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Lloyd's eyes growth across North America but warns on margin


Marc Lipman

AS RISKS BECOME INCREASINGLY COMPLEX and interconnected, Lloyd's sees significant opportunities to expand its already substantial presence in North America. But with insurance rates declining and margins tightening, the market is also determined to retain underwriting discipline.

That is the message from Marc Lipman, president, Americas at Lloyd's, who believes demand for specialist underwriting expertise and innovative risk-transfer solutions will continue to grow across the region.

North America already accounts for a substantial part of Lloyd's business; the US represents some 50% and Canada another 6–7%, according to Lipman. "It's an incredibly important region. It will continue to be an area for key growth for Lloyd's," he told *APCIA Today*. "The demand for specialist underwriting and expertise, for innovative risk solutions, 3

DATA CENTRES: big opportunity but beware of exposures and risks


Matt Junge

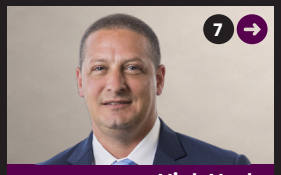
AS REINSURERS NAVIGATE AN INCREASINGLY competitive market driven by new capacity and an ever more complex risk environment, they must not lose sight of opportunities. The roll-out of data centres will require substantial new capacity – while evolving risks also require solutions and offer innovative carriers a chance to thrive.

That is the view of Matt Junge, underwriting team leader focused on Swiss Re's largest property placements in the US. "The market is more competitive, but the protection needs [of clients] keep growing as catastrophe exposures, emerging risks and business interconnections increase," he told *APCIA Today*.

He suggests that cumulative data centre investment is expected to exceed $6 trillion by 2030, with a related global insurance 4

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COVER STORY

Lloyd's eyes growth but sounds warning

1 that's all growing. It plays well into Lloyd's strengths." Lloyd's reported £34.7 billion of global gross written premiums in the first half of 2026 and £57.9 billion for the whole of 2025. It also pays an average of $14 billion annually in US claims and provided more than $21 billion in excess and surplus (E&S) lines capacity in 2025 – some 16% of the total E&S sector.

Lipman believes its combination of specialist expertise, global capital and flexibility gives Lloyd's considerable scope for further expansion.

"There's lots of runway still in North America for Lloyd's – but we're not interested in growth for growth's sake. It must be sustainable. It must be profitable growth. That will become more challenging, but Lloyd's will certainly get its share if we continue to do the core things properly."

KEY POINTS:

- Lloyd's eyes North America growth
- Underwriting discipline critical
- Consortium model may expand

> "The demand for specialist underwriting and expertise, for innovative risk solutions, that's all growing. It plays well into Lloyd's strengths."

Emerging risks, opportunities

Lipman identified cyber, artificial intelligence (AI), energy infrastructure, defence and data centres as areas where Lloyd's could expand its North American business. He described data centres as particularly interesting because the opportunity extends well beyond insuring the facilities themselves.

"There are so many ancillary classes of business [around data centres] where we already have a ton of expertise at Lloyd's," he said. "It means we don't have to rush in and find capacity for specific technology; many of these risks are actually around construction and environmental, supply chain, property and marine."

Lipman also sees opportunities in energy generation, including small nuclear reactors, as well as in the defence industry.

These ambitions align with Lloyd's five-year strategy, launched in March, which emphasises underwriting excellence, capital efficiency and creating a more flexible marketplace. For North America, Lipman believes making Lloyd's attractive to what he calls "innovative" US capital will be particularly important.

Despite these opportunities, Lipman acknowledged that market conditions are becoming more challenging. Lloyd's reported a combined ratio of 90.8% for the first half of 2026, compared with 92.5% a year earlier. However, risk-adjusted rates across the market declined by 6.7%, underlining the pressure on future profitability.

"Rates are declining. There's no doubt about it. And margins are tightening. That means the environment's less forgiving and there's less margin for error," he said.

He stressed that strong underwriting results should not encourage complacency. "There's always an opportunity for growth. What's challenging is to make sure that growth remains profitable and sustainable.

"We had strong numbers coming out of the first half of the year, and the message has simply been under no circumstances should that be seen as an excuse for complacency."

Lloyd's is working closely with syndicates during the business planning process to understand how underwriting strategies are adapting to changing conditions. Rather than simply approving or rejecting plans, Lipman said the process has become more collaborative, allowing Lloyd's to suggest to some managing agents that they adjust their approach.

Consolidate around profit set

He also made clear that reducing growth ambitions is entirely acceptable where market conditions justify it. "There won't be any pushback on a business plan that says, given the circumstances, we're curtailing growth targets and looking to just consolidate around profitable lines. That is absolutely an acceptable message."

He summarised the market's philosophy with a phrase increasingly used by Lloyd's leadership: "We aren't risk off, but we are risk aware."

Natural catastrophe exposures remain another important area for Lloyd's in North America, particularly as severe convective storms (SCS) and wildfires become increasingly significant sources of insured losses.

Lipman argued that such risks can no longer be described as secondary perils. "They're not secondary any more because the loss totals that come out of those in the US these days are greater than the hurricane exposures," he said.

Lloyd's has already incorporated many of these perils into its market-wide catastrophe modelling and aggregation assessments. But Lipman believes the response must involve more than simply deploying additional capacity.

Innovation, particularly through the Lloyd's Lab, is helping insurers identify risks that can be written sustainably in areas previously considered too hazardous. He explained that improved analytics can distinguish between individual properties rather than treating entire locations as uninsurable.

"Where an insurer may have stopped underwriting in a particular area or postal code, our analytics can offer a more nuanced view. It may be that there's a whole host of properties in an area that remain insurable on a sustainable basis. Every time we can claw back what was uninsurable and make it insurable again, that's a big win for us."

Lloyd's is also exploring new ways to make its capacity more accessible to North American brokers and clients. Its new service company consortium model in Canada allows multiple managing agents to combine capacity behind a single local service company, potentially offering larger lines and broader underwriting appetite.

"It's the best of both worlds of having the expertise and the capacity in London, but also having local market knowledge and intelligence," Lipman said. He believes the model could eventually be replicated elsewhere, particularly in Latin America.

Looking towards 2027, Lipman wants Lloyd's to communicate more effectively the role it already plays in supporting North American businesses and helping communities recover from major losses. "We've been part of the economic fabric of the US for over 125 years now," he said.

"We're there when the worst events happen, when natural catastrophes occur. And the Lloyd's market underwrites the kind of complex and evolving risks that most other carriers either are unwilling or unable to underwrite."

PROPERTY

Data centres: big opportunity and risk

premium opportunity of $91 billion – a once-in-a-career growth opportunity for most executives.

"AI infrastructure offers substantial insurance growth, alongside new concentrations of property risk," he said. Swiss Re Institute estimates that more than a quarter of US data centre capacity could be in areas with at least three large-hail days annually, and more than 40% in significant tornado-risk areas, he notes.

"Individual projects can cost more than $20 billion before technology is installed. Concentrated values, catastrophe exposure and dependencies on power, cooling, water and technology increase business interruption risk. We can support this critical infrastructure through detailed exposure analysis, engineering expertise and disciplined accumulation management.

"Growing demand for power generation and supporting energy infrastructure also creates opportunities for property insurers, alongside new exposures involving equipment breakdown, business interruption and interconnected operations."

Competitive forces

But property underwriters also face challenges. Capital is plentiful, but catastrophe exposures, rising asset values and interconnected operations continue to increase potential losses. Equally, geopolitical uncertainty and inflation can raise rebuilding costs.

"Managing accumulations, whether it be for a regional personal lines carrier or a global complex property insurer, is more critical than ever," Junge said. "Underwriters must keep pricing, terms and capacity aligned with risk. Strong technical fundamentals, reliable data and experienced judgement are essential throughout the cycle."

He is wary of broad-brush statements about market conditions. Instead, he highlights the nuances between different risks – and the importance of risk selection and discipline. He also notes that Swiss Re Institute estimates insured natural catastrophe losses are rising 5–7% annually over the long term – highlighting the growing underlying risk.

"The market is more competitive, supported by strong capital and improved profitability, but there is no single cycle," he said. "Conditions differ by geography, loss experience and individual risk. Pricing is adjusting from historically strong levels, creating client opportunities. Yet catastrophe exposure remains elevated."

KEY POINTS:

- Opportunity in data centres
- No single cycle in property
- Human judgement still key

> "Managing accumulations, whether it be for a regional personal lines carrier or a global complex property insurer, is more critical than ever."

He said good discipline means unbiased technical pricing, careful risk selection, maintaining appropriate terms and portfolio quality. "We've navigated cycles before and remain committed to supporting our clients through the cycle."

Secondary no more

But property underwriters also face another set of challenges. Changing natural catastrophe patterns, including the growing impact of secondary perils, is inevitably influencing the way carriers assess and price large property risks.

Junge describes secondary perils as now central to property underwriting. Severe convective storms (SCS), wildfires and floods are lifting baseline losses, yet major hurricane and earthquake risks persist. Swiss Re Institute reports that secondary perils accounted for 92% of global insured natural catastrophe losses in 2025. Severe convective storms alone caused $51 billion in insured losses.

"We assess hail, tornado, wildfire and flood exposures in each of our portfolios. We're investing in the next generation of tools to evaluate secondary perils, as well as manage accumulations," he said. "Rising losses also reflect exposure growth, higher asset values and development in hazard-prone areas, not weather changes alone.

> "The market is more competitive, supported by strong capital and improved profitability, but there is no single cycle."

"We combine catastrophe models, exposure data, engineering and underwriting judgement, with emphasis on mitigation and resilience to manage both event likelihood and loss severity."

Meanwhile, advances in catastrophe modelling, data analytics and AI are also changing property underwriting. They enhance a carrier's ability to assess portfolios, detect concentrations and understand portfolios. Yet Junge is keen to stress the importance of human judgement.

"Models depend on sound data and assumptions. Uncertainty remains, especially for secondary perils and emerging risks with limited loss histories. Improvements in data quality should reflect more accurate model results, but insurers need to be confident in the source of their data and that it's fit for a specific use.

"Experienced underwriters interpret the results, assess operations, maintenance and risk management and judge how portfolios may perform under stress. At Swiss Re, AI amplifies human expertise; judgement and accountability remain essential."

Against this complex backdrop, he said Swiss Re finds profitable growth where increasing protection needs meet strong risk management and risk-adequate pricing. "Digital infrastructure, higher asset values and natural catastrophe exposure all create demand.

"Our value goes beyond capacity. We bring data, underwriting expertise and risk insights to our partners and collaborate with clients on tailored solutions."

As the industry rapidly approaches another year-end renewal, his message is clear: "The market is more competitive, but protection needs keep growing as catastrophe exposures, emerging risks and business interconnections increase.

"Clients need more than capacity. We have the expertise and capacity to do more business where the economics are attractive, making decisions client by client and risk by risk. We've navigated cycles before. Our underwriters are here to do business and support clients throughout the cycle." ●

ARTIFICIAL INTELLIGENCE

Embedding AI can unlock capacity: mea

Insurers often struggle to move AI projects past the trial stage. Julie McKenna explains how focusing on workflow integration and routine administration creates practical capacity.



Commercial underwriters spend too much time on basic clerical tasks, pulling figures from complex submission documents and typing details into separate systems before pricing a risk. This administrative burden delays quotes, strains broker relationships and cuts into the time technical specialists need for risk assessment. And this manual state persists despite decades of "core system modernisations" and other innovations purported to alleviate this burden.

But there is another way. Tackling this unnecessary workload should be the starting point for automation, Julie McKenna, vice-president of sales for North America at mea Platform, told *APCIA Today*.

"The biggest priorities are improving operational efficiency, accelerating decision-making and enhancing the customer and broker experience," she said, adding: "Finally, with AI systems, we have technology that has caught up to the industry's needs."

KEY POINTS:

- Embed AI into live workflows
- Calibrate automation to risk
- Avoid long-term tech lock-in

> "The winners in AI won't necessarily be those with access to the most technology. They'll be organisations that combine the right data, domain expertise and operational discipline to turn AI into sustainable business value."

Escaping the pilot trap

Yet turning that ambition into working software is where the industry frequently struggles. Many insurers remain caught in a cycle of trials that never reach production, which McKenna said comes down to operational focus.

"There is rarely a lack of ideas. The real challenge is prioritisation of those use cases," she said.

She recommends organisations be selective and identify opportunities that are technically feasible, operationally practical and capable of delivering a clear ROI. "The most successful insurers, brokers and MGAs focus on a small number of high-value use cases where AI can create measurable improvements and build from there."

Live deployment also does not require insurers to dismantle existing IT architecture. McKenna says software should complement legacy technology. "We don't see it as a build-versus-buy decision," she said. "The most successful AI strategies combine internal expertise with proven external capabilities. mea is designed to complement existing technologies ... we work alongside internal teams as a technology partner."

That distinction between a partner and a vendor matters more with AI than with any previous tech wave, McKenna argues. "A vendor delivers software and leaves the insurer to work out what it means for their operation."

This is the fastest-moving technology the industry has ever seen, and the real question for insurers is who will keep them at the front of it and help them navigate what it means for their operations.

She said: "They want a team with the insurance expertise to help find where their operation is constrained, solve the bottlenecks and commit to work with them on where to move next for the highest return. That is what differentiates a vendor from a strategic partner."

Integrating into operations

Operating inside live workflows requires technology built specifically for the sector, with AI that understands the technical phrasing and complex layouts common to commercial cover.

"A domain-specific language model like ours understands the insurance context natively, which improves accuracy, reduces hallucinations and accelerates deployment." But, insurance-specific does not mean insurance alone.

To avoid technology lock-in as foundation models evolve, mea's architecture integrates directly with large-scale hyperscaler systems, including Anthropic, OpenAI and Microsoft Copilot.

In one live deployment, she explained, an insurer embedded the technology directly into its underwriting workflow to extract and interpret complex documents. The integration resulted in faster processing, improved data consistency and reduced manual effort. This gave underwriting teams additional capacity to assess risk and focus on customer engagement during peak renewal periods.

"The key lesson is that the business value comes from embedding AI into operational workflows, as well as generating insights," McKenna said.

Oversight can also be tailored to the risk. Rather than apply blanket rules across an entire portfolio, insurers can decide where underwriters need to intervene.

"If they want human-in-the-loop, we'll work with them to do that at the right times based on their guidelines," McKenna said. "But on the other end of the spectrum, if they want to enable straight-through processing for cyber, for instance, we'll enable that." Underwriters step in only when the system flags exceptions based on triage guidelines.

Turning AI into a commercial asset depends on execution, McKenna said. "The winners in AI won't necessarily be those with access to the most technology. They'll be the organisations that combine the right data, the right domain expertise and operational discipline to turn AI into sustainable business value." ●

Julie McKenna is vice-president of sales, North America, at mea Platform. She can be contacted at julie.mckenna@meaplatform.com.

RATINGS

Multiple tests ahead for the US market

Counterparty credit quality, collateral adequacy and delegated underwriting controls are key considerations in assessing the financial strength of US insurers, reinsurers and managing general agents (MGAs), as alternative capital and third-party reinsurance arrangements reshape how underwriting risk is transferred.

Jackie Lentz, senior director at AM Best, told *APCIA Today* the increasing use of alternative capital and third-party reinsurance structures shifts the risks insurers face from retained underwriting exposure towards counterparty and recoverability risk. The quality and enforceability of collateral become particularly important when a material share of premium is ceded to non-traditional or unrated reinsurers.

Lentz said the quality, funding and legal enforceability of collateral are essential in these arrangements. "Counterparty credit quality and operational reliability could also affect liquidity, claims-paying ability and a capacity provider's resilience under adverse conditions, Lentz said.

"Timely receipt of reinsurance recoverables is critical to capital adequacy when insurers depend on external partners, making the reliability of risk transfer an important consideration in assessing financial strength," she added.

Reliability of reinsurance

For fronting carriers, AM Best's ratings assessment under its Best's Credit Rating Methodology focuses on risk-adjusted capitalisation, governance and risk management, underwriting discipline, data transparency and the reliability of reinsurance protection.

Lentz said fronting carriers must demonstrate capital strength, robust oversight of delegated underwriting and diversified, high-quality reinsurance panels. Where underwriting, claims management and capital provision are spread across several parties, fragmented responsibilities can increase operational complexity and weaken accountability.

KEY POINTS:

- Alternative capital shifts risks
- Fragmented roles increase risk
- Data integrity now key for MGAs

> "In this environment, alignment of incentives and strong governance frameworks are essential to mitigating credit and operational risks."

Lentz identified reliance on a single reinsurer, inadequate collateral, rapid premium growth and weak claims oversight as potential sources of strain, adverse development and subsequent rating pressure.

"Risks arise when responsibilities are fragmented across various partners and thinly capitalised reinsurers, creating operational complexity and weakening accountability," she said. "In this environment, alignment of incentives and strong governance frameworks are essential to mitigating credit and operational risks."

The sustainability of MGA growth is another key consideration, particularly where programmes depend on external capacity providers and delegated underwriting arrangements.

Lentz said sustainable growth was supported by disciplined underwriting, high-quality and timely data, strong claims oversight, diversified premium flows and the ability to replace capacity providers without disrupting operations.

"MGAs that invest in actuarial capabilities, maintain clear authority limits and provide transparent risk registers and exposure data enable carriers and reinsurers to monitor performance and respond early when operating results deteriorate," Lentz noted.

Premium concentration can also increase vulnerability, particularly where an MGA depends on a single reinsurer, a narrow class of business, one geographical market or a single distribution channel.

Lentz said resilient delegated underwriting authority enterprises (DUAEs) demonstrate multi-year profitability, stable capacity relationships, operational controls and robust governance and compliance frameworks.

By contrast, weaker programmes might depend on aggressive growth, inconsistent data or outsourced claims functions with limited oversight. These weaknesses can make it harder for capacity providers to identify deteriorating performance and manage exposures.

Lentz said: "Ultimately, delegated underwriting controls, data integrity, claims management and consistent capacity providers are essential to distinguishing durable programme business from models that can rapidly become credit rating concerns." ●

CATASTROPHE

Property cat reinsurance prices predicted to fall by double digits

Property catastrophe reinsurance prices are predicted to fall by double digits at the January 2027 renewals, as below-average catastrophe losses add to pricing pressure.

In its Love Actuary research note, JP Morgan estimates global insured natural catastrophe losses at about $18 billion in Q3, against a 10-year average of $45 billion. It puts year-to-date losses at about $70 billion, against an estimated full-year total of $140 billion. Losses were driven primarily by severe convective storms and other mid-sized events, rather than a single major catastrophe. JP Morgan expects European reinsurers' catastrophe costs to come in below quarterly budgets, as none of the quarter's events is expected to generate a major standalone reinsurance loss.

The Atlantic had recorded eight named storms and no hurricanes by early October, against typical totals of 11 named storms and five hurricanes by that point. JP Morgan attributes the subdued activity to El Niño but cautions that October can still produce significant losses.

JP Morgan's reinsurance average return on equity is forecast to fall from 19.6% in 2026 to 17.5% in 2027. ●

TRENDS

Casualty's cautious comeback

Reinsurance capacity is returning to US casualty, but social inflation, nuclear verdicts, uneven tort-reform landscape, and rate adequacy continue to shape disciplined deployment, while international markets are seeing broader competition.



US casualty buyers are heading into the January 1 renewals with a greater range of risk transfer options, after a slow but steady return of traditional reinsurance and insurance-linked securities capital to the sector. This is the view of Nick Nudo, Aon's Reinsurance Solutions senior managing director and US head of casualty, who says that the additional supply has created a stable to slightly improved market over the past 12 to 18 months – although liability pressures continue to limit the pace of change.

Nudo notes that years of compounded primary rate increases, tighter terms, and portfolio re-underwriting have improved the underlying business and made the casualty class more attractive to capital providers. Some reinsurers are also turning towards long-tail classes as conditions soften in property catastrophe, while others want to support casualty as part of broader relationships with important clients.

"I think there is a sizeable segment of reinsurers and alternative capital providers that are looking at the US casualty market because they now see it as a profitable space.

However, while there is 'a great deal of capital returning to the sector', Nudo highlights that liability issues are tempering enthusiasm to a certain extent.

"Persistent social inflation, nuclear verdicts and an improved but uneven tort-reform landscape have meant that returning capital is being deployed cautiously," he says. "Reinsurers are competing more actively, but continue to differentiate sharply between cedants and portfolios," he said.

Capital returns, caution remains

The casualty capital influx has produced only moderate improvements to reinsurance terms as reinsurers are still cognisant of the US legal environment. Florida, Georgia and Louisiana have introduced reforms, while New York is considering changes, but Nudo said these remained state initiatives. "Insurers and reinsurers welcome these reforms," says Nudo. "But it's not federal reform – it's still very state-specific and capital providers want to see the reform proved out."

KEY POINTS:

- Improved US performance draws capacity
- US reinsurers remain selective
- Growing supply widens global competition

> "There is a sizeable segment of reinsurers and capital providers that have come back to the US casualty market because they see it as a profitable space and want to partner more holistically with clients."

The difficult tort environment constrains capacity and reinforces pricing and underwriting discipline, furthering a firm US casualty market.

"The US legal environment is clearly not in insurers' or reinsurers' favour," he continues. "This dynamic rewards insurers and reinsurers being conservative with their capacity and making sure the terms are right. This environment also keeps buyer demand for casualty reinsurance high."

He nevertheless expects US casualty to remain attractive, despite reports that rates in some pockets are not keeping pace with loss trends.

Nudo said Aon's analysis of underlying business within reinsurance placements showed improved profitability at each renewal period in aggregate, which he regarded as evidence that the industry at large is moving in the right direction. Reinsurers were responding by expanding capacity especially with the most profitable cedants, as opposed to taking a market-wide approach.

"Reinsurers are recognising underlying improvements and beginning to expand in this space with those they want to do business with. There's a lot more competition in the market, but most actors are still pretty responsible and conservative in their capital deployment."

International competition broadens

At the same time, international casualty buyers are also approaching 1/1 from a stronger position. New entrants and existing reinsurers pursuing growth have increased their capital supply, while favourable loss development, portfolio repositioning and the diversification offered by international business have supported appetite.

Competition is broadening across a wider range of business as reinsurers pursue different growth and portfolio objectives. Capacity is coming from both new carriers and established markets looking to expand, giving buyers access to a broader set of potential partners.

Greater supply does not mean reinsurers will compete equally for every portfolio, observes Nudo.

"Appetite depends on whether new business fills a gap in an existing book, adds to a concentration, or offers the potential to outperform across the cycle," he says.

That assessment includes where claims could be brought, not simply where a policy was written. And as Nudo observes: "Portfolios can still attract support where cedants demonstrate a selective underwriting strategy, effective management of the exposure through the cycle, and proactive claims handling." ●

Nick Nudo is senior managing director and US head of casualty at Aon's Reinsurance Solutions. He can be contacted at: nick.nudo@aon.com

REGULATION

Florida legislation proves reforms work

Florida's experience demonstrates that legal system reforms can deliver tangible benefits for insurers and consumers, providing a blueprint for other US states grappling with insurance affordability and capacity challenges.

That is the message from Adam Shores, senior vice president for state government relations at the American Property Casualty Insurance Association (APCIA), who believes the industry's success in Florida is strengthening the case for similar measures elsewhere.

"The numbers in Florida have proven that legislative change works," Shores told *APCIA Today*. "You've got companies bringing more capacity into the market. They're lowering rates or offering rebates."

He said APCIA had used Florida's experience to make the case for reforms in New York and intends to take the same approach in states including Indiana, Kentucky and potentially Nevada. However, Shores stressed that the potential for reform depends as much on political circumstances as the need for change.

"The priority lies where the need for reform is there, but more importantly, where the politics allow you to do it."

He said alignment between governors and legislative leaders was essential to delivering meaningful changes. "That's really how we're approaching the specific states we're approaching, because we believe the political alignment is there."

Defending the gains

APCIA is also focused on protecting reforms already secured in Florida, Georgia and New York. Shores believes Georgia is beginning to demonstrate consumer benefits from its reforms, although New York's changes will take longer to produce measurable results.

"You're starting to see numbers in Georgia that show there's some consumer benefit to those reforms. Probably going to be another year or two before we start realising that in New York, but I would venture to say that's going to bear out as well."

The challenge is likely to intensify following the elections, with substantial turnover among state legislators, governors and insurance commissioners. Shores expects affordability and insurer profitability to remain politically sensitive regardless of which party controls individual states.

KEY POINTS:

- Florida could be beacon
- Political will is needed
- Can reverse consumer negativity

"Whether it's a progressive agenda or a Republican populist agenda, some of the outcomes might still be the same, where there's going to be attempts to look at insurer profitability and consumer affordability."

He believes the industry's response must be to offer practical solutions, including stronger catastrophe mitigation and measures addressing legal system abuse.



> "The numbers in Florida have proven that legislative change works."

Litigation funding spotlight

Third-party litigation funding (TPLF) remains a central priority, particularly efforts to require greater disclosure of arrangements between funders and litigants. "One of the tip-of-the-spear issues for us has been TPLF and this whole notion of how do we push for more transparency," Shores said. He welcomed North Carolina's move to prohibit commercial litigation funding but emphasised that transparency remains the association's fundamental objective. "The disclosure of those arrangements on the front end is really critically important."

An emerging concern is the potential for litigation funders to gain ownership interests in law firms, which Shores believes could allow them to circumvent restrictions on conventional funding arrangements.

"This whole issue of non-attorney ownership of law firms is going to be an emerging plank in this whole TPLF discussion."

He warned that the legal environment could become more challenging in states where political control changes, citing Michigan as a potential battleground over bad-faith litigation.

With reforms advancing in Florida and Georgia, Shores expects opponents to concentrate their efforts in jurisdictions where they see more favourable political opportunities. "It's going to be a little bit of trench warfare in that regard."

Rebuilding consumer confidence

Alongside legislative reform, APCIA is working with state regulators to improve transparency around claims handling and strengthen consumer confidence. Shores said discussions with regional groups of insurance commissioners had highlighted the importance of explaining insurers' decisions more effectively.

The association has published a paper examining claims closed without payment and is working with regulators to clarify how such outcomes are defined and understood. "We have good stories to tell about actually doing good work, but there's not as much believability on the part of customers and consumers that they can rely on their carrier to be there for them."

For Shores, demonstrating that reforms can improve market conditions is only part of the challenge. Insurers must also persuade consumers and newly elected policymakers that they can deliver better outcomes.

Florida, he believes, provides an increasingly persuasive starting point. ●

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LEGACY

US legacy market now on a growth path

Rising demand for capital release solutions, a need for volatility management and restructuring within managing general agents (MGAs) are all creating growth opportunities within the US legacy insurance market. But there are also pitfalls.

That is according to Phil Hernon, chief operating officer at Carrick Holdings, who told *APCIA Today* the legacy market is currently dominated by self-retained, corporate and captive legacy transactions. But he cautioned that structural changes were likely as fronting carriers and MGAs adjust their business models and embrace legacy solutions.

One big growth opportunity could come as MGAs collaborate with legacy insurers, particularly on longer-tail lines. MGAs and their capital providers will be attracted by achieving finality on older books, allowing them to pivot and start writing new business.

Harnon said there is a growing awareness of the benefits of using legacy players, partly driven by brokers expanding their dedicated legacy transaction teams. The attractions vary from managing volatility to achieving finality on long-tail liabilities to capital release.

However, Hernon is also cautious. He is a self-confessed "cynic" when it comes to the MGA business model. He admits there are very good MGAs but that there are segments of the market that will have their problems. He describes some as "bad" and "poorly managed".

KEY POINTS:

- Major reset needed in MGAs, fronters
- Reinsurer collateral a red flag
- Social inflation a barrier to entry

"MGAs that operate in a highly commoditised segment will be desperate for premium income. They will take more risks, which is going to open them to more losses," he said.

He warned that pressure on capacity providers could also generate opportunities for legacy players. Reinsurers supporting fronting carriers might struggle to provide required collateral for older liabilities, potentially prompting commutations.

There are also significant risks for legacy players operating in parts of the US market. Hernon said caution is needed in the context of nuclear verdicts and third-party litigation funding. Increasing settlement values, the impact of social inflation and counterparty risk, he says, are putting pressure on the legacy players in the market. ●



> "I think the talent coming into the legacy market is superior, but clearly you need to retain the grey hair as well, and it's a combination of the two."

SURVEY

Insurers increase allocations to private markets as recession fears ease

Insurers' fears of recession have nearly halved, while more than three quarters plan to increase allocations to private markets further, according to BlackRock's 15th annual survey of insurers globally. The survey includes perspectives of 463 insurers across 31 markets representing investable assets of more than $24 trillion.

In an increasingly complex global investment environment, inflation risk remains the most cited macro concern for insurers (62%) – consistent from 2025. However, 61% of insurers globally expect a soft landing in the next year (24% see no landing; 9% expect stagflation conditions).

While the majority expect a soft landing, the findings show regional disparities (75% in EMEA expect a soft landing, 63% in North America, 47% in Asia-Pacific and 40% in Latin America).

Overall investment risk appetite remains steady, with 82% planning to maintain their risk profile.

Within the group maintaining risk, 57% see insufficient opportunities to justify additional risk-taking, up 22 percentage points from 2025, while 50% seek greater diversification within their existing risk budget. The findings suggest that stable risk appetite reflects selectivity, not simply confidence in existing exposures.

Over the past decade, private markets have evolved from an alternative source of yield into an established component of portfolios. Today, more than 9 in 10 global insurers (92%) allocate at least 5% of their investment portfolio to private markets, while more than 40% now allocate over 15%.

Adoption is forecast to accelerate, with 76% expecting to increase private markets allocations over the next 12 months and 24% maintaining current levels, albeit down from the historic highs of the past three years (94% in 2025, 91% in 2024, 89% in 2023).

The findings suggest a shift from broad-based increases toward more selective deployment as insurers focus on portfolio construction, relative value and implementation within existing allocation targets.

Demand remains strongest in private debt, which was identified by 41% of respondents as an area for increased allocation. ●

RENEWALS

Putting renewal savings to work

Property insurers can use falling rates to add protection and choose reinsurance partners able to support their plans, says Adam Schwebach, Gallagher Re's head of North American property.



North American insurers are increasingly taking advantage of softer rates and expanding reinsurance supply to reshape their structures for the long term – a far cry from the pressures of some recent renewals.

That is according to Adam Schwebach, head of North America property at Gallagher Re, who said more capacity means more choice, giving buyers the freedom to set terms and select trading partners based on long-term value rather than necessity.

"We're past the point of needing to think: what do I need to do to get this renewal done?" Schwebach told *APCIA Today*. "We're seeing buyers now looking at the opportunity. They can ask: what do I want my reinsurance structure to look like? Who do I want my reinsurance trading partners to be for the next three to five years?"

With market conditions in their favour, Schwebach said carriers can also lay the groundwork for expansion. Rather than simply seeking lower rates, buyers should put arrangements in place that support new underwriting opportunities and balance-sheet growth.

"The world is basically their oyster this year. They should put tools in place so that they are in a solid position to grow and take on new opportunities," he said.

Redeploying the savings

There may also be less pressure on terms and conditions that some reinsurers anticipate. Attachment points might not need to fall, Schwebach explained, because some primary insurers have strengthened their capital bases, and are better able to absorb a single large catastrophe loss.

The real threat to their balance sheets is frequency: multiple mid-sized events each of which sit below the retention, eroding earnings without triggering a reinsurance claim.

"We may have got to a point where some cedants have been able to add to build their capital bases, and retention levels are fine," Schwebach said.

KEY POINTS:

- Higher retentions now suit some buyers
- Rate savings can fund more coverage
- Partner choice reflects future plans

> "Buyers and brokers aren't beholden to a reinsurer that says, 'these are my terms that come with my capacity, take it or leave it."

"But they're still going to be focused on aggregate losses and how multiple events can add up. They want to avoid that death by 1,000 cuts scenario. But that's the opportunity: in a perfect world, what reinsurance do they need?" This trend can be seen in practice.

The midyear renewals demonstrated this approach in practice. Gallagher Re said rates fell by 20 to 25% in some areas, but cedants did not necessarily reduce their overall spend by the same amount. Having secured price reductions, cedants used the savings to purchase extra protection they had previously gone without.

Insurers also directed that capital towards higher limits and multi-year coverage. Rather than placing an entire programme on multi-year terms at the same time, Schwebach said there was strategic value in spreading that protection across different renewal dates. "The ability to stagger multi-year protection definitely provides resilience and stability in pricing over the long run," he said.

Reassessing partnerships

Greater market choice also transforms contract negotiations. With alternative capacity readily available, cedants can push back against restrictive clauses and narrow coverage definitions introduced during recent hard renewal cycles. "Buyers and brokers aren't beholden to a reinsurer that says, 'these are my terms that come with my capacity, take it or leave it'," Schwebach noted.

This commercial shift is prompting a deeper reappraisal of reinsurance panels. While reinsurers that supported cedants through difficult renewals earn goodwill – "there should be some reward for that, and buyers have long memories, as do reinsurers", Schwebach observed.

He said carriers are looking beyond past loyalty. Panel selection increasingly hinges on which reinsurers can support expansion into new territories and lines of business, alongside technical collaboration in data science and portfolio modelling to help primary carriers refine their underlying risk selection.

That search for comprehensive alignment is also drawing in alternative capital. Moving beyond transactional catastrophe bonds, several insurance-linked securities (ILS) investors approached broker teams during the renewals seeking to write traditional reinsurance lines across entire programmes. "That's something we saw mid-year, which I wasn't expecting to see this early in that market's evolution," Schwebach said.

By pairing expanding capital with disciplined panel selection, property insurers are using the softening market to construct programmes built to withstand the next inevitable turn of the cycle. ●

Adam Schwebach is Gallagher Re's head of North American property. He can be contacted at: adam_schwebach@gallagherre.com.

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CAT RISK

Forecasting and risk-return variables

Improvements in seasonal hurricane forecasting are giving reinsurers and ILS managers a clearer picture of how catastrophe risk might change from year to year. But the commercial value of that information depends on more than the accuracy of the predictions, with pricing conditions potentially having a far greater influence on underwriting profitability.

That is according to Peter Dailey, head of research at Aeolus Services Corp, who told *APCIA Today* that the usefulness of seasonal forecasts ultimately comes down to two considerations: "one, skill and reliability of the forecasts and two, quantum of the changes in risk even with improved forecast skill".

"The model forecasts will rarely take a specific risk position and change the view of risk from a total 'yes' to a complete 'no' but rather change the level of expected profit by perhaps 10 to 30% in any particular year versus the long term."

That potential adjustment must be weighed against movements in the wider reinsurance market, where changes in supply, demand and underwriting terms can have a substantially greater effect on expected returns.

"Changes in terms and pricing, influenced by supply and demand variability, can cause swings much larger than the changes in risk year to year," Dailey said.

Risk informs premiums

The result is that a forecast indicating elevated hurricane risk does not necessarily make a particular region unattractive to underwrite. The premium available for assuming that risk remains a critical consideration.

Dailey pointed to the Gulf and Western Florida, where relatively high pricing can make business attractive even when seasonal climate conditions suggest an increase in hurricane exposure.

"For example, we may expect that the Gulf is particularly warm for an upcoming season, making the risk higher than long-term averages. However, pricing in the Gulf and Western Florida remains some of the best in the market.

"So, while that could cause us to want to de-emphasise that area in our portfolio slightly, it may still remain a high-margin business to write."

The example illustrates how seasonal forecasting can influence the relative attractiveness of different exposures without fundamentally changing an underwriter's willingness to participate.

KEY POINTS:

- Risk forecasts are improving
- Higher risk can still offer margins
- Portfolio tilts manage exposure



> "Changes in terms and pricing, influenced by supply and demand variability, can cause swings much larger than the changes in risk year to year."

It also points to a broader challenge for reinsurers and ILS managers: incorporating increasingly sophisticated scientific information into portfolios while responding to market conditions that can change independently of the underlying catastrophe risk.

For Dailey, one response is to use seasonal forecasts to make incremental changes to portfolio construction and hedging rather than treat them as a reason to enter or exit particular markets.

"The final tool in our toolbox is to adjust our long/short strategy based on the forecasts," he explains.

"So, if we still believe the premium-to-risk relationship is attractive, we can try to slightly 'tilt' the portfolio we write and/or increase our hedging programme to mitigate the increase in risk, while also maintaining a strong inwards portfolio."

This approach allows changes in the seasonal risk outlook to influence the balance of exposures and the amount of protection purchased, without necessarily sacrificing business that continues to offer attractive expected margins.

Forecasting limitations

Although Dailey expects seasonal predictions to become more reliable as data, scientific research and emerging technologies improve, he cautions that models still struggle to predict the precise number, intensity and landfall locations of individual hurricanes.

Historical experience offers reminders of the potential consequences of placing too much weight on broad seasonal signals.

"In 1992, an El Niño year, if you had bet large on hurricane risk being dampened, Hurricane Andrew would have produced a very different outcome," he said.

Dailey also points to 2004, another El Niño year in which four hurricanes made landfall around Florida. Conversely, he notes that La Niña years can pass without major loss-causing hurricanes, potentially making hedging expenditure appear unnecessary in hindsight.

Such outcomes reinforce the need to consider a range of possible losses rather than rely on a single seasonal outlook. Dailey says Aeolus simulates tens of thousands of potential hurricane seasons using available data and models to assess the range of outcomes.

For reinsurers and ILS investors, the question is therefore not simply whether seasonal forecasts are becoming more accurate, but how much additional value that accuracy provides when assessing the relationship between risk and return.

As forecasting capabilities develop, Dailey's comments suggest their greatest practical contribution might lie in refining exposure and hedging decisions within a broader underwriting strategy, rather than prompt wholesale shifts in capital allocation from one hurricane season to the next. ●

RISK MODELLING

Reinsurance: still about people



The era of a 'god-like' broker sitting at the centre of everything – is over. At Holborn, the idea of "my client" has given way to "our client", explains Adam Manus, president and incoming CEO of Holborn Corporation.

When Adam Manus arrived in New York City more than 30 years ago, his primary ambition wasn't to revolutionise the reinsurance industry – he simply wanted to make it in the Big Apple. Luck, as it turns out, was on his side.

Manus joined Holborn just as the firm launched its first-ever broker trainee programme, beginning a journey that would span three decades and witness a transformation of the global risk landscape – from a business heavily reliant on relationships and intuition to one increasingly powered by sophisticated modelling, analytics and, now, artificial intelligence.

Yet for Manus, one thing has remained remarkably constant: reinsurance is still fundamentally a people business.

Today, that former trainee is president and incoming CEO of Holborn Corporation, one of the few remaining privately held treaty brokers to have retained its independence through decades of industry consolidation. In a sector often defined by mergers and shifting corporate identities, Manus believes that continuity has helped preserve a distinctive employee-owned culture.

"As an employee-owned company, we pride ourselves on continuity, relationships and culture," Manus told *APCIA Today*. "The fact that Holborn has retained its independence speaks to the value we place on long-term thinking. At the beginning, I didn't know anything about re/insurance, but I landed in a place that valued the person as much as the process."

Intuition to analytics

Manus says that culture was shaped in part by mentors such as Holborn chairman current and CEO Frank Harrison, whose influence helped instil a "client-first" mindset and a rejection of off-the-shelf solutions.

"He taught me that no two clients are alike. Our solutions must be as unique as the risks they cover. You have to understand the client, understand the risk and build solutions around both."

The industry has changed fundamentally since the 1990s, with perhaps the most visible transformation being the rise of sophisticated analytics. Manus points out that Holborn was an early adopter, hiring actuaries into its brokerage ranks as far back as the late 1980s.

KEY POINTS:

- Client-first mindset key
- Data needs interpretation
- Judgement remains critical

> "As an employee-owned company, we pride ourselves on continuity, relationships and culture."

"Simply put, those who understand risk the best win," Manus said. "Our journey started by building proprietary Cat and DFA [dynamic financial analysis] models from scratch. Today, that toolset has evolved into a powerhouse that combines complex quantitative modelling with decades of accumulated market knowledge and expertise. But the complexity of modern risk means no one can go it alone; it necessitates a culture of teamwork."

That combination of technology and human experience has become increasingly important as the industry grapples with a 'new era of risk' – a convergence of climate change, economic volatility and social inflation. For Manus and the team at Holborn, the challenge isn't simply identifying these trends, but understanding the 'why' behind them.

"We are far more interested in the root causes than simply reporting on the symptoms," Manus explains. "If we understand why a trend is occurring, we are more likely to predict and plan for the future. We've seen distress and even company failures in recent years because people didn't fully understand the 'why' behind the hard market.

"Understanding what is happening is important. Understanding why it is happening allows you to plan for what comes next. The factors driving these adverse trends aren't going away any time soon."

Collaboration beats individualism

Perhaps one of Manus's most significant observations after more than 30 years in the industry concerns the changing role of the broker.

He believes the era of the "single relationship manager" in practice the all-knowing, "god-like" broker sitting at the centre of everything – is over. At Holborn, he says, the idea of "my client" has increasingly given way to "our client", recognising that no individual broker, regardless of experience, can bring every capability a client needs.

It is a subtle distinction, but an important one. People remain central to broking, Manus argues, but increasingly it is the collective strength of those people that matters.

As Manus looks towards 2027, Holborn's focus remains on "best-of-breed" service. Because the firm focuses exclusively on treaty reinsurance broking, he ties its ability to deliver that service directly to the quality of its people. Talent development therefore remains a priority for Holborn's leadership team.

Artificial intelligence might represent the next major technological transformation. While Manus sees considerable potential for AI to improve productivity and enhance analytical capabilities, he is equally clear about its limitations.

"The trick is to find the signal through the noise," Manus concludes. "Will AI revolutionise our business? To a degree, yes. But will it threaten the relationships underlying our business? No. Technology can improve productivity, but enduring value still comes from trusted relationships, experience and judgement. In this business, some things never change." ●

Adam Manus is president and incoming CEO of Holborn Corporation. He can be contacted at: adamm@holborn.com

PRICING

Capacity influx is driving down rates

All parts of the risk chain, from insurers to reinsurers to retrocessional players, are making money – but this could also put further downward pressure on rates as yet more capacity enters the market.

That is according to Kyle Menendez, managing director and head of US property at Howden Re, who told *APCIA Today* that a combination of lower catastrophe activity and improved terms and conditions have created an element of "resilience" in the system.

"I think we're in an environment where everyone in the value chain feels like they're in a good spot, and they're able to make a return on capital that satisfies their end investors," he said.

But higher profits also mean there will be more capacity that carriers need to use. "The reality is that capacity far outstrips demand. Combined ratios are low, return on equity is high. That creates a lot of retained earnings. So capital is growing organically but you are also seeing additional capital enter the business. People have seen the returns and they want in," Menendez said.

This excess supply means he expects rates to fall, potentially by 10% to 15%, on a risk-adjusted basis – similar levels to those seen in the January 2026 renewal. That said, he believes the market can remain sustainable at this level – as long as it does not compromise on terms and conditions. He believes discipline will hold on matters such deductibles and retention levels.

KEY POINTS:

- Rates akin to January and midyear
- Emerging perils lack historical data
- Cedants boast strong balance sheets



> "I think we're in an environment where everyone in the value chain feels like they're in a good spot."

He also noted that the dynamic in the market is more complex now because the role of alternative capital has become more sophisticated. Whereas it was once only used at the top end of cat programmes, it is now available across the value chain. This creates more choice for cedants but more competition for reinsurers.

"Alternative capital has become more flexible than what it was four or five years ago, and that's creating more tension in the system. People are fighting to support cedants in a multitude of ways," he said.

The situation is made more complex by the growing prominence of so-called secondary perils in losses. Carriers' appetite for some of these perils, which include severe convective storms, wildfires and strike riots and civil commotion risks, varies – though the data and modelling associated with these risks is improving.

"We have more data at our disposal and that's greasing the wheels of the reinsurance market. We're attracting that capacity. That's not to say that placing some of these risks is easy. But deals are getting done. They're certainly harder to place than a wind or earthquake cover and there are pockets where rates are harder. But most of the risks we're seeking to get done are getting placed. Some placements are just harder than others, naturally," he said. ●

OUTLOOK

US P&C growth expected to outpace GDP in 2026 and 2028

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

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

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

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

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

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

PROPERTY

Reinsurers close to property rate floor

Property reinsurance pricing is expected to remain competitive at upcoming US renewals, although reinsurers' increasing focus on technical pricing adequacy might moderate the pace of rate reductions.

That's according to Laura Murphy, a leader in North American property at Lockton Re, who feels that while there is abundant capacity and healthy reinsurer profitability in the market, there are other factors supporting market stabilisation.

Murphy told *APCIA Today* that a change in customer behaviour at the primary level was one thing she had noticed that was supporting a more "sustainable" property market.

Increasingly customers have a better understanding of the dynamics affecting claims costs, such as social inflation. As a result, primary carriers are fielding fewer demands for reduced deductibles or sub-limits, with greater comfort throughout the chain in terms of where each counterparty's exposure lies.

Murphy attributes this customer awareness as one of several reasons why terms and conditions are largely continuing to hold steady, even as pricing comes down.

"One encouraging development is that underwriting discipline has remained relatively resilient despite softening pricing," she said.

"We're not seeing a wholesale reversal of the deductible structures and coverage limitations established during the hard market. That discipline supports a healthier and potentially more sustainable property market."

Underwriting 'hard floor'

She said this healthy state of the market was encouraging more carriers and reinsurers to seek to grow in the property space while "rate integrity remains strong".

However, despite the presence of abundant capacity, Murphy said there remained a focus on ensuring underwriting remained profitable.

Reinsurers report edging ever closer to a "hard floor" they are unwilling to fall below in order to maintain technical profitability. "Reinsurers remain highly motivated to grow, supported by abundant capital and favourable underlying profitability," she said.

"However, that growth ambition is increasingly being balanced against technical pricing thresholds. We expect competition to persist, although reinsurers are becoming more deliberate about protecting underwriting margins."

KEY POINTS:

- Awareness a stabilising rate factor
- Reinsurers close to 'hard floor' rates
- Cedants accepting higher deductibles



> "Underwriting discipline has remained relatively resilient despite softening pricing."

While terms and conditions have held at the primary level, at the reinsurance buying level Murphy feels a slowdown in rate drops could eventually begin to pressure this area.

"As the pace of rate reductions moderates, we may see competition increasingly expressed through improvements in reinsurance terms and conditions rather than price alone," she said.

Deductibles remain high

Deductibles have remained at elevated levels for cedants since a rapid constriction in the property cat market a few years ago. Those have held firm despite the period of market softening.

Murphy doesn't expect these deductibles to come down "in any meaningful way" this year for cedants due to the underwriting intervention among primary carriers this constriction sparked.

She said that many primary carriers are now quite comfortable with taking on a larger event exposure.

"The hard market forced many insurers to assume significantly greater catastrophe retentions, accelerating investment in underwriting discipline and net portfolio management," she said.

"As a result, many cedants are now more sophisticated and comfortable managing retained volatility. We don't necessarily expect premium savings to translate directly into additional reinsurance purchases; buyers are increasingly evaluating those decisions against the economics of retaining risk."

Moving the needle

Recent years have been characterised by loss activity having a limited impact on reinsurers, with losses largely retained by the primary carriers and policyholders.

As a result, Murphy thinks everyone in the industry is now well positioned to sustain an anticipated cat loss without it significantly impacting the market. In terms of what could seriously "move the needle", she thinks it would take something the industry didn't account for.

"A significant catastrophe event would not necessarily reverse prevailing market conditions if losses developed broadly within modelled expectations and available capital remained sufficient," she said.

"A more meaningful market response could arise from an event that materially challenges established assumptions about exposure, vulnerability or loss severity."

California earthquake is one example of an event that Murphy feels would move the needle.

"California earthquake represents an important example of a peril where industry assumptions have not been tested by a major event in some time," she said.

"A significant earthquake could reveal uncertainties in modelled loss expectations and potentially constrain available capacity as reinsurers reassess their exposure and capital requirements." ●

LOSSES

Data key to reinsure secondary perils

Insurers able to share stronger data with reinsurers around underwriting discipline and risk mitigation strategies will also access more reinsurance capacity for secondary perils.

That's according to Kim Roberts, head of North America Peril Advisory at Marsh Re, commenting on a new report released by the reinsurance broker on November 2 called 'The frequency problem: Secondary perils hit earnings and can compromise capital'.

The report highlighted how increasingly consequential secondary perils have become to cedants over recent years, with losses regularly hitting earnings as they fall below reinsurance retentions.

Severe convective storm (SCS) was the clearest case cited using Verisk statistics, where losses have exceeded $30 billion per year since 2020, with four of those years exceeding $40 billion. For the eight months to August 2026, SCS losses were pegged at around $26 billion, with Roberts expecting full-year losses to again exceed $30 billion this year.

Roberts stated claims inflation, including the litigation environment and the rising cost of labour and materials, contributed 75% to the rise in losses, with higher storm severity, a shift in geographies where storms occur, and population growth in exposed areas all also factors.

Against this backdrop of elevated losses, Roberts said reinsurers have been taking a cautious approach to risk selection for secondary perils, largely dependent on the quality of data cedants were able to present.

"If an insurer can demonstrate that they're reducing uncertainty through either data quality and data capture, or through their catastrophe analytics, that's an important part of the story to reinsurers," she told *APCIA Today*. "They will be more willing to deploy that capacity to insurers who have a more complete story and have worked to reduce that uncertainty in their potential losses."

Risk mitigation

Roberts emphasised that collecting reliable data on property characteristics and mitigation measures could significantly improve insurers' understanding of secondary peril exposures and help in reinsurer discussions.

KEY POINTS:

- Secondary peril losses hit earnings
- Reinsurance capacity reliant on data
- Reinsurer retentions to remain high



> "They will be more willing to deploy that capacity to insurers who have a more complete story."

For SCS, she identified roof age and roof construction as particularly important underwriting considerations and that "knowing those two data quality elements should be standard operating procedure".

However, Roberts also warned that insurers can face difficulties obtaining accurate information, particularly where property characteristics were self-reported by policyholders.

The report notes how the accumulation of secondary peril losses, which also includes risks such as wildfire, winter storm and inland flood, have become particularly problematic following the 'reinsurance market reset' of 2023, which pushed retention levels higher and left insurers retaining more frequent catastrophe losses.

Roberts said the reset reflected both elevated losses and uncertainty surrounding catastrophe modelling at that time.

"There were multiple market pressures. There were large losses coupled with uncertainty and the inability to quantify, and I think that became the storyline of that year," she said. "The consequence of that was much higher retentions, as well as increased pricing on most of the layers, especially the lower layers, and an unwillingness to deploy aggregate covers and things like that that protect the bottom."

Marsh Re calculations estimate that reinsurers' share of catastrophe losses have fallen from 20% between 2017-2022 to around 12% since the reset in 2023. The report stated that high-frequency perils now largely sitting below reinsurance retentions is the main reason for this fall.

Capacity returning

While reinsurers have enjoyed a profitable few years, with markets subsequently softening, Roberts suggested that insurers should not expect retention levels to return easily to their pre-2023 positions.

"I don't think it's playing a big role in lowering retentions," she said. "I think it's still difficult for predominantly SCS-exposed programmes to get lower retentions. I think it's going to cost a lot if they do try to go that route."

Nevertheless, she said improving market conditions were "allowing more players into the game", resulting in greater availability of capacity.

"I think that there's more reinsurers who are now willing to write those lower layers of the reinsurance programme, who might be willing to consider aggregate covers again, even though they'll be aggressively priced," she added.

The report stated that aggregate protection was "now the most practical way to bring some retained loss back into the programme", while acknowledging that appetite remained selective.

Roberts said it again came down to data quality to access this capacity. "It hinges on the idea that an insurer has a very good grasp of their data quality and a very good grasp of where the hazard is," she added. ●

MARKET

Cat losses dip masks worrying trend

Global insured losses from natural disasters reached an estimated $91 billion in the first nine months of 2026, slightly above the 21st-century average of $88 billion, but the lowest since 2019 and well below the $135 billion average of the past five years.

Aon's 'Global catastrophe recap: Third quarter of 2026 report' also found global economic losses reached $204 billion during the same period – 31% below the 21st-century average and the lowest first nine-month total since 2015.

Despite this, 42 events generated losses of at least $1 billion each, above the long-term average of 37, while 23 events produced insured losses of at least $1 billion each, against a historical average of 14.

The global protection gap – the share of economic losses not covered by insurance – stood at approximately 55% for the period. Severe convective storms were the costliest for both economic and insured losses, while 62% of global insured losses were recorded in the US. European drought was the main event at more than $8.5 billion, while the Venezuela earthquake was the costliest economic loss event, at an estimated $25 billion.

KEY POINTS:

- Nat cat losses $91bn in nine months
- Emerging concentrations worry
- El Niño switches dynamic on wind

> "Moderate global totals can mask significant regional impacts and emerging concentrations of risk."

"Moderate global totals can mask significant regional impacts and emerging concentrations of risk," said Michal Lörinc, head of catastrophe insight, reinsurance, Aon. "The first nine months of 2026 demonstrated the need to look beyond aggregate figures and understand changing hazard patterns."

The report noted how El Niño changed the dynamic on wind activity. The Atlantic saw no hurricanes for only the fourth time since 1950. But the eastern and central Pacific produced eight, including three Category 5 storms, matching the basin record.

Europe experienced persistent heat, severe dry conditions, low river flows and wildfires from May to September. Some 37% of the land area saw record temperatures; 52% very strong heat stress. Combined economic losses exceeded $14 billion, with France seeing $7.5 billion in economic losses and $5 billion in insured losses – both records.

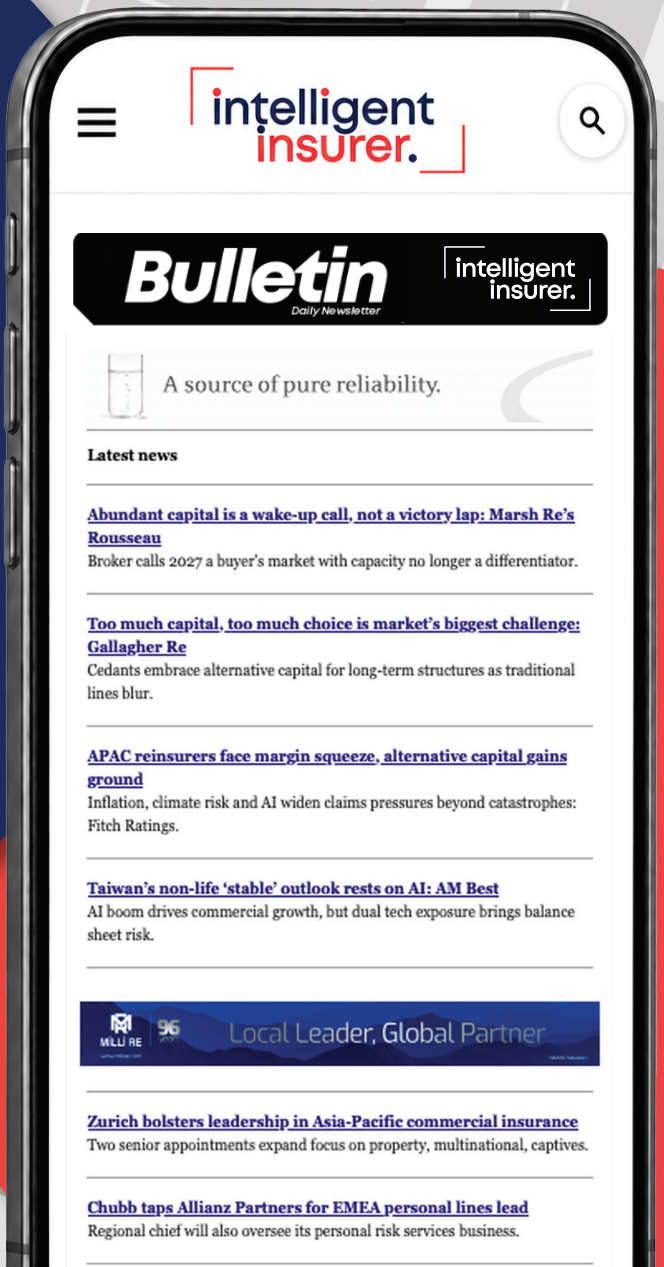
The August 10 Colombia earthquake caused an estimated $9.6 billion in economic losses, making it the costliest global event of the third quarter. ●



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SIDECARS

Casualty sidecars: niche to spotlight

Casualty sidecars have gone mainstream in a few short years. Here Howden Re's Carrie Byler explores that much-talked-about dynamic with colleagues from her firm and Howden Capital Markets.



Carrie Byler | Kenneth Durbin | Mitchell Rosenberg

A recent roundtable with leaders from Howden Re and Howden Capital Markets and Advisory explored what is driving the trend from the capital side. This discussion turned to what it means for cedants and the programme market.

Casualty sidecars are growing because two markets are converging: cedants want to diversify their sources of capital, and institutional investors are looking beyond traditional private-market exposures for differentiated returns.

The market has scaled quickly. AM Best estimates the combined property and casualty sidecar market at $17 billion to $19 billion, with more than $2 billion of casualty sidecar capital raised since 2024.

The case for cedants

As carriers review their enterprise risk management (ERM) strategies, many are diversifying their approach. That increasingly includes whole-account coverage through traditional reinsurance, structured deals or ILS, matched to each cedant's risk tolerance.

"The growth of the casualty ILS market is a constant topic with our clients," said Byler. "They may already be engaging with ILS capacity through cat bonds or other alternative vehicles, but are increasingly interested in understanding the casualty impact on both their portfolios and on the wider market. We expect that trend to continue into 2027."

The choice between ILS and traditional reinsurance involves real trade-offs, including flexibility on terms, long-term relationships, claims handling and capacity that can flex with a cedant's book. The right mix depends on each carrier's risk appetite, data maturity and priorities.

Because the market is still relatively new, cedants also want assurance that investors will stay the course once losses start to be paid. By spending time with investors to understand their long-term approach, the two sides often build a wider relationship beyond reinsurance.

KEY POINTS:

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

> "Carriers are looking for long-term reinsurance and capital partners who can help enable their long-term goals."
>
> - Carrie Byler

The same dynamic applies to programme business. MGAs wrote around $160 billion of premium globally in 2025, after annual growth of roughly 16% over the previous five years. The largest can now bring portfolios together and build broader relationships with capital providers, rather than securing capacity programme by programme.

"Alternative capital is changing how larger MGAs buy reinsurance," said Durbin. "Instead of placing programmes one by one, those with scale can now build a single, portfolio-level partnership."

Franklin Templeton estimates private markets now hold around $15 trillion in assets, up from less than $5 trillion a decade ago. That capital is seeking durable, long-duration returns and casualty reinsurance offers a new asset class.

"Casualty is increasingly fitting into the way sophisticated institutional investors think about capital allocation," said Rosenberg. "They are looking at whether they can access a diversified portfolio of underwriting risk, generate attractive risk-adjusted returns and put meaningful amounts of capital to work over a longer period." Scale matters, but so does the quality of the underlying business. Many carriers have re-underwritten their books and cut limits. Investors need enough data to understand past performance, confidence in the cedant's underwriting and reserving and clear alignment on how the risk will be managed.

"The conversation has moved beyond whether investors are willing to own long-tail insurance risk," Rosenberg said. "We can increasingly structure around the duration: how much capital is required, when it is funded, when it can begin to come back and how the remaining liabilities can ultimately be exited."

Looking ahead

"Carriers are looking for long-term reinsurance and capital partners who can help enable their long-term goals," said Byler. "That is what they will be weighing as they plan for upcoming renewals and beyond.

"The strongest programmes will be backed by a mix of capital," Durbin said. "Traditional reinsurers, carrier partners and alternative capital each bring something different. MGAs that balance all three will be best placed for upcoming renewals.

"Investor capital is moving away from asking whether casualty belongs in their portfolio to asking how they should access it," Rosenberg said. "The focus now is on finding the right underwriting partner and building a structure that works for both sides of the capital."

For carriers planning for renewals, a sidecar is worth weighing alongside traditional options. Those that pursue one will need strong data, disciplined underwriting and a long-term view to attract this capital on the best terms. ●

Carrie Byler is head of US casualty, Howden Re; Kenneth Durbin is managing director, programmes, Howden Re; Mitchell Rosenberg is co-head of global ILS, Howden Capital Markets and Advisory.

ILS

Private ILS faces a transparency test

Private insurance-linked securities (ILS) need more consistent valuation practices, independent verification and clearer disclosure if they are to meet the expectations of institutional investors, according to Bob Smith, president of Sage Advisory.

While the catastrophe bond market has developed increasingly established standards for pricing, reporting and risk assessment, private ILS remains more challenging for investors to evaluate, particularly where valuations rely on manager-specific assumptions.

Smith believes the cat bond market offers a useful benchmark for improving transparency across the wider asset class, although the structural differences between publicly traded securities and private transactions must be recognised.

"The cat bond market provides a useful benchmark: securities typically feature identifiable holdings, contractual triggers, third-party catastrophe modeling, observable dealer pricing, and a secondary market that supports more frequent valuations," Smith told *APCIA Today*.

Rating agencies are also playing an expanding role in providing independent assessments of ILS risk.

ILS frameworks

Smith pointed to Moody's publication of a dedicated ILS rating methodology in November 2025 and its first cat bond rating under the revised framework in July 2026. S&P, meanwhile, has rated selected ILS transactions for years and reported an average default rate of approximately 1.1% for S&P-rated ILS between 2006 and 2019.

"Although ratings do not replace underwriting or catastrophe modelling, they provide consultants, boards and risk committees with a familiar, independent framework for evaluating risk," Smith said.

Private ILS presents different challenges. Unlike cat bonds, which benefit from observable secondary market pricing, valuations of privately negotiated reinsurance exposures might depend more heavily on catastrophe models, reserve estimates and assumptions about how insured losses develop following an event.

These differences become particularly relevant when investors are assessing portfolio valuations, comparing manager performance or evaluating exposures following major catastrophes.

KEY POINTS:

- Cat bonds set transparency benchmark
- Private ILS needs valuation oversight
- Better reporting could unlock capital


Bob Smith

"Broader adoption will require clearer position-level disclosure, consistent valuation policies, independent price or valuation verification and explicit reporting of model changes, event estimates, reserves and side-pocketed exposures," Smith said.

The objective, however, is not to impose identical valuation methods on fundamentally different instruments.

"The objective should be to move private ILS closer to the transparency and valuation discipline increasingly associated with cat bonds, while recognising the underlying instruments are less liquid and cannot be marked in exactly the same manner."

Different valuations

For institutional investors, these considerations extend beyond the accuracy of individual valuations. Consistency between managers, clearer reporting of changing loss estimates and stronger independent oversight could also make it easier to assess performance and monitor exposures over time.

Smith sees these improvements as part of a broader evolution in the institutional infrastructure supporting ILS.

"The investment case is already credible; the next stage of growth will depend on institutional infrastructure," he said.

He identified continued performance across loss years, clearer liquidity alignment, stronger performance attribution and easier comparison across managers among the factors that could support materially larger allocations.

"If private ILS develops comparable standards for disclosure, valuation oversight and risk reporting, institutions should find the asset class easier to evaluate, monitor and defend from a fiduciary perspective, supporting larger strategic allocations." ●

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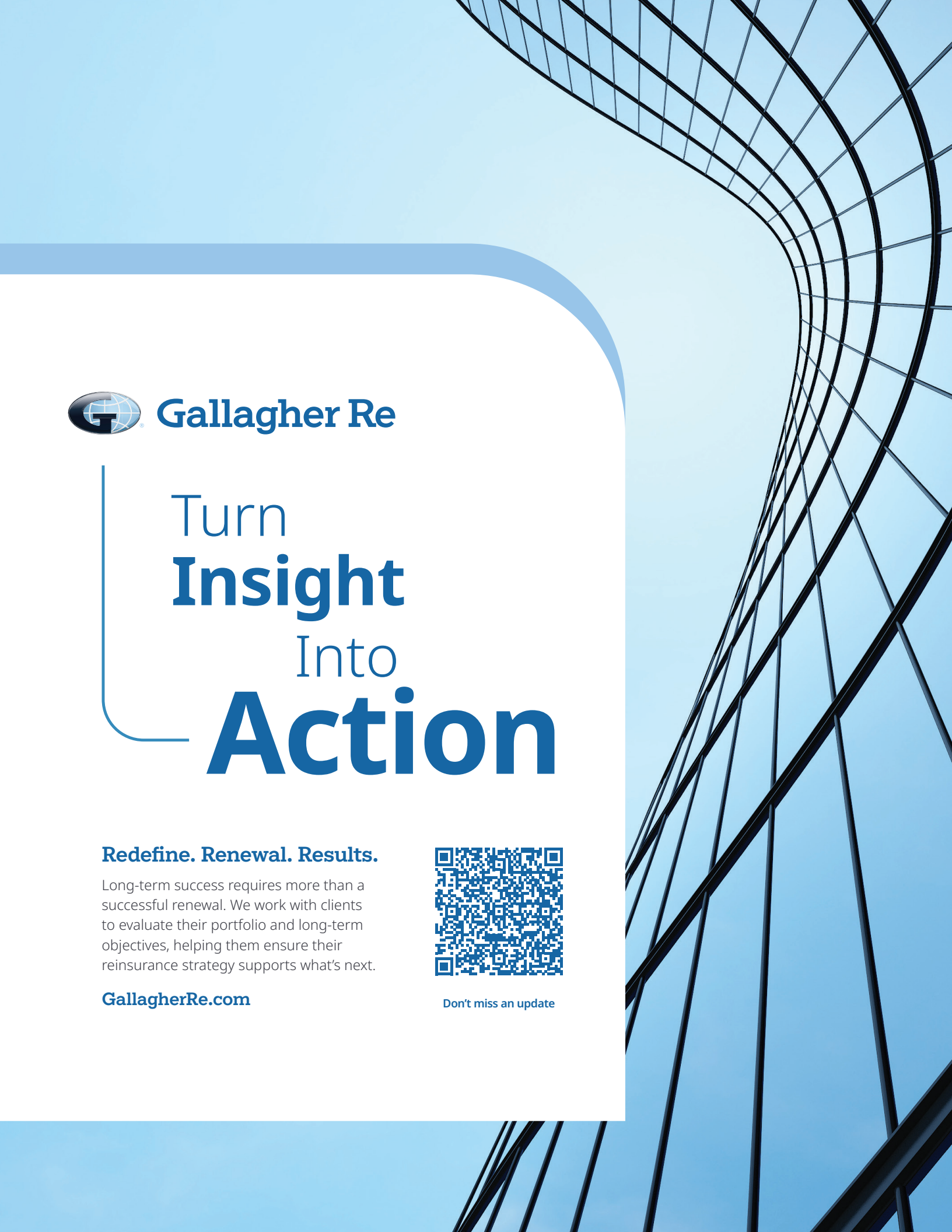
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