather the industry's central existential dilemma.

With 67% of APCIA Today's survey respondents citing social inflation and litigation funding as their main concern – topping our poll – it's clear underwriting panels and capital forums will dive deep into managing runaway jury verdicts, funding risk and reserve adequacy.

Only 53% flagged US casualty reserve adequacy as their chief worry; wildfire capacity pressures were identified by just under half of respondents and severe convective storm volatility by one third. Retro and alternative

KEY POINTS:

- Social inflation is main peril
- Rules of game 'have changed'
- Need consistent disclosure

capital such as cat bonds / ILWs were mentioned by a small minority.

This fundamental shift from earlier cycles is reinforced when we look at the secondary issues respondents selected under "other big issues". Attracting and retaining talent, adapting to AI and automation, maintaining underwriting discipline and profitability uncertainties each drew just 33%.

Social inflation means large jury awards, expanding avenues for litigation finance and evolving legal theories (such as "reptile" strategies that appeal to a jury's sense of fear and community protection) combining to drive severity upward.

Munich Re has warned this largely US phenomenon is now creeping into Europe while TransRe is noting reinsurers being "cautious on US risks" because of aggressive verdict dynamics. One survey respondent wrote: "It feels like the rules of the game have changed. Cases that once might have settled quietly are now running all the way to trial with extraordinary outcomes."

The complexity is compounded by the interaction with reserve adequacy. Even if new business is priced aggressively, legacy reserves remain exposed. One insurer noted: "We're going back and revisiting assumptions we thought were locked in. What looked adequate five years ago no longer feels safe."

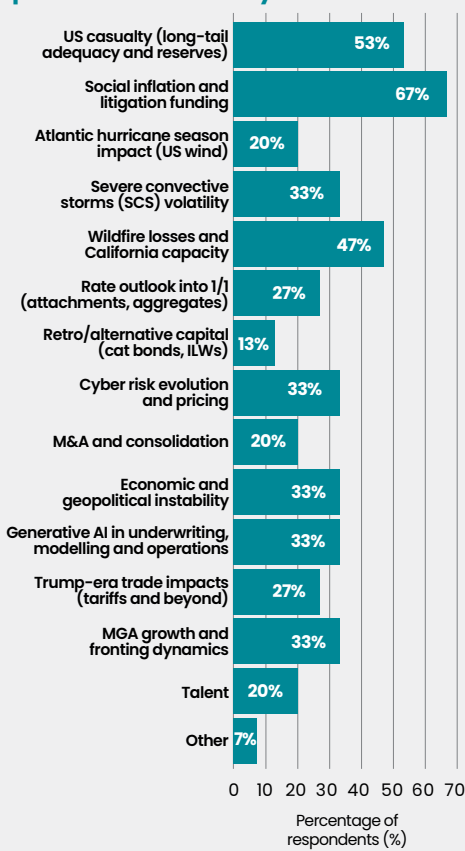
Other issues will feature on the agenda: just under 50% of participants singled out wildfire and California capacity, while just over 50% pointed to reserve adequacy in US casualty. One third believes cyber and AI innovation will be a concern, but most of these topics will be refracted through the lens of social inflation.

Some underwriters believe transparency in litigation funding could be a lever. One

senior figure commented: "If we had more consistent disclosure, we could adjust pricing or even walk away."

APCIA will likely be the stage at which social inflation becomes the industry's dominant axis. ●

What will be the main talking points at APCIA this year?



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