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MONTE CARLO TODAY

'AI is table stakes' the rest is discipline: Swiss Re holds line –no surprises at 1/1

Urs Baertschi

"WE NEED TO LEAN INTO IT. IT'S TABLE STAKES NOW."

Those are the words of Urs Baertschi, chief executive officer, property & casualty reinsurance, Swiss Re. But he is not talking about rates or risk. Instead, he wants to put artificial intelligence (AI) front and centre of the conversation at the Rendez-Vous de Septembre this year – and that is because of the extent to which using it correctly can help carriers.

"The emergence of generative AI and agentic AI is clearly a breakthrough technology that will impact our industry – from insurance to reinsurance – whether on the underwriting side, in claims or across operations," he told *Monte Carlo Today*. "It will transcend productivity; it will transcend data capture and analysis and change what goes into underwriting. And we as an industry will need to lean into this."

Baertschi's point is not a flourish for the foyer, especially for a sector that is so dependent on data and how well it is used. "We're fundamentally a data-driven industry, and agentic AI now lets us process far more data, much faster and better. We must be in this in a meaningful way," he added. 4 →

BEYOND THE CYCLE: match risk to capital – and innovate

Tracy Hatlestad Amanda Lyons

FOR ALL THE OPTIMISM around softer property terms, Monte Carlo also reminds us that the market is split. Property buyers sense momentum shifting in their favour; reinsurers, particularly in casualty, are cautious, but optimistic.

Into that mix, Amanda Lyons and Tracy Hatlestad, global product and property leaders respectively for Aon's Reinsurance Solutions, argue that the real story is not the cycle itself, but 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 *Monte Carlo Today*.

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

After the January wildfires, 5 →

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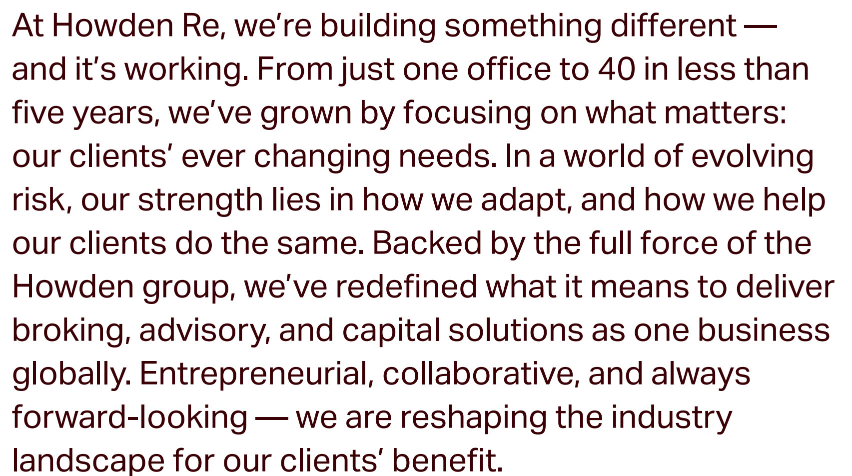

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COVER STORY

‘AI is table stakes’, the rest is discipline

KEY POINTS:
- Balanced market; appetite intact
- Casualty needs caution
- Sufficient supply for demand

“The industry will adapt fairly quickly, though the full impact will take a few years to play out.”

Behind that future-facing message sits a clear stance on portfolio discipline, selective deployment, and the realities of trend risk – particularly in US casualty. Across the interview, Baertschi returned to three organising ideas: the market is balanced, casualty needs caution, and property cat remains a line where Swiss Re will support clients at the right levels.

Casualty ‘pruning’ and pressures

Swiss Re made waves at the mid-year renewal by cutting its US casualty book by 26.6%, following extensive remediation to prioritise margin over top-line growth. Insurance revenue fell year-on-year by 8% to $8.9 billion, largely due to “pruning actions taken in casualty”.

Baertschi said Swiss Re is now “happy” with its casualty portfolio. “We’re just executing what we said we would do. We’ve rebalanced our portfolio over the past few years, and we had an over-weight position, particularly in the US liability and motor space… and we’re happy with where we are right now.”

Asked if he thinks pricing is keeping pace with loss trend, he called it “one of the very big debates we’re having in our industry” with different views across the spectrum. His view: “In both insurance and reinsurance, the current rate environment is not keeping up with trend. Loss costs have been going up over many years. It hasn’t been the same across the entire spectrum, but particularly in the US around liability and motor, we worry it may still be insufficient. It will take time to really find out. We remain very cautious in this space.”

The caution reflects unresolved structural pressures in the US legal environment: social inflation, nuclear verdicts and the rapid spread of litigation funding. “If you see the amount of litigation activity that’s out there, that wasn’t expected when some of this business was priced,” he said.

“The number of nuclear verdicts… the amount of litigation funding… it is leading to courts being clogged up. It’s like a taxation on society – over $4,000 per household in the US, and in some states it can be double.”

Class-action dynamics exist elsewhere, he acknowledged – “in the UK, the Netherlands and Australia, a little bit” – but the driver he described was “predominantly a feature of the US legal system… driven by this excess litigation activity that’s driven by litigation funding.”

Despite the noise, he pushed back on any talk of capacity withdrawing. “There still seems to be sufficient supply for the demand out there right now,” he said. Appetite varies by a carrier’s risk view and the balance between technical return and investment income “given the long-tail nature of this business”, but he did not see “a massive shift” in who is interested.

> “Consistency, transparency and no surprises – Swiss Re’s 1/1 strategy.”

Last year’s talk of “equilibrium”, he said, meant supply meeting demand – “that environment remains the case, including for liability.”

Property, and nat cat appetite

On the broader P&C dynamics, Baertschi’s diagnosis is calm and direct. “Overall, the market is reasonably efficient right now,” he said. “When you look at the amount of supply and demand, there’s enough supply out there to meet most of the risk areas,” he said.

“From a capacity perspective, the market is able to absorb the losses throughout the value chain. You saw this even in the first quarter here, where we had $40 billion of insured losses for the LA wildfires, and the risk sharing between the insurance and reinsurance industry is reasonably balanced at this point.”

As for the mid-year, the watchword was steadiness. “It is working reasonably well overall, not too many surprises,” Baertschi said. “There’s still quite a bit of discipline in the reinsurance market when it comes to terms and conditions and structures. Price always fluctuates a little bit… and we saw that come through earlier this year.”

He expects the tone to be “reasonably similar” into year-end, albeit with a seasonal caveat: “We’re in the Atlantic hurricane season. Historically, about 80% of all nat cat losses come from the US. So we’ll have to see what develops over the rest of the year.”

On property-catastrophe specifically, he acknowledged some easing at the top of programmes. “The prices have come down a little bit… particularly in the excess layers in nat cat,” he said. “But that doesn’t mean the prices that are out there right now are not still good, and it is our view that they’re still adequate for the risks that the industry is taking on.”

Appetite, he made clear, remains intact. “We continue to have an appetite for nat cat business. It’s an area that we have leaned into and supported our clients with meaningful capacity, and we continue to do that.

“We’ll have to see what the market brings us… but we would expect the general continuation of the current environment.”

Step back to the macro, Baertschi said: “The reinsurance industry is a derivative of the insurance industry, and the insurance industry generally grows with GDP.” A cooler economy could show up first in engineering, credit and surety – “such as the construction segment” – and in marine if trade slows. Even so, he argued, “insurance is here as a sort of a beacon of stability throughout economic uncertainty and throughout geopolitical uncertainty.

“We have seen this before. This is not new for us, and so we’re generally optimistic for the insurance industry overall, and therefore for the reinsurance industry as well.”

What to expect from Swiss Re at 1/1?

No grand edicts, just clarity on process. “All our conversations are really client by client,” Baertschi said. “So there’s no broad-based messages, other than it’s consistency, transparency and no surprises. That’s what we’re committing to, and we look forward to engaging in those dialogues.” ●

Urs Baertschi is the chief executive officer, property & casualty reinsurance at Swiss Re

CAPITAL

Beyond the cycle: match risk to capital – and innovate

KEY POINTS:

- Technology helping to match risk with capital
- Reinsurers can drive innovative structures
- Embrace data-driven solutions

← 1 catastrophe activity has been relatively contained, leaving reinsurers' balance sheets intact. Earnings have held up, capital has returned – not least via the insurance-linked securities (ILS) sector – and demand from cedants for reinsurance is expected to rise by mid-single digits in 2026. But Hatlestad is confident the market can absorb it.

Casualty optimism

The story is more complex in casualty, where Lyons said little has changed since mid-year. Primary rates are on the rise, but claims inflation, litigation funding, and a continued increase in lawsuits are keeping reinsurers on edge. "It feels as though the adverse development we've seen over the past 18 months or so is slowing," she explained.

> "If both sides are open to creative conversations about how we can match risk to capital, it makes for a much more successful renewal season."
>
> Amanda Lyons

"I do sense that will be a big topic at Monte Carlo – discussions around how the industry can address areas such as legal system abuse and advocate for tort reform where it's needed to drive real, substantial change."

That dual focus of opportunity on one side, and caution on the other, runs 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 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 than in the past, and we are investing heavily in that space."

Hatlestad pointed to Aon's Event Analytics solution, which launches during Monte Carlo, as an example. "It will include exposure and real-time loss information in a more seamless way than in the past and brings together the component parts of catastrophe risk analysis that clients value most into a single platform. It also builds on data partnerships, satellite data and AI capabilities."

Innovation in focus

Aon's leadership is insistent on innovation. Lyons highlighted how record levels of capital were helping to 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. There has always been an issue around defining an event.

"So, 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 needs has the potential to create a reinsurance casualty cat market of ~$5 billion annual premiums for re/insurers that want to boost relevance and drive profitable growth.

Both leaders stressed that Monte Carlo 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, noting creativity and openness would be decisive. "Monte Carlo is about pushing reinsurers on their appetite for these products. There's still time left before year-end renewals, and lots could happen. If both sides are open to creative conversations about how we can match risk to capital, it makes for a much more successful renewal season."

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 Monte Carlo must balance realism with ambition: "There's still uncertainty, but we can't let that stop innovation."

> "We expect that terms, conditions and pricing will further move in buyers' favour at the 1/1 renewals."
>
> Tracy Hatlestad

As Monte Carlo opens, Aon's leadership is setting out a vision where data, creativity and capital combine to shape the next stage of the cycle. Buyers may find favourable conditions in property; reinsurers may remain cautious in casualty. Lyons and Hatlestad believe the answers lie not in retrenchment, but in innovation and a willingness to rebuild structures from the ground up. ●

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ILS

ILS inflows to continue into 2026

The insurance-linked securities (ILS) and catastrophe bond market is reaching new heights, with structural innovation and investor appetite driving momentum that shows little sign of slowing. Sven Althoff, an executive board member of Hannover Re, told *Monte Carlo Today*.

"The ILS and cat bond market continues to be attractive for investors, even though cat bond rates have declined and terms and conditions have become more flexible," he said. "These lower rates are increasingly appealing to issuers, as reflected in the strong market activity observed this year."

That surge comes against the backdrop of a reinsurance sector balancing softer pricing pressures with a need for stability. For Hannover Re, the key lies in underwriting discipline, client partnerships and pragmatic strategies to protect margins even as competition intensifies.

Signs of softening, but a rational market

Althoff, responsible for Hannover Re's property and casualty reinsurance portfolio, sees the reinsurance landscape as rational, even if loss-free property catastrophe lines are showing early signs of softening. "During all the major renewals we have seen a situation in which most business is relatively stable with the exception of property catastrophe business where loss-free business is getting rate reductions in the high single digits or low double digits," he explained.

"But also, in property cat, the other terms and conditions and retention levels are mostly stable and business which is impacted by losses is also still experiencing adequate levels of rate increases. Rate adequacy remains acceptable overall, and while from a reinsurer's perspective margins are being compressed slightly due to pricing pressure, we still see sufficient room for continued profitable growth together with our clients."

That balance reflects what Althoff describes as a rational marketplace shaped by capital supply, inflation adjustments and recent loss experience. "The market is showing signs of softening, particularly in loss-free property catastrophe lines. The overall market remains rational despite a strong supply of capacity being provided mainly by existing participants.

"Loss-affected business still sees material rate increases, while other lines are renewing at relatively stable levels. Terms and conditions, as well as retentions, are mostly unchanged nominally."

KEY POINTS:

- ILS momentum build, more growth ahead
- 'Early signs of softening'
- Rates must stay adequate

Looking ahead to the upcoming renewal season, Althoff expects the current trends to continue. "We expect a continuation of the current trends – moderate rate decreases in some lines at more or less stable terms and conditions and retentions," he said.

"If loss activity remains within expectations," he added, "we anticipate limited further reductions in property catastrophe-related business in 2026, driven by reinsurers' desire to deploy accumulated capital. The market will continue to charge risk adequate prices, and it will react with rate increases following losses or trend related adjustments – be it climate change-related frequency or claims inflation in casualty."

> "Geopolitical dynamics are making it increasingly challenging to maintain a stable and sustainable underwriting strategy."

Differentiation through service

Asked how Hannover Re differentiates itself in a softening environment, Althoff pointed to a combination of culture and strategy. "We achieve this through our strong client orientation in combination with our consistently lean and focused business model," he said.

"Fast decision-making processes, the empowerment of our underwriters and our pragmatic corporate culture enable us to work closely and in partnership with our clients. At the same time, we invest strategically in our resilience, efficiency and innovative strength. These investments strengthen our resilience, enabling us to provide high-quality risk protection, even in volatile times."

Geopolitics and emerging risks

Beyond pricing dynamics, Althoff warned of broader challenges reshaping the risk landscape. "Geopolitical dynamics are evolving rapidly – sometimes even daily – making it increasingly challenging to maintain a stable and sustainable underwriting strategy," he said.

He stressed wordings and portfolio management in areas such as political violence will be critical. "Beyond accurate pricing, timely exposure management and carefully crafted policy wordings – especially with regard to clear coverage definitions and event language – are essential for managing portfolios and potential claims responsibly e.g. in today's political violence landscape."

ILS part of the solution

The expansion of the ILS sector plays into these dynamics by providing an additional layer of capital, particularly for peak risks, he argues. Althoff sees the development of parametric structures and more flexible terms as part of a broader toolkit. "We anticipate that the ILS market will maintain a similar growth trajectory in 2026 as seen in 2025, with continued inflows of capital into both cat bonds and collateralised reinsurance," he said.

Hold the line on price

Althoff's main message in all of this is one of balance: acknowledging the headwinds but underscoring the resilience and socio-economic relevance of reinsurance.

"The industry is facing a number of challenges like the geopolitical environment, increased regulation, climate change or (social) inflation to name just some," he said. "At the same time, it has proven very resilient and very relevant for socio-economic development and trade.

"Therefore, it is very important that the industry maintains risk-adequate prices and terms and conditions at both the insurance and reinsurance level in order to offer our products on a sustainable basis." ●

MARKET

We need discipline, not naive capacity

The battle between brokers and reinsurers may look like 'Tom and Jerry', says Chris Bonard of Price Forbes Re.

The Monte Carlo Rendez-Vous has long been the industry's barometer of sentiment, but this year it comes against a turbulent backdrop of looming hurricanes, biting inflation, and emerging AI exposures.

Against that setting, Price Forbes Re president Chris Bonard told *Monte Carlo Today* that now is a time for cycle management and portfolio discipline – and for Price Forbes Re to step out of the shadows after "quietly building" over the past year to support the company's defining principle.

"Partnership is a word people overuse," Bonard stated. "But for us, that's where it starts. If you look at our company from the top down, all our owners sit around the table together as partners.

> "Partnership is a word people overuse, but for us, that's where it starts."

"Price Forbes Re wants to be viewed as vital partners for our chosen segments. We view everything as partnership and peer."

Asked about the broker–reinsurer dynamic, Bonard reached for a cartoon metaphor: "It feels a bit like Tom and Jerry depending who's in control of the narrative at any given time."

Reinsurers, he added, have enjoyed a long-overdue profitable cycle, but with brokers continuing to apply pressure on behalf of their clients who feel "they've already paid". That's creating "a market of reasonableness" in some areas, with price pressure appearing in property cat and high-end retro.

Casualty, he cautioned, remains an unknown, as Monte Carlo, the unofficial start of renewal season, lands in the middle of hurricane season, with plenty of time for significant storms to develop.

KEY POINTS:

- Market rhetoric shifting toward brokers
- Inflation remains a wildcard in P&C
- Pricing pressure in selective classes emerging

The industry has also endured "a year of huge, huge losses", from California wildfires onward. Bonard believes this year's messaging will be a balancing act: brokers pushing for relief while reinsurers emphasise "cycle management" and underwriting discipline.

Results vary. "Property, despite what buyers say, has generally performed well. Casualty hasn't, marine and energy lines haven't either", so renewal negotiations will be far from uniform.

Capital on the sidelines

Bonard doesn't see "a big influx into the market balance sheet or a new balance sheet starting up". New money is chasing fee revenue and MGA distribution rather than underwriting. While well-run, diversified firms can raise capital, start-ups and underperformers struggle.

"There's definitely a need for more global capacity," he said, but much depended on where it flowed. "If it all gets directed at the top end of retro and down into property cat, we'll see quick softening there, but I don't see it running heavy into casualty, albeit you could argue that's where it should start to harden."

For reinsurers, risk appetite increasingly hinges on quality data, strong management and geopolitical awareness, and Bonard expects more portfolio optimisation "doing more of what you're good at" but warned against "naïve capacity" chasing unpredictable risks.

The world, he noted, was "more volatile", with buyers demanding more limit, and Bonard questioned whether "you could buy more limit in the more volatile areas at the right price".

Renewal as a process

For Bonard, preparation is constant. "We don't pop up once a year and talk about a renewal. It's a continuous process." Monte Carlo is both strategic; with meeting new markets and aligning with clients' growth plans, and tactical, setting the tone for negotiations. Meetings are short, often only 30 minutes, but "the aim is to make sure we know our clients' expectations and the market's expectations".

Inflation remains a wildcard, especially in casualty and property rebuild costs, while geopolitical instability is piling on the uncertainty. Then there's AI, and its potential to reshape risk assessment where insurance is "behind many industries".

Bonard sees Price Forbes Re's stability as

> "There's definitely a need for more global capacity."

an advantage. "There's a lot going on between some of the bigger intermediaries. We're not involved in lawsuits; we've been quietly building while some peers are distracted."

Looking ahead, he believes brokers can add most value by being "advisory-led" and digging into clients' businesses, spotting gaps and offering solutions across the group, from parametrics to contract wording expertise.

"It's amazing what you find when you dig deep," he concluded. "Until clients trust you and understand your capabilities, you can't get to that stage. That's how we differentiate ourselves." ●

Chris Bonard is group president of Price Forbes Re

CYBER PARAMETRIC

Ascot eyes cyber parametric offering

KEY POINTS:
- Ascot 'actively exploring' cyber parametric coverage
- Looking to hire dedicated parametric leader
- Can utilise experience of writing cyber ILWs

Elizabeth Johnson

Ascot Group is "actively exploring" developing a cyber parametric solution, as it looks to scale up significantly and enhance its wider parametric offering.

Elizabeth Johnson, its chief operating officer, told *Monte Carlo Today* that while "parametric policies are not new at Ascot", hiring a dedicated parametric leader and building out capabilities to offer a "wide array" of customised products are something the group is currently working on.

"The opportunity set is vast as clients think about these unique solutions for a variety of coverage needs," Johnson said. "Cyber is an area we are actively exploring, along with the more traditional coverages in the property space."

ART investment

Johnson highlighted that the group is investing in multiple areas associated with alternative risk transfer, including in its captives business.

"Captives is a growing part of our industry and with the vast product set Ascot has available to our clients we believe there are innovative solutions we can bring to customers looking to captive solutions for their insurance needs," Johnson said.

Cyber parametric triggers

Parametric policies have generally been most utilised in the property catastrophe space in the past, or other weather-related coverages such as for those in the agricultural sector. These policies offer clear and easily definable event triggers, after which a predetermined payment can be made quickly – something key in disaster response.

In terms of defining a triggering event in a cyber parametric policy, Johnson explained that the group has expertise it can call on.

"In the cyber liability market, we have written multiple industry loss warranty (ILW) policies out of our Bermuda platform, which have coverage triggers similar to parametric."

Softening cyber

While developing this innovative cyber solution is a goal though, Johnson said that in the current softening cyber market conditions Ascot was less focused on building market share.

Instead she said there is a "greater focus on relevance with our clients and continuing to focus on positioning ourselves to be well prepared and remaining on our front foot to take advantage of the opportunities that lie ahead when the market turns."

"It's not necessarily a one-size-fits-all approach for cyber, and we identify and work closely with our distribution partners to offer bespoke solutions," Johnson added.

"Listening to our customers is key to better understand the challenges they face, not telling them what their problems are."

Newer US player

While Ascot has origins dating back to 2001 as a Lloyd's syndicate, its US specialty insurance division was only formed in 2018. This makes it a relatively new player compared to some competitors in US cyber, and the business benefits from maintaining an unencumbered legacy portfolio.

"While five years in may be considered a relatively newer player, we do, however, bring market leading cyber underwriting talent and a highly tenured team that has managed through market cycles before," Johnson said.

"We are deliberate and selective in our trading partnerships delivering decisive, responsive, nimble and creative solutions. Again it's not a one-size approach." ●

RISKS

Catastrophe and casualty risks weigh on reinsurers: Moody's

Amid soaring catastrophe losses, shifting capital flows and intensifying social inflation, the global reinsurance sector stands at a crossroads. Billion-dollar risks are multiplying and leaders must adapt to a new era of uncertainty – or risk being left behind.

This was the warning from Moody's Ratings at its reinsurance outlook briefing in London. James Eck, vice president-senior credit officer, said the sector remains fundamentally strong: "Expected returns on both the underwriting and investment side are lining up well. Risk-adjusted returns are still very attractive despite the moderate pullback we've seen in property."

Balance sheets are solid and combined ratios healthy, but some risks are building. "Reserve adequacy in US casualty is a risk. Social inflation trends, particularly in US casualty, are still in place," Eck cautioned.

Natural catastrophe remains the biggest threat, and a single event can turn the tables. Maurizio Savina, senior director at Moody's Insurance Solutions, said: "We are going to have an annual aggregated loss exceeding $200 billion; it is a question of when, not if." He pointed to urban concentration as the main driver of rising severe convective storm losses.

Moody's 2025 reinsurance buyers survey shows shifting market power. "75% of respondents expect lower property pricing," Eck said, while casualty rates are expected to rise. Terms and conditions are easing, with reinsurers offering less aggregate cover.

"While attachment points are still largely holding steady, we are definitely seeing the balance of power start to shift more towards reinsurance buyers when considering terms and conditions," he said.

Reinsurers now face a delicate balance between deploying capital into underwriting and returning it to shareholders. Investment income supports earnings, but discipline will be critical as pricing softens.

"Companies will need to carefully balance how they're viewing deploying capital into underwriting versus returning it to shareholders," Eck cautioned. ●

TALENT

Tech as a tool, talent as the engine

A human-first strategy shows why underwriting judgment still beats algorithms and why we shouldn't over rely on AI.

"Monte Carlo is very much a bellwether," she said. "It's a thermometer for the industry, because you have people coming from the US, Bermuda, Europe and Asia. It tees up the start of the year."

Her priorities for 2025 are clear: consistency, sustainability and talent. "Our talent is our key to success. It's not just technology."

Technology has a role, but it is a supporting one. "To us, it's almost an old-fashioned approach, but we engage with technology to give our underwriters the best capability and information they can access," Barder said.

The company has built its own platform to speed up work and improve visibility. "We have built our own proprietary software platform, and through that we will create significant efficiencies," she explained. "A picture or a graph can communicate an idea much more quickly than a paragraph. But I would never rely on AI to make underwriting decisions on our behalf."

> “Our talent is our key to success, not just technology.”

It is a deliberate human-first strategy as the market races to digitise and automate. For Barder, efficiency matters, but judgment matters more. "Our strength is in our technical underwriting talent and our ability to be nimble and respond to demand within the market," she said. "It's not technology."

That emphasis on judgment shapes the portfolio. AM Specialty avoids natural catastrophe exposure and concentrates on admitted US property and casualty, using its London platform for selected niches. "Rather than trying to be everything to everyone, we want to be conscious and methodical about the lines of business we write. We want to focus on long-term relationships and sustainability within our portfolio."

KEY POINTS:
- Talent over technology key
- Selective and steady
- Keep cat at arm's length

Growth will be measured. "We're looking for a year of consistency and stability," Barder said. "If we have a little bit of growth this year, we would be very happy with that." The wider economy is part of the calculation. "There has been a high level of concern about the implication of tariffs, inflation and interest rates," she said. "Those elements fold into the insurance industry, because what is the insurance industry about other than creating stability and supporting the economy?"

She sees opportunity and unevenness in US excess and surplus lines. "The E&S market has expanded exponentially," Barder noted. "But there is not a lot of standardisation, so you can get very different experiences in different classes and locations."

Capacity is still tight and the firm keeps meaningful risk on its own balance sheet. "Capacity is still difficult to come by," she observed. "We write assumed business, and as a result we retain by far the majority of what we write. We advocate the balance sheet model and we feel there is longevity and sustainability in that model."

Client work follows the same logic: fewer, stronger relationships, with attention to service. "We always put relationships first," Barder emphasised. "Another very important aspect is communication, and today it's also going the extra mile on service. It's not about having a huge client list; it's about actively working with trusted partners and building those relationships."

This approach also limits exposure to headline catastrophe events. "We selectively choose to stand on another side from that and write a very prescribed model," she said. "We stick to grassroots, US domestic, attritional-based business."

Operational plans are aligned with this focus. "We have consolidated our base in Dallas. I'm now focusing on New York and London. We have a strong message of consistency and stability that we are looking to create, and a very sustainable model over the long term."

> “I would never rely on AI to make underwriting decisions on our behalf.”

Private ownership helps. "Because we're privately owned, we are nimble and able to pivot within the market and look at different classes; niche lines that larger companies wouldn't necessarily feel had merit," she said.

Ultimately, Barder insists, talent is the engine, not the tools. "Our talent is our key to success," she reiterated. "It's not technology." ●

Shevawn Barder is the chief executive officer of AM Specialty Insurance Group. She can be reached at: shevawn.barder@amspecialty.com

RISK MITIGATION

Tech drives risk mitigation: Ping An

As risks shift and exposures rise, Ping An P&C is betting on technology and AI-driven platforms to strengthen resilience.

China's property and casualty insurance sector continues to demonstrate resilience, growing 5.1% year-on-year in H1 2025. A stable macroeconomic environment and government-led reforms prioritising high-quality development provide a robust foundation for innovation. As the country's second-largest P&C insurer, Ping An P&C is at the forefront of technological advancement, risk mitigation and global collaboration.

Technology as risk mitigation infrastructure

Central to Ping An P&C's strategy is risk mitigation. At its core is the digital risk system (EagleX), a comprehensive platform integrating optical and radar satellite monitoring, real-time catastrophe management and AI-driven analytics.

"Our goal is to create end-to-end risk solutions that transcend traditional boundaries," explains chairman and chief executive officer Long Quan. The system's capabilities were evident during recent natural disasters such as tropical storm Wutip, where its satellite network enabled 5.7 million proactive risk mitigation actions and covered more than 3.1 million customers across auto insurance, agriculture insurance and property insurance.

> Connecting domestic innovation with global capital requires infrastructure and trust.

Beyond catastrophe response, the company has embedded AI solutions into its operational DNA. Machine learning algorithms now streamline underwriting workflows while simultaneously enabling personalised risk mitigation advice – a service delivered in real time through Ping An's mobile app ecosystem, which boasts more than 200 million users.

KEY POINTS:

- AI speeds claims and underwriting
- Tech strengthens market resilience
- Linking China to global capital

This dual application of AI not only enhances customer engagement through proactive risk management, but also significantly improves claims processing efficiency and speed. These advancements allow Ping An P&C to maintain competitive discipline while addressing emerging risks.

Navigating global market dynamics

While the softening of the global reinsurance market has been the topic of focus in recent times, Ping An P&C views technological empowerment as the key long-term differentiator. "AI, proprietary data, and dynamic modeling aren't just tools – they're the foundation for sustainable pricing through different cycles," notes Mr. Long.

This perspective informs the company's approach to climate change and geopolitical uncertainties. By embedding predictive analytics into treaty design and leveraging big data for emerging risk assessment, Ping An P&C aims to maintain underwriting discipline while supporting market stability.

Bridging China and global markets

China's establishment of the Shanghai International Reinsurance Exchange marks a key step in advancing the country's reinsurance market. Ping An P&C has actively contributed to this initiative, supporting Shanghai's role as an international reinsurance hub. "Connecting domestic innovation with global capital requires infrastructure and trust," says Mr. Long, highlighting the company's participation in innovation labs with key reinsurance partners.

As China increasingly lead the world in sectors such as renewable energy, electric vehicles and AI, this open and collaborative approach allows Ping An to address both local opportunities and tackle global challenges. The company's digital platforms further enhance transparency and efficiency, aligning with international standards while meeting local regulatory requirements.

Looking ahead

As China's insurance market evolves, Ping An P&C remains committed to its focus on risk mitigation, technological innovation and global collaboration. "Our strength lies in combining domestic innovation and global collaboration," concludes Mr. Long. By maintaining this strategic balance, the company continues to build bridges between China's growth trajectory and the international reinsurance community. ●

> AI, proprietary data, and dynamic modeling are the foundation for sustainable pricing through different cycles.

Long Quan is chairman and chief executive officer of Ping An P&C

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GROWTH

Lockton Re eyes targeted growth

KEY POINTS:

- New offices in Dubai and France this year
- Capital markets capability in 'launch mode'
- Being family-owned aids long-term success

Lockton Re is looking to continue its rapid growth through a mixture of targeted geographic expansion and further investment in capital markets and advisory, according to its leadership.

The reinsurance broker increased revenues by 29% in the financial year ending April 30, 2025, and last week announced the launch of a MENA office in Dubai which is set to offer both facultative and treaty reinsurance and a full suite of products.

This followed the launch of a French office in April this year. A LatAm unit was also established two years ago.

While group CEO Tim Gardner told *Monte Carlo Today* that Lockton Re's growth since formation in 2019 has never been about flag-planting in new territories, in geographies they have entered there have been compelling growth opportunities.

> MENA region is fast growing and the insurance and reinsurance markets are sophisticated.

"We think very much about product, segment, division in terms of our capability set," Gardner said.

"If you go back to our earliest vision, it was set around what lines of business we wanted to be in, and the impediment was really just finding the right leadership and talent to allow us to launch. So six and a half years in, we're in most of the segments and divisions we had aspirations to be in."

New offices

The new Dubai office will help Lockton take advantage of the group's extensive existing presence in the region. The wider Lockton group has around 400 people based in the MENA region and a strong facultative business already – expertise which its reinsurance broking arm can leverage.

From left: Tim Gardner, Keith Harrison and Bob Bisset

However, Lockton Re international CEO Keith Harrison said the reasons for expansion were also related to the vast economic growth being seen in the region as a whole.

"The whole region is growing. If you take Saudi Arabia for example, investment there has been enormous. The region is fast growing and the insurance and reinsurance markets are sophisticated," Harrison said.

"When we first set up we were looking much more closely at the mature insurance and reinsurance markets, hence the US, London, Bermuda and Western Europe. But when you look at where some of the growth is going on, it's pretty substantial in that part of the world."

Harrison added that while the insurance and reinsurance markets are sophisticated in MENA, the region was "crying out for analytics" and that there is a great opportunity for Lockton to offer its expertise in this area.

And in France the opportunity was related to a lack of competing reinsurance broking options.

"On the reinsurance side, France is so heavily dominated by the three large reinsurance brokers, but very few other entrants are really over there," Harrison said. "And so the ability to get into that region and be a challenger and offer a different alternative was even more compelling for the fact that it just hadn't been happening."

Capital markets

Gardner said the group has not traditionally been a big player in M&A and doesn't expect Lockton Re to achieve growth in this way.

Rather, it is more to do with building out capability, and highlighted Lockton Re's investment in capital markets and capital advisory solutions.

"Those aren't businesses you open on day one. You need to have some deeper client relationships. It was always in our strategic plan to go and build out those two spaces, and we're at that inflexion point now," Gardner said.

"We've added some great talent on the capital market side. It's really the ILS trades, sidecars, collateralised quota shares, and stuff like that. Getting global licensing around those capabilities are now done with, so we're in full launch mode now. We're ready and moving forward."

More selective

Despite the impressive growth the reinsurance broker has achieved in the past year though, Gardner emphasises that hitting lofty growth targets is secondary to ensuring strong longer-term performance.

In this sense, Gardner said that being a family owned private business often works in the group's favour.

> We've added great talent on the capital market side. We're in full launch mode.

"Our decision tree is different. We don't necessarily need to worry about if the investment works in the quarter or in the year. It's pretty binary. If it's good for our business, we do it," Gardner said. "If it takes a little bit of time to build it out, it's fine. We have a much different time horizon to how we think about growing the company and building the right capability and expansion. It does change our investment criteria."

"Being privately owned rather than private equity owned does allow us to be more selective in where we want to spend our time and energy and make investments," Bob Bisset, Lockton Re's chairman of global retrocession and property specialty, Bermuda and market capital, added. ●

CLIMATE

An invisible storm is brewing for industry

As climate conversations heat up in Monte Carlo, Deutsche Rück's Achim Bosch brings the Med climate threat into sharp focus.

On the shores of Monte Carlo, an invisible storm is brewing. Achim Bosch, CEO of Deutsche Rück, warns that the warming Mediterranean is reshaping risk in ways the industry can no longer ignore.

"It's not about a surge in the number of events," Bosch explained, "but when those infamous VB weather conditions, also known as Genoa low, occur in a warmer atmosphere, we see more intense rainfall and destructive flooding."

The consequences extend far beyond southern Europe. Warmer sea surface temperatures are driving higher losses with volatile weather patterns sweeping north to Eastern Europe and even back to Germany, where Deutsche Rück faces its largest exposure.

Climate change is no longer a theoretical challenge; it's actively reshaping the insurance landscape. "Every update to risk models must account for climate change," Bosch emphasised.

"It's not a dramatic, overnight shift but a gradual, smooth transition with key parameters shifting year by year due to climate risk." This reality demands constant vigilance and adaptation, areas where Deutsche Rück excels, thanks to its approach to modelling natural hazards in Germany.

"We've developed our own four proprietary models, for winter and summer storms, floods, earthquakes, which gives us a significant edge in the German market," Bosch said, contrasting this with competitors who relied on third-party models. Built on decades of homeowners' insurance data and strengthened by partnerships with scientific institutions, these models are continuously refined. "Carefully dealing with nat cat risks and continuously building up our knowledge and tools based on our extensive data pool, is embedded in our operations since our founding in 1951. It is part of our DNA," he added.

In international markets, where data can be less robust, Deutsche Rück combines vendor models with its own expertise. "Our team's deep experience allows us to critically evaluate external risk models and integrate our own risk perspective into pricing," Bosch explained. This disciplined approach extends to underwriting and capital management, where profitability is non-negotiable. "We're not growing just for the sake of growth," he stated. "It's about stabilising and sustaining profitability."

KEY POINTS:

- Warming seas intensify losses
- Profitability over diversification
- Long-term partnerships prioritised

Bosch rejects the notion that diversification alone can justify unprofitable business. "Diversification supports capital efficiency, but it's no substitute for profitability," he said.

This philosophy, combined with its ownership structure, allows Deutsche Rück to take a long-term view, free from the short-term pressures listed companies face. "Our divisions aren't chasing quarterly targets," Bosch explained. "They can select segments with sustainable margins, manageable volatility and the potential for enduring client partnerships."

> "Diversification supports capital efficiency, but it's no substitute for profitability."

Central to this strategy is Deutsche Rück's focus on small and medium-sized insurers, built on mutual trust and respect. "It may not seem like the most modern approach, but it suits us," Bosch said. These relationships, rooted in tradition, trace back through Germany's public insurers, who founded Deutsche Rück 74 years ago. This legacy, combined with an A+ financial rating, makes the company a trusted partner across Europe, Latin America, the Middle East and Asia.

Technology, particularly automation and AI, is another cornerstone of Deutsche Rück's strategy. Bosch sees AI revolutionising labour-intensive tasks such as document processing. "It frees our employees from repetitive work, allowing them to focus on the more complex, engaging tasks," he says.

Inconsistent data formats currently slow customer data processing, but Bosch is optimistic about AI's potential to streamline operations while maintaining data quality. He also envisions AI assisting with reviewing contract clauses and wordings, tasks that today require human effort. "Speeding up these processes without sacrificing data quality is a game-changer," he noted.

On capital management, Bosch advocates for a cautious, yet agile, approach. "Reserves from our capital management are certainly a buffer, which allows us to operate with a long-term horizon in a volatile capital market."

This mindset extends to retrocession, where the growing severity of natural hazards, driven by climate change, demands careful planning. "The extremes are increasing, especially in our home market, where we face the highest volatility," Bosch observed. Retrocession strategies must evolve to address these heightened risks.

Bosch's message at Monte Carlo is unequivocal: climate change is a present challenge, not a future one, driving risk and opportunity and Deutsche Rück's response is grounded in discipline – prioritising profitability, leveraging decades of modelling expertise and nurturing trust-based partnerships.

"We're not chasing market cycles," Bosch concluded. "We're building sustainable growth of profits." With climate pressures intensifying and technology reshaping operations, Deutsche Rück has developed a winning blend of tradition, innovation and rigorous risk management. ●

Achim Bosch is the chief executive officer, Deutsche Rück. He can be contacted at achim.bosch@deutscherueck.de

MARKET

Cedant differentiation now the norm

KEY POINTS:

- Macroeconomic volatility, uncertainty
- Yet a steady renewal anticipated
- Secondary perils concern in Europe

Continuing volatility and uncertainty in the macroeconomic environment, combined with high levels of losses for the insurance industry, make for a challenging environment in which to operate. However, there is also stability in market conditions and the insurer-reinsurer relationship, which should make for a relatively smooth renewal.

That was the headline message from Thomas Braune, chief executive officer, New Reinsurance Company, who was keen to stress there will be little change in his approach this year. But he told *Monte Carlo Today* that the challenges the industry faces should not be underestimated either.

"It's a predictable picture, as we head into the renewal, which is good for our industry. The expectations on both sides are very clear. But you also must differentiate by client and by line of business."

In terms of growing uncertainties, he flagged the macro-economic environment, including US tariffs, as a challenge. "That impacts many industries, which means an impact on primary insurers, and on reinsurers," he said. "Equally, GDP growth in Europe is still weak; the capital markets are volatile. And on top of all that, losses remain high."

Thomas Braune Iris Urban

He notes that global insured losses of more than $100 billion is now the norm for the industry. Secondary perils also remain a concern for cedants. That said, demand from clients is only up a small amount. "The demand from our clients is not changing dramatically. Maybe they are seeking a clearer focus on secondary perils. We have seen some expensive flood and hail events in Europe."

> "Reinsurance cannot be the solution for frequency if the primary insurance is not demanding enough premiums."
>
> Thomas Braune

Taking all these factors into account, he expects an overall balance in the market. "With the caveat that we will see how hurricane season pans out, I expect a disciplined reinsurance. There is concern over the frequency of losses, but reinsurance cannot be the solution for frequency if the primary insurance is not demanding enough premiums. This cannot be solved by reinsurance. Therefore I do not anticipate many changes in the structures."

He also added that reinsurers are increasingly differentiating between cedants, based on their performance. "There is a very clear differentiation between different lines of business and different clients. So loss affected programmes and loss affected clients, are treated differently. I think that is a good approach for our industry; there's not a longer the one-size-fits-all approach."

Iris Urban, chief underwriting officer, P&C, NewRe, acknowledged that there is plenty of capacity in the market. But she agreed that there is a challenge around helping clients manage some of the specific problems they are facing around secondary perils.

"Capital is not a constraint. The market can provide capacity. But we are seeing unusual losses, very local events, which come suddenly and are very difficult to manage. The question then becomes how can we help these clients. Can we share expertise? Can we look at different structures? But it has to be a solution that is also sustainable."

She added that some of the solutions being discussed for secondary perils in Europe could also involve government involvement in some form. "There are discussions with government around what a solution might look like for perils such as hail or flood. But the common theme is any solution needs to be sustainable." ●

PROPERTY

Property re demand strong; buyers look to aggregates

Demand for property reinsurance should hold firm into the 2026 renewals. In Moody's July-August survey of 38 major primary insurers (61% North America, 19% EMEA, 16% APAC, 5% LatAm), 21% expect to increase cover and an eye-catching and 78% are somewhat/very likely to consider a cat bond. In the US and Caribbean, about one third plan to buy more reinsurance; notably, no respondents said they would buy less.

Analysts at Moody's called the signal "solid demand" for property reinsurance to mitigate continually rising tail risks and offset several years in which primary carriers had to swim comparatively naked as the market priced them out of protection.

"Given ongoing pricing reductions and easing of terms and conditions, insurers are finding more opportunities to expand their property catastrophe reinsurance programmes," they said.

Buyers are mostly counting on price relief. They are nonetheless expecting attachment points on excess of loss programmes to remain stable, leaving primaries exposed to accumulations of non-peak perils, which account for a rising portion of total cat losses.

Buyers are pinning their hopes instead on aggregate loss programmes to pick up some slack, the survey also hinted. A "significant number" would jump on any aggregate deal following hints that some market leaders have defied the 2023 reinsurance market reset by securing such covers. The least likely action from buyers for pending renewals is to seek less aggregate cover than they have today. Changes in quota share are not likely.

Appetite for tail risk protection is strong: 71% are likely/very likely to buy more in 2026. This aligns with risk views – 85% expect nat cat risk to increase (54% "minor", 31% "moderate").

On funding, ILS is the preferred supplement. 78% would consider a cat bond and 73% show interest in collateralised reinsurance. Overall, buyers are counting on price relief and aggregates to fill gaps while keeping structures largely intact. ●

AI

Only AI in production will make impact

Reinsurers need to stop testing, move past pilots and start using AI to boost margins and combined ratios.

Artificial intelligence in reinsurance has reached the stage where we should be past the talk and the tests. The technology is already reshaping underwriting, claims and capital allocation, but only for those taking it seriously.

That is the view of Arndt Gossmann, chief executive officer and co-founder of DGTAL, who believes reinsurers must move past proofs of concept and pilots to real-world implementation. "Take it seriously – that is my message," he emphasised.

"The use of AI in production will help CEOs, CUOs and engineering officers to quickly and significantly improve the KPIs of their business."

For Gossmann, the immediate opportunities are clear: underwriting and claims. "These are the two key areas of interest.

> **"** As long as you don't have systems in production, you cannot judge whether it's working. **"**

In underwriting, AI enables reinsurers to request more data, analyse it better and build much deeper analytics.

"That will enable improved pricing decisions, especially in a market that is no longer so hard, and where competition is increasing."

On the claims side, he sees equal potential: "By analysing the claims that come in, and by going broader and deeper, AI gives much better predictions for the future. The interesting part is the feedback loop between claims and underwriting.

"If companies had analysed claims development more quickly during the Covid pandemic, they would have been able to anticipate this in pricing within the next year."

KEY POINTS:

- Production, not pilots, matters
- Combined ratios improve with AI
- Investors expect faster insights

The impact is tangible. Wherever AI is systematically put into production, Gossman explained that "those who do it see significant improvement in their combined ratios. That means moving towards 10%, which should be enough motivation to look into it".

Yet the industry is still mired in pilots and setbacks. Gossmann cited a recent MIT study: "95% of companies are so far disappointed with the performance of AI. Only 80% have looked at it. Out of these, just 50% have gone into a pilot, and only 40% of those into production.

"As long as you don't have systems in production, you cannot judge whether it's working."

His tip is to choose technology providers already running in production. "There are lots of offerings. However, there are a few but still a couple of players – not only us – where you can see things are working.

"Concentrate on providers with clients in production, not just proof-of-concepts."

Unlocking claims data is another hurdle. Most remains unstructured. "The existence of a data warehouse doesn't mean data is available in an analysable form," Gossmann warned. "If you have a good data warehouse and good AI, however, you can cut through. AI makes huge amounts of data available and DGTAL deliver the front end for this."

The ability to query an entire portfolio in real time, rather than waiting weeks for an analytics team, would mark a fundamental shift. The business case is straightforward: efficiency and margins.

"If you want to improve your combined ratio, 10% is realistic to achieve within a year. We've seen clients reach that level. If you cut the claims ratio by 10%, that's a reason to get up in the morning." But there are barriers. Reluctance to adopt new tools, poor past experiences, lack of leadership support and weak change management all slow progress. "A head of AI is not leadership support," he stated.

"The C-suite has to understand they need to look into this. I'm not saying they should put AI everywhere, but they should use it where it makes sense."

Looking ahead, Gossmann predicts AI will move from back-office efficiency to the fundamentals of pricing and capital allocation. "It will change how risk is priced and how capital is allocated because investors will expect different ways of pricing."

He pointed to claims status updates after catastrophes: "You can give a status within one or two weeks. Investors sometimes have

> **"** 10% is realistic. If you cut the claims ratio by 10%, that's a reason to get up in the morning. **"**

to wait six to eight weeks for the first idea. Once they know it's possible, they will ask for it daily."

His final advice to CEOs at Monte Carlo is uncompromising. "If you take it seriously, you can see obvious improvement in the performance of your business in an unprecedented way.

"Yes, it's tough work to find the right providers, the right technology and to organise and implement it. But it will be rewarding for the C-suite and shareholders. My message actually is – have some fun with it." ●

Arndt Gossmann is the chief executive officer and co-founder of DGTAL. He can be reached at: a.gossmann@dgtal.io

MARKET

Swiss Re: carriers getting complacent

KEY POINTS:

- Geopolitical risks not being priced in
- Top five carriers losing market share
- Carriers barely earn cost of capital

Swiss Re Institute has warned that the market is becoming too complacent, with geopolitical threats looming and the threat of US trade tariffs spilling over into services.

"The worry for me is that the market is becoming too complacent," said Swiss Re global chief economist Jérôme Jean Haegeli, at a presentation of Swiss Re Institute's latest sigma report at Monte Carlo Rendez-Vous on Saturday September 6. "Nothing is being priced in, whether it's tariffs or geopolitical risk."

The world is getting riskier, Swiss Re said, with many risks becoming harder to insure. Natural catastrophe insured losses are growing by 5-7% annually, with a one-in-ten probability of insured losses hitting $300 billion.

Meanwhile, liability claims inflation – which the research arm of the reinsurance giant estimates to be rising by 6% – are making liability risks less insurable.

And then there's the spectre of the US government extending its Liberation Day tariffs to services, which would send shockwaves through the P&C insurance market.

> "Nothing is being priced in, whether it's tariffs or geopolitical risk."
>
> Jérôme Jean Haegeli

Haegeli said: "What the world can't cope with is if the tariff war spills into services ... trade tariffs we can handle but I don't think the discussion over tariffs is over for services."

He pointed out that increased competition in the P&C market, with the boom in MGAs and new specialised carriers, was eating into the market shares of the top five insurers from China to India to France. Top five shares in commercial lines have dropped across the board. Nine out of 11 markets have become more fragmented.

This increased competition is evidenced by the fact that out of the past 10 years, re/insurance carriers have only managed to cover the cost of capital for four years. Brokers, on the other hand, have outperformed their cost of capital by 8 ppts on average.

Haegeli said: "The very fact that re/insurers are just earning the cost of capital shows how competitive the market is."

According to Swiss Re Institute, global P&C premiums are projected to grow broadly in line with GDP over the next 10 years, with total premiums set to almost double by 2040. The global P&C insurance market has doubled in size over the past 20 years to $2.4 trillion.

Reinsurance premiums have grown at around 7% CAGR (compound annual growth rate) over the past decade, compared to 4.2% for primary P&C.

The good news though is that Swiss Re still sees human underwriters at the heart of what it does, despite the rise of AI. The role of AI will be to support underwriters, increasing efficiency, not replacing them. Swiss Re will never take the underwriter out of the decision-making process, said Gianfranco Lot, CUO P&C reinsurance at Swiss Re.

Lot said: "We believe that the value of underwriting will increase as the market becomes more competitive. Underwriters will become much more important as the job of underwriters keeps evolving." ●

OUTLOOK

Outlook 'rosy, thanks to reliable resilience' says AM Best

Speaking at an AM Best press briefing at the Monte Carlo Rendez-Vous, Greg Carter, managing director of analytics for EMEA and Asia-Pacific, struck an upbeat note, saying reinsurers "stand in a strong position" despite early losses from the LA wildfires.

Even with hurricane season ahead, he added, the sector looks resilient: "October could see not just significant windstorm cat, but perhaps other major cat events, or perhaps some further turbulence in bond markets. Even in that scenario, given first-half results, the picture for the sector is looking fairly rosy."

Carter said macroeconomic and geopolitical volatility has been met with "reliable resilience". The biggest single risk would be a global slowdown, "but we're not seeing any evidence of that".

In a worst-case scenario, he noted, "you'd see strong upward pressure on rates", but overall the market is "in a pretty good place" into year-end.

Turning to challenges, Carter addressed the growing pressures emerging with the evolution of AI. While acknowledging the opportunities AI presents to the re/insurance industry, Carter remains cautious in the face of expectations.

On AI, he urged caution. Citing an MIT 2025 report finding that 95% of enterprises see no measurable Gen-AI return despite $30–40 billion of spend, he warned that heavy investment without results – and growing operational dependencies – could introduce new risks.

"If AI does not turn out to be the significant breakthrough that many expect, the considerable investments in this sector may raise concerns," he said. "Plus, there's continued concern that increased use and dependency on AI could have unintended consequences, particularly when you think about large manufacturing processes or chemical design; whatever it might be, if AI goes wrong, it can be catastrophic."

By contrast, he said cyber remains profitable, even after recent softening. ●

AI

Beyond the hype: What's AI's real use

From wildfire risk to fraud detection, Howden Re's analytics chief explains how AI will help with analytics, speed and discipline.

AI tools should improve both speed and discipline at the same time, and no trade-off is required. So says Nathan Schwartz, global head of analytics at Howden Re, who spoke to *Monte Carlo Today* about separating hype from substance when it came to analytical tools.

"AI has really come to the forefront of everybody's mind in the last couple of years, since ChatGPT burst on to the scene," Schwartz noted, and indeed, at Monte Carlo this year, AI is dominating both formal sessions and informal exchanges.

"But AI has been around for a long time: machine learning from decades ago remains incredibly useful today. We've been using AI in much of what we're doing for clients."

For Schwartz, one of the greatest misconceptions is that AI simply means generative models such as ChatGPT. "It is that, of course," he acknowledged, "but it's also many other things. It's all these tools we've been using for years."

Another misconception? That AI can already replace humans. "Someday, maybe we'll be at that point, but it will be a while. There's always some human element that needs to come in and guide the AI. It can make a human much more effective, but it's not yet ready to take over our jobs."

That human element, Schwartz added, is often being shaped by the firm's newest talent. "You can see the future of AI in our newest employees who are just entering the industry. Many of our best applications of AI come from them.

"We've always encouraged everyone to innovate and drive our analytics forward, and that culture will ensure we make the most of these new tools."

Far from being theoretical, Schwartz said AI was already embedded across Howden Re's client work. "When we process data for our clients on casualty or cat submissions, we're taking internal client data and turning it into something consistent with what the reinsurance market wants to see. Gen-AI helps us with that processing."

KEY POINTS:

- Misconceptions persist about AI's true role
- Fraud detection offers clear industry-wide gains
- Speed and underwriting discipline improve together

He pointed to specific tools such as CQ (Cat Quotient), which gives clients an instant estimate of catastrophe risk at any location – crucial when underwriters need to decide on a quote in real time. "Machine learning and gen-AI techniques are making those tools more accurate and useful for our clients."

Other immediate areas of impact include parametric products, where AI supports the data matching required for non-traditional structures, and fraud detection. "Fraud detection is a clear win for everyone," he stressed. "Fraud is an enormous problem in insurance. To the extent companies can fight it better, it makes insurance more efficient."

> " These tools are going to become like our mobiles today. "

Speed and discipline

AI might often be seen as a shortcut but Schwartz emphasised that the best tools need to enhance both speed and underwriting discipline. "As AI tools make you more efficient at your job, you will be able to improve both dimensions at the same time. You don't want to sacrifice discipline for speed, but the ability to do both is going to make insurance and reinsurance companies win in a competitive world."

For the upcoming 1/1 renewals, Schwartz highlighted Howden's Blaze wildfire score as a timely example. Built in 2024, it blends hazard propensity with exposure concentrations, particularly at the woodland-urban interface. "That tool has been incredibly valuable in California, especially after the horrible fires this year, and we're now spreading it across the US and the world," he said.

Beyond nat cat, Howden has also built new profiling tools in lines such as D&O. "These kinds of analytical tools can help our clients identify what parts of their portfolio are driving the reinsurance costs they're facing; their tail risk, or even their day-to-day losses," Schwartz said.

Looking ahead, Schwartz likens AI's impact on insurance to the arrival of email and personal computers. "When PCs first appeared on everybody's desk decades ago, nobody knew exactly how things would change, but we knew it would be dramatic. AI and machine learning are like that."

For Schwartz, the most transformative shift might be in ubiquity. "These tools are going to become like our mobiles today, which seem like an extension of ourselves. That's how AI tools will become for insurance companies; an extension of everything they do."

Already, AI is proving "a shockingly good search tool", particularly for contract analysis where wording varies. It is also enabling new approaches to synthetic data creation and profitability profiling.

The direction of travel is clear. As Schwartz concluded: "The storing and use of data is getting so much more robust, it's going to continue to accelerate as the tools to use it get better." ●

Nathan Schwartz is the global head of analytics at Howden Re. He can be reached at: nathan.schwartz@howdenre.com

LEGACY

Legacy insurance: asset, not liability

KEY POINTS:

- Legacy seen as a strategic opportunity
- M&A boosts options pipeline
- Enstar accelerates transaction speeds

The perception of legacy insurance needs to shift to be recognised not as liability, but as a strategic asset.

That is according to Dan Sanford, managing director, M&A, at Enstar Group. Speaking to *Monte Carlo Today*, he shared that: "We need to change the narrative on legacy, not thinking about it as a dirty word, but as an opportunity to enhance results and return on equity through transaction.

"My personal vision for the run-off sector is for us to become a firm part of the insurance cycle. We feel companies should always be thinking about the legacy option on volatility protection and capital relief."

Historically, legacy dealt with problem areas: parts of businesses that people have discontinued, looking to offload full-scale operations and lines of business, or the run-off market. Sanford sees evolution to a more sophisticated offering: "Now we see legacy more broadly as a capital management tool. We still offer traditional transactions to free up capital to support growth for these businesses going forward, but we are also seeing more diversified portfolios looking to dispose of full years of account, as well as preparation for IPO and for sale."

> "We feel that companies should always be thinking about the legacy option on volatility protection and capital relief."

This outlook comes at an important time in the industry, with M&A activity on the horizon. Sanford noted the trend, referencing a few recent deals. He said: "I think there will be a pick-up following the Aspen transaction. Clearly, the regulations in Japan mean there's likely to be an uptick from large Japanese reinsurers looking to buy."

M&A activity opens pipeline opportunities for legacy, offering preparation for companies for sale or for IPOs, as new owners do not want to pick up problems from the past. Sanford pointed out that: "It's quite neat to package up a transaction with legacy cover. We've done deals with AIG, when RenRe acquired Validus, and with ProSight when it went public. M&A activity is good news for us, as it offers prospects."

Sanford recognised that legacy insurance has nuances that need to be addressed to serve the market better: "Our transactions take a long time to be put together. We are working on how we can accelerate to get closer to how the live market operates. That's an important step that we need to take as a market, as well as making everyone aware of our capabilities."

To address this, Enstar is "taking steps to transact quicker, to engage earlier and build strong relationships with counterparties so that we understand their business better. We developed the Forward Exit Option product to give investors certainty that they can exit at an agreed time frame going forward." ●

REINSURANCE

Reinsurance clock ticks, but Swiss Re says it's not a time bomb

Dodging metaphorical bullets in today's property and casualty (P&C) reinsurance market is a tricky business, but top executives from Swiss Re believe discipline, collaboration and foresight can keep the industry from getting hit.

The reinsurance market is no monolith; it's a complex mosaic of conditions where the rules change depending on the business line, according to Swiss Re's chief underwriting officer, Gianfranco Lot.

Some areas are seeing appetite shrink due to unexpected shocks, while others are becoming more competitive thanks to higher interest rates, Lot noted. For instance, while there's a surge in competition in the property catastrophe market, the liability sector faces a different kind of pressure: demand is outstripping supply.

Lot pointed a finger at the US, where "legal system abuse" is an escalating issue, one that he believes requires either tort reform or new insurance products to bring certainty back to this long-tailed business.

The underlying presence of risk hasn't changed, but it "continues to morph and evolve" and underwriters must adapt their decisions to reflect today's markets rather than relying on historical assumptions, Lot argued. This means embracing "an honest, unbiased view of risk, and ensuring that loss ratio projections are grounded in the present", he contended.

This sentiment was echoed by Urs Baertschi, CEO of P&C reinsurance at Swiss Re, who said that strong partnerships between insurers and reinsurers are "the bedrock of societal stability". He stressed that these relationships are at their strongest when they are built on trust and "supported by constructive dialogue".

The industry's role has also evolved beyond just protection to one of "awareness, preparation and prevention, working together with corporates and the public sector", Baertschi said. He cited the compelling statistic that "every $1 spent on hazard mitigation saves $6 in future disaster recovery costs".

To achieve this, the industry must do its own homework, Baertschi insisted. This includes a more robust sharing of data about the assets the industry protects to allow for accurate risk pricing and the development of forward-looking scenarios. He also sees great potential in new solutions like parametric insurance, which is "gaining popularity as a cost-effective tool to accelerate financial relief and manage risk". ●

MARKET

Cedents shift focus for stability

Profit protection, not capacity, tops cedent wish lists at renewals, as diversification benefits erode under climate change.

After a spate of strong profits and growing pressure from cedents to push rates lower, a clear warning for reinsurers is emerging: beware the temptation of unsustainable cuts.

"Clients will use recent profits as an argument to push for decreasing rates," Bertrand Labilloy, CEO of Arundo Re (formerly CCR Re), told *Monte Carlo Today*. "But nobody can dream of coming back to the conditions before the hardening market. Volatility is not pleasant; we have to think about sustainable prices and conditions, instead of playing power games."

The first half of 2025 has already highlighted his point. "It was not cat free. Due to the huge wildfires in the US, the average level of cat claims is much higher than before."

> "Climate change jeopardises the benefits of geographical diversification."

That, he argued, made it essential to hold firm on terms. Cedents might point to balance sheet strength, but structural climate and macroeconomic risks mean stability should take precedence over competitiveness.

Arundo Re has been using alternative capital for seven years, and Labilloy sees clear value. "Sidecars and cat bonds are very useful, for high layers in cat towers or piloting balance sheet exposures. It's definitely something all reinsurers should have in their toolbox."

However, he cautioned against overstating their role. "ILS products are based on very precise modelling, so they cannot be extended to every type of risk (e.g. wildfires and cyber), but taken together, the ILS industry is part of the solution to meet demand."

Perhaps his sharpest warning came on climate change. "From a technical point of view, climate change risks jeopardise the benefits of geographical diversification," he said. "While it still helps for hurricanes and floods, secondary perils such as wildfires and flash floods are intensifying, so diversification works less well than before. We shouldn't be over-optimistic about its long-term effects."

KEY POINTS:

- Arundo turns a new page after CCR exit
- Wildfires and floods undermine diversification
- Sidecars useful, but no cure-all for risk

Another evolution Labilloy highlighted was the shift in cedent needs. "To a certain point, there was the idea that reinsurance was there to cover extreme events," he said. "More and more, clients want reinsurance to cover profit events as a way to reduce the volatility of their net income."

That means product innovation. Demand for aggregate covers could surge again but will be considered only if well-defined aggregate covers rather than the opaque multi-country, multi-period structures of the past. "We should think about reintroducing delimited and transparent aggregates to better serve client needs, which are not only capacity, but also mitigating profit volatility."

Such solutions, he stressed, required discipline in design, stronger modelling capabilities and a willingness to move beyond a "one-size-fits-all" approach.

The robotic revolution

While climate and capital may dominate debate at Monte Carlo, Labilloy sees a quieter revolution under way in the back office. "Robotics is very much implemented in our companies. It reduces cost and helps us be more reactive and analytical. We have all functions, including the treatment chain, supported by robots, which allows better proximity between accountants and underwriters, shorter delays and better service."

Data, meanwhile, remains crucial for addressing climate-driven cat risk and demographic shifts in life insurance, but for Labilloy, it is "not a breakthrough tech".

Monte Carlo 2025 is also a personal milestone. "We have a new name, Arundo. CCR has now fully exited, and with regulatory approvals in place, this marks the end of a long process. Ten years ago, I attended my first Rendez-Vous as CEO of CCR; today is my first as CEO of Arundo, with no link at all to CCR. We are writing a new chapter in our history, and the team is very proud."

Labilloy is, however, under no illusion about the uncertainty facing the industry, especially the "macroeconomic and financial" situation of debt, inflation and global growth.

> "We have a new name, Arundo. CCR has now fully exited."

"We must not make the same mistake as in 2022, when we were all taken by surprise by the surge of inflation. With tariff increases adding pressure, the impact could be significant.

"Monte Carlo is the place where people from across the world meet to understand these risks, and it will be very interesting to hear their views."

That, ultimately, is the balance Labilloy wants the market to strike – innovation and new capital tools, yes, but always anchored in sustainable pricing and realistic expectations of risk. ●

Bertrand Labilloy is the chief executive officer of Arundo Re. He can be contacted at: blabilloy@arundore.com

MARKET

Structure, coverage, then price: IGI

KEY POINTS:

- Reinsurance still 'most attractive'
- Growth in value, not top line
- Discipline over chasing volume

"They're all important" but structure first, coverage second, price third – that's the pecking order for renewals for international specialty re/insurance group IGI.

Waleed Jabsheh, its chief executive officer, told *Monte Carlo Today* that reinsurance remains "actually the most attractive space right now", provided structure and wording are kept tight and capacity is priced to a risk-adequate return.

"Structure is very important," he said. The big profitability shift in recent seasons came because "the structural changes eliminated a lot of attritional losses." Attachments, aggregates, reinstatement economics – get those right and the earnings path steadies.

Coverage is next. "Coverage is what gets you out of a loss, not price," he said. Clarity around event language, clauses and sanctions matters as much as the nominal rate on line, especially in political violence and complex specialty territories.

Price still matters – "you've got to be able to generate a healthy return on your capacity" – but only on the back of a programme that won't leak when volatility returns. In effect, let rate move within a frame that protects capital.

> "The reinsurance market is still the most attractive space right now."

Push into reinsurance

IGI has been making a measured push into reinsurance. Historically underweight with "about 5%" of the book until three years ago, the company leaned in when the window opened. Since 2022, reinsurance has "almost tripled in size" and now represents "almost 15%" of the group. Next up is specialty treaty. "We've got a new underwriter joining next month... highly experienced. We look forward to what he'll bring."

Bottom line, not top

"We are a growth-in-value company, not growth-in-top-line," Jabsheh said. IGI will "shift focus to where the best returns will be generated" and step back where the numbers no longer work.

That might mean more pruning in long-tail classes, steady allocation to short-tail lines that remain adequately priced and continued build out in reinsurance and specialty treaty where the firm's appetite and structure align.

"We'll just continue to manage the cycle," he said. "Shift focus to where the best returns will be generated".

He points to a decisive exit: IGI "walked away from a $50 million book" from the professional indemnity (PI) side in a long-tail segment, roughly 7 to 8% of group GWP. "If the business is not meeting our profitability requirements, then it's not worth having." ●

EXPOSURES

Wildfires reshaping market portfolios towards greater diversity

The scale of California wildfires at the start of the year have reshaped industry views on the risk, but Fidelis executives believe the events have also created opportunities for disciplined players.

The group reported a first quarter combined ratio of 115.6% largely due to the impact of the wildfires, which improved to 103.7% at H1.

Speaking to *Monte Carlo Today*, Fidelis group CEO Dan Burrows said the business had "plenty of cover for that particular event" and that "it was well within expectation".

He said reactions to the event vary greatly, but that Fidelis saw a lot of opportunity from the event, both on the direct side and within the reinsurance portfolio.

"There's always a knee-jerk reaction, especially if you are surprised about the loss you've picked up. If it's not within your expectations," Burrows said. "Then obviously you can divide that into different reactions. Somebody who wants to pull out, somebody who wants to reshape their portfolio, and somebody who sees it as an opportunity. So we saw the latter two things."

In terms of how the event will affect reinsurance renewals a 1.1, Jonny Strickle, group managing director of Fidelis noted that the timing of the event was key, and that much will come down to how this year's hurricane season develops.

"It's a big event, but then people are just banking on there being no hurricane straight after that, and then it kind of averages out to be a normal year overall," he explained.

"There were some that took a bigger hit from that than others, particularly if your outwards portfolio had wildfire coverage or not. For some people would have bought cover that excluded wildfire. We luckily got wildfire cover, but it means that it's not fallen evenly to everyone."

And going forward Strickle said reinsurers are re-examining exposures in more detail.

"What it's done is some people have looked at their concentrations at a much more granular level. So you kind of break the state down into little blocks and work out, actually we've got 60% of our exposure in a place that could be impacted by a single wildfire," he said.

"And then rather than pulling out, what they're trying to do is get a more diverse portfolio. So maybe stop renewing some in there, try and build other places in the state." ●

SPECIALTY

Softening isn't the story. Specialty is

MS Re's Jörg Bruniecki warns that specialty lines face far greater complexity than the softening debate dominating Monte Carlo.

Softening rates will dominate Monte Carlo, but specialty lines tell a more complex story that must be on the table, says MS Re's Jörg Bruniecki.

"There is a lot of talk of softening due to an over-supply of capital as reinsurers look to grow," Bruniecki, chief underwriting officer for global specialty lines at MS Reinsurance, told *Monte Carlo Today*. "But that is only part of the story."

That story is particularly evident in specialty lines where the market reflects both geopolitical turbulence and structural change. Aviation is a case in point.

"There has been a focus on aviation due to losses that occurred when planes were seized in Russia, and it was important that the reinsurance industry stepped in to provide the capital and stability required," Bruniecki said.

But significant questions remain over how such risks are defined and priced. "Going forward, it is essential that there is clarity over cover – do they fall under the war umbrella or the all-risk umbrella – and that these perils are priced accurately to reflect the risk," he said.

Cyber is at a crossroads, too. "There has been much more sharing of experience between clients and reinsurers to get a better understanding of how the tail of the event is affecting businesses," Bruniecki said. "The challenge now is proving its real value. If we can do that, there is potential to grow the size of the cyber market."

Political violence is another area where exposures are climbing. "The market is complex and changing quickly. In an era where wars and civil wars are becoming more likely, there is a growing probability that we will see more acts of terrorism and political violence," Bruniecki warned. "Current levels of geopolitical volatility have highlighted the importance of political violence insurance, and we must be mindful to ensure we are pricing these adequately to cover the risk."

International geopolitical volatility is certainly a concern for many businesses, and the knock-on effects are playing out across supply chains. "Supply chains are experiencing significant disruptions, increasing the potential for unmitigated post-loss inflation following a significant event. This concern is not only limited to cost but also to time, with business interruption losses potentially significantly exceeding levels historically seen," he said.

KEY POINTS:

- Geopolitical risks are rising
- Aviation clarity needed
- Cyber market at crossroads

Tariffs and trade disputes are adding another layer of unpredictability. "The trade war which is being waged by applying tariffs is a big factor of uncertainty, especially in specialty classes with longtail exposures like engineering, political risk and trade credit."

Against this backdrop, demand for specialty coverage is growing. "Insurers are looking for tailored offerings to meet the unique needs of niche sectors and successful reinsurers will be the ones to bring this expertise and appetite to the table," Bruniecki said.

He believes despite some returning capacity, stability remains likely. "Despite the influx of capacity, particularly in the marine and energy reinsurance markets, we are anticipating a generally stable rating environment," he said.

> “There is a lot of talk of softening... but that is only part of the story.”

A 'very normal' 1/1?

Looking ahead to January renewals, Bruniecki anticipates less drama than some expect. "The demand and supply dynamics will continue to evolve over the coming weeks, but this could be a very normal renewal period," he said.

The latest quarterly and half year results from reinsurers show that the industry is still profitable, he noted, but capital flows are nuanced. "The only new capital coming into the market is collateralised through ILS structures such as cat bonds and it is going into the nat cat space because that tail risk is well modelled. Investors understand it, and they can move in and out quickly."

Traditional players also have room to manoeuvre. "Traditional reinsurers are sitting on large pools of capital in the form of retained earnings that they have not returned to shareholders," he pointed out. "They have the opportunity to grow, but will they grow for the sake of it? Or will they genuinely exercise underwriting discipline? I expect the discipline around retention levels to remain. We need every player in the value chain to be invested in the management of risk."

Beyond the cycle

For MS Re, Bruniecki said success lies in resisting short-term swings. "Our approach is to build long-term relationships with clients that will endure beyond annual renewals. To do that, we spend time getting to know the client, what their path to success looks like, and how reinsurance can help them to achieve that success."

That also means being easy to work with. Bruniecki pointed out that the company has completed a technology transformation, giving it "a platform that is very easy and efficient for our clients to use".

"In an era of global volatility, there has never been a greater need for reinsurance and for reinsurers who offer clients genuine long-term partnerships as a carrier of risk and not just a trader of risk," he concluded. ●

LLOYD'S

Hard market softening – a new phase

KEY POINTS:

- Hard market softening – new phase
- Innovation will be key for reinsurers
- Capital levels high but cautions

Following the rate hardening phase that began in 2022-23, the reinsurance market now faces a period of 'hard market softening', in which rates, while easing, remain elevated amid structurally higher risk premia. Crucially, this shift is occurring from a position of historical pricing strength, leaving ample pockets of profitability for those prepared to innovate and underwrite selectively.

That is according to a new report by Howden Re called 'Who dares wins: Innovation in an era of hard market softening'. This concludes that those who combine market insight with technical execution, portfolio diversification and innovative structures will be best placed to succeed in this next phase of the cycle.

It also notes that carrier profitability has improved under these conditions, with returns broadly exceeding costs of capital. Cedents nevertheless remain more exposed to nat cat losses retaining 62% of all modelled nat cat exposure at January 1, 2025. Nevertheless, the Los Angeles wildfires in January marked the largest single loss borne by reinsurers since 2011, underscoring a tightly balanced market.

The 2020s have simultaneously been defined by turbulence and interconnected crises, from the lingering effects of Covid-19 to geopolitical conflict, cyberattacks, political violence and natural catastrophe activity, the report noted. These pressures, combined with inflation and higher interest rates, have reshaped profitability dynamics and present challenges for new capital deployment.

> “They are on a growth journey, and they need new entrants to do that.”
>
> David Flandro

Since 2022, approximately $35 billion of new capital has entered the sector, equal to around 7% of total dedicated reinsurance capital compared with 15-17% in prior cycles. Inflows are heavily concentrated in insurance-linked securities, while start-ups have been rare, reflecting investor caution and a preference for disciplined deployment.

Casualty lines continue to face pressure from litigation and social inflation, particularly in US general, commercial auto and reinsurance liability, although offsets in workers' compensation and medical malpractice have enabled carriers to report net calendar year reserve redundancies. This reserving cycle is now longer and shallower than the liability crisis of the early 2000s.

But those who innovate and adapt will thrive, the report argues. It concludes that the reinsurance cycle has evolved, but from a position of historic opportunity. Capital levels have recovered since the impairments of 2022, yet capacity remains cautious and concentrated. To remain resilient, cedents must expand their toolkit beyond traditional programmes to include aggregate covers, parametric triggers, multi-line structures and capital markets instruments tailored to address emerging sources of volatility. Concentration management, supported by improved analytics, is now indispensable as model limitations persist.

David Flandro, head of industry analysis and strategic advisory, said: “We know from history that the current 'hard market softening' phase can be profitable for underwriters who innovate as risk selection comes to the fore. This is achieved through superior business intelligence, diversification across geographies and perils and superior technical execution. As return hurdles rise and rates moderate, economic value will be achieved by those who dare to win.”

Tim Ronda, CEO, Howden Re, added: “Howden Re empowers clients by combining deep reinsurance expertise with capital markets access, strategic advisory and our global MGA platform. This breadth allows us to deliver solutions that go beyond traditional broking – enabling clients to unlock new sources of capital and create long-term value. In a market where innovation and precision matter more than ever, our role is to stand alongside clients in pursuing resilience and market leadership.” ●

RATES

Underwriting cycle management crucial for Lloyd's amid softening

Lloyd's reinsurance business has grown strongly in recent years, with a five-year compound average growth rate of 9%. But the market must now carefully manage the cycle as many lines of business experience softening.

That is according to a new market segment report from AM Best called 'Underwriting cycle management becomes crucial for Lloyd's amid softening market conditions'.

The report notes that specialty reinsurance was the fastest-growing line with a five-year compound average rate of 11%. In 2024, the market's reinsurance premiums grew by 8%, driven by material growth in property and specialty lines and benefitting from a positive risk-adjusted rate change along with low-single digit economic inflation.

However, a minor contraction was noted for casualty reinsurance in 2024 despite pricing improvements, largely driven by performance pressures for this line, according to a new AM Best report.

The report noted excellent pricing conditions for most business lines persisted through 2024, although softening pressures have increased in 2025.

Despite Lloyd's reporting improved underwriting results in recent years, performance oversight by the Corporation is expected to remain an area of critical importance to navigate the likely downturn in the underwriting cycle.

It also said the market remains attractive with a growing deployment of third-party capital and influx of new syndicates. ●

TRANSPARENCY

Reinsurance starts with transparency

VIG Re wants to be closer to clients through deeper dialogue, data-sharing and long-term commitment across cycles, says Viktor Faucret.

In a market that constantly demands agility and adaptation, the reinsurer-client relationship is being tested like never before. Climate change is raising the stakes, not just through major catastrophes, but increasingly through high-cost "secondary perils". At the same time, underwriting cycles are shortening, and clients want more than capacity; they want perspective, alignment and partners who stick around when conditions change.

That's where transparency proves its worth – and it's time we treated it not as a soft skill, but a real differentiator.

At VIG Re, we're heading into our eighth renewal season with a local office in Paris. While our footprint in France might seem relatively young, our book has already weathered a full reinsurance cycle. Throughout that time, we've kept a clear and consistent strategy: long-term, broad-based support across P&C lines, guided by a deep understanding of our clients' ambitions and pressures.

> "We want to be close to our clients and fully understand the dynamics of their markets."

Sounds simple. But it requires more than just good intentions.

For us, proximity and meaningful underwriting dialogue are foundational to sustainable business partnerships. We want to be close to our clients and fully understand the dynamics of their portfolios. That means more than annual check-ins – it means listening, testing assumptions, and investing time to understand how each client sees their market. It's what's helped us not only maintain, but expand, our footprint over time, even through tougher conditions.

KEY POINTS:
- Reinsurer-client relationship is being tested
- Transparency is VIG's key differentiator
- Consistency drives trust – and capacity

After the hardening market of 2023, transparency became even more essential. It forced everyone to re-evaluate their view of risk, especially on non-modelled perils, and inflation parameters. In our case, having a close understanding of clients' strategic direction allowed us to pressure-test our own perspective, constructively question our convictions, and reach decisions we could stand behind. Ultimately this helps us navigate those shorter cycles, and because we will not compromise on the granularity of our analysis, we see the well-established good practices that have been developed over the last three renewals to remain, and not be adjusted down.

Exposure and historical data are one way to look at transparency, but underwriting is not limited to information of the "renewal pack". It also includes a diligent statement of accounts, timely claims notice or full disclosure around the contractual terms and magnitude of a reinsurance placement. All these dimensions shape trust, and trust gives us the confidence to increase capacity where it's needed most.

But transparency isn't just about data — it's about dialogue. It's about creating an environment where both parties can speak openly about challenges, expectations, and limitations. That openness allows us to co-develop solutions that are not only technically sound but also commercially viable.

This dialogue also fosters innovation. When clients trust that their reinsurer understands their business and is aligned with their long-term goals, they're more willing to explore new structures, test new ideas, and share insights that go beyond the numbers. That's how we move from transactional relationships to strategic partnerships — unlocking value that lasts beyond a single renewal.

Looking ahead, we see the upcoming renewals as a litmus test of relationship strength. We're committed to growing in the region, and doing so sustainably with a focus on balanced and mutually successful outcomes.

That's why, over the past 15 months, we've doubled the size of our underwriting team at VIG Re in France and also strengthened the local actuarial presence. It's not just a signal of commitment to our markets, it's about making sure we're resourced to be a part of conversations that matter when it comes to finding the right solutions.

> "We see the upcoming renewals as a litmus test of relationship strength."

Ultimately, transparency isn't about being agreeable. It's about clarity that enables a professional engagement, where questions might be "hard" and detailed, but will foster alignment when it really matters.

And in a market that's becoming faster, more complex and less predictable — that's exactly what we need more of. ●

Viktor Faucret is managing director at VIG Re France, and head of non-life treaty Western Europe. He can be contacted at: v.faucret@vig-re.com

RISK

What's under the lens at Monte Carlo?

If one theme is certain to dominate discussions, it is artificial intelligence. In a recent industry poll for *Monte Carlo Today*, nearly 70% of respondents pointed to generative AI in underwriting, modelling and operations as the single biggest talking point for 2025.

That figure puts AI ahead of perennial concerns such as economic and geopolitical instability (48%) and cyber risk (44%).

Closely behind AI, 63% of respondents expect climate losses and secondary perils to drive the agenda. From convective storms in the US to floods in Europe and wildfires breaking out all over the globe, losses in recent years have challenged catastrophe models and stressed balance sheets.

"Secondary perils are no longer secondary," one retrocession broker wrote. "We're seeing mid-sized events hit earnings with the same severity as traditional peak perils. That has big implications for both pricing and portfolio management."

Rate adequacy and capacity were also listed by more than half of respondents, signalling a market that is simultaneously debating pricing fundamentals while preparing for systemic shocks.

KEY POINTS:

- AI tops Monte Carlo agenda
- Cyber risks test resilience
- Parametrics gain momentum

"Pricing remains a moving target," one underwriter said. "Capacity is available, but it's highly selective and comes with conditions. That tension is forcing cedents and reinsurers to revisit what true rate adequacy looks like in today's environment."

Together, the results suggest a sector both embracing technology and wrestling with the breadth of volatility now shaping underwriting strategies.

"We've talked about AI in abstract terms for years, but 2025 feels like a tipping point," another participant noted. "Clients want to know not just whether we can deploy AI responsibly, but whether it will make a measurable difference to underwriting discipline and claims."

The technology debate will not be purely academic; several global reinsurers are already testing generative AI tools to streamline treaty wordings, assess catastrophe scenarios and accelerate bordereaux processing. The question is how quickly, and under what governance structures, such tools can scale.

Cyber, and losses from ransomware and systemic supply-chain attacks, continue to worry underwriters, particularly as adversaries target firms with revenues below $50 million. Capacity for cyber has grown, but reinsurers remain wary of accumulation exposure.

Just behind cyber, 42% of respondents pointed to demand for new reinsurance structures, from parametric covers to captives and fronting solutions, suggesting innovation in risk transfer is no longer optional.

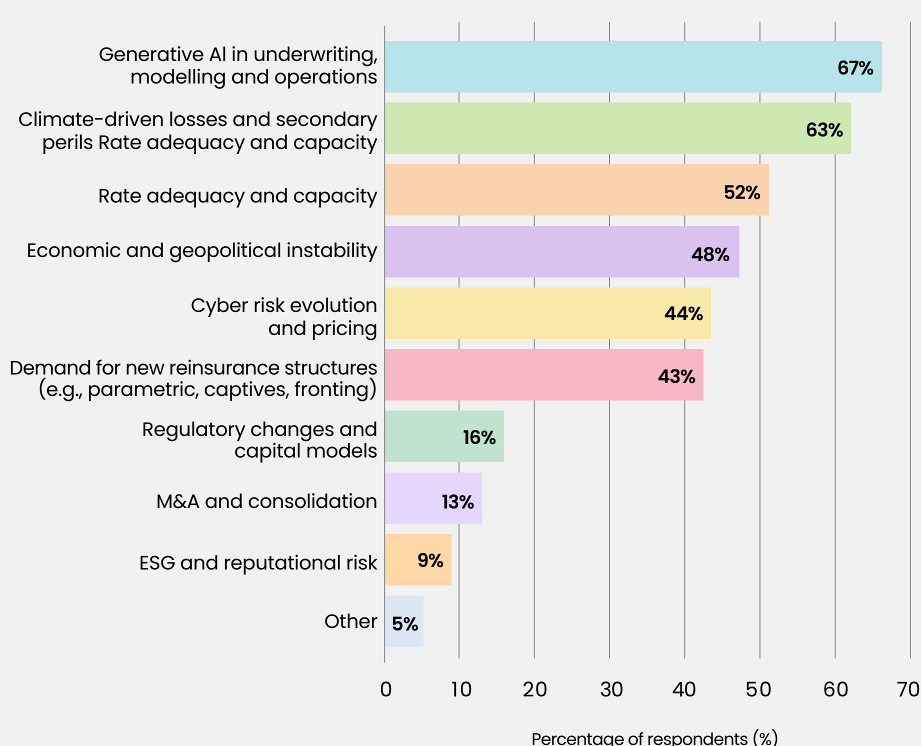
"Cedents are asking how to bring more predictability to protection," one ILS manager commented. "That means parametrics for weather volatility, multi-year covers for cyber and tailored captive solutions. It's about certainty in a world that feels increasingly uncertain."

Other themes appear to be lower on the agenda. Only 13% cited M&A and consolidation as a major talking point, while 16% highlighted regulatory changes and capital models. The relatively low percentages might reflect a market that, for now, is focused on execution rather than structural shifts.

That said, several executives cautioned against dismissing these areas entirely. "If margins come under further pressure, the M&A cycle could return quickly," one respondent wrote. "And regulators are sharpening their focus on AI governance, which will tie back directly to this year's headline theme."

Taken together, the survey results portray a reinsurance sector confronting simultaneous pressures: technological transformation, climate volatility and economic fragility. While no single issue might dominate, the interplay among these topics could define strategy over the next renewal cycle.

As one reinsurer remarked: "Monte Carlo is where narratives begin. This year the narrative will be focused on asking how we adapt faster than the risks evolve." ●



SECONDARY PERILS

Wildfire is not a secondary peril

Wildfire losses are rising fast, but reinsurers still treat it as secondary peril. AXA XL Reinsurance's Jon Gale says it's time to reconsider.

Wildfire has long been part of California's history, but in recent years the plot has taken a darker turn with more destructive, more frequent and far costlier incidents to society.

New research commissioned by AXA XL from the Cambridge Centre for Risk Studies (CCRS) reveals the hazard is worsening; urbanisation is pushing more people into danger zones, more people are choosing to live in the 'Wildland Urban Interface', and recovery after a major event can be slow.

"It's a primary peril in that it can do as much damage as a major hurricane or earthquake, but without the same rigour in modelling" Jonathan Gale, CUO at AXA XL Reinsurance, told *Monte Carlo Today*.

According to the research it is clear that this peril is changing for the worse in terms of hazard, driven by a changing climate and exposure, and the increase in number of structures in high hazard areas. While improved building codes and vegetation management can offset some risks, CCRS's research paints a picture of a hazard and exposure growing faster than mitigation measures can keep up.

Wildfire is a global phenomenon, but California "stands apart". The research completed by CCRS examines how climate change is contributing to the hazard change intersected with the state's rapid urban expansion into fire-prone areas. "The only way to grow these cities, San Diego and Los Angeles in particular, is to grow into hazardous areas," Gale explained. But this creates a difficult trade-off: urban development versus heightened fire risk.

A postcode lottery

The CCRS analysis shows a sharp post-2017 escalation. Compared with the previous 36 years, California has seen a 16-fold increase in area burned, a 15-fold increase in the number of properties damaged, and 50 times the economic loss.

Events such as the 2018 Camp Fire, which destroyed the town of Paradise, left Butte County's GDP 20% lower seven years later, with a lasting population decline. Using satellite night-light data, researchers also found parts of Los Angeles affected by the 2018 Woolsey Fire had not fully recovered after two years. As with most disasters, poorer areas fare comparatively worse than more affluent areas.

KEY POINTS:

- Wildfire should be treated as a primary peril
- Building codes greatly improve s urvival odds
- Reinsurance models underestimate tail risk

"Getting money into a disaster area as soon as the loss happens gives communities a greater chance of getting back on their feet quicker and in a better state," Gale highlighted. Yet in these case studies, the rebuilding and employment didn't materialise.

> "Our industry needs to think about this peril more strategically."

Wildfire combines "the intensity of a tornado" with "a broader footprint and longer duration", and Gale explained that the right building codes could make a big difference. A study cited by CCRS suggests properties built to the California Building Code (CBC) Section 7A and surrounded by well-managed vegetation are almost three times more likely to survive a blaze.

This has a socio-economic angle, too. Poorer communities are often more vulnerable because meeting code requirements and maintaining natural vegetation costs money. Insurance penetration outside of earthquakes is high in California and it will be interesting to contrast the reconstruction of the Eaton and Pallisades fires over time.

Reinsurance blind spots

For Gale, the biggest takeaway for the industry is that wildfire is wrongly labelled. "It's considered, and treated like, a secondary peril, and it's not. It can do as much damage as a major hurricane or earthquake."

Treating wildfire as a secondary peril has consequences, and Gale pointed to exhausted reinsurance programmes in both nationwide and regional contexts, sometimes by a multiple of limit purchased. Not having enough limit puts enormous strain on boards and can result in reinsurance disputes at the very time a client needs the certainty of cover.

The models, he argued, were "deficient in terms of the extent of the extreme or tail risk" and underestimate what could happen in a truly severe event as we have seen in January – which could have been worse. Beyond pricing, Gale worries about the system's ability to deliver on insurance's fundamental role: fast, effective and reformative recovery.

The growth of California's FAIR Plan and the Excess & Surplus market for homeowners signals a retreat from the admitted market. "If your market of last resort is becoming your biggest insurer, it's a sign," he noted.

The CCRS work combines proprietary research using Cal Fire and disaster database records with scientific literature to measure losses and understand the pathways to resilience by tracking post-event economic performance and testing how mitigation measures perform in real-world fires.

For reinsurers meeting at the Rendez-Vous de Septembre, the message from Gale is unambiguous: wildfire needs to be elevated in risk models, priced accordingly and backed by strong mitigation strategies. "Our industry needs to think about this peril more strategically." ●

MARKET

TransRe focuses on what it can control

KEY POINTS:
- Client selection top priority
- Then comes structures
- Pricing third priority

Eyal Shnaps

Market dynamics of supply and demand will almost inevitably determine price; the best carriers will focus on things they can better control: client selection and the structure of deals, including terms and conditions.

That is how Eyal Shnaps, global property portfolio lead at TransRe, describes TransRe's approach in the context of the market continuing to soften. Speaking to *Monte Carlo Today*, he said it is important for reinsurers to focus on what they can control – and to be disciplined in these areas.

"Our number one priority is client selection," he said. "We want to work with long-term partners we can trade with through the cycle. Second, we focus on structure. For example, on cat business, we target mid- to high-end attachment points.

"We're offering a AA+, Berkshire Hathaway-backed balance sheet. Our offerings are relatively less valuable and we don't have the same competitive advantages at lower attachments. Pricing comes third in our priorities. We recognise the market determines the price. It is what it is. It either works or it doesn't."

Gaps filled, rates soften

Shnaps acknowledges the market is softening. The mid-year renewals largely saw a continuation of a trend set out in the January 2025 renewal.

"The trend was pretty similar," he said. "We continued to see new demand. The significant inflation in 2022 to 2024 produced a need for additional reinsurance limit. The market was really hard in 2023 —at that point, new limit was expensive and hard to place. Now, we're seeing our clients continue to fill those gaps in their programmes. Also, in Florida, Citizens has been depopulating, creating a need for reinsurance there. So, demand has been strong.

"There's been a lot of new capacity, too. Balance sheets are strong. We've had a couple of years of solid earnings. ILS capacity has been high. As a result, we saw rates soften by high single digits, maybe 10% for non-loss-impacted programmes. It was less pronounced for loss-hit programmes: we had hurricanes Helene and Milton last year and the wildfires in January."

As a result, there has been a repricing for programmes that were affected, in particular for wildfire. There's been a recalibration exercise taking place for wildfire, he noted. "But overall, there is certainly some softening." But he stressed that should not mean carriers need to lower their own underwriting standards, and compromise on profitability. "That is why we have the priorities we have in the order we have them."

Florida v California

One interesting nuance to the recent renewals has been the contrasting situation in Florida compared with California. The former became a no-go zone for carriers for many years due to its litigious regime and claims inflation. But a raft of regulatory reforms, including abolishing one-way attorney fees and assignment of benefits, have transformed the state.

"It's probably too early to declare victory but in the aftermath of Hurricane Milton we saw far less runaway adjustment expenses and claims inflation. There's clearly an improvement and the market is responding accordingly. Capital is flowing back into the state. You're seeing new startups in Florida. Citizens is de-populating. Those policies are coming back to the voluntary market.

"It's just much healthier and was treated accordingly in the June renewal. It was a lot more orderly. Capacity was there, and there were some rate reductions."

In contrast, California is an increasingly difficult market for reinsurers. Losses have spiralled in recent years, and regulation makes it difficult for carriers to increase rates as required. As such, many have pulled out putting pressure on state-run back up insurance schemes. "The market has been in distress," he said.

There are signs of change in the pipeline. Severe losses from the January wildfires represented something of a wakeup call to regulators. As such, some reforms have already come through. An emergency rate increase has been filed, subject to a public hearing. Insurers can also now use risk models and reinsurance costs as part of their rate filing. "They are overdue; companies want to support California, but changes are needed," he said.

He added that there were also other lessons learned from the fires. An inconsistency emerged between the way wordings were treated by different clients. "We just need clarity," he said. "We're flexible in accommodating the coverage that our clients need, but in order to price this business properly, in order to allocate capacity, we just need to know how these wordings work. Understanding that challenge was something of a silver lining."

Another issue that emerged was undervaluation. He noted this had been a big topic in 2023 and 2024. While progress was made, the fires illustrated there is still work to do. "We've seen losses well in excess of the stated value, covered under a blanket limit. Another concern was the quality of some of the modelling data. In some cases, the data was very old and unreliable."

He also noted that, despite capacity flowing back into the market, reinsurers remain wary. "It doesn't feel like there's any intention to pull back, but the results from 2017 to 2022 are still fresh in people's minds. At a certain point, if the ROE isn't there for property, there is a threshold. Below that point, capacity will pull back."

"We recognise the market is where it is. Price will be determined by the market. We see our job as being consistent partners to our clients. We'll be here. The Berkshire Hathaway balance sheet will be here," he concluded. ●

PLACEMENT

Uniting the reinsurance chain

Cleaner data, earlier engagement and shared platforms could transform reinsurance placements from innovation bottleneck to a competitive advantage.

The placement process in reinsurance has been a patchwork of siloed workflows, duplicated data entry and opaque updates, but the industry is reaching a collaborative tipping point.

This is the view of Supercede's co-founders Ben Rose, president, and Jerad Leigh, CEO, who spoke to *Monte Carlo Today* about entering a new era that will dismantle these inefficiencies.

Cedents, brokers and reinsurers are intentionally breaking down barriers to share cleaner data and speed up deal-making, and as the world's reinsurance leaders gather in Monte Carlo, the conversation is turning from pricing power to data power.

Historically, Rose always saw the broker-reinsurer relationship dominating the agenda and said: "The cedent experience has really come under the limelight. Brokers are now working to give a better service to their cedents, while also responding to demands from reinsurers for earlier engagement and cleaner data."

> "Previously, having very poor data quality was like airing your dirty laundry in public. Now clients recognise the link to better pricing."

This shift is also technological. Where large brokers once built systems primarily for reinsurer engagement, there was "a big glaring gap" in how cedents and brokers worked together, a gap that Supercede can fill.

Leigh noted that reinsurers have long been receptive to this approach. "From the earliest points in our journey, the reinsurers have been the ones crying out for support," he said.

Traditionally at the end of the information chain, reinsurers received submissions "in all manner of formats", but what's changing, Leigh added, is the willingness of cedents and brokers to adopt shared platforms.

As more clients move onto Supercede, a network effect is taking hold: "Most of the large reinsurers are already building integrations into our platform. That makes them easier to work with for cedents and brokers, which in turn adds more value to the reinsurers."

KEY POINTS:

- Shared platforms provide cleaner data and faster placements
- Data quality becomes performance driver
- Tech removes repetitive work, freeing up brokers

Breaking the silence

Data quality, once a taboo subject, is now openly discussed. "Previously, having very poor data quality was like airing your dirty laundry in public," Rose admitted. "Now clients recognise the connection between better data and better pricing."

Reinsurers, frustrated by inefficient submissions, are even making the introductions. "We're still the only company in the tech space that works specifically on reinsurance submission data quality."

Leigh is pragmatic about artificial intelligence. "The idea that AI will transform placements misunderstands what the process actually is," he stated, confident that partnerships and strategic negotiations would remain human-led. Instead, Leigh said: "AI can remove soulless, redundant, repetitive work, such as re-keying and structuring data, so brokers and reinsurers can spend more time solving complex client problems."

Rose sees the volatile world as "a call to arms" for the sector but warned that reinsurance was currently a bottleneck for innovation: "Getting a reinsurance deal done is still very manual and very slow. This means reinsurance that could be bought isn't." By streamlining processes, technology could make the sector "much, much bigger", enabling insurers to respond quickly to emerging risks and support under-served markets.

Beyond 1/1

Supercede's growth plan focuses on expanding its role across the full reinsurance lifecycle, from placement to technical accounting and portfolio management. For Leigh, Monte Carlo itself is the perfect metaphor, with "everyone coalescing into a singular place, working collaboratively with their closest trading partners".

However Rose would like the market to think beyond the 1 January renewal rush. "First of January is when contracts begin, and when the real work starts," he said.

Back-office teams depend on accurate placement data for regulatory reporting, modelling and capital management, yet for too often, they wait months for incomplete documentation. Rose's vision is a more integrated, Formula 1-style approach. "Not racing in silos, but with a very high-tech approach where you're on the radio to your team in the pit, and lots of very closely coordinated collaboration is happening between both the front of house and the back of house at any time."

> "AI can remove soulless, redundant, repetitive work so brokers and reinsurers can spend more time solving complex client problems."

For Leigh, the central theme is also an intentional shift towards collaboration. "In any one transaction there are 70 counterparties, each re-keying the same data into their own systems repeatedly. Now we're seeing the industry lean towards asking where the information lives and can it be shared."

"This intentional exchange between parties is growing, and it's a trend we want to accelerate. ●

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Risk rewrites reinsurer-broker dynamic

In the context of softening market conditions and rapid technological advancements, three executives joined an *Intelligent Insurer* inner circle business briefing to debate the changing nature of the reinsurer-broker relationship.

KEY POINTS:

- Brokers now strategic advisers
- Personal relationships still key
- Investments should be strategic

Relationships remain important, but brokers are increasingly performing the role of consultants and advisers to their clients, using data and technology to add value. In a market that is softening, these skills can set clients apart, meaning a better deal from their reinsurers.

That was one of the takeaways from an inner circle discussion held in Monte Carlo on Sunday September 7 hosted by *Intelligent Insurer*. The debate, called 'Partners in risk: redefining reinsurer-broker relationships for a new era of volatility' comprised: Alfonso Valera, CEO of international, Aon Reinsurance Solutions; Tom Spier, chief commercial officer, Supercede and Vincent Foucart, managing director, reinsurance, Miller.

The executives started by considering how the nature of the reinsurer-broker relationship shifts and evolves in a market that they agreed was broadly softening – though not yet soft, such was the correction that took place three years ago.

With the exception of US casualty, most lines are seeing single-digit decreases.

> “Demand is steadily increasing as insurers look to manage growing volatility.”
>
> Alfonso Valera

Relationship first

Valera acknowledged clients will also look to their broker for the best deal and the best advice. He acknowledged the dynamic has shifted since the market rapidly hardened three years ago. Back then, there were some unhappy cedants, such was the extent to which the market tightened. Now reinsurers are more likely to be the unhappy ones.

But the Aon executive also made the point that reinsurance is valued and needed now – and the best deals are those where all parties are content. Demand is steadily increasing as insurers look to manage growing volatility. He notes that has not always been the case. Also, the role of the broker is more important than ever – the amount of business placed directly has diminished. He suggested this was because of scale, but also the analytics and advice brokers now offer.

But the executives also acknowledged the importance of long-term relationships in this business. Foucart noted that cedants acknowledge reinsurers need to deliver profits long term and certainly cover their cost of capital. This was not the case before the market corrected. He said that most cedants have that long-term perspective.

IN ATTENDANCE

Vincent Foucart, managing director, reinsurance, Miller

Tom Spier, chief commercial officer, Supercede

Alfonso Valera, CEO of international, Aon Reinsurance Solutions

Not created equal

Spier agreed that the role of the broker has grown in importance, partly because of the availability of data and analytics. A sophisticated third party is best placed to offer good advice – and get the best deal for clients.

He stressed rate softening is not uniform. Clients with a better loss history, where their business is presented to reinsurers in a very accurate and positive manner, are getting better deals. Some might get double-digit rate reductions, for example. Reinsurers want clarity and speed from brokers – and those able to deliver that will stand apart.

Foucart agreed that the word differentiation was important in this market. He described the cycle as almost inevitable – it is a question of how carriers adjust and how a broker can differentiate its clients to get the best outcome.

The executives also discussed the detail of how brokers can use technology and analytics to set themselves apart – and add value to clients. They made the point that brokers have come to the fore in offering such advice. Historically, the larger reinsurers might have performed this service for clients. Now it is almost exclusively brokers that do this.

But Spier noted a great nuance between how brokers go about doing this. He said it helps to be specific about what services they offer and exactly how these add value. He said the smartest brokers are strategic and selective in how and where they invest in technology – generally only doing so in a very focused way that clearly adds value to their offering. It is possible to try to invest in too many things, which can distract from the core goal.

Invest with care

The executives also agreed any such investment is only as good as the available data, which is often of poor quality. Again, this is an area where the best brokers can set themselves apart by helping clients access the best-quality data and leverage it to make better decisions.

However, for all the analytics and technology now available and used by brokers, they all acknowledged the importance of personal relationships in this business, a sentiment perhaps reinforced by the discussion taking place at the Monte Carlo Rendez-Vous, where thousands of face-to-face meetings take place this week.

The reality is that clients want both, the executives agreed: a personal relationship based on trust and access to the very best technology and analytical tools, which can help all parties reach better decisions. Brokers that fail to acknowledge and invest in this area will become decreasingly relevant, they agreed.

Valera described the best relationship between client, broker and reinsurer as symbiotic – everyone benefits if the broker is doing the job well. Foucart added that brokers are strategic advisers first and foremost in this context.

Spier noted that, as the market softens, both soft relationship-driven skills and analytics and data will be needed to help clients differentiate themselves – and strike the best and most appropriate deals for their unique risk appetite. ●

MARKET CONDITIONS

Softening market triggers M&A: Fitch

The insurance sector is set for more consolidation as organic growth stalls in a softening market, ratings agency Fitch Ratings told attendees at a press conference at the Monte Carlo Rendez-Vous.

"We do expect that there will be some consolidation to come in the industry," said Fitch Ratings senior director Brian Schneider, speaking yesterday.

Referring to Japanese insurer Sompo buying Aspen for $3.5 billion last month, Schneider said that "it speaks to the fact that that organic growth is difficult".

Fitch Ratings director Manuel Arrive, presenting Fitch's Global Reinsurance Outlook 2026, agreed. "We will see more M&A coming into the European market. As organic growth becomes more difficult, we will see companies turn to acquisition," he said.

Overall, Fitch sees a "deteriorating" and softening market. Claim costs are rising due to increased natural catastrophe claims and higher overall inflation due to the impact of tariffs. Social inflation and so-called "nuclear" verdicts continue to be a concern.

> "We are seeing a moderate decline… it's clear we have passed the peak of the reinsurance market."
>
> Brian Schneider, Fitch Ratings

Natural catastrophe alone cost the industry more than $80 billion in insured losses in the first half of 2025, driven by the Los Angeles wildfires and severe convective storms in the US. Happily for reinsurers, most of these losses will be shouldered by primary insurers.

"The best days are behind us," said Arrive. "We are seeing a moderate decline from peak conditions… it's clear that we have passed the peak of the reinsurance market."

And, barring a large natural catastrophe, Fitch does not see the market hardening any time soon.

The reinsurance market is awash with capital right now, Fitch explained. The total war chest available to reinsurers now stands at $614 billion, of which $121 billion has come from alternative capital by the end of Q2. But traditional reinsurance capital continues to dominate, accounting for 84% of available funds.

Overall, reinsurers' average combined ratio will deteriorate in 2026 from 92.8% this year to an estimated 93.2%. ●

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CAT BONDS

Munich Re declaws boom in cat bonds

Munich Re has poured cold water on an overheated catastrophe bond market, saying it does nothing to address the underinsured protection gap.

"Every day we see headlines about the growth of the cat bond market," said Munich Re board of management member Stefan Golling, speaking at a presentation in Monte Carlo yesterday. "Cat bonds won't do anything to help with the protection gap."

He said one of the greatest problems facing the industry is the 60% protection gap in emerging markets, which cat bonds do nothing to address. "We have not seen that the cat bond market has any appetite for emerging markets, as they are just interested in peak peril exposure and not smaller perils."

He also pointed out that Munich Re alone provides more reinsurance capital alone than the entire cat bond market.

Golling was similarly sceptical about the widely reported resurgence in aggregate reinsurance.

> "We have not seen that the cat bond market has any appetite for emerging markets."
>
> Stefan Golling, Munich Re

"I read there was a 50% increase in aggregate covers, which means that it must have increased from two to three," he joked.

Speaking at a Munich Re presentation on the state of the reinsurance market, he issued a call to arms to the rest of the industry to grow the cyber market.

The threat posed by cyber risks is also constantly growing, Munich Re said. Despite hefty losses worldwide, dependence on critical supply chains and an increasing perception of risk among decision-makers, they still often put off taking out insurance.

However, Munich Re still expects the cyber market to continue to grow, with premiums doubling to around $30 billion by 2030.

As for Munich Re itself, it has a 10-11% share of the cyber market, with the firm's medium-term focus on "the strategic expansion of a well-diversified, profitable portfolio with a selective risk appetite and a focus on small and medium-sized companies".

Munich Re also confirmed it has no appetite to re-enter the US casualty market, despite the reforms which have taken place. ●

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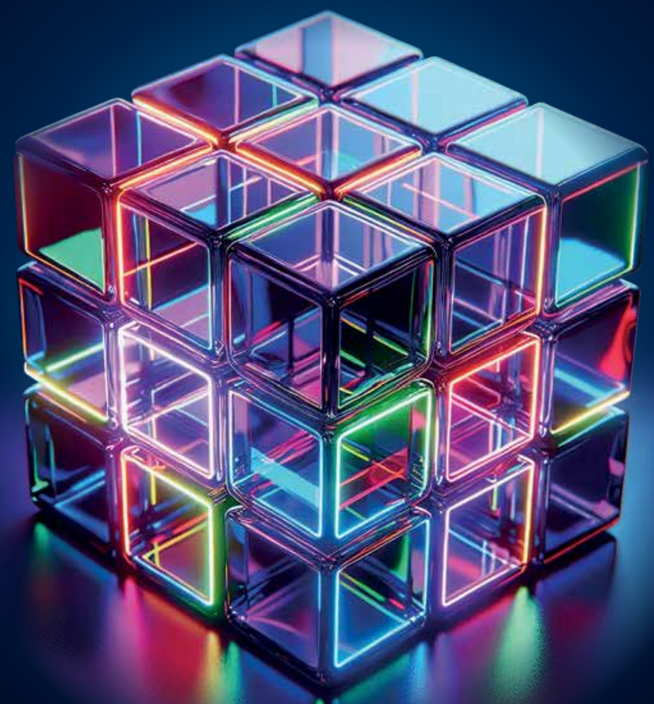

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ALTERNATIVE CAPITAL

Cat bonds drive record alt cap year

This year is shaping up to be a record year for the alternative capital market, primarily driven by a surge in appetite for cat bonds.

That's according to S&P credit analyst Maren Josefs, speaking yesterday at the ratings agency's 2025 briefing at the Monte Carlo Rendez-Vous.

Quoting figures from Aon, she told the audience the market is now estimated at $121 billion, up from $115 billion last year and around $90 billion five years ago.

Of this, around $55 billion is on the cat bond side, $17 billion on sidecars, $5-7 billion on ILWs and just over $40 billion on collateralised reinsurance and other structures.

"If we take a look at where a lot of the growth is coming from, the main story is on the cat bond market," she said.

After breaking records in 2023 and 2024, Josefs said that 2025 has been a record year, with issuance in the first six months of this year at $18 billion – equal to the total issuance in the whole 12 months of last year.

With upcoming maturities she predicted the market will break the $20 billion mark by the end of the year.

Josefs said that the growth has been fuelled by both supply and demand dynamics.

> "On the demand side, the need for risk transfer has been increasing."
>
> Maren Josefs, S&P credit analyst

"On the demand side, the need for risk transfer has been increasing. Total insured values are going up, pushed by inflation, urbanisation and climate variability," she said.

"The capital requirements of insurance and reinsurance companies have been increasing, and therefore more and more are turning to the cat bond market to complement their existing reinsurance and insurance programmes," she explained.

Other factors driving the appeal of cat bonds are the ability to diversify your panel of capital providers and often lock in a price over a multi-year period.

And from an investor standpoint, Josefs explained currently there is also great appetite.

"On the supply side, pricing is attractive. ILS is offering attractive returns to investors, but it's also providing a significant source of diversification in an investment portfolio," she said.

She highlighted that the value of diversification in investment portfolios is enhanced around severe economic events, such as the housing crash or the pandemic, as well as the current volatility caused by US tariffs. ●

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RISK MODELLING

SCS were never 'secondary': KCC's Clark

KEY POINTS:

- High-resolution modelling key to value
- Wildfires and SCS reshape risk
- AI can be leveraged for future projections

Wildfires are increasing in frequency and severity, pushing demand for reinsurance on specific perils, especially severe convective storms, beyond current supply. Many in the market are revisiting the "secondary peril" label. Karen Clark isn't.

"When KCC started out, severe convective storms (SCS) were never secondary perils to us; they've always been primary perils," the KCC founder told *Monte Carlo Today*. "Over the past couple of years, reinsurers have been insisting that primary insurers raise their attention so that they don't get a lot of the SCS exposure in the lower layers."

Reflecting on 20 years since Hurricane Katrina, Clark stressed the importance of accurate and detailed exposure data. "With Katrina, there was insufficient information on the exact locations of the properties and what their values were, particularly with commercial properties.

"Before Hurricane Andrew, reinsurers weren't even getting exposures, they were just getting premiums. And there was a lot of emphasis on residential properties between Andrew and Katrina, but at the time of Katrina, I think there was a lot more commercial damage than insurers may have expected, and a lot of the surprise was because of this lack of data quality."

To provide modelling to support more accurate coverage, KCC has leveraged the power of technology, including AI and machine learning, to provide daily data at a more in-depth level than ever before. "Now the KCC storm surge model operates at 30-metre resolution, and the models simulate millions of potential future events. For this, you need a lot of computing power! We had to build our modelling infrastructure to be fast and accurate. That's a challenge," Clark shared.

"It's actually what got me back into modelling, as I found challenges in the industry were not being met by some traditional models," she said. "These challenges were not just from a scientific perspective, but from a software and an application perspective. We've had to make sure that we are harnessing all the newest capabilities in computing as well as the latest scientific advancements."

> "We've been applying AI and machine learning with large databases of high-resolution winds to model accurately at the location level."

With this technology, KCC were able to predict $30-$40 billion wildfire losses before the LA wildfire events earlier this year. Clark explained that what is often overlooked with modelling wildfire losses is the wind conditions.

Clark said: "Our scientists have put a lot of investment and research into modelling the winds, which you may not think about with wildfires. You think about vegetation, topography, soil moisture, but the winds are also very important. With the LA wildfires, winds were gusting above hurricane force, which makes suppression almost impossible.

"This is where we've been applying AI and machine learning with large databases of high-resolution winds to model accurately at the location level."

"I think the main point as to why our model was capturing these large loss events before the other models is that we had a much better handle on how the winds would impact fire spread and suppression activities," she added. ●

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