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EAIC TODAY

Asia needs more than capital to close its protection gap: partnership is key

ASIA-PACIFIC IS REGARDED as the primary driver of global premium growth for insurers – something Swiss Re’s Sigma research consistently highlights. But the region is also incredibly big and diverse and with risks that are not easy to model. This means carriers must be selective in their approach to the region and balance capital allocation between mature markets such as Japan and hyper-growth markets.

This is certainly the case for Swiss Re. Pavel Huerta, head of property, APAC, Swiss Re,

told *EAIC Today* that it focuses on allocating capital to opportunities and relationships it thinks are economically and technically sustainable.

“Asia is not one homogeneous market, so I don’t think there is a simple choice between mature markets and growth markets,” he said. “The objective is to build a diversified portfolio across the region in which each deployment of capital makes sense on its own merits and contributes positively to the portfolio as a whole.” **3 →**



Pavel Huerta

GROWTH OPPORTUNITY, but no room for complacency



Roshan Perera

APAC REMAINS ONE OF THE MOST attractive regions globally for reinsurers, supported by favourable demographics, expanding middle classes, increasing insurance penetration and a growing need for risk transfer solutions. But evolving and changing risks and more competition also mean dangers for carriers.

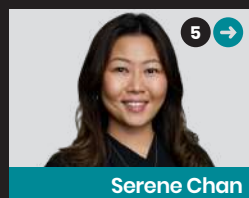
That is the view of Roshan Perera, CEO, APAC, Gallagher Re, who describes the region as one of the most dynamic insurance and reinsurance markets in the world. But he stresses that the opportunities are balanced by challenges.

“Emerging risks including AI, cyber, energy transition and infrastructure development present significant opportunities. The biggest risks remain catastrophe losses, geopolitical uncertainty and the possibility that competitive conditions lead to undisciplined underwriting.

“Sustainable growth requires maintaining technical discipline while continuing to innovate and support clients’ evolving needs,” he told *EAIC Today*.

The most pertinent of those needs remains natural catastrophe risk, one of the **4 →**

INSIGHTS AND ANALYSIS FROM MORE LEADERS INSIDE



Serene Chan



Tony Hardy



Selina Lau



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COVER STORY

Asia needs more than capital: Swiss Re

➔ He stresses that any decision it makes, will be long term. He describes the role of reinsurers as shock absorbers – and believes doing the fundamentals of reinsurance well is something that can get lost in such a fast-changing risk landscape. “It is our soul as an industry,” he said.

He continued: “Our role is to help clients understand and manage their volatility and to be there as shock absorber when that volatility becomes difficult for an individual balance sheet to bear.

“That is where a long-term partnership matters. We can support clients as their capabilities develop, help them understand changing and emerging risks and provide meaningful capacity when they need it. Ultimately, stronger insurers and stronger reinsurers should enable us collectively to take more risk out of society and help narrow the protection gap.”

He believes that there can be many distractions from this core role: AI, sophisticated models, alternative capital, new products. But the value of insurance lies in enabling individuals, companies and societies to take risks they otherwise could not take and to recover when something goes wrong. “We make economies and societies more resilient. We should never lose sight of that.”

A nuanced picture

He acknowledges market conditions are changing with some softening occurring, but sees quite a nuanced picture. “I would not describe any single outcome as inevitable. Market conditions clearly matter, and we need to recognise when supply and demand are changing.

But underwriting cannot simply be a mechanical response to where the market is moving. Also, the reinsurance market is characterized by multiple micro-cycles rather than a single cycle. Market conditions vary across geographies, lines of business and portfolios, with different segments experiencing different market dynamics also depending on recent loss experience.

“Our focus is on whether the overall structure of a programme remains sustainable and reflects the underlying risk. This comes back to market sustainability. A competitive market is not necessarily an unsustainable market. We need to remain technically grounded and understand the volatility we are taking and to make sound underwriting

KEY POINTS:

- Asia is not a homogenous market
- Reinsurance rate softening is nuanced
- Challenges in catastrophe data

“Diversifying the sources of risk-bearing capacity is healthy for the market.”

decisions through today’s market conditions.” He is cognisant of the challenge of writing certain risks in Asia – and that there is a very big protection gap in some areas. But he believes reinsurers have an important role to play.

“We can help insurers, reinsurers and governments assess natural catastrophe risk and then translate that understanding into practical solutions, from traditional reinsurance to parametric covers and, where appropriate, access to the capital markets.

Starts with awareness

“Our global footprint is particularly valuable because many of these risks are very local, while the capital required to absorb extreme volatility can be global. We can connect those two things.”

But he also notes that insurance alone will not close the protection gap. It starts with awareness – understanding growing exposures, rising asset values, urbanisation and changing weather patterns. Swiss Re works with governments, international organisations and development finance institutions on strengthening disaster risk financing, prevention and resilience, he notes.

He says that risk-adequate pricing provides an important economic signal: it shows where risk is increasing and where intervention may be needed. But this needs to be combined with prevention, adaptation, better building standards and different forms of risk sharing

“Catastrophe bonds and other capital market solutions can be a very effective part of the solution.”

and risk transfer and all need to work together.

He also highlights the merits of different sources of capital. “Diversifying the sources of risk-bearing capacity is healthy for the market, and catastrophe bonds and other capital market solutions can be a very effective part of the solution. Traditional reinsurance and alternative capital should be seen as complementary. We will need both as the amount of risk transferred increases. But bringing another dollar of capital into the system does not by itself create another dollar of protection.”

Partnerships to solve problems

Asia has a challenge in some risks around a lack of historic data. For all the advances in AI, he offers this as an example of its limitations, arguing that you cannot beat experience. “AI doesn’t make poor data good data. In fact, one of the risks is that sophisticated technology can make an uncertain answer look much more certain than it really is.

“That is why understanding the provenance and limitations of the data remains fundamental. We can complement local experience with our global datasets, scientific knowledge and modelling expertise, but we also need to understand where those comparisons are valid and where local conditions make them less relevant.

“And this is where the human underwriter remains critical. Models and AI are tools to inform a decision, not substitutes for understanding the risk. We need strong governance and clear human accountability, but we also need people who are prepared to challenge the output when it does not make sense.”

Swiss Re is prominent in public sector risk transfer in the region – a true collaboration. He offers a few examples as encouraging. One is SEADRIF, the Southeast Asia Disaster Risk Insurance Facility; and PCRIC, the Pacific Catastrophe Risk Insurance Company. “They show how governments and the private reinsurance market can work together to build financial resilience against natural catastrophes,” he said.

“They are not simply insurance products. The most useful structures bring together risk understanding, pre-agreed financing and the ability to provide liquidity quickly after an event. That can make a very material difference to governments and communities when a catastrophe occurs.” ●

COVER STORY

Growth, but no room for complacency

KEY POINTS:

- APAC offers attractive growth
- Some lines are softening
- Buyers seeking new solutions

➔ **1** defining challenges for APAC. He explains that population growth, urbanisation, economic development, and climate-related trends are increasing concentrations of risk across many parts of the region. But insurers and reinsurers are responding in a way that is increasingly sophisticated.

“They are investing heavily in analytics, climate modelling and portfolio management capabilities, specifically strong underwriting discipline, portfolio management, improved risk assessment and high-quality exposure data,” he said. “We are also seeing greater interest in alternative capital, parametric solutions, public-private partnerships and resilience-focused strategies. The objective is not simply to transfer risk but to understand and manage it better.”

Adapt to the times

This is even more important as market conditions change. During the hard market, he said, the focus was largely on access to capacity and maintaining programme stability. Today, buyers have more options and can engage reinsurers around broader strategic objectives. That does not mean underwriting discipline has disappeared, he stressed.

“Reinsurers remain selective and continue to favour companies with strong underwriting performance, good exposure management and a clear growth strategy. However, increased competition is creating greater flexibility around structure, attachment points and innovative capital solutions.

“The market is unquestionably softer than it was two years ago, but I would avoid describing it as uniformly soft. Property catastrophe capacity has increased significantly and buyers are benefiting from improved pricing and broader choice of partners. However, conditions vary considerably by territory, line of business and individual risk characteristics.”

He added that reinsurers continue to differentiate based on catastrophe exposure, underwriting quality and profitability. Certain classes and catastrophe-exposed portfolios remain subject to close scrutiny. “In APAC, local market dynamics remain highly important. There is no single regional story,” he said.

“Emerging risks including AI, cyber, energy transition and infrastructure development present significant opportunities.”

The soft market conditions have influenced insurers’ expectations, with many seeking improved terms and exploring alternative structures to optimise their reinsurance spend and increase their profitability. “Some insurers are using the improved market environment to optimise programme structures and improve capital efficiency – others are opting to ‘bank’ the savings.

“Some are purchasing additional protection, increasing limits or reducing attachment points where economics make sense. We are also seeing insurers explore more strategic uses of reinsurance, including supporting growth initiatives, entering new business lines, managing earnings volatility and addressing protection gaps. The current environment further highlights opportunities to think about reinsurance as a strategic tool, not simply a cost.”

But there are wider forces at play. Regulators across the region are taking an active role in ensuring insurers have a robust understanding of their risk exposures, he notes.

He explained that regulators are also introducing policies, frameworks, disclosure requirements and guidelines aimed at strengthening climate resilience and accelerating climate-related action.

Growth opportunities

The APAC market is in a fundamentally sound position – this is underpinned by long-term structural demand drivers, healthy insurer and reinsurer balance sheets, strengthening regulatory frameworks and favourable reinsurance conditions. Reinsurers are reporting strong profitability, capital levels remain robust and capacity is readily available across most lines of business, he notes.

At the same time, demand for risk transfer continues to grow as insurers respond to rising catastrophe exposure, economic development and increasing insurance penetration across the region.

He believes India offers one of the most attractive long-term opportunities given economic growth, increasing insurance penetration and ongoing development of the insurance sector. Across Southeast Asia, markets such as Indonesia, Vietnam and the Philippines continue to offer growth potential as insurance penetration gradually improves and insurers seek support for expanding portfolios.

Japan also presents opportunities in specialist segments and alternative risk solutions despite being a mature market, he said. “More broadly, opportunities increasingly arise from specific risks and capabilities rather than geography alone. Cyber, climate resilience, renewable energy, MGA partnerships and strategic capital solutions are all areas where we expect continued demand.”

He adds that APAC is one of the most diverse regions globally, so regulatory and geopolitical developments have a significant influence on strategy. “Insurers are paying closer attention to capital efficiency, supply chain risk, inflation, local solvency requirements and geopolitical uncertainty.

“Regulatory changes continue to drive demand for more sophisticated risk and capital management solutions. At the same time, reinsurers are increasingly helping clients navigate strategic decisions around growth, capital allocation and portfolio optimisation. As mentioned previously, I see the importance of the role of reinsurance expanding beyond capacity provision towards broader strategic advisory support.”

For a broker he said the priority is simple. “Focus is on helping cedants unlock that opportunity through data-driven insight, deep local expertise and access to the broadest range of risk and capital solutions available. The most successful organisations will be those that combine underwriting discipline with the willingness to innovate and adapt.

“That means investing in our people, deepening client relationships, expanding differentiated capabilities such as analytics, advisory and strategic solutions, and leveraging the full strength of Gallagher Re’s global platform. We are focused on disciplined growth, operational excellence and helping cedants navigate an increasingly complex risk environment.” ●

Roshan Perera is the CEO of APAC at Gallagher Re. He can be reached at roshan_perera@gallagherre.com

MARKET

Asia's new risks need new thinking

Asia may have ample risk capital available, like everywhere, but quality risk information remains a scarcer commodity – ensuring a strong role for reinsurers through the cycle as exposures evolve, a top regional leader for Munich Re has declared.

Serene Chan, head of P&C Greater China at Munich Re, said the challenge facing the region was not simply whether sufficient capital existed, but whether it could be deployed against the right risks on workable terms.

“The question is not whether Asia needs capital in aggregate. It is whether capital can be brought to the right risks on terms that work for sponsors, investors and the insured market,” Chan told *EAIC Today*.

That sensible deployment will require credible modelling and reliable exposure data as well as structures capable of delivering effective protection, she said.

The issue is increasingly important as insurers confront rapidly changing exposures including cyber, electric vehicles and renewable energy, where historical loss experience may provide an incomplete guide to future claims.

“The legacy practice we should leave behind is relying on historical precedent as a substitute for a current view of risk,” Chan said.

“We have always done it this way’ is no longer sufficient in a world where technology, climate patterns, supply chains and geopolitical dynamics are evolving so rapidly. The assumptions that supported yesterday’s solutions may not be the ones that protect customers tomorrow.”

Beyond balance-sheet capacity

That changing risk landscape is also shaping how Munich Re views reinsurance as cedants retain more risk. Chan said greater retention was not inherently negative and could reflect stronger balance sheets, better risk management and a deliberate decision to keep exposures insurers understand well.

“Reinsurance works best when the structure reflects the cedant’s risk appetite, capital position and volatility tolerance,” she said.

A global reinsurer adds value beyond expected losses, she added, by protecting against volatility and accumulation and bringing experience from events and markets elsewhere. That can help cedants test retention assumptions, structure peak-risk protection and identify concentrations not visible from a single portfolio view.

The same discipline applies at renewal. Munich Re looks at underlying rate movement,

KEY POINTS:

- Risk data is Asia’s scarce commodity
- AI cannot fill historical data gaps
- Retention can signal stronger cedants



“More capital is useful, but better risk information and stronger underlying insurance demand are equally important.”

claims experience, exposure growth, attachment points, wordings, data quality and cedant retention.

“Where those fundamentals support an adjustment, we can respond,” Chan said. “Where risk is increasing or uncertainty is not being reflected, additional capacity at a lower price is not a sustainable solution.”

AI cannot fill the gaps

The growing use of artificial intelligence does not remove that problem. Munich Re’s underwriting decisions remain human-led, with Chan seeing AI as a tool to organise information and identify patterns rather than a substitute for understanding the risk and limitations of the underlying data.

“Where historical data is incomplete, the answer is not to allow the model to fill the gaps invisibly,” she said.

“We need to make uncertainty explicit, test outputs against engineering and claims knowledge, use scenarios and external data where appropriate, and validate results as new experience emerges.”

She said this was particularly important for cyber, electric vehicles and renewable energy, where risks are changing rapidly. “The competitive advantage will not come from AI alone,” Chan said. “It will come from combining disciplined data governance, specialist expertise, local knowledge and accountable underwriting judgment.”

The same need for better visibility is evident in cyber, where Chan sees considerable growth potential in Greater China but also significant accumulation risk around cloud services, common technology providers and interconnected suppliers.

“Regulatory encouragement is important, but sustainable cyber growth requires more than increased policy issuance,” she said. “It requires clarity of coverage, credible incident response and underwriting information that allows insurers and reinsurers to understand the underlying exposure.”

The protection gap

Better information is also critical to attracting additional forms of risk capital to Asia. The scale of uninsured natural catastrophe losses underlines the challenge. Munich Re estimates Asia-Pacific recorded around \$8.7 billion of natural disaster losses in the first half of 2026, but only just over \$1 billion was insured. Flooding in China in May caused about \$2.8 billion of losses, with only a fraction insured.

Chan stressed that protection gaps are not uniform. Depending on the market, barriers can include affordability, limited distribution, insufficient data, low risk awareness or products that do not fully match the underlying exposure.

Reinsurers can provide diversified capital for severe and correlated losses, she said, while bringing experience from events and portfolios across markets. That knowledge can support product development, exposure management, accumulation controls and locally tailored risk-mitigation measures.

Chan said catastrophe bonds could complement traditional reinsurance, particularly for clearly defined peak risks, but should form part of a broader risk-financing strategy.

“Asian catastrophe bonds can play a role, but they should be developed as part of a broader risk-financing strategy,” she said.

“More capital is useful, but better risk information and stronger underlying insurance demand to close the protection gap are equally important.”

For reinsurers, that leaves a role extending beyond balance sheet capacity, particularly where local loss histories are limited or risks are changing quickly.

“Global expertise only creates value when it is combined with local data, local market knowledge and a deep understanding of how clients, businesses and communities experience risk,” Chan said. ●

REINSURANCE

Traditional reinsurance is not enough

Relying exclusively on traditional reinsurance to fill Asia-Pacific's protection gap is probably not enough, given the region's exposure growth, says Mapfre Re China.

Catastrophe bonds, insurance-linked securities and other forms of alternative capital can play an increasingly important role, acting as complementary sources of capacity, said Ignacio Rodríguez Arteche, chief representative officer of Mapfre Re China.

Arteche said that Asia-Pacific was already seeing progress with Hong Kong and Singapore establishing ILS frameworks, Asian catastrophe bond issuance increasing, and growing interest from sponsors and investors in Asia-Pacific risks.

That said, traditional reinsurance will remain the backbone of catastrophe risk transfer in Asia, Arteche maintained. Reinsurers provide far more than capacity, provide underwriting expertise, accumulation management, catastrophe modelling, claims support and long-term relationships that capital markets cannot easily replicate, the experienced China hand told *EAIC Today*.

Given that Mainland China has seen reinsurance rate softening so far in 2026, it would seem fair to assume that cedants also push for lower deductibles at 1/1. Not so, says Artetxe. In fact, the opposite has happened during this year, he said.

At a time when commercial rates globally have shown signs of plateauing, Mainland China's domestic P&C market remains fiercely competitive. Mapfre Re draws the line when it comes to technical pricing, engaging with its

KEY POINTS:

- Mainland China P&C 'fiercely competitive'
- Reinsurance prices continue to soften
- Attachment points stay firm



“Cut-throat competition may deliver short-term market share gains, but it is rarely sustainable over the long term”

clients through “constructive communication”.

Arteche said that in Asia Pacific there is a tendency in some markets to pursue growth through continuous rate reductions without sufficient regard for the underlying risk.

“Cut-throat competition may deliver short-term market share gains, but it is rarely sustainable over the long term. We should move

away from competing primarily on price and compete instead on expertise, service, and risk management capability,” Artetxe said.

Arteche feels strongly about any so-called race to the bottom when it comes to reinsurers competing on price.

“We do not simply compete on price or capacity,” he said. “As a professional global reinsurer, our value lies in combining local market knowledge with international underwriting experience, global risk diversification, and specialist expertise.”

For Arteche, disciplined underwriting remains the key. “Insurance is ultimately a promise to pay future claims, and that promise can only be sustained if risk is properly understood, accurately priced, and supported by adequate capital.”

On the other hand, Arteche concedes that reinsurers building in the cost of modelling secondary perils such as storms and flash floods accurately can mean rate hikes for primary buyers in Southeast Asia.

“Certainly, simply imposing larger rate increases is not the perfect solution, and reinsurers do look for a more sustainable approach, but it is complicated and takes time,” Arteche said.

“The objective is to improve risk understanding and resilience rather than just merely transferring uncertainty directly into price. Reducing uncertainty requires better exposure data, local hazards research, etc. It is a process that requires time and much more accurate data, and the support of cedants and local institutions is key in this regard.” ●

NEWS

Marsh reveals new chief executive officer of Japan

Marsh has appointed a new chief executive officer for its Japan reinsurance business as it strengthens leadership of its operations in the market.

Andrew Hare will take up the role of CEO of Japan, Marsh Re, effective January 1, 2027, subject to regulatory approval. He will relocate to Tokyo from Singapore in mid-2027 and report to Tony Gallagher, CEO, Asia-Pacific, Marsh Re.

Hare will lead Marsh's reinsurance team in Japan, with overall responsibility for client management and strategic initiatives to grow

the business. He will continue as head of growth for Marsh Re in Asia-Pacific, a position he has held since joining Marsh in May 2026.

He succeeds Jeremy Fox, who will remain as chairman, Asia-Pacific, Marsh Re.

Hare has more than 20 years' experience in the reinsurance and insurance industry, including 15 years in Asia Pacific. He spent 17 years with Aon before joining Marsh from financial services technology provider FIS, where he was head of insurance for Asia-Pacific.

Gallagher said: “Japan is a vitally important market for our clients and Andrew is a leader of exceptional commercial judgment who

understands the importance of long-term relationships. He will build on the strong foundation established by Jeremy, whose continued role as chairman will ensure a smooth transition for our clients.”

Hare added: “I am honoured to take on leadership responsibility for Marsh's reinsurance business in Japan, which is one of the most sophisticated markets in our industry and built on relationships measured in decades. I look forward to working with our talented colleagues and the market as we support our clients in managing their risk portfolios.” ●

RISK

Strategy is key to growing APAC risk

Risk retention, risk transfer or a balance between the two is the conversation organisations are having in Asia-Pacific as they take a more strategic view of risk financing rather than purchasing the lowest available deductible.

Tony Hardy, Asia CEO at Lockton, says they're seeing a growing interest in integrated risk financing strategies, combining traditional insurance, captives and alternative risk solutions "to achieve the most efficient total cost of risk".

Hardy told *EAIC Today* captives created more choice in an advanced risk transfer programme due to their long-term nature and ability to create value in a softer commercial insurance cycle.

"Captive programmes are designed around actual loss experience and the owner's risk profile. The platform is ready to respond when the market pricing cycle changes. They can also address exposures that may be difficult to fund through commercial insurance products," Hardy said.

He said the prevailing theme across the Asia-Pacific region is "capacity is available and competition is increasing". He did say, however, that appetite is less about geography alone and more about the quality of the risk.

"Across APAC, insurers are actively targeting businesses with strong risk management practices, favourable loss histories and clear ESG and resilience strategies." And for these

KEY POINTS:

- Combining traditional with ARS
- Not about geography but risk
- Parametric all about understanding



Tony Hardy

clients, he said Lockton is seeing broader coverage options, improved terms and more competitive pricing than "seen over the past few renewal cycles".

Most importantly, said Hardy, is there is no single strategy that fits every organisation, and market dynamics vary significantly by geography, industry sector and line of business. He added that it's not about timing the insurance cycle in the region but to focus on long-term risk financing objectives.

That said, he emphasised the importance of managing volatility with current market conditions when opting for long-term versus cyclical approaches.

"For some clients, particularly those seeking budget certainty and protection against future market volatility, multi-year arrangements can be an attractive solution," he said. "For others, the current increase in capacity and competitive environment may create opportunities to improve terms, expand coverage or reduce retentions over successive renewal cycles."

Each approach and whether it suited the client was dependent on the risk profile, capital position and strategic priorities.

With a leaning toward parametric solutions in a region where large protection gaps are evident, Hardy cautioned over the pricing and understanding of the product. "Parametric products represent a broad departure from traditional risk transfer, and many clients are still assessing whether these solutions provide the protection and certainty they expect from conventional insurance," he noted and emphasised the importance of the complimentary role parametric insurance plays with traditional insurance, not as a replacement but "as an important complement within a broader risk financing strategy".

Hardy praised the Asia-Pacific insurance community as one that exists on a "foundation of trust, relationships and expert advice". He said insurance as a purely transactional annual purchase is a practice that should be left behind in the region in favour of a combination of traditional expertise with data and innovation. ●

CHINA

China injects \$6.3bn into insurers amid equity strain: Fitch

Fitch Ratings has said that China's latest CNY42 billion (\$6.3 billion) capital injection into two major state-backed insurers underscores the government's commitment to shoring up financial resilience, even as it highlights the capital strain inflicted by Beijing's push for greater equity market participation.

The Ministry of Finance is allocating CNY35bn to China Life and CNY7bn to China Taiping Insurance Group, alongside a separate CNY260bn injection for ICBC and ABC banks.

For the life insurers, Fitch estimates the cash could lift its Prism Global model capital scores by roughly three to four percentage points, though their categories are expected to remain unchanged at 'Adequate' and 'Very Strong'.

The support arrives against a backdrop of

tightening capital, with the sector's average solvency ratio falling to about 170% by end-2Q26, down from 197% at end-1Q25. Fitch attributes this directly to higher mandated equity allocations and lower interest rates, which have increased exposure to market volatility, ALM risk and reserve requirements.

Beijing had already introduced measures to ease these pressures, including favourable capital treatment for long-term vehicles and a 10% reduction in risk charges for qualifying equity holdings. The forthcoming C-ROSS Phase III is expected to provide further relief. Fitch views the latest injection as consistent with this policy and reinforces its view that the sovereign would support systemically important insurers if needed.

However, the agency cautioned that the

fresh capital does not eliminate equity related risks. The ultimate benefit depends on asset allocation decisions, as a heavier equity tilt could amplify asset risk and market sensitivity. Fitch will assess the implications for rating sensitivities once further details, such as the timing of the transfers, emerge.

On the banking side, the parallel CNY260bn injection looks unequivocally credit-positive. Fitch estimates it will lift ICBC's CET1 ratio by 34 basis points and Agricultural Bank of China's by 60 basis points.

The agency characterised the move as demonstrating the government's 'very strong commitment' to the state banks and said stronger capital would enhance systemic resilience, which is credit-positive for its 'BBB-/stable' operating environment assessment. ●

OUTLOOK

Softer pricing could pressure earnings

Strong competition is driving softer pricing across the Asia-Pacific re/insurance market with some easing in terms and conditions, which could pressure underwriting earnings, says Fitch Ratings.

Pricing continues to soften across key markets and classes including commercial insurance, Jessica Pratiwi, associate director, APAC insurance ratings, Fitch Ratings told *EAIC Today*.

“For APAC re/insurers, we do see pressure building on underwriting margins as pricing softens while claims remain exposed to inflation, climate risk, geopolitics and AI-related liabilities,” Pratiwi said.

Fitch Ratings also sees that lower catastrophe losses in H126 may mask weakening underlying underwriting margins in a softening market, with secondary perils continuing to drive earnings volatility. The main pressure points are likely to remain property catastrophe and casualty lines, Pratiwi noted.

Although well-capitalised domestic Asian insurers are retaining higher market share compared to global branch networks, in Fitch’s view, higher local retention may not be inherently negative if it is supported by risk-adjusted pricing, prudent underwriting standards and capital resources commensurate with the additional exposure.

With global reinsurers keeping attachment points high, primary commercial carriers in Asia are absorbing more losses on their own balance

KEY POINTS:

- Secondary perils drive earnings volatility
- Selective price competition between locals
- Catastrophe bonds and ILS gaining traction



Jessica Pratiwi

sheets. The question is, from a credit rating perspective, what effect will this increased risk retention have on their earnings volatility or capital adequacy?

Pratiwi sees no cause for alarm. From a credit perspective, higher risk retention is more likely to affect ratings through higher earnings volatility in the near term, she explained, while capital adequacy should remain manageable for stronger re/insurers unless losses become prolonged, severe or concentrated among weaker capitalised players.

That said, Fitch is seeing some selective price competition as local/regional insurers seek to grow or defend market share. “At this stage,

we would view any sustained underpricing or weakening in underwriting standards as credit negative,” said Pratiwi.

Secondary perils remain a material source of underwriting volatility and capital strain in Asia-Pacific, particularly where historical data and modelling are less developed. When it comes to Fitch Ratings testing an insurer’s balance sheet resilience against these un-modelled secondary perils, the ratings agency places greater emphasis on reinsurance, capital strength, underwriting discipline, portfolio oversight and the quality of risk analytics, “as these factors help insurers manage loss volatility even when event behaviour is less predictable”, Pratiwi said.

Despite the massive scale of natural catastrophe exposure in Asia, Fitch believes traditional reinsurance remains the primary risk-transfer mechanism in Asia and should continue to play that role, supported by generally ample capacity.

However, given the region’s substantial catastrophe exposure, evolving capital requirements and growing demand for more flexible and capital-efficient protection, Fitch does see alternative capital becoming increasingly relevant as a complement to conventional reinsurance.

Catastrophe bonds and other insurance-linked structures are likely to gain traction, particularly in more developed Asia-Pacific markets and for peak catastrophe risks, Pratiwi said, although adoption is likely to remain uneven across the region. ●

REPORT

Alternative capital gaining ground in softer APAC market

Asia-Pacific reinsurers face heightened pricing pressure and squeezed underwriting margins through the remainder of 2026 as softening conditions meet growing “relevance” from alternative capital, Fitch Ratings has said.

“We expect ample capacity and strong competition to keep rates under pressure and support selective easing of terms and conditions, particularly for portfolios with relatively stable recent claims activity,” analysts wrote in their latest report.

Reinsurance conditions are expected to become increasingly segmented as loss trends, risk profiles and capacity diverge across markets and lines.

Fitch expects reinsurers to underwrite more selectively, with pricing and terms increasingly shaped by geography, business mix and cedant loss experience.

The market remains exposed to volatility from secondary perils such as floods and wildfires, which Fitch identified as a key source of earnings volatility despite a moderation in catastrophe activity during the first half of 2026.

At the same time, new capital frameworks across several Asia-Pacific markets are expected to encourage more disciplined capital management and greater use of reinsurance to improve capital efficiency and support solvency positions.

Alternative capital is also becoming “increasingly relevant” to the region’s reinsurance

market, although Fitch expects adoption to remain concentrated in select markets and business lines.

Cedants are seeking broader, more flexible and capital-efficient sources of protection, with alternative structures increasingly being assessed to address rising catastrophe exposure and capital management needs.

In life insurance, asset-intensive reinsurance is gaining traction in some mature markets as insurers seek capital relief and balance-sheet optimisation, Fitch said.

Broader adoption of alternative capital will be supported by regulatory and market developments, but it is “likely to remain uneven across the region”. ●

PRICING

Asia-Pacific P&C defies one pricing story

Asia-Pacific is too diverse to sum up in a single region-wide property and casualty pricing narrative but territorial trends and those by line can be seen, says Markel.

Although Markel has operated in the Asia Pacific market since 2007, it appointed John Bang as head of Korea and Japan in February to focus on wholesale specialty.

Some classes are experiencing greater rate pressure than others, Bang told *EAIC Today*, while complex and specialist risks continue to require disciplined underwriting.

The trend in Korea appears to be a more disciplined underwriting approach among local insurers, said Bang, although this varies by line of business, with greater emphasis on bottom-line underwriting results.

In Japan, there is a clear movement towards meeting what Bang calls “the arm’s-length expectations of the international rating environment”.

Bang said: “Our approach remains unchanged: we’re focused on sustainable, profitable growth and on providing consistent capacity and expertise for brokers and clients through every stage of the cycle.”

Japan and Korea are both sophisticated insurance markets, but each is facing a different inflection point, Bang explained.

In Japan, regulatory reforms and governance changes are accelerating a shift from relationship-based placement towards technical, risk-based underwriting, which aligns closely with Markel’s specialty DNA.

In Korea, Markel is seeing increasing underwriting discipline among local insurers and greater demand for specialist expertise on complex risks.

KEY POINTS:

- Secondary perils impacting marine
- Ports, coastal supply chains most exposed
- Hull demand may grow more selectively



John Bang

Markel’s initial focus is on marine, financial lines, cyber and casualty, while continuing to support opportunities in energy, warranty and indemnity, political violence, trade credit and other specialty classes where it has expertise.

Zeroing in on marine, from Bang’s perspective, the market is being shaped by longer and more fragmented supply chains, greener but more technically complex shipping, and persistent geopolitical uncertainty in key trading routes.

That is likely to drive stronger demand for cargo and war risk cover, Bang said, particularly where clients are exposed to rerouting, port disruption, aggregation and wider supply chain volatility. Hull demand may grow more selectively, especially as vessel owners invest in retrofits, alternative fuels and greener fleets.

Bang said: “The bigger change, and one our marine colleagues are very focused on, is the level of underwriting scrutiny required. Green shipping technologies, geopolitical disruption

and changing trade patterns all make technical risk assessment, route analysis and accumulation management more important.”

Asian ports and coastal supply chains face increasing losses from typhoons, flooding, storm surge and other secondary perils. While local insurers can often provide capacity, Bang said that Markel differentiates itself through a combination of global underwriting capability and specialist marine risk engineering.

“This allows us not only to insure the risk, but also to help clients to identify vulnerabilities, assist to strengthen resilience,” Bang said, “with the aim to reduce the likelihood and severity of losses across the entire supply chain.”

Climate change is driving up the frequency and severity of secondary perils such as floods and convective storms across Asia, with much of it uninsured. Markel looks at the protection gap through the lens of the specialty classes where it is most active, including marine, energy, casualty and other complex risks.

Each of those areas is increasingly affected by climate-related volatility, whether through port disruption, damage to energy assets, transport delays, coastal flooding, storm surge or liability exposures which arise when infrastructure and supply chains are under pressure.

Bang said: “For us, helping to close the gap starts with recognising that these risks do not sit neatly within one product line. A flood, typhoon or storm can interrupt cargo movements, affect port operations, damage energy infrastructure and create knock-on consequences for customers, contractors and communities. That is why the role of a specialty insurer is not just to provide capacity, but to help clients understand how those exposures connect.” ●

LEADERSHIP

Axa XL bolsters Asia reinsurance and underwriting leadership

Axa XL has strengthened its reinsurance and underwriting leadership in Asia-Pacific, as it looks to deepen its relationships with clients and brokers across the region.

Augustin Gas has been appointed head of Asia, reinsurance. He will manage Axa XL’s regional reinsurance business across Asia. He is based in Singapore.

Gas has more than two decades of reinsurance experience and has managed

portfolios across Europe, North America and Asia. He has held senior roles in Zurich, Paris, London, Bermuda, Chicago and Singapore.

Markus Posberg has been appointed as chief underwriting officer, property, construction & energy for APAC & Europe.

Posberg will be based in Cologne, Germany, and will oversee underwriting strategy for property, construction and energy across Europe, Asia and Australia.

A Fellow of the Chartered Insurance

Institute, Posberg has more than 30 years of experience in commercial property, construction and energy insurance. He joined Axa Corporate Solutions in 2018 and has been head of underwriting for Germany since 2021, with responsibility for the German property, construction and energy portfolio.

Before joining Axa Corporate Solutions, Posberg held senior underwriting and leadership roles at QBE, Montan and HDI. ●

HONG KONG

Hong Kong sharpens its risk hub role

Cross-border flows across the Greater Bay Area are reshaping insurance demand in Hong Kong and strengthening the city's ambitions to become a wider Asian risk-management hub, according to the Hong Kong Federation of Insurers (HKFI).

Selina Lau, chief executive of the HKFI, said the increasing movement of people, goods, capital and businesses across the GBA was creating demand for new forms of protection, from cross-boundary motor insurance and specialist marine cover to solutions addressing growing catastrophe exposures.

"HKFI's focus is on promoting Hong Kong not simply as an insurance market, but as a comprehensive risk management hub where Chinese mainland insurers can access global expertise, capital, innovation and international growth opportunities," Lau told *EAIC Today*.

She pointed to Hong Kong's common law system, regulatory framework, freely convertible currency, international connectivity and deep pool of insurance and reinsurance expertise as advantages that could support that wider role.

Cross-border demand grows

One visible consequence of increasing movement across the GBA is healthcare.

Lau said medical inflation in Hong Kong had risen to 15% a year, pushing growing numbers of residents to seek more affordable and accessible medical services elsewhere in the GBA, particularly for cancer treatment and dentistry, as well as retirement homes.

While that movement is easing some pressure on Hong Kong's medical insurers, Lau said the underlying problem extends beyond the city.

"Medical inflation is not confined to Hong Kong; it is impacting the entire region with deeply damaging consequences. I believe the EAIC provides an ideal platform for executives to come together, exchange perspectives, and explore solutions to this uphill battle," she said.

The wider integration of the GBA is also creating demand in other parts of the insurance market. Lau highlighted growing need for cross-boundary motor insurance as people and businesses move more frequently between Hong Kong and mainland China.

Marine is another area where changing patterns of risk are creating opportunities. Vessel owners in Hong Kong and mainland China are seeking specialised protection against risks including war, piracy and terrorist attacks.

Taken together, these trends reinforce HKFI's

KEY POINTS:

- GBA flows create new insurance demand
- ILS can widen catastrophe capacity
- Trust still rests on simpler cover



“HKFI’s focus is on promoting Hong Kong not simply as an insurance market, but as a comprehensive risk management hub.”

case that Hong Kong can play a broader role than that of a domestic insurance centre. The city can act as a point of connection between mainland Chinese risks and international insurance, reinsurance, capital and expertise.

More capacity for catastrophe risk

That role becomes more important as catastrophe exposures across Asia continue to accumulate.

Lau said traditional reinsurance remained indispensable, but would not provide sufficient capacity on its own over the long term. As climate-related exposures increase and extreme weather events become more frequent and severe, she believes the region will need a more diverse pool of risk-bearing capital.

A deeper Asian insurance-linked securities market could be part of that answer.

Hong Kong's Insurance Authority has facilitated the launch of ILS in the city, and Lau said the next phase of development was likely to involve a broader range of risk structures, more regional sponsors and greater participation from global investors.

For Hong Kong, that would sit naturally alongside its ambition to become a regional risk-management hub. A deeper ILS market would provide another route for Asian catastrophe exposures to access capital beyond traditional

reinsurance, potentially broadening the region's capacity to absorb large losses.

The theme running through Lau's comments is that the risks confronting Asia are becoming more interconnected. Movement across the GBA is increasing demand for cross-border insurance solutions, while climate risk is placing greater pressure on catastrophe capacity. In both cases, Hong Kong is seeking to position itself as a market that can connect local and regional demand with broader pools of expertise and capital.

Keep the human connection

Yet Lau also cautioned against assuming that the future of insurance is solely about new products, capital structures or technology.

Reflecting on this year's EAIC theme, "bridging the origin to the future", she said insurers should retain the human connection and trust that sit at the centre of the industry, while leaving unnecessary complexity behind.

Policyholders, she argued, will continue to judge insurers on whether they honour their promises regardless of how sophisticated technology or distribution becomes.

That makes clarity an important part of accessibility. Complex products, difficult wording and opaque terms can weaken trust even where the underlying protection is valuable.

"If, and only if, we can make those terms simpler and more reader-friendly, we will strengthen trust and make protection even more accessible to the people we serve," Lau said.

That emphasis on simplicity sits alongside the broader growth story. As Hong Kong seeks to expand its role across the GBA and beyond, the opportunity is not simply to write more business, but to build a wider ecosystem capable of connecting regional risks with specialist expertise, traditional and alternative capital and international markets.

The city's ambition, as Lau presents it, is therefore broader than insurance distribution alone. It is to strengthen Hong Kong's role as a risk-management centre able to support increasingly mobile businesses and individuals, respond to emerging and interconnected exposures, and widen access to the capital needed to absorb them.

But the final test, she suggested, remains straightforward: whether customers understand the protection they are buying and whether insurers deliver on the promise when it matters. ●

AI

AI adoption remains in APAC foothills

Return on investment in Generative AI so far has been “underwhelming”, says Mehul Dave, Southeast Asia leader at broker WTW, but Asia-Pacific insurers are still in the foothills of adopting artificial intelligence. “AI shouldn’t be thought of as a technology,” said Dave. “AI is a strategy.”

Generative AI adoption in Asia-Pacific is moving from prototyping and experimentation to going operational and that comes at a cost, said Dave. The key is building the right foundations towards getting the right return on investment.

Data-centric AI adoption

Dave sees AI as enriching the amount of data ingested into the system, a tool for data liberation, reducing manual work and enhancing analysis capabilities. The evolution of AI is expected to move towards decision-making support and potentially autonomous decision-making.

Dave told *EAIC Today*: “Adoption varies, that’s for sure, across markets, underwriters and insurers in APAC. But there’s enthusiasm on the augmentation that AI brings. What I see it evolving into is AI operating via agents in specific tasks – very expert, very bespoke tasks within the value chain – and then over time, I think the decision-making capabilities will also be augmented into that, and then there’s going to be agent systems which span multiple siloed areas.

“While adoption is very data-centric at the moment, I think the evolution towards decision-making, supporting decision-making, and then likely to be autonomous decision-making as well, will come about, but we’re not there yet.”

It is important to differentiate between gen AI and machine-learning and automation, said Dave. Southeast Asia insurers are already working with the former, the latter will come in time. Automation provides fast return on investment, while predictive analytics and gen AI offer long-term benefits.

Although there is immense hype surrounding generative AI today, historically, Asia-Pacific underwriters have been very paper-based. Historic claims data in East Asia is messy with legacy IT systems, paper-heavy documentation, and multilingual documentation across ASEAN. Few of the Asia-Pacific insurers experimenting with gen AI have successfully scaled it into core operations.

KEY POINTS:

- Gen AI returns still underwhelm
- Automation delivers tangible ROI
- Data rules divide APAC adoption



“AI shouldn’t be thought of as a technology. AI is a strategy”

Today, Asia-Pacific insurers are using automation and machine learning to ease manual work around submission, ingestion and document handling. Paper-based prevalence has been reduced, said Dave.

He said: “Companies are doing a lot of experimentation with gen AI, but in fact, automation provides a very tangible return on value ... you have data integrity that is created, so that actually the gen AI is a bit more effective as well through that automation layer. Automation, predicting through machine-learning models are not flashy AI, but they offer tangible return on investment.”

Pricing needs speed

With claims inflation and market volatility impacting commercial P&C lines across Asia, carriers need to be agile with pricing.

WTW APAC clients are working with WTW’s enterprise pricing, insurance analytics, and rating platform Radar platform for pricing pipelines. The platform connects predictive modeling with real-time price execution, allowing insurance companies to build complex pricing algorithms, simulate market outcomes and deploy rates instantly.

Dave explained: “We start from the data ingestion part through to core pricing

analytics using machine learning models, all the way through to deployment. Deployment means analytics hitting the market in real time, so you can react to the market fast, and therefore have that same feedback loop of whatever’s going on in the market, capture more information, feed that back and enrich the model better.”

One area where machine-learning can have an immediate impact is on helping insurers obtain better data when it comes to parametric solutions. New data sources can create parametric indicators with an ability to appropriately price those so that it is digestible for the industry.

For example, WTW structured a parametric programme for coffee producers in Vietnam using AI to create new environmental triggers which then triggered insurance payouts. The result was a structure that coffee producers could understand and insurers can “absorb, because they understand that this trigger leads to this output”, helping narrow the uninsured protection gap without taking on opaque, unpricable risk.

Regulation divides region

But a stone in the shoe remains the widely disparate territory regulations when it comes to data privacy, AI ethics and cross-border data flows. For Dave, the real divide in Asia-Pacific’s AI journey isn’t enthusiasm, it’s regulation.

“A bedrock of AI is data,” he noted, and countries have “different comfort levels around the type of the kind of LLMs that can be used. So, some don’t mind large language models from outside of the country but some do, and you’ve got to only use local gen AI platforms or LLMs.”

That directly shapes where pilots can be scaled into live production.

Cloud adoption is another differentiator. Countries with more open cross-border data policies tend to have faster AI adoption. Australia and Singapore are “very comfortable with cloud adoption”, while Malaysia has moved from a “We don’t want SaaS” stance to gradual acceptance. At the other extreme, “in Korea, cloud adoption is pretty low, everything is on-prem”, making AI “a harder undertaking”.

China goes further still, with “significant challenges around cross-border data transfer” that prevent multinationals from sharing information across their own groups. ●

RESILIENCE

Climate tests APAC insurer buffers

Asia Pacific insurers enter 2027 with generally strong capital buffers, but climate losses, market volatility and softening reinsurance prices will increasingly test the sector's resilience, according to Frank Yuen, senior vice president of ratings at Moody's Ratings.

Speaking to *EAIC Today*, Yuen said credit risks differ sharply across life, non-life and reinsurance markets, though most regional insurers remain well placed to absorb shocks after a strong run of underwriting and investment performance.

For life insurers, the key exposure is earnings volatility driven by capital market fluctuations, alongside potential pressure on capital from asset-liability management mismatches.

"Insurers with higher allocations to illiquid or alternative assets could face greater valuation and liquidity risks during periods of market stress," Yuen said.

Non-life insurers face a different challenge: rising catastrophe and climate-related losses, which Yuen flagged as the region's most significant risk given Asia-Pacific's exposure to natural disasters. Claims inflation and reserve adequacy compound the pressure, with higher repair, medical and legal costs threatening underwriting profitability wherever pricing fails to keep pace.

Nevertheless, Yuen said most non-life insurers had benefited from "strong underwriting results and good investment returns" that have strengthened their capacity to absorb such losses.

Insurers are not without tools to manage the climate squeeze. In most markets they can reprice policies annually to reflect worsening loss experience, while more granular, risk-based pricing and increasingly targeted loss-prevention measures should help moderate rising claims costs from secondary perils.

"We expect APAC insurers' capital buffers

KEY POINTS:

- Climate losses test capital buffers
- Reinsurance vital despite retention shift
- Alternative capital grows, but gradually



Frank Yuen

to remain generally strong relative to their catastrophe risk exposure, supporting the resilience of their credit profiles," Yuen said.

Within the region, Moody's sees Australia and Japan as more exposed to rising catastrophe losses, reflecting high property insurance penetration, strong insurance awareness and construction cost inflation.

Reinsurers face their own distinct pressure. Profitability remains strong and balance sheets robust, but abundant traditional and alternative capital is intensifying competition and driving continued softening in property catastrophe reinsurance pricing.

"Continued premium rate declines and some easing of terms and conditions could pressure future underwriting margins," Yuen said. Reinsurers also remain exposed to elevated catastrophe losses and reserve uncertainty in casualty lines.

That pricing pressure is unfolding alongside a structural shift: insurers across Asia are retaining a larger share of catastrophe and specialty risk on their own balance sheets, a trend Yuen linked to several years of improving underwriting profitability.

"In many Asian markets, reinsurance remains a critical component of insurers' risk management frameworks because catastrophe exposures can be highly concentrated and local capital markets are generally not deep enough to absorb extreme tail risks," Yuen said.

"As a result, insurers are likely to continue relying on both domestic and international reinsurers for peak catastrophe protection, capital relief and expansion into new product lines," he said.

Alternative capital is a growing, if still secondary, part of the picture. Adoption of catastrophe bonds and insurance-linked securities is accelerating across Asia, although the market remains significantly less developed than those in North America and Europe.

Regulators in Singapore and Hong Kong have introduced financial and operational incentives to support ILS development, helping drive a growing number of transactions.

Even so, Yuen expects adoption to stay gradual. Issuance volumes remain limited in many Asian markets and insurers must still weigh basis risk, rollover risk, transaction costs and liquidity requirements before turning to alternative structures. The current soft reinsurance market adds a further complication.

"The current soft reinsurance market also makes alternative solutions a more costly option than conventional reinsurance," Yuen said.

"We expect conventional reinsurance to remain the dominant source of catastrophe protection across Asia for the foreseeable future," Yuen said. ●

NEWS

BHSI targets venture capital risks with liability cover

Berkshire Hathaway Specialty Insurance (BHSI) has introduced its professional first venture capital liability insurance policy in Australia, targeting the evolving liability risks faced by venture capital managers and funds.

The policy provides coverage for professional services performed by venture capital firms, alongside directors' and officers' protection

for claims arising from wrongful acts in the management of a company or fund.

Coverage includes reinstatement of Side A cover, lifetime run-off cover for retired directors and officers, and comprehensive crime protection.

The policy also offers optional entity investigations cover and outside director cover for insured persons serving as representatives on

the boards of portfolio companies.

"Australia's venture capital sector continues to mature, and the risks facing fund managers are evolving along with it," said Andrew Boosey, manager, financial institutions, executive & professional lines, BHSI Australia. "This innovative solution will support VC managers as they navigate an increasingly complex risk landscape." ●

PRICING

Shift talk beyond cheaper reinsurance

Not only are select Asian markets seeing early signs of social inflation and Asian casualty cannot be priced off imported US or UK loss development benchmarks.

So says Kenrick Law, newly appointed head of underwriting, Berkley Re Asia, who brings vast experience of the Asian casualty market previously gained at Allianz Reinsurance, Swiss Re and Asia Capital.

Law said: “We’re seeing rising litigation propensity, greater legal representation, and higher damage awards in some jurisdictions – though not yet at North American level.”

But Berkley Re Asia is not just being reactive: the reinsurer, which opened for business in Singapore back in 2010, is pushing attachment points higher on casualty treaties in affected markets, applying more adequate loss development assumptions and engaging cedants directly on claims handling and reserving discipline.

Statutory casualty liability regimes are evolving market by market, Law explains, requiring regionally specific actuarial views, including emerging ESG-linked liability exposures which barely existed five years ago.

As to where demand for specialty casualty and liability reinsurance is growing, Law points to D&O, professional indemnity and product liability, driven by tightening regulatory enforcement and maturing corporate governance across Singapore, Hong Kong, and, increasingly, Indonesia and Vietnam, alongside steady growth in cyber liability despite ongoing data maturity challenges.

Discipline beyond renewal

The same approach applies as global property and commercial rates moderate. Law said Berkley Re does not treat rate adequacy as something determined only at renewal.

“Rate adequacy is an output of disciplined underwriting throughout the year, not just a renewal season outcome,” he said.

The reinsurer segments cedants according to factors including data quality and risk management, pricing those differences explicitly rather than applying broad market corrections. Market share is not its priority, Law said, with Berkley Re favouring long-term partnerships over transactional volume.

Another Asian market trend that Law comments on is regional cedants left with gaps in their risk transfer structures as reinsurers

KEY POINTS:

- Asia casualty needs local benchmarks
- Cheaper reinsurance misses the point
- Renewals need continuous dialogue



hold onto terms and conditions – a situation Law says is “not sustainable”.

“Our advice is consistent,” Law said. “Don’t close the gap by simply raising retentions or changing treaty structure without recalibrating primary pricing discipline, as that just transfers volatility onto the cedant’s own balance sheet. Pricing and underwriting discipline is key for the long-term sustainability of the insurance and reinsurance market.”

Berkley Re Asia said it works with insurers to review their current risk transfer structure in order to ensure alignment of interests of both parties. The aim is to shift the conversation from “cheaper reinsurance” to risk transfer structures that genuinely reflect underlying portfolio volatility as well as cater for a cedant’s financial needs.

Primary Asian insurers might be retaining larger shares of standard risks on their balance sheets, but there is still growing cedant demand for structured facultative support on complex commercial risks. In response, Berkley Re Asia has built dedicated regional fac capability that complements its treaty offerings.

“We’re seeing genuine bifurcation-strong retention appetite on standard risk paired with rising demand for bespoke facultative support on complex, large-limit exposures,” said Law.

Granular pricing

That differentiation also extends to secondary perils. Law said vendor models for Southeast Asian flood and convective storm remain

underdeveloped in some markets, so Berkley Re supplements them with its own exposure-based analysis rather than treating model output as the primary pricing input.

“Blanket rate increases across a territory are an instrument that punishes well-managed risk alongside poorly selected risk,” he said. “Granular, peril-specific pricing lets us conduct differentiating pricing based on the level of risk management taken on by different cedants.”

If Law has an overarching message, it comes back to industry sustainability; reinsurers and cedants in East Asia should see their relationship as collaborative and not confrontational.

Law said: “It is essential for all parties to ensure that the re/insurance market is a sustainable one. We need to do our part to contribute to the long-term success of the entire industry, rather than a short-term pricing gain.”

Collaboration over confrontation

Nowhere more so than in education over parametric cover, work requires “industry-wide collaboration, not just individual reinsurer initiative”. Law would like to see standardised parametric triggers for Southeast Asian perils such as Philippine typhoon and Indonesian earthquake, with transparent data that builds investor confidence around basis risk.

He said traditional reinsurance capital alone would not close Asia’s protection gap, but alternative capital could complement it, particularly for peak-peril and tail-risk layers. The Asian cat bond market remains heavily concentrated in Japan, he added.

The same philosophy applies to the renewal relationship. Law argues the industry should retain “relationship-based underwriting judgment” that means genuinely understanding a cedant’s book and claims philosophy rather than reducing every renewal to a spreadsheet exercise.

What it should leave behind, he said, is “the adversarial, once-a-year renewal negotiation” conducted on relationship goodwill and cycle timing rather than continuous, transparent dialogue.

“The real ‘bridge to the future’ is shared dashboards and ongoing portfolio review, so renewal conversations hold no surprises on either side.” ●

MODELS

PVT models must move beyond history

Asia Pacific insurers and reinsurers need to move beyond historically anchored risk models as geopolitical tensions, civil unrest and rapid infrastructure development reshape the region's political violence and terrorism (PVT) landscape, according to Matt Harris, global head of partnerships and distribution at Synthetik Insurance Technologies.

Speaking to *EAIC Today*, Harris said legacy PVT models are built on historical loss data and fixed risk zones, meaning they cannot by definition price a trigger with no precedent. Synthetik's alternative is scenario-based stress-testing, reassessing exposure as a situation develops rather than waiting for an annual refresh.

"It shifts the underwriting question from 'has this happened here before' to 'how would this specific location behave taking various factors into account'," Harris said.

The approach is being tested by APAC's hyperscale data centre build-out, which Harris said sits directly on some of the region's most contested geopolitical fault lines.

"A facility in Taiwan carries a layer of geopolitical and kinetic risk a European site simply may not, while clusters like Malaysia's southern Johor corridor concentrate huge accumulation risk in a market with comparatively thin PVT capacity," he said.

Synthetik's models weigh cluster accumulation, grid dependency and geopolitical proximity as integrated factors.

The same logic applies to the Taiwan Strait and South China Sea. Rather than underwriting to a binary war/no-war assumption, cedants and reinsurers are stress-testing portfolios against escalation scenarios ranging from blockades to more contained incidents.

"This allows for more realistic management of aggregate exposure and provides critical input into setting a risk appetite ahead of any actual event instead of scrambling to react after the fact," Harris said.

Modelling how unrest spreads

Civil unrest modelling follows the same principle. Synthetik's srcQuantum platform replaces static distance radii with a corridor and network-based approach, generating thousands of potential event scenarios based on where crowds might move, which infrastructure nodes they could affect and how long disruption might persist.

KEY POINTS:

- Legacy PVT models miss new triggers
- Data centres concentrate APAC accumulation risk
- Unrest spreads block by block



“Risk landscapes can shift within weeks, if not days.”

"A protest starting in Causeway Bay in Hong Kong can jump districts within hours," Harris said.

The model instead aims to provide a block-by-block view of contagion risk based on how unrest could propagate through a city's infrastructure. Harris also pointed to Kathmandu's 2025 protests as an Asia-specific example of why historical trends alone can prove unreliable.

The same data-led approach can help where APAC building records are fragmented or paper-based. Synthetik layers geospatial and target-based data with physics-informed catastrophe analysis and property-level probable maximum loss assessments, allowing engineering-based inputs to partially compensate for missing construction information.

For Harris, however, more sophisticated modelling should not mean surrendering underwriting judgment to technology.

The fundamental discipline APAC should retain, he said, is "genuinely understanding the physical risk in front of you rather than trusting a black box".

That becomes particularly important when models are tested against events for which there may be little or no precedent. What the industry should leave behind is the opposite: "reliance on static, historically-

anchored risk zones and slow annual model refreshes". The reason, Harris said, is simple. Across Asia Pacific, geopolitical tensions, infrastructure development and patterns of civil unrest can alter an exposure far faster than traditional modelling cycles were designed to accommodate.

The region's "risk landscape can shift within weeks, if not days", he said. ●

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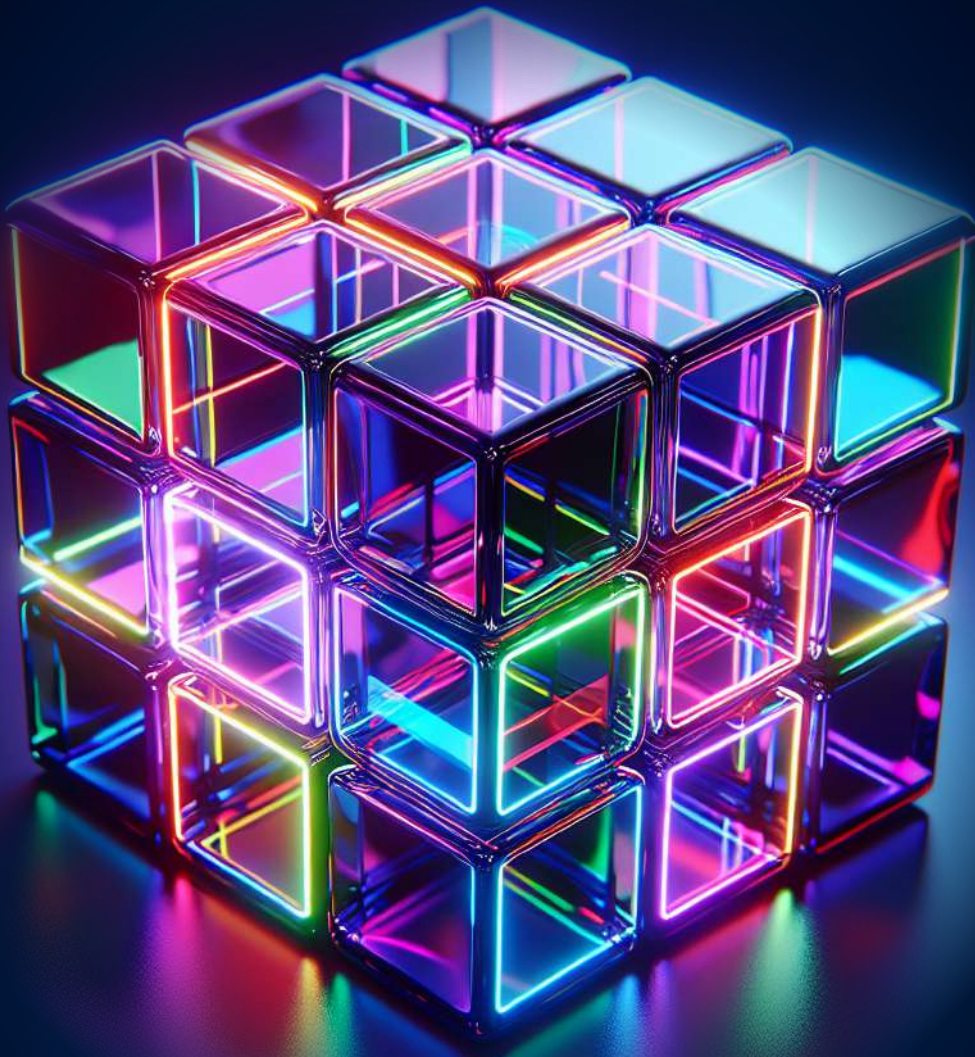
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