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APCIA TODAY

SRCC risks must be eyed with same care as wildfire and SCS: Swiss Re's Ningen

INCREASING LOSSES STEMMING FROM STRIKES, riots and civil commotion (SRCC) should be viewed with the same caution, and treated with the same underwriting discipline, as so-called secondary perils including severe convective storms (SCS) and wildfires.

That's the opinion of Monica Ningen, chief executive of US property and casualty reinsurance at Swiss Re. She told *APCIA Today* that the market is still underestimating the scale of systemic pressures arising from SRCC.

These risks were long overlooked until recent loss experience forced a reappraisal. Now the challenge needs to be addressed head on.

"It's not something the industry can ignore," she said. "Companies need to be disciplined in deciding whether to include it in contracts, and if so, at the right price."

SRCC is a peril often treated as an afterthought in renewal negotiations – though that started to change when the market sharply hardened three years ago. Yet Ningen **4**➔



Monica Ningen

REGULATORY DUPLICATION: APCIA wants FIO to refocus mandate



Sam Whitfield

THE MANDATE OF THE FEDERAL INSURANCE OFFICE (FIO) should be changed so it focuses on lobbying on behalf of US insurers and reinsurers overseas – instead of often doubling up on the work of state-based insurance regulators, Sam Whitfield, senior vice president of federal government relations and political engagement at the American Property Casualty Insurance Association (APCIA), told *APCIA Today*.

"We would like to see the FIO restructured to focus on protecting US interests abroad. Many APCIA members have operations or sell insurance policies internationally – there are many ways in which their interests can and should be represented."

He notes some international regulators would like to see the US adopt a regulatory system more like their own. The FIO is perfectly positioned to resist such suggestions and **6**➔

INSIGHTS AND ANALYSIS FROM MORE LEADERS INSIDE



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An aerial photograph of a coastline. The top half shows turquoise waves with white foam crashing onto a wide, light-brown sandy beach. The bottom half shows the same turquoise water meeting a rugged, dark rock formation. The text 'Reshaping the' is overlaid in white, with 'Reshaping' on the beach and 'the' over the rocks.

Reshaping the



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SRCC

SRCC risks must be eyed with same care as wildfire and SCS

➡️ cautions that its impact is rising sharply, and it deserves more attention.

She notes that between 2000 and 2020, global SRCC-related claims rose by more than 3,000% – a statistic she describes as “crazy” on paper but rooted in reality. Unlike major one-off events, the increase is driven by both frequency and severity.

The drivers are familiar: political polarisation, populism, cost-of-living crises, environmental activism and socio-economic grievances. Together they create a combustible mix, amplified by the fact that more people now live in densely populated cities. When unrest occurs in urban areas, insured assets are more concentrated, multiplying the scale of losses.

SRCC, she argues, requires the same toolkit as SCS and wildfire risks: improved exposure assessment, careful accumulation management and appropriate pricing. Ningen believes reinsurers must sharpen their focus on all these evolving exposures, balancing underwriting discipline with innovation and ultimately strengthening the role of insurance as a pillar of resilience.

Litigation: the invisible catastrophe

But if SRCC is a growing concern, the American litigation environment is already a systemic drag on profitability. Ningen is blunt: legal system abuse is an “ongoing invisible catastrophe” that costs the average US household an estimated \$4,200 a year – the so-called tort tax.

Unlike natural disasters, she notes, these costs don’t play out on nightly news bulletins, which makes the problem less tangible for consumers. But the rise of third-party litigation funding is reshaping the civil justice system, often encouraging higher damage awards and prolonged cases.

“The real danger,” Ningen explains, “is that the US justice system risks becoming a commodities market serving third-party investors rather than victims.”

Awareness of the issue has grown. Some states, such as Florida and Georgia, have started to make progress on reform, but change is patchy. In the meantime, reinsurers must adapt. For Swiss Re, that has meant pruning its casualty portfolio and recalibrating its appetite. “We’ve been among the first movers

KEY POINTS:

- SRCC cannot be ignored
- Legal system abuse invisible cat
- SCS and wildfire risks a concern

to take a hard stance,” Ningen said. “Now we’re comfortable with the exposures we’ve retained – but we continue to watch the trends closely.”

The challenge is dynamic: as global carriers cut back on limits, litigation funders are moving down the market to national and regional carriers. Claims inflation is migrating with them. That makes vigilance essential. “No portfolio is perfect,” she concedes. “But claims organisations are becoming more sophisticated, spotting issues earlier and defending against them more effectively.”

Wildfire, SCS and the human factor

Beyond liability, natural catastrophe perils remain front of mind. Here, Ningen insists

“The real danger is that the US justice system risks becoming a commodities market serving third-party investors rather than victims.”

Swiss Re’s risk appetite has not shifted – but acknowledges that the industry’s understanding of wildfire and severe convective storms is being tested like never before.

SCS losses, in particular, have grown at an annual rate of around 8%, outpacing the 5–7% global trend for nat cat losses overall. “They’re growing faster than hurricanes, floods or earthquakes,” she notes. “That demands sharper accumulation management and appropriate pricing.”

Wildfire is another focus. The peril has transformed over the past decade from a relatively localised concern into a systemic challenge, especially in parts of the western US. Encouragingly, technological advances

are accelerating; generative AI and more sophisticated modelling are improving risk assessment at pace. “I’m amazed at the progress of the past three years,” Ningen reflects. “The tools now available, including those we’ve developed at Swiss Re, are far better at supporting mitigation and adaptation.”

She stresses that human behaviour remains a critical factor. Urbanisation, migration to the coast and expansion of housing into wildfire-prone areas all drive losses. “It’s not just about the weather,” she says. “It’s about where and how people live.”

Across these issues – SRCC, litigation, wildfire and SCS – the common threads are discipline, transparency and partnership. She said Swiss Re continues to build and validate its own nat cat models, ensuring it has an independent view of risk. It expects clients to apply the same rigour, particularly in managing accumulations and adapting to evolving trends.

At the same time, Ningen is clear that the reinsurer sees itself as a long-term partner. “We view insurance as resilience – a pillar of stability in turbulent times,” she says. That means consistency of appetite, clarity of communication and a willingness to innovate alongside clients.

For all the talk of uncertainty, she remains confident in the industry’s role. “Our job is to help clients navigate volatility, whether that’s legal system abuse, SRCC or the next big natural peril. None of these challenges are insurmountable if we tackle them together.”

The risks confronting the reinsurance industry are complex, intertwined and often underappreciated. From rising social unrest to opaque litigation costs and the accelerating losses from SCS and wildfire, the challenges are not going away.

But for Ningen, the outlook is not bleak. Instead, it’s a call to arms for an industry that has already shown resilience through multiple cycles. With better tools, sharper underwriting and closer client partnerships, Swiss Re aims to turn these “invisible catastrophes” into manageable, insurable risks.

As she concludes: “We know turbulence lies ahead. But with discipline and collaboration, insurance will continue to be that pillar of stability the world needs.” ●

PROPERTY/CASUALTY

Stability is key for 1/1 renewal deals

Aon's Amanda Lyons and Tracy Hatlestad outline the latest dynamics in the casualty and property sectors as the industry convenes at APCIA.



Amanda Lyons



Tracy Hatlestad

While property buyers sense momentum shifting in their favour, reinsurers, particularly in casualty, remain cautious but optimistic. Amanda Lyons and Tracy Hatlestad, respectively global product and property leaders for Aon's Reinsurance Solutions, suggest that, irrespective of the point in the market cycle, the real story is how risk and capital are being matched more creatively.

"Reinsurers are optimistic about the front-end pricing in casualty, but still cautious about whether they have seen the last of the adverse development," Lyons told *APCIA Today*.

On property, Hatlestad sees momentum shifting toward buyers. "Market dynamics are now moving in favour of buyers, and we expect terms, conditions and pricing will further move in their favour at the 1/1 renewals," she said.

After the January wildfires, catastrophe activity has been relatively contained, leaving reinsurers' balance sheets intact. Earnings have held up, capital has returned and demand from cedants for reinsurance is expected to rise by mid-single digits in 2026. Hatlestad is confident the market can absorb it.

Here the story is more complex; Lyons said little has changed since mid-year. Primary rates are rising, but claims inflation, litigation funding and a continued increase in lawsuits are keeping reinsurers on edge.

"I sense that will be a big topic at APCIA with discussions around addressing areas such as legal system abuse and tort reform where needed to drive substantial change."

That dual focus of opportunity and caution ran through Aon's message at this year's Rendez-Vous. For Hatlestad, the property sector's ability to harness technology is central. "We recently published our Global Catastrophe Risk Management Survey, and it was interesting to see the variety of ways insurers are engaging with technology," she explained.

For Aon, this crystallises where it can add the

KEY POINTS:

- Property momentum with buyers
- Casualty caution persists
- Innovation fuels solutions

most value, whether through data augmentation to support exposure capture or using claims information to build customised views of risk for insurers. "The technology available now makes this more robust and sophisticated, and we are investing heavily in that space."

Hatlestad pointed to Aon's Event Analytics solution as an example. "It will include exposure and real-time loss information in a more seamless way and brings together the component parts of catastrophe risk analysis clients value most into a single platform."

“There's still uncertainty, but we can't let that stop innovation.”

Innovation in focus

Aon insists on innovation. Lyons highlighted how record levels of capital were helping fuel innovation. "Cyber is a great example. Clients with well-performing portfolios were struggling with attachment points and concerns over basis risk around event-based products.

"We worked with creative reinsurers to develop a product that allows clients to recover losses within a time period where there's an influx of claims, thus removing the issues around event definition. Clients are really excited about that kind of innovation."

She also highlighted work on a named-peril casualty product targeting emerging risks such as PFAS, microplastics and climate litigation. "The

tools and data are getting better, so clients can at last monitor those exposures in their books. The natural next step is to use reinsurance as a tool to manage them." New research from Aon and Moody's shows how responding to customer need has the potential to create a reinsurance casualty cat market of around \$5 billion annual premiums and drive profitable growth.

Both stressed the conference provides the perfect platform to test appetite for such innovation, and Hatlestad argued that for this year in particular, clients should consider starting from scratch on their structures and look at products beyond traditional occurrence protection.

"We've seen success matching risk and capital for solutions such as catastrophe aggregates that had largely gone away during the peak of the hard market. Those are coming back and are now being executed more successfully. I expect that to continue into 2026." She urged clients to "go out and get them priced" even if they need to make some adjustments. "I think they'll be pleased with some responses."

Lyons agreed, stressing creativity and openness. "It's about pushing reinsurers on their appetite for these products. There's still time left before year-end renewals and lots could happen."

The common thread is the increasing importance of good data in unlocking product innovation and structuring solutions, enabling reinsurers to price with greater certainty.

Lyons concluded that the dialogue at APCIA must balance realism with ambition: "There's still uncertainty, but we can't let that stop innovation." ●

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COVER STORY

Regulatory duplication: APCIA wants FIO to refocus mandate

➦ champion and protect the US regulatory model.

“We are very protective of our state-based regulatory models. We want the FIO to be solely focused on that: being the US representative tasked with ensuring our state-based regulatory model is protected. We don’t want unnecessary capital requirements when operating overseas; we want to ensure our member companies have the ability to operate and regulate it in a way in keeping with what we already know.”

Communication is key

But there are other changes he would like to see at FIO. He notes it has subpoena authority, which dates back to its creation as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. It sometimes uses this to request data from insurers. This, he believes, is unnecessary because of the role of state

“We would like to see FIO restructured to focus on protecting US interests abroad.”

regulators. It often doubles up with requests from the National Association of Insurance Commissioners (NAIC).

“They are often doubling up; state insurance regulators and FIO don’t necessarily talk a lot. Our members do not like repeated data calls. It takes a lot of staff time and costs money. We would like more collaboration and communication between the entities. Their operations overlap so the more coordination, the more efficiently they are going to run.”

But Whitfield is keen to stress that the FIO does an important job in some domestic matters. One role is administering the Terrorism Risk Insurance Act (TRIA). “We want to get that continue. They do a very good job of administering TRIA,” he said.

In other priorities, TRIA is also high up – along with the National Flood Insurance

KEY POINTS:

- FIO could refocus overseas
- Opportunity in flood insurance
- Third-party litigation funding concerns

Programme (NFIP), which is administered by the Federal Emergency Management Agency (FEMA). TRIA expires in 2027. APCIA aims to get it renewed early and for a long period of time (ideally 10 years) with few changes, giving the market and its members certainty.

Whitfield describes TRIA as a cornerstone of US economic resilience for two decades. Its existence ensures construction and development projects can move forward, while enabling employers across industries to provide essential financial protections to injured workers.

“TRIA is a fiscally sound programme that has operated for 23 years with minimal cost to taxpayers. Its continued existence is vital to maintaining confidence in the marketplace and ensuring the availability of terrorism coverage businesses and communities rely on,” he said.

Flood is complex

The NFIP is more complex. It expired last week, in tandem with the government shutdown. That is more complex because lawmakers are also considering changes to the programme, which might encourage more private capacity to enter the market.

“We are engaged with that process, making our members’ comments known. We need a functioning FEMA for emergency preparedness and responses, and a functioning flood insurance programme. We’re not opposed to some changes, but they must be done in the right way. Federal involvement is still very much needed. If it were to turn off immediately, the private markets would need some time to ramp up.”

Specifically, he stresses APCIA strongly supports a growing private flood insurance market, and said it has been working to expand the private market over time. But, while there is significant private sector interest in underwriting flood and the private market is growing, he believes it could and should grow faster with certain reforms.

These include the government continuing a path that will eliminate NFIP subsidies over time; ensuring consumers do not lose grandfathered continuous coverage rate caps when they try out private insurance; and Congress enacting a long-term NFIP reauthorisation that provides more certainty so private insurers can develop specific and competitive programmes.

He also advocates changes, including consumer education to encourage higher levels of take-up of flood insurance; a targeted “means-tested” programme to address affordability issues and federal flood loss data shared with private insurers.

Finally, perhaps unsurprisingly, another priority is the challenge third-party litigation funding is posing for the industry. While progress is being made in some states, he stresses the federal government can also do its bit.

“We need a functioning flood insurance programme. Changes must be done in the right way.”

One initiative APCIA believes will make a difference is 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.

“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,” he said.

Whitfield has been in post six months. He was previously senior vice president and head of congressional affairs at the Consumer Bankers Association and has a lengthy pedigree in governmental relations and public affairs. ●



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BROKING

Claims data builds confidence

Cautious optimism is back, but with evolving risks and market dynamics, casualty reinsurers are seeking evidence to allow them positively to differentiate clients, Gallagher Re warns.



Casualty renewals are becoming more technical than ever, with reinsurers demanding hard data to support every argument. Only evidence validated through analytics and claims performance will convince markets whether the time is right to lean in or step back.

This is the view of Emily Apostolides, Gallagher Re's head of casualty for North America, who spoke to *APCIA Today* about the problem of old performance data not aligning with new realities, leaving underwriters searching for evidence instead of anecdotes.

"No one is going to give you the benefit of the doubt as much as they may like to," she said. "They need to see some concrete evidence."

For Apostolides, the priority is arming teams with analytics to cut through uncertainty. She explained that the long tail of casualty complicated decision-making. "We had six years of market correctional actions; clients have changed their mix of business. They've invested heavily in analytics and claims handling," she said. "So, when you take the aggregate of all these actions and then use historical patterns to project future profitability, you're mixing apples and oranges."

With results taking five to seven years to emerge, reinsurers are making calls without a clear view. "If you're writing business today, how do you make strategic decisions if you're looking in the rear-view mirror and the whole landscape has changed?"

"Then add in a global pandemic where the courts were shut down, and it's just a very murky landscape."

Despite that, discipline has held. "We're not seeing insurance policy limits for casualty creeping upwards," Apostolides noted. "We're still seeing the rate outpacing loss trend. Reinsurers are looking to grow strategically with the right clients, so there's some cautious optimism around casualty, where people feel,

KEY POINTS:

- Casualty renewals hinge on hard data
- Sidecar capital reshapes casualty dynamics
- Confidence grows as reserves steady

we are starting to understand a little more about what's happened."

She added that reserve confidence was improving. "We haven't really seen any notable adverse development in 2025, yet markets are waiting with bated breath to see how this plays out. We are more confident about it."

Fresh capital interest might also shift dynamics, and Apostolides said they had seen "a lot of interest in sidecars from both cedants and investors" from cedents looking to explore

“If you’re writing business today, how do you make strategic decisions if you’re looking in the rear-view mirror?”

this as an option, coupled with investors wanting to diversify their portfolios.

But the claims environment remains the main challenge: pandemic-era court closures created a backlog, yet recent loss ratios look better, with more losses being reported earlier.

"We do think that clients have taken action, and they've changed their claims handling practices. We see that they may be acting more conservatively than they have in the past, learning lessons from those soft market years and trying to avoid making the same mistakes twice."

The key, she said, was being able to prove it. "If it takes you five to seven years to really hang your hat on the improvements, but you don't want to wait that long to take action, it's trying to find and articulate that evidence to the market in terms of claims performance."

That is where Gallagher Re is focusing. "Sometimes the story the data articulates for one client is different from the reality of another," she said. "The anecdote is helpful, and it gives you a little bit of an understanding as to why we're seeing these patterns, but you need to validate it and back it up with the numbers."

Social inflation is another enduring factor, and Apostolides believes that for the foreseeable future, it's "probably here to stay". She said: "Our clients are doing a better job of getting ahead of it, rather than trying to play catch up, which is where we were through those 2014 through 2019 years."

Looking ahead, she argued, leadership in casualty requires curiosity. "If you've been doing what you've been doing for the last several years, you're not really getting the full picture."

"People who are really curious and inquisitive will have to be a little bit more creative than they might have been in the past in terms of highlighting the evidence that supports a client's story."

As the market edges toward what could be a profitable phase, reinsurers must remain disciplined, data-driven and vigilant students of the business, because in casualty, the evidence will allow for better decision-making. ●

Emily Apostolides is head of casualty for North America at Gallagher Re. She can be contacted at: emily_apostolides@gallagherre.com

ANALYTICS

Holborn bets future on analytics

Against a backdrop of increasing volatility, Holborn is doubling down on its commitment to applied analytics and a next generation of leadership capable of leveraging such techniques to benefit its clients. Here, Tim Releford, executive vice president, explains how.



As the reinsurance sector grapples with ever-greater volatility in the underlying risks it needs to understand, price and cover, Holborn is investing further in ever-deeper analytical capabilities: in terms of technology and models as well as the leaders equipped to use them. It believes this investment, combined with its unique philosophy and ownership structure, can give it a durable, competitive advantage.

Certainly, that is the view of Tim Releford, executive vice president and head of Applied Modelling at Holborn and one of its senior leaders tasked with guarding and directing the 105 year-old broker's future.

Releford's service department, called Applied Modelling, is tasked with using all available models and data (vendor and inhouse) to generate strategies and solutions that are unique to individual clients. His mission is to create something that adds value to clients – but which is also easy comprehensible and implementable.

As losses from secondary perils, such as severe convective storms (SCS) and wildfires escalate and strain the industry's ability to understand risks, he argues that insurers should bring a healthy level of scepticism to their interpretation of third-party catastrophe model output and be adaptable and open to using multiple sources of information to stress-test the same.

"There's real value and learning in challenging models," he told *APCIA Today*. "All parties benefit from a meeting of minds between cedants, modellers and reinsurance underwriters to make sure assumptions reflect reality. Brokers can play a key role in facilitating this."

That also means bespoke solutions, not transactional placements. Holborn's answer is Applied Modelling: a suite of bespoke analytics designed to stress-test portfolios and probe for vulnerabilities that generic models often miss.

At the edge of analytics

Holborn describes its Applied Modelling service as a way of blending deterministic and stochastic scenarios with real-world stress

KEY POINTS:

- Analytics and risk models key
- But models must be challenged
- Science meets art serves clients

tests. Its aim is to uncover the full range of potential scenarios to inform the most fitting comprehensive risk management strategies.

From unmodelled floods to earthquakes in unexpected regions to devastating wildfires to the escalating challenge of SCS, its focus is on helping clients better understand concentrations of risk and capital resilience under extreme shocks. It is a capability that has quickly become a strategic differentiator, Releford believes.

"Holborn combines advanced catastrophe modelling with client-tailored solutions, grounded in real-world data and forward-looking strategy," the firm notes in its broking

and adapts incrementally. The evolution of its analytics capabilities is designed to complement, not replace, that culture, Releford insists.

Signalling the future

For some two decades now, Holborn has been steered by the steady hand of Frank Harrison, its chairman and CEO since 2005. The broker has always highlighted the importance of teamwork over that of an individual. But more than ever, new leaders are stepping forward – and indicating both the company's continuity and future direction.

Releford's role as a senior leader within the company perhaps signals where its future lies. His emphasis on understanding the detail and variety behind the risk models available, paired with a pragmatic broking mindset, reflects the balance Holborn is aiming for as the risk landscape shifts around it: it is very technically advanced, yet still driven by long-term relationships with clients, reinsurers and employees.

For US insurers, that mix might be increasingly attractive. Catastrophe losses are rising, the regulatory spotlight is intensifying and capital providers demand more transparency. Brokers that can challenge assumptions, explain exposures and structure resilient programmes are in high demand.

The importance of Releford and his service department inside Holborn suggests the firm is preparing for that environment with leadership that can bridge technical analytics and client-focused broking. Its trajectory is clear. By investing in applied analytics and elevating leaders such as Releford, and others, Holborn is betting that the future of reinsurance broking lies in combining science and art: rigorous modelling, questioned assumptions and the trust that only continuity can deliver. ●

Frank Harrison, chairman and CEO, and Tim Releford, executive vice president, can be contacted at frankh@holborn.com and timothy@holborn.com, respectively

“All parties benefit from a meeting of minds between cedants, modellers and reinsurance underwriters.”

philosophy. The emphasis is on using analytics not as a compliance tool, but as a strategic driver of programme design.

Holborn's model is perhaps also unique in that it looks to blend its corporate ethos of continuity with one of analytically-driven change. Unlike its rivals, due to it being privately-held and 100% owned by its employees through an Employee Stock Ownership Plan (ESOP), it has no reason to chase growth. Instead, the broker highlights long-term relationships and what it describes as institutional memory as a source of strength.

That ethos runs through its approach to client programmes: rather than resetting terms at every renewal, Holborn revisits past decisions

US CASUALTY

Lower rates – but not lower risks

The casualty market remains disciplined but the continued rigour is driven by persistent loss development from prior years, says Kyle Rhodes, president of TransRe Americas.



What are your expectations for the 1/1 renewal?

Forecasting rates is much like forecasting the weather – you're often wrong, and few remember when you're right. Looking at the current year in isolation, the market remains disciplined, marked by prudent limit deployment and ongoing rate increases.

This continued rigour is driven by persistent loss development from prior years and rising award levels. While we believe that current rates are generally aligned with loss trends, it remains unclear whether they are truly adequate, given the uncertainty around the

“Forecasting rates is much like forecasting the weather – you're often wrong, and few remember when you're right.”

baseline. Until prior years stop deteriorating, that uncertainty will remain – and as with any market, uncertainty fosters discipline.

How are you balancing growth and discipline in US casualty lines?

TransRe has consistently maintained a focus on long-tail business, and that commitment remains unchanged. We deliberately avoid a “one-size-fits-all” approach, instead seeking to differentiate based on the quality of both the cedant and the underlying portfolio – a strategy that's particularly critical in the current environment.

That said, it is essential structures and

KEY POINTS:

- Casualty market remains disciplined
- Concerns linger over loss developments
- Regional nuances in casualty performance

terms reflect the underlying challenges and enable us to provide support across market cycles. While various structures have their merits, they must offer balanced value to all parties involved. The same pressures that have affected primary insurers have also impacted the reinsurance sector. Risk alignment remains paramount – typically best achieved through straightforward quota share arrangements with appropriate ceding commissions, particularly where programmes include high excess layers and/or exposure to Fortune 1000 risks.

Earlier this summer we published some data showing the extent of the challenge our industry faced. Collectively the it has raised rates significantly since 2014 (see graph 1) but the number of nuclear verdicts has kept pace (see graph 2).

Meanwhile, the severity of those verdicts has increased even more (see graph 3). It isn't the frequency or the severity of nuclear verdicts that is challenging us, it is the frequency of severity.

What underwriting strategies has TransRe implemented to stay ahead of emerging liability risks?

We are currently finalising a summary of GLP-1 exposures – the title “Ozempic multi-district litigation” offers a clear indication of the focus. In parallel, we have just concluded our annual emerging risks forum, which brings together

our underwriting, actuarial and claims teams to assess evolving trends.

Our monitoring approach includes a range of indicators, such as industry publications and commentary from peers and clients. While no single organisation holds all the answers, it is essential to stay informed on the most current and credible insights.

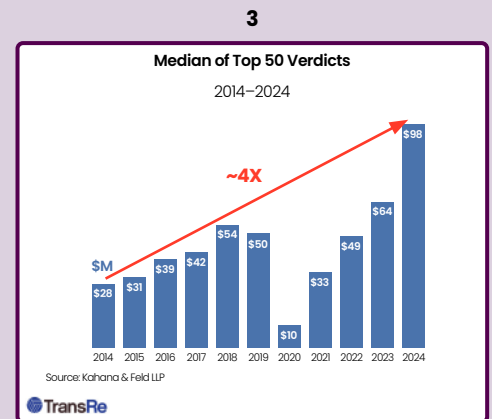
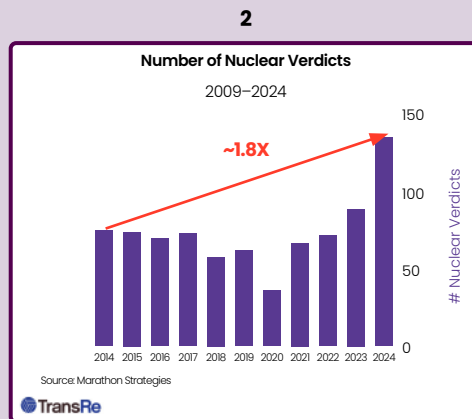
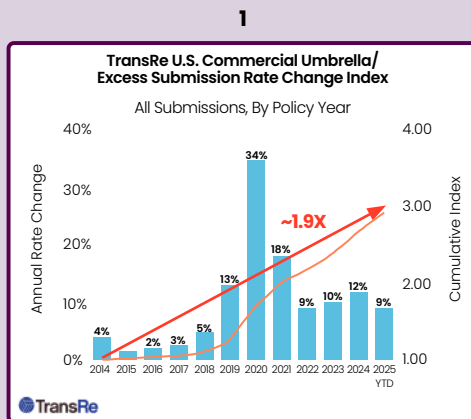
We continue to emphasise the need for greater transparency from our cedants, with increased access to data and deeper visibility into underlying portfolios. This allows us to conduct robust peer comparisons and make more informed decisions around ceding

“It isn't the frequency or the severity of nuclear verdicts that is challenging us, it is the frequency of severity.”

commissions and levels of support. Moreover, a cedant's ability – or inability – to provide such data can offer valuable insight into their operational practices.

How do you see the casualty treaty model evolving over the next three to five years?

In terms of US casualty reinsurance, the industry is still adding up the losses from 2015-19 as well as watching the 2020 and 2021 years develop unfavourably. We believe the re/insurance industry is still struggling to gain confidence in determining US casualty loss trend. This is what continues to drive the



relatively positive market conditions over the past few years.

Our view is ceding companies who retain more risk in such an uncertain (loss) environment might be overconfident or forced to do so given reinsurance terms. We believe quality reinsurers, who have broad experience across the casualty industry, can provide cedants value outside of capital support, in terms of underwriting, claims and pricing insights. We think the number one priority of the casualty (re)insurance industry must be to prove to ourselves that we can make a reasonable and consistent underwriting profit.

Are there notable differences in how casualty risks are developing across the Americas?

We continuously analyse our global casualty portfolio to identify emerging trends and potential areas of concern that may impact multiple regions.

In the Americas, the picture is mixed. The US remains a key area of focus, with ongoing challenges driven by social inflation, nuclear verdicts, litigation financing and adverse development on long-tail exposures from 2015 to 2021.

Canada, by contrast, offers a more stable legal environment, with fewer extreme jury awards and a lower frequency of litigation, making it a more predictable market.

In Latin America, as expected, legal frameworks vary significantly by country. However, overall litigation levels remain low and large settlements are relatively uncommon. From a risk perspective, both Canada and Latin America share similarities in terms of lower severity and volatility compared to the US.

On the property cat side, how are you helping clients deal with growing volatility?

At the risk of looking backwards/forwards, the pricing and retention 'reset' of 2023 signaled a 'back-to-basics' approach to managing the frequency of convective storms, and both the frequency and severity of wildfires. Everyone focused on aggregate management through a deal-by-deal approach to risk accumulation and significant pricing adjustments.

Today we see insurers who are withstanding higher retained losses thanks to their underwriting discipline, and that in turn means viable opportunities for risk transfer without returning to pre-2023 'earnings-protection' levels.

Again, it comes back to our common theme – insurers who manage their aggregation effectively, price their exposures appropriately and share their data willingly will find us very receptive to their proposals. Those who don't, won't.

What regulatory changes would you like to see? Can California learn lessons from Florida?

I am not going to be so bold as to recommend specific regulatory changes other than to point out the obvious – the homeowner's market is clearly broken in some jurisdictions in the US. I will use California as an example as I live there and am a policyholder. California is the fourth largest economy in the world with one of the highest, if not the highest, property values in the country.

What is the current state of our homeowner's market?

I am not going to make specific recommendations, but I am a California

homeowner, and I do have opinions on the subject.

Despite living in what would be the world's largest economic regions, with some of the highest property prices in the U.S., it is clear the homeowner's insurance market is 'challenged'. Private insurers have struggled with profitability, for well-documented reasons.

Until that is remedied, private carriers are more likely to leave than expand their books. As a result, homeowners like me hold tight, with fingers crossed our current insurer doesn't cancel/non-renew our policy. It has

“The re/insurance industry is still struggling to gain confidence in determining US casualty loss trend. This is what continues to drive the relatively positive market conditions over the past few years.”

happened to a lot of people, as the growth of the state FAIR plan shows. What was intended as an insurer of last resort is now the first and only 'choice' for many. Meanwhile earthquake insurance is not mandatory, and fewer than one in ten homeowners buys it voluntarily.

The answer, in my opinion, lies in attracting risk capital to the state. Allow the forces of the free market and open competition to work for California's homeowners. Capitalism works if you give it a chance. ●

Kyle Rhodes is president of TransRe Americas. He can be contacted at: krhodes@transre.com

PROPERTY TREATY

Munich Re seeks stability amid inflation

As secondary perils, inflation and tariffs put pressure on attachment points in property treaty programmes, Munich Re is aiming to maintain some level of stability for clients.

That was the message from Tehya Duckworth, property treaty underwriting team lead at Munich Re America, speaking with *APCIA Today* on the eve of the APCIA conference in Orlando.

“We’re really looking for stability at this point. Inflation is still a thing, and it does put attachment points under pressure,” she said. “But for us, every client situation is unique. Every portfolio is unique. We always start with the client and understanding their portfolio.”

That individualised approach is particularly important when factors such as tariffs threaten further to impact rebuild costs and general claims inflation.

“We have certainly looked at potential impacts from tariffs and that will certainly be a part of the discussions we’ll be having with clients,” Duckworth noted.

However, looking at evidence from 2020-21, she anticipates that there might be a lag on how the tariffs affect property portfolios until the next treaty year.

Secondary perils a prime concern

Property losses for US carriers have this year been led by the secondary perils of severe convective storms and wildfires.

Estimates peg insured losses from January wildfires in the Palisades and Eaton districts of Los Angeles at around \$40 billion, while insured losses from US severe convective

KEY POINTS:

- Tariffs stress US property treaty
- Attachment points tested
- SCS, wildfires lead US loss tallies

storms in the first half of the year are estimated at around \$26 billion.

Duckworth highlighted that in parts of the US, 2025 had been slightly unusual for the prevalence of severe convective storms during the normally quieter summer months.



“We’re really looking for stability at this point. Inflation is still a thing.”

She said attachment points “really do matter” for a peril such as severe convective storms, and explained how they work with clients to limit their impact.

“We ask are they doing things like implementing percentage deductibles in order

to help inflation-proof their portfolios a little bit, and make sure there is some more alignment of interest across the value chain from policyholder to insurer to reinsurer,” she said.

Wildfire toolkit under development

Duckworth leads a team of five property treaty underwriters, with an “eclectic” mix of clients, including regional and national carriers, nat cat pools, farm and rural risks and those covering California wildfire peril.

While she said Munich Re always seeks the right terms and price, her team looks for “proactive management” in clients with which they work, and want to work with the reinsurer to understand their own portfolios better.

Munich Re recently published a study on the impact of climate change on wildfire, and Duckworth said the reinsurer’s analytics team is developing tools to help clients project risk under different climate scenarios.

Additionally, Duckworth said wildfire is something industry, government and society can do much to mitigate the risk, highlighting evidence that shows defensible spaces, home hardening and increased distance between homes can all minimise the spread and devastation of wildfires.

“One of the big keys to avoiding situations like we just had with the Palisades and the Eaton fires, is keeping fires outside of the built environment,” she said.

“That’s where you really need resilience at the community level, and governments and communities working together to help prioritise and manage the fuels in such a way that it keeps the fires from getting into the built environment.” ●

NEWS

Aon names new leader to shape US casualty reinsurance

Aon has named Nick Nudo as new US casualty segment leader for Reinsurance Solutions. He will be responsible for shaping Aon’s casualty reinsurance strategy, driving product innovation and aligning market insights with client needs across the casualty line of business.

Having previously served as a Reinsurance Solutions senior managing director, Nudo

brings more than 20 years’ re/insurance industry experience across broking, underwriting and product development.

Prior to joining Aon, Nudo spent nearly 15 years at reinsurer Scor, where he held several leadership positions, including chief underwriting officer of Reinsurance North America, and chief underwriting officer of US treaty operations.

Steve Hofmann, Americas CEO for Reinsurance Solutions at Aon, said: “Nick has a proven track record at our firm for guiding strategic initiatives and driving product innovation.

“In his new role, his leadership skills and depth of experience will be instrumental in strengthening our market position, delivering exceptional value and shaping better decisions for our clients.” ●



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ILS

Secondary perils drawing ILS eyes

Multinational asset manager Schrodgers is “cautiously optimistic” on securing more favourable terms this year for investor clients taking the secondary perils of US wildfire and severe convective storms (SCS) in their portfolios.

Nina Nikolova, head of origination ILS at Schrodgers, is attending the APCIA conference this week to receive confirmation from US reinsurance market participants on terms and pricing for these secondary perils. She told *APCIA Today* Schrodgers can see a “clear path forward” toward ILS markets becoming more involved in these perils, due to a recent recalibration in how they are viewed.

“Schrodgers are cautiously optimistic about those perils, mainly because there is a chance the market is going to get closer to our proprietary view of risk for those perils,” she said.

While typically described as secondary perils, she points to the size of losses this year, including \$40 billion in the January California wildfires, as showing that for particular regions of the US they are better described as primary perils. “As an industry we need to psychologically accept these are not perils to be underestimated, which clearly has happened in the past.”

Schrodgers has been calibrating wildfire risk since 2016 (following the Canadian Fort

KEY POINTS:

- Market historically underestimated secondary perils
- Recalibration of perils could favour ILS markets
- Favourable terms may attract more ILS capacity

McMurray fires). “We found out that the vendor models at the time underestimated both frequency and severity of the risk,” she said. “We find most of the market is acting based on pure vendor models, and there was a huge gap between what we thought that investment should pay, and what it was paying.”

As a result, Nikolova said Schrodgers has

largely been unable to invest in transactions where wildfire risk was the primary driver “because it wasn’t being compensated properly”.

And she said that story was similar for SCS, which Schrodgers has been calibrating since 2020.

As well as the heavy losses recorded this year, other influences pushing the needle closer to Schrodgers’ view include a new wildfire model developed by Verisk last year which “significantly increased the pure modelled view of the risk”.

While Nikolova said even this model didn’t match Schrodgers’ calibration, she was positive about the gap now being smaller, raising the chance that the market price is closer to what Schrodgers thinks it should be.

She said there is “the potential” for more ILS capacity backing wildfire and SCS next year, but that the picture varied from investor to investor. Schrodgers aligns mostly with more stable, less volatile portfolios, such as pension funds and institutional investors. These types of investors, Nikolova said, will only move portfolios towards these risks if it’s clear they are being fairly compensated.

“If that is the case, we cannot rule out that we may put forward to our investment committee some transactions which have a bit more of a driver from wildfire and SCS in them,” she said. ●



NEWS

Zurich-backed MGA Icen Risk expands into US M&A insurance market

London-based mergers and acquisitions MGA Icen Risk has launched in the US with \$50 million of fresh capacity from Zurich.

The move comes six months after insurance giant Zurich became an investor and forms part of Icen’s strategy to grow its presence across Europe and North America. Outside of the UK, Icen operates in Austria, Germany, Italy, Poland and Spain.

Icen said it is capitalising on M&A accelerating in the world’s largest and most vibrant market. In recent years, M&A insurance premium in the US has grown to a billion-dollar market.

The MGA will initially offer US private

equity, investment funds and corporate specialist cover for tax risks and reps and warranties.

M&A insurance covers a wide range of post-deal liabilities ranging from warranty and indemnity, tax, IP and environmental risks. As transactions are increasingly cross border, face more complexity and are subject to geopolitical and regulatory pressures, demand for cover has grown, said Icen.

Dawn Bhoma, managing principal of Icen, said: “Icen Risk is answering the US market’s call for an innovative and differentiated underwriting solution for tax and other M&A risks. The US M&A insurance market has experienced double-digit growth every

year in the past five years, but with plenty of opportunity for creative underwriting backed by the highest quality capacity.

“The new senior team’s unrivalled tax expertise, across multiple areas of tax, combined with the firepower, brand strength and network of Zurich means we are uniquely positioned to replicate our UK and European success in the most vibrant M&A market in the world.”

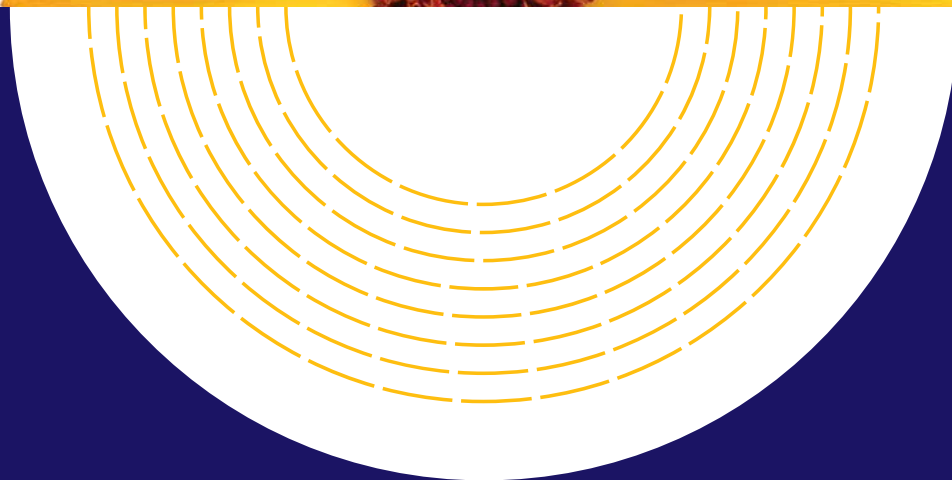
“Our US entry is a natural next step and a major milestone in our seven-year growth journey,” said Robert Brown, managing principal of Icen. “With deal activity in North America surging and becoming increasingly complex, now is the right time to meet growing client demand with our bespoke coverage.” ●



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CASUALTY

Claims-made high on casualty agenda

While there are signs of improvement in many parts of the US casualty market, a hot topic this renewals season is a potential change to claims-made, as opposed to claims occurring, policies for certain risks. This would be a fundamental shift for the market.

This is one of the items on the agenda of Chris Larson, global head of casualty, SiriusPoint. “We will have to see if the market will bear the push toward a claims-made form over the traditional occurrence form. This could be a real game-changer for the industry,” he told *APCIA Today*.

He said early signs going into the 1/1 renewal are mixed. The rate environment, in general, is holding in the general liability and umbrella/excess lead space. But uncertainty continues with respect to price adequacy in commercial auto lines given loss trends, social inflation and nuclear verdicts, mixed with litigation funders, he noted. He described the FinPro space as soft but seemingly levelling off. “We believe there are pockets of opportunity but remain cautious in the space.”

Reserves remain a worry

Much of the sentiment in casualty has been informed by reserve charges, which have confirmed the narrative that the market has historically mispriced casualty and rates should remain elevated.

“This reinforces the need for continued rate strength and momentum. Our portfolio, with a focus on general liability, benefits from the recent firming cycle and the level of uncertainty this has driven. Rate levels are broadly higher than they were and we will continue to pick our spots, while remaining cautious in areas like FinPro and reducing our positions in commercial auto,” Larson said.

He added that the carrier approaches social inflation with prudence. “Our portfolio is skewed toward primary positions, and this helps mitigate against social inflation. Our independent trend studies and underwriting discipline help us navigate a market where sentiment can change quickly and, as a result, our focus will remain on structuring deals to stay within tolerances.”

He noted the lines of business most heavily impacted by social inflation are wherever there

KEY POINTS:

- Claims-made policies on agenda
- Reserve adequacy varies massively
- New entrants may pressure rates

might be an injured party, such as commercial auto, medical malpractice and product liability.

SiriusPoint has re-underwritten its portfolio with a steer toward a diversified general liability and umbrella portfolio with an emphasis on excess and surplus (E&S) lines business, primary and lead positions.



“Will the market bear the push toward a claims-made form over the traditional occurrence form? This could be a real game-changer.”

“We are leaning into areas with persistent pricing power and better loss trend visibility, particularly in E&S casualty. We have reduced our positions in commercial auto. We believe there are pockets of opportunity in financial and professional lines but are mindful of pricing; we have de-emphasised classes like

public D&O where rate erosion continues, and we have a very targeted approach to workers’ compensation.”

Monitoring is key

He notes that the carrier uses ISO data and conducts its own review of the underlying data to give a view of the loss trends across the market, which it monitors against underlying rating measures. “We continue to monitor limits deployment and attachment strategies across the market and believe that while there has been some softening, that overall, the market continues to be responsible on this front.”

He added: “We mitigate our exposures in a number of ways, such as loss mitigating features with capping mechanisms and protect our downside positions through mechanisms such as sliding scale commission structures and loss corridors. We write and manage to gross and net risk tolerances within the group and regularly conduct deep-dive reviews on our portfolios.”

In its US casualty reinsurance portfolio, it is structured for proportional business. Its focus is on the primary and lead/supported umbrella space. “We believe the market has been, in general, responsible when it comes to limit and attachment strategies at the cedant level,” he said.

He admits that reserve adequacy varies between insurance and reinsurance companies. There have been a number of reserve increases in the casualty space, last year in particular. This has created a level of uncertainty and with uncertainty comes opportunity.

“The casualty market, overall, has been able to release reserves via redundancies in workers’ compensation overall the past few years. At the NCCI symposium this year, there was an indication that there are still potential redundancies in the space. That said, any implications of less reserve releases will require underwriters and companies to focus on underwriting profit more than ever.”

Looking ahead, he believes the biggest risks continue to be social inflation, litigation funders and interest rates. “Further to this, continued new entrants and capital could create pressure on pricing and potential softening market conditions.” ●

TWIA

TWIA could cut reinsurance need

The Texas Windstorm Insurance Association (TWIA), the state's residual insurer, could cut its reinsurance requirement for the 2026/7 season to \$2.3 billion under the new adjusted funding regime enacted for legislators, a draft budget for the group has indicated.

Legislation approved in early June cut TWIA's own funding requirement from a one-in-100 probable maximum loss (PML) to a one-in-50 and removed the requirement for post-event funding in the tower, as it was considered too expensive. In its place, TWIA can now count on state backstop funding should a larger event occur.

That should cut the required limit for the coming year to \$2.3 billion from \$4.23 billion in the prior reinsurance period, a draft budget prepared for board consideration shows. Mark the projected cost at \$237 million, down from \$417 million.

KEY POINTS:

- PML target moved to one in 50
- Post-event funding dropped
- Risk skew: SCS over hurricane

TWIA is loosely eyeing a 1-in-50 PML in the neighbourhood of \$4.5 billion for its tower, still building its tower on \$2 billion in base statutory funding and debt and, for the coming year after a break, includes \$200 million from the group's trust fund CRTF.

“This tilts the balance of risks (against) hurricane risk.”

The shift to the one-in-50 target tilts the balance of risks towards severe convective storm at the expense of hurricane risk, analysts at Aon noted in their study of modelling results.

The board will still have to approve the exact blend of models to be used in the final PML calculation, a decision slated for February. The \$4.5 billion placeholder figure is a roughly equal blend of the four ordered models.

The group is eyeing full-year written premiums of \$781 million, a 4.5% decline on the latest forecast for 2025, on an anticipated “slight” decline in policies and exposures against expected flat rates. Policies in force at year-end are projected to come down by 5,500 or 1.9% year on year to 277,357 by end-2026.

The reduction in reinsurance requirement could radically trim TWIA's participation at the 2026 mid-year given current cat bond sums outstanding in excess of the \$2.3 billion sum (prior to pending maturities to mid-2026). ●

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TERRORISM RISK

America needs terrorism backstop

One of the big talking points at APCA's annual conference this week will be the reauthorisation of the Terrorism Risk Insurance Act of 2002 (TRIA), which is set to expire on December 31, 2027.

The American Property Casualty Insurance Association (APCIA) and Marsh US and Canada have both come out strongly in favour of its reauthorisation. Indeed, Marsh US and Canada president Michelle Sartain told Congress last month that, "Without TRIA, insurers might withdraw from the terrorism market or significantly increase premiums, leaving many policyholders unprotected or unable to afford coverage."

Sam Whitfield, APCIA's senior vice president of federal government relations, has gone further, hailing TRIA as "a cornerstone of America's economic resilience".

TRIA was first enacted by President George W. Bush back in 2002 in response to the economic challenges the US faced in the wake of the devastating 9/11 terrorist attacks the previous year. As a result of the unforeseen and unexpected level of insured losses, insurers were forced explicitly to exclude terrorism risks from coverage in commercial property casualty insurance policies to remain solvent. This sudden withdrawal of cover created obstacles for new and ongoing US construction projects, the financing of which depended on terrorism insurance.

Additionally, due to state laws prohibiting the exclusion of individual risk elements (including terrorism) from workers' compensation insurance, insurers faced enormous potential liability.

How TRIA works

TRIA was created to help insurers to offer terrorism insurance by creating a federal backstop that shared losses between government and insurers in the event of certified acts of terrorism.

The federal backstop is only activated if an event meets specific criteria: the act of terrorism must cause aggregate commercial property and casualty insurance losses exceeding \$5 million and each individual insurer is solely responsible for a deductible equal to 20% of its prior year's direct earned premiums for TRIA-eligible commercial lines. These deductibles range

KEY POINTS:

- Legislation to expire Dec. 31, 2027
- Never been called on to date
- Backstop kicks in once losses hit \$200m

from less than \$1 million for captives and small mutuals, to more than \$1 billion for the largest property and casualty (P&C) national insurers; for some insurers the amount is more than \$2 billion. The insurer pays all claims up to this amount. The federal government reimburses the insurer for 80% of the insured losses above the deductible.

The entire commercial insurance industry's aggregate losses must exceed an industry-wide programme trigger of \$200 million.



“Without TRIA, insurers might withdraw from the terrorism market or significantly increase premiums.”

Michelle Sartain

TRIA was initially temporary but has been reauthorised multiple times.

APCIA has called on Congress to reauthorise the current TRIA programme without changes to its financial thresholds. A long-term extension will empower insurers of all sizes to deploy private sector capital, foster competition

and sustain the availability of terrorism risk coverage that supports America's economic engine, APCIA said.

Whitfield added: "For more than two decades, TRIA has been a cornerstone of America's economic resilience. It ensures vital construction and development projects can move forward efficiently and affordably, while enabling employers across industries to provide essential financial protections to injured workers."

"TRIA is a fiscally sound programme that has operated for 23 years with minimal cost to taxpayers. Its continued existence is vital to maintaining confidence in the marketplace and ensuring the availability of terrorism coverage businesses and communities rely on."

For Marsh, the impact of 9/11 was deeply personal. Marsh McLennan lost 358 personnel in the September 11, 2001 attack on the World Trade Center.

Sartain told the US House Committee on Financial Services in September that TRIA has been a model of public-private partnership and that the backstop remains a critical component to a stable terror insurance market.

Consequences of inaction

"I urge you and your colleagues to reauthorise TRIPRA (Terrorism Risk Insurance Programme Reauthorisation Act) when it comes up for renewal," Sartain said. "TRIA affords the private insurance market the ability to provide affordable capacity even to areas perceived as high risk. It has been essential in making terrorism insurance available."

Sartain warned the hearing that TRIPRA's expiration, or renewal with significant increases in retentions, would likely lead to capacity shortfalls, with high-profile businesses, top business districts and larger employers – including universities, hospitals and hospitality companies – most affected. Furthermore, the expiration of TRIPRA without a replacement would adversely affect workers' compensation policies and potentially ripple across the economy, Sartain told legislators.

Without TRIA, Sartain said, insurers might withdraw from the terrorism market or significantly increase premiums, leaving many policyholders unprotected or unable to afford coverage. ●

D&O

IPO revival drives D&O shifts

With event-driven litigation on the rise and IPO activity returning, D&O insurers face new dynamics. Howden Re's Jim Walsh highlights the need for sharper tools to navigate them.



After years of decline, the IPO market has finally come back to life, but with it, presents a double-edged sword for directors and officers (D&O) insurers.

As reinsurers gather in APCIA, professional lines leaders are weighing the impact of the busiest IPO market since 2021. For Jim Walsh, managing director and head of professional lines at Howden Re, the IPO revival is helping to temper the rate decreases for D&O liability insurance. After several years of a soft D&O market characterised by lower premiums and abundant capacity, the resurgence of IPOs adds new, higher-risk business to the insurance market. While derivative and event-driven claims highlight the need for disciplined underwriting.

"There's been around 250 IPOs to date, compared with over 1,000 during the SPAC (Special Purpose Acquisition Companies) explosion of 2021," he told *APCIA Today*, adding that expectations of a bullish market had "put a pause on rate decreases" across D&O.

Walsh recalled that leading up to the January 2025 renewals, professional and financial lines faced evolving claims trends and a more demanding rating environment. By 1/1, however, there were hopes of stabilisation. "That allowed a number to renew in a very orderly fashion," he explained.

Throughout the first 10 months of this year, the mix of a strengthening IPO pipeline, macroeconomic uncertainty and an increasingly creative plaintiff bar has led to a stabilisation of rates. "There's a significant rise in derivative claim action as the plaintiff bar gets more and more creative, and insurers are finally pushing back," Walsh observed.

Event-driven litigation, especially around pharmaceuticals, immigration policy and regulatory change, has become a constant. Combined with "mega settlements and general deregulation", the underwriting job has become more complex.

For Walsh, the widening gap between exposures and premiums is a central challenge.

KEY POINTS:

- Exposure growth outpaces falling rates
- Plaintiff bar drives new litigation risk
- \$4bn premium leaves D&O market

"When we think about elevated exposure growth, that's market cap that has grown 67% from 2021 while rates have decreased 33%.

"The key topics for insurers and reinsurers will be how we are closing that gap, and what underwriters are doing to manage that exposure growth."

A similar imbalance appears in D&O premium volumes. In 2021, the market saw \$15 billion of premium, but since then, competition, a weakening IPO market and falling rates have reduced premiums by about \$4 billion.

“Finding quality risk will be increasingly difficult, and the expert management liability teams able to identify it will be the ones who stand out in the marketplace.”

That shrinking pool of premium, paired with rising exposures, and an unrelenting plaintiff bar, leaves reinsurers looking harder than ever at portfolio management and rate adequacy.

As renewal season approaches, Walsh argued that reinsurers are looking for greater discipline. "The changing legal landscape is forcing D&O carriers to re-assess their underwriting strategy, consider new ways to model expected loss costs, take a closer look at Side A pricing, and place more emphasis on portfolio management to better insulate against major events and deliver profitability," he said.

While some carriers have stepped back, the

trend highlights a broader 'flight to quality', where expertise and disciplined risk selection are becoming decisive advantages. Walsh noted: "Finding quality risk will be increasingly difficult, and the expert management liability teams that can truly identify that and get paid the proper price for that risk selection will be the ones who stand out in the marketplace."

Howden Re is investing in solutions, from its new Public D&O Model to thought-leadership whitepapers, designed to help clients price risk with greater precision and confidence. Walsh said the firm had devoted significant resources to building its own Public D&O Model, which provides an independent view of risk and helps clients analyse portfolios across industry segments.

"What we're trying to do is help shine a light on the portfolio construction in terms of rate adequacy, mix of business, limits management and attachment points," he said.

Alongside this, the company has just published a whitepaper titled 'Shifting sands of security litigation', focusing on the distinction between event-driven and non-event-driven litigation. Walsh sees this as essential context for underwriters trying to price risk in a market where exposures keep multiplying. "We've seen a significant increase in event-driven litigation, which again impacts Side A and has significantly increased the job of the underwriter in trying to assess the actual exposure of the risk," he explained.

For Walsh, the longer-term picture is stark. He concluded: "Risk profiles for both public and private companies are evolving rapidly. For reinsurers and underwriters, the opportunity lies in adapting capacity strategies and embracing new tools that bring clarity to these shifting exposures."

In his view, reinsurers willing to partner with disciplined underwriting teams that utilise portfolio management tools will be best placed to manage evolving market conditions. ●

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Jim Walsh is managing director and head of professional lines at Howden Re. He can be contacted at: jim.walsh@howdenre.com

WORKERS' COMPENSATION

Carriers target workers' comp profit

The consistent profitability of the workers' compensation market has meant a growing interest from carriers keen to participate – some to leverage surplus capital, others because they are seeking diversity. That has led to an influx of inquiries to Victory Insurance Company, a specialist in this space.

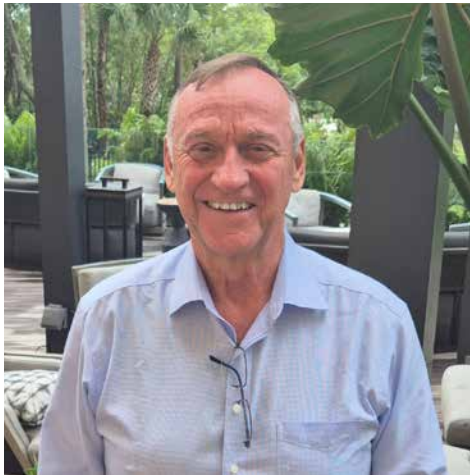
Keith Brownfield, its chief executive, is attending APCIA this week with a packed diary as a result. Montana-based Victory, founded in 2005, is a private workers' compensation insurance company, which specialises in helping carriers and MGAs enter this market. It offers customised production, underwriting, policy administration, claims administration, regulatory filing support and other services in 47 private workers' compensation states.

"In the current environment, workers' comp is certainly very profitable – on paper at least," he told *APCIA Today*. "That means people are interested in participating in the space, but many companies do not have the expertise. I am at APCIA this week meeting prospective partners. We are very positive about this space and readying for growth."

Workers' comp remains one of the most consistently profitable lines of business and one of the biggest contributors to commercial lines earnings. In 2024, the segment posted an 86% combined ratio in 2024, its 11th straight year of underwriting gains, according to figures

KEY POINTS:

- Carriers keen on workers' comp
- Market consistently profitable
- Victory unveils growth plans



“In the current environment, workers' comp is certainly very profitable – on paper at least.”

from the National Council on Compensation Insurance (NCCI), despite a 3% decrease in net written premium to \$41.6 billion.

However, despite the strong performance, Brownfield is cautious. "The segment is profitable, but people know that. That means costs have been going up and capacity is entering the market. That makes us vigilant in our approach. For that reason, our underwriting is very conservative."

Middle America targeted

That said, Victory is set up for solid growth. It underwrites some \$10 million in premium now; he is targeting growing this to \$40 million in the next 12 months, driven by a model of working with independent agents in states and backed by capacity from new carriers keen to enter this market.

His ideal scenario sees growth in 30 states – mainly the middle strip of America where Brownfield says Victory understands the risks. He wants to do some \$3 million per state, to achieve his initial growth target. The firm's back office systems are geared up to do this with no further investment in personnel beyond the 18 staff it has now.

He believes this is more possible because of Victory's reputation in the workers' comp space. It has a renewal rate of close to 100%; almost all claims are settled within three years. It has no litigation against it and has never had a bad faith claim asserted against it. ●

NEWS

Howden strengthens US leadership with two key hires

Howden has made two senior appointments as it accelerates its build-out in the US re/insurance market, naming Michael Landa as vice chairman and member of the US executive committee and Carol Murphy as head of US casualty.

Based in Miami, Landa joins CEO Mike Parrish on the US leadership team with a brief to expand the retail broking footprint and support the firm's growing talent base.

A veteran of more than 30 years at Aon and Marsh, he brings deep experience in building and managing large US broking operations. "I am delighted that Michael has chosen to join Howden US at this pivotal time as we build a broker like no other," said Parrish,

citing Landa's sector expertise and market relationships.

Landa added: "Howden is bringing its track record of forward thinking, global perspectives and empowering industry talent to become the new broker of choice in the US market. We're getting back to basics, delivering the best solutions for our clients, all while bringing fair pricing and competitive terms everywhere we go in the market. Together, we will build something extraordinary!"

Murphy, recognised among the industry's top casualty practitioners, will lead the development of a US casualty offering, partnering with Howden's global specialty leaders and senior regional experts Dan Davoli,

Matt Replogle and Mark Colgate. Her remit spans strategy, placement and execution for clients from middle-market to multinationals, grounded in technical rigour and local responsiveness.

"Clients need a casualty partner that delivers exceptional results with speed, precision and accountability," said Murphy. Parrish called her "a great builder of teams that have elevated industry standards," noting that her appointment reflects Howden US's vision of uncompromising standards and superior client experience.

Murphy's prior roles include leadership in casualty strategy, complex claims advisory and analytics at Aon. ●

RENEWALS

US regionals embracing tailwind

In the run-up to 1/1 renewals, the US regional market has seen a pricing tailwind, and the market has addressed long-standing issues previously overlooked for years.



The US regional/mutual market has recently addressed vital terms and conditions and primary rate issues that have not been looked at for many years.

Expectations are of an orderly 1/1 renewal as the benefit of these changes finally flow into the primary market. The increasing frequency of severe convective storms is leading to increased volatility for primary carriers, with them looking to reinsurers for solutions.

That is the view of Joe Banker, head of regional, MS Reinsurance. Speaking to *APCIA Today*, he said that until a few years ago, the only discussions between US regional carriers and reinsurers had been about price. That has now changed.

"Rates for primary insurers had been inadequate, but some years ago they got a collective tailwind and managed to persuade regulators to allow them to increase pricing. This is now changing dynamics and flowing into the market," said Banker.

"We are in a period where the market is now addressing issues such as terms and conditions, retentions and deductibles – which had not been discussed between insurers and reinsurers for a long period of time."

Pressing issues

When asked what is on his clients' minds currently, Banker observed that the past few years has seen a growing awareness among regional carriers that they need to increase spending significantly in technology – not just policy administration systems – to remain competitive.

He pointed out consolidation among independent insurance agents as a trend in the regional market, which has the potential to squeeze out the smaller players that are left.

Regarding regional client concerns, severe convective storms (SCS) are one of the major headaches. SCS have become much more

KEY POINTS:

- Rate rise approvals boost regionals
- 1/1 expected to be orderly; T&Cs largely intact
- Regionals ramp up tech investment

intense and unpredictable in the past decade, leading reinsurers to increase retention rates for primary carriers.

Other pressing client issues include stock market volatility, social inflation and the threat of cyber-attacks on their own businesses. "Regional clients are smaller in comparison to the larger multi-nationals. Their balance sheets are smaller and so market swings have a bigger impact on cash flow," said Banker. "For US casualty specific business, 'runaway

“This holistic portfolio-wide underwriting is something that regional carriers find very attractive.”

juries', who are pushing for significant increases in jury awards, are stretching to the full limits on policies."

Another challenge for regional clients, in states that are very consumer-friendly, is pricing adequacy. "Rates in many cases have remained the same, despite the fact that repair costs have risen due to inflation."

MS Re: A preferred partner

Banker said that MS Re was well positioned to support the US regional market because it had

built up a good book of business in a relatively short period of time. Many regional insurers trade on their relationships and familiarity with their reinsurance partners. These companies value long-term relationships – a view shared by MS Re and its owner MS&AD, added Banker.

"Our regional clients value relationships and they know our underwriters well," he said. "They are competing against larger carriers, and they need reinsurance to be able to do this."

He said MS Re does not write standalone catastrophe cover but writes across clients' entire portfolio. "This holistic, portfolio-wide underwriting is something regional carriers find very attractive," said Banker.

He added that regional insurers value traditional reinsurers who use their own capital rather than cede the risk to other capital providers because of an implied promise of ongoing support over the market cycle.

He noted that several reinsurers have exited both the US property and regional markets in recent years and this left carriers in the lurch. Brokers are looking to diversify their reinsurance panels, which makes MS Re, rated A+ by AM Best, a compelling proposition.

Banker said he expects 1/1 renewals to be "orderly" with terms and conditions remaining the same.

In July, MS Re announced a restructuring of its underwriting operations so that underwriting teams are more directly connected with their clients, with Banker leading the US regional client team.

He said: "These changes have meant our structures are now more closely connected with our clients' needs, and they have been received extremely favourably in the market. We are also increasing our team, to better support our growing book of business." ●

Joseph Banker is the head of US regional at MS Reinsurance.

REINSURANCE

Savvy flat line negotiation is needed

Reinsurers face a delicate balancing act of keeping pricing adequate while retaining clients in a market that conceals underlying pressures.

As the 1/1 renewal season nears, what looks like a stable market might be deceptive. Beneath the surface, insurers are juggling legacy liabilities, inflation and claims trends, all while negotiating with increasingly demanding clients

APCIA Today's annual survey reveals a significant tilt toward stability, with 33% expecting the market to remain "largely flat, with a few exceptions". Only 13% expect significant increases across most lines or moderate increases in selected lines. Meanwhile, 20% expect downward pressure in some areas, while just 7% said it was too early to tell.

This superficially suggests a broadly stable renewal environment. But the nuance lies in the follow-up; when asked to select their main challenges, 47% flagged pricing adequacy as critical, while 33% called out client retention and negotiation difficulties. Emerging risks such as AI, cyber or climate change were also cited by one third of respondents. Capacity constraints and terms tightening were less named, and only 13% of participants raised catastrophe loss impacts.

This combination suggests while the market might not support dramatic rate hikes, it must still reconcile internal cost pressures, inflation, legacy liabilities and renewal negotiations.

One broker wrote: "We are entering a period

KEY POINTS:

- Stability could be deceptive
- Clients expect flat renewals
- Negotiation skills paramount

of quiet desperation; clients expect flat renewals, but if we don't push adequacy, underwriters are writing losses into the next vintage. The art is staying credible without overreaching."

Inflationary pressures on claims costs, legal inflation and reinsurance expense structures all weigh on the "flat" baseline. As one executive put it: "Flat isn't free. It's a margin squeeze. A flat renewal is effectively a price cut."

Recently, reinsurers and analysts warned that the softness in rates cannot stretch indefinitely. Fitch, for instance, expects a more competitive reinsurance market and warns of limited room for further downward rate moves, while Arundo Re flagged risk and inflation pressures as persistent undercurrents.

Compounding the pressure is client retention. One participant commented: "It takes more skill now than ever to hold your line. Clients know most markets have limited appetite to go up, so pressure will be intense."

The market is walking a tightrope: too aggressive on adequacy and one is sidelined

or declines business; too conservative and underwriting returns erode.

In the absence of dramatic rate turns, the upcoming cycle might well be defined by the skill of negotiation, the flexibility of contract structure and the discipline to defend loss picks. ●

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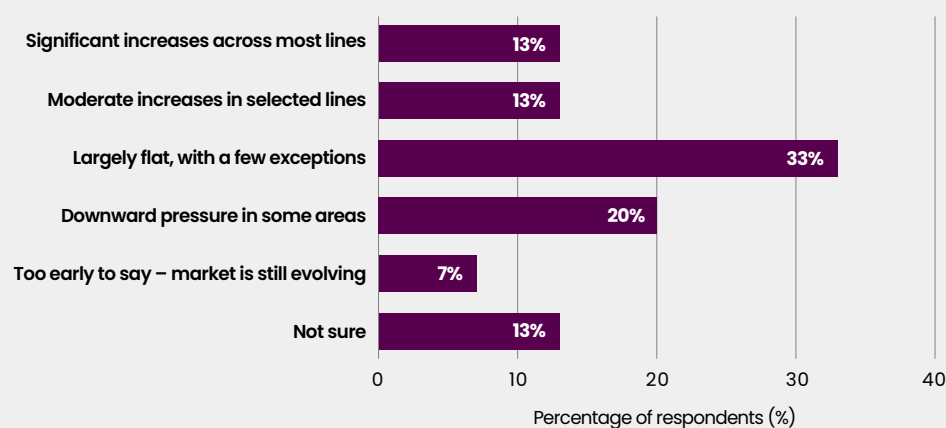
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What are your expectations for reinsurance pricing as the industry heads into the 1/1 renewals?





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