

The background is an abstract composition of layered textures. The top section features a teal and white, wave-like pattern. Below this is a dark, textured brown band. The middle section is a solid, warm orange-brown. The bottom section consists of horizontal, wavy lines in shades of blue and brown, with some darker, more textured areas at the very bottom.

Re-balancing

HOWDEN

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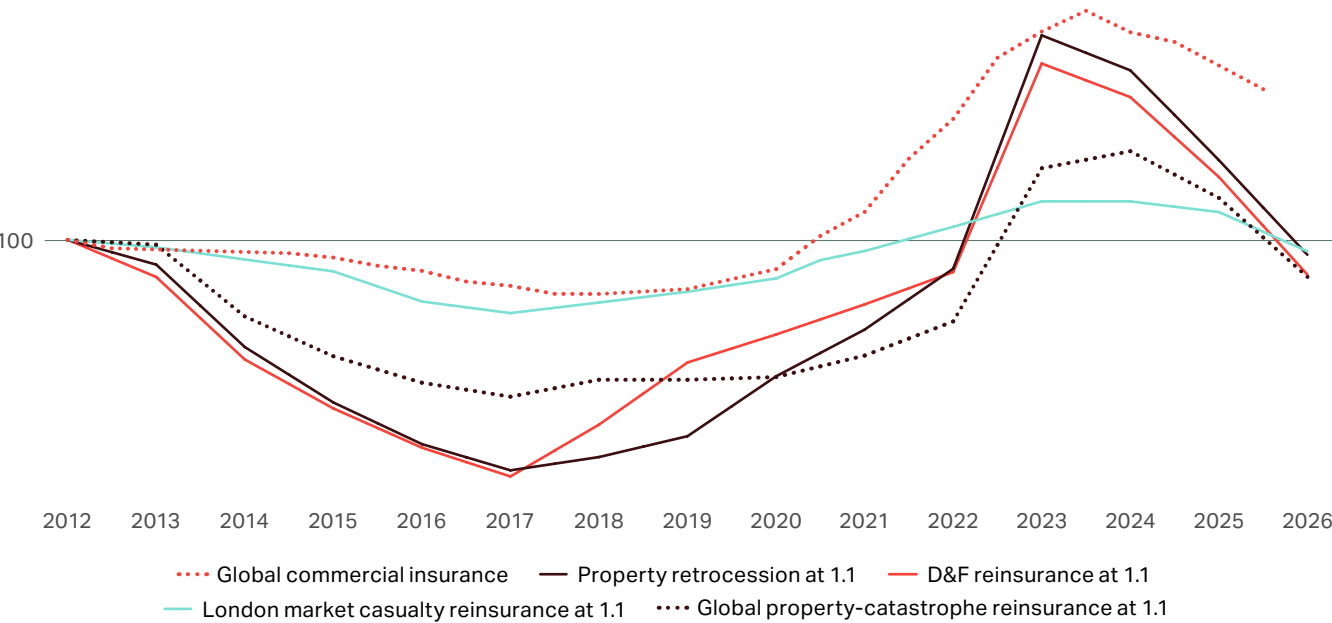
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Key takeaways

Most areas of the reinsurance market recorded price decreases at 1 January 2026 renewals, returning pricing across most major lines to levels last seen around four years ago, albeit with comparatively higher attachments and tighter terms.

Growing competition is delivering lower rates

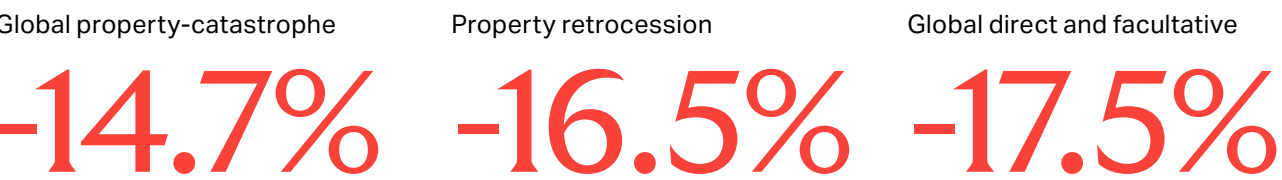
Howden pricing index for primary, reinsurance and retrocession markets



With core programmes placed for less spend than anticipated at 1 January 2026 and with strong signings, some cedents secured supplementary coverage to manage retentions and reduce volatility whilst others plan to deploy their savings to purchase additional protection in the first half of 2026.

Rate reductions accelerated across all major property lines

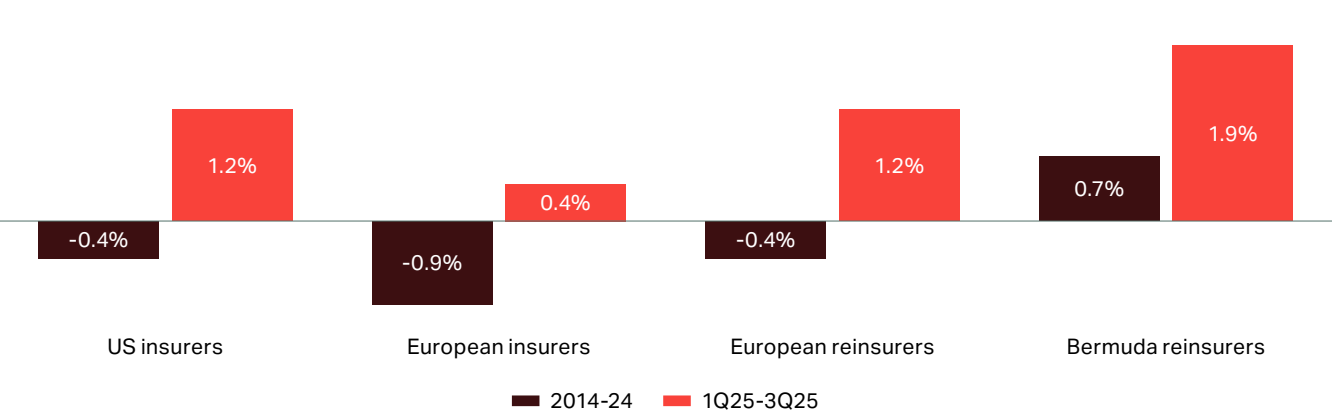
Risk-adjusted rate change at 1 January 2026



Performance remains strong across the (re)insurance value chain. Both insurers and reinsurers delivered returns above their cost of capital in 2025, even after one of the largest (re)insured losses on record (Los Angeles wildfires).

(Re)insurers delivered economic value added above long-run averages in 9M25

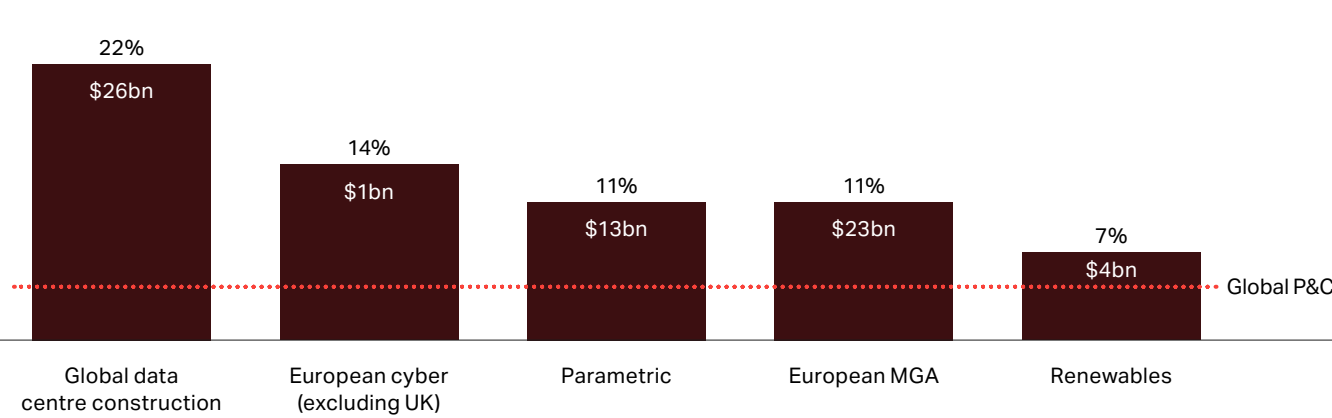
Average economic value added for insurers and reinsurers



The current phase of the cycle will reward underwriting excellence and innovation that unlocks new opportunities including in cyber, renewables and data centre construction, areas with high levels of investment and risk transfer demand.

Several areas are projected to outpace the broader P&C market from 2026 to 2030

Fast growing P&C segments - GWP CAGR and total growth 2024-30E



Re-balancing

2025 saw macroeconomic and geopolitical forces converge to crystallise major structural shifts in the global risk landscape.

Intensifying pressures around conflict, trade, geoeconomic fragmentation, inflation, debt, supply chains and critical minerals reshaped economies and policy agendas worldwide.

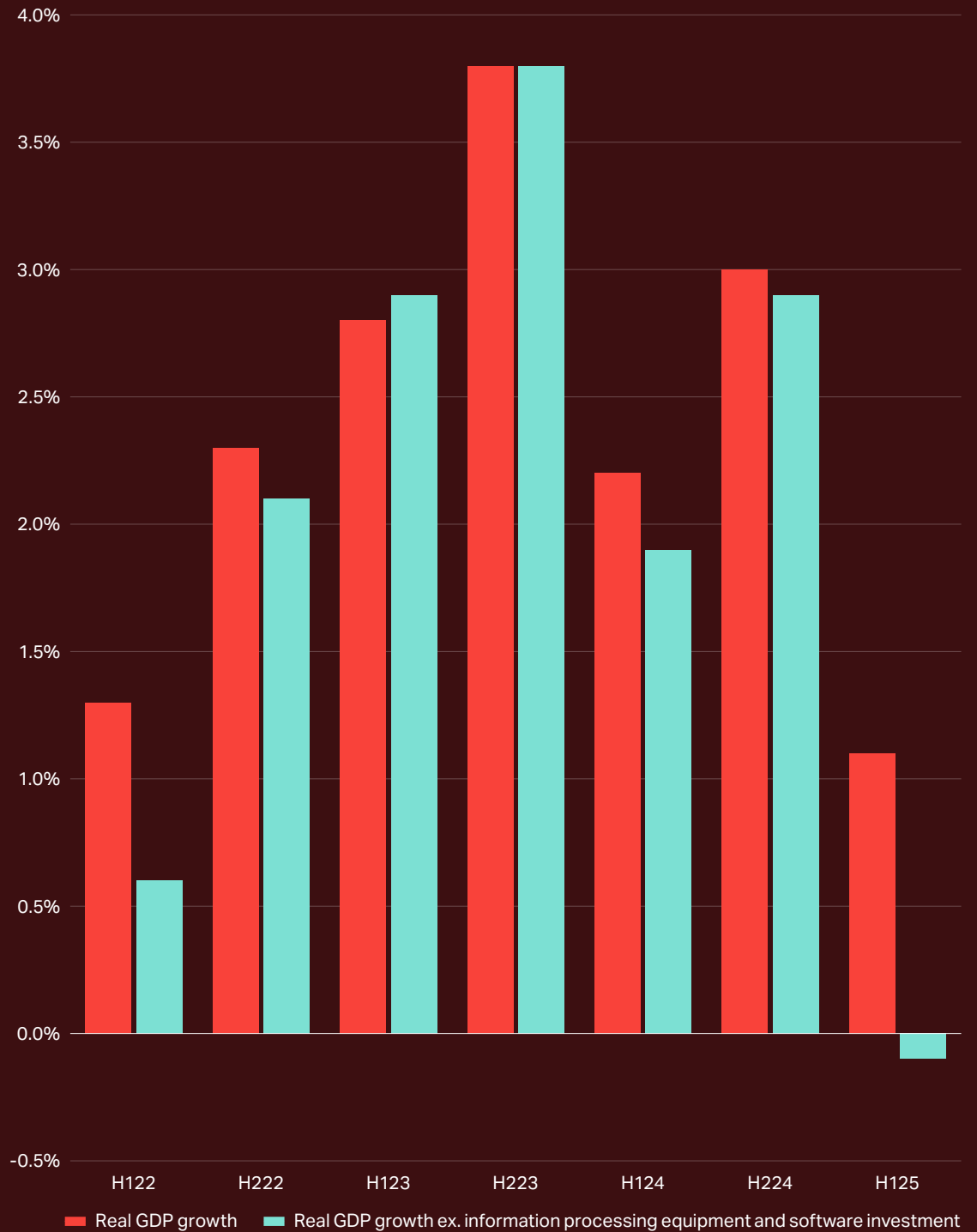
The magnitude and pace of change have reframed risk and resilience. 'Older' risks such as war, sabotage, (re)armament, populism and protectionism have re-asserted themselves whilst interacting with rapid technological advancement. Currency movements, inflation, interest rates and fiscal consolidation (or lack of) have also returned to the fore, with regional divergence intensifying over the last year.

A global economy that is simultaneously resilient and fragile, with stable (if low) growth through a period of massive change, brings both risk and opportunity. Elevated costs of goods and capital, shifting trade flows, heightened security threats and technological innovation (led by Big Tech and AI) are driving investment and changing risk perceptions.

Despite ongoing debate about market bubbles, AI spending made a significant contribution to US growth in 2025 (see Figure 1) and is expected to continue this year, even with increased scrutiny on its scale and return on investment.

Figure 1: AI's contribution to US GDP growth – 1H22 to 1H25

(Source: Howden, Bureau of Economic Analysis, OECD)



Such a backdrop carries major implications for the (re)insurance sector. Having moved past the pricing peak in 2024 after a protracted period of hardening, the subsequent softening is re-balancing the market as participants weigh risk and reward in a volatile operating environment. Conditions are not uniform across classes, reflecting variations in supply and demand dynamics, sensitivity to loss trends and differing macroeconomic influences. A heightened level of global risk further characterises this phase of the cycle.

As risks rise, so too does opportunity for (re)insurance brokers and carriers to demonstrate their value and meet growing demand. Risk transfer remains a cornerstone of the modern economy, and businesses are increasingly turning to the sector not just for protection, but also for strategic partnership.

All of which puts the market in a strong position heading into 2026. Conditions continue to be favourable across the value chain: buyers are benefitting from rate reductions and improved terms as supply exceeds demand in most areas (to differing degrees) whilst market performance remains strong, delivering healthy profits and returns on capital. Top-line growth is harder to achieve in this phase of the cycle due to the pricing slowdown and increased competition, underscoring the need for innovation to access new risk pools.

Clients and markets backed by best-in-class risk transfer expertise are not only well positioned to trade through the volatility, but also to seize opportunities in a rapidly evolving landscape.

Figure 2: Megatrends driving the risk landscape (Source: Howden)

Geopolitics

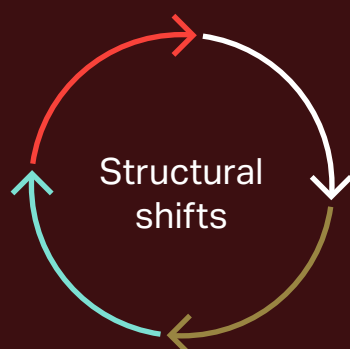
Relations reset between major powers

Conflict, economic fragmentation, discontent and polarisation

Macroeconomics

Disturbance and divergence

Diverging growth, inflation and interest rate trajectories and high debt burdens



Technology

Innovation and investments

Cyber, hybrid warfare, mis/disinformation and AI-led investment / productivity gains

Trade

Tariff-led turbulence and new alliances

Supply chain recalibration, protectionism, shadow trading systems and friendshoring

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Having moved past the pricing peak after a protracted period of hardening, the subsequent softening is re-balancing the market as participants weigh risk and reward in a volatile operating environment.

Market fluidity

The fluidity that has defined the (re)insurance sector in recent years reflects the influence of the broader macroeconomic and geopolitical landscape in driving market dynamics.

These forces played a key role in extending a protracted hard insurance cycle. Now, with price adequacy and profitability largely restored, conditions are shifting towards buyers as competition intensifies and rates decline (albeit from elevated levels).

These buyer friendly conditions are expected to persist into 2026 in the absence of major macro or sector-specific events, backed by strong capitalisation and carriers' desire to defend market share. The market nevertheless remains sensitive to losses, financial volatility and changing economic dynamics, reinforcing the fragility of conditions to future shocks.

Although the threat of trade disruption unsettled financial markets in 2Q25, subsequent agreements amongst trading partners – and the resulting reduction in uncertainty (as shown by Figure 3) – supported a recovery in equities and other asset classes, with several reaching record highs during the year. GDP growth in advanced economies exceeded expectations, underpinned by policy support and continued innovation, led once again by US technology firms.

Figure 3: Global trade policy uncertainty index – 2016 to 4Q25 (Source: Trade Policy Uncertainty)¹



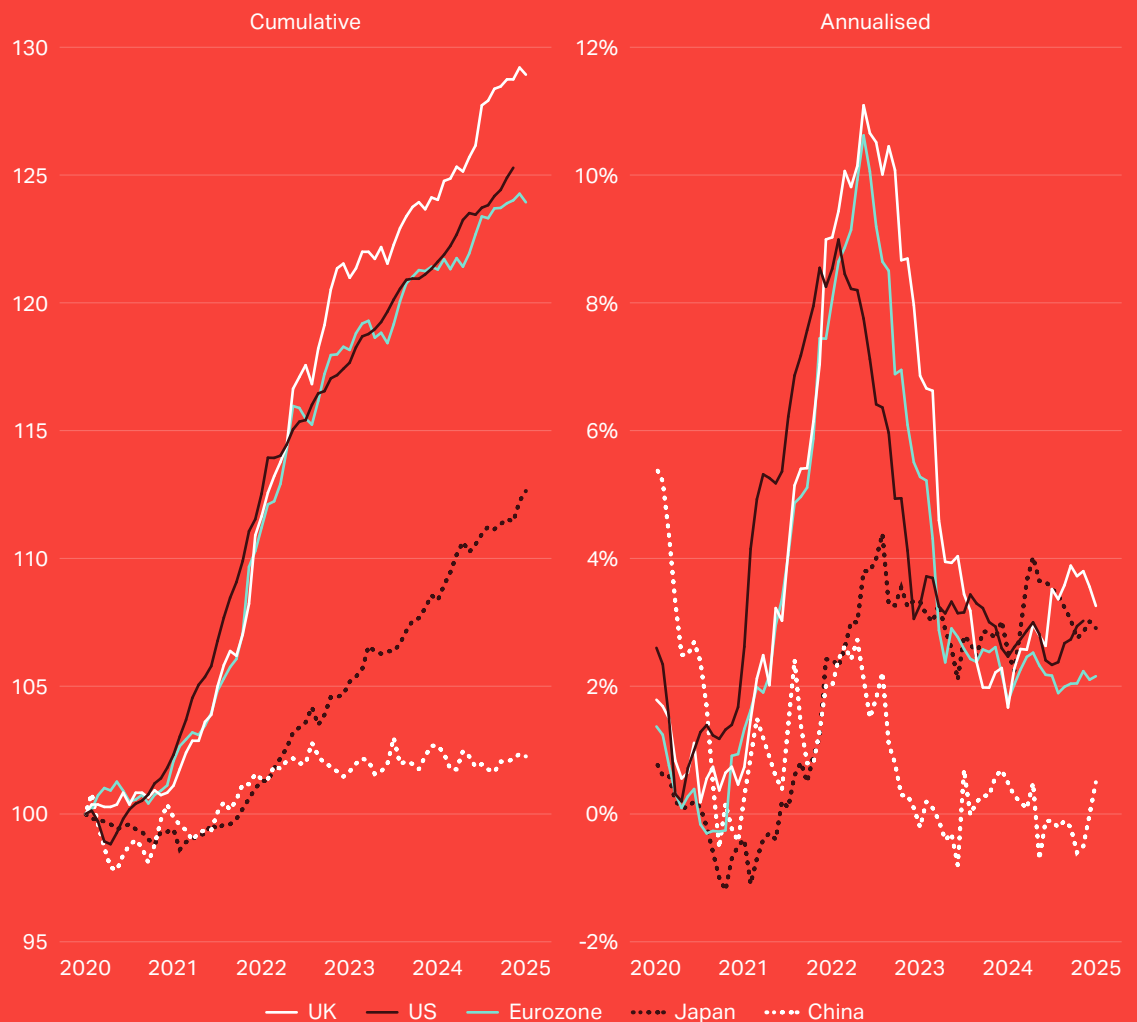
¹ Data downloaded from <https://www.matteoiacoviello.com/tpu.htm> on 17 December 2025.

Inflation remains elevated and is feeding into claims costs in certain short-tail markets, including property and motor. Figure 4 shows that cumulative CPI in select Western economies has risen within a range of 24% to 29% since the turn of the decade, with the UK standing out. Japan and China have faced more benign pressures, and CPI trajectories have diverged between these two economies too with China remaining mired in deflation (amidst weak domestic consumption) whilst CPI in Japan has risen above target.

Annualised CPI in the UK and US also remains elevated despite signs of softening in labour markets, widening the inflation gap with the Eurozone. Persistent inflation can have a compounding effect on claims costs, as well as reserve adequacy and capital allocation.

Figure 4: CPI indices in select major economies – 1Q20 to 4Q25

(Source: Howden, BLS, Eurostat, ONS, Bloomberg)

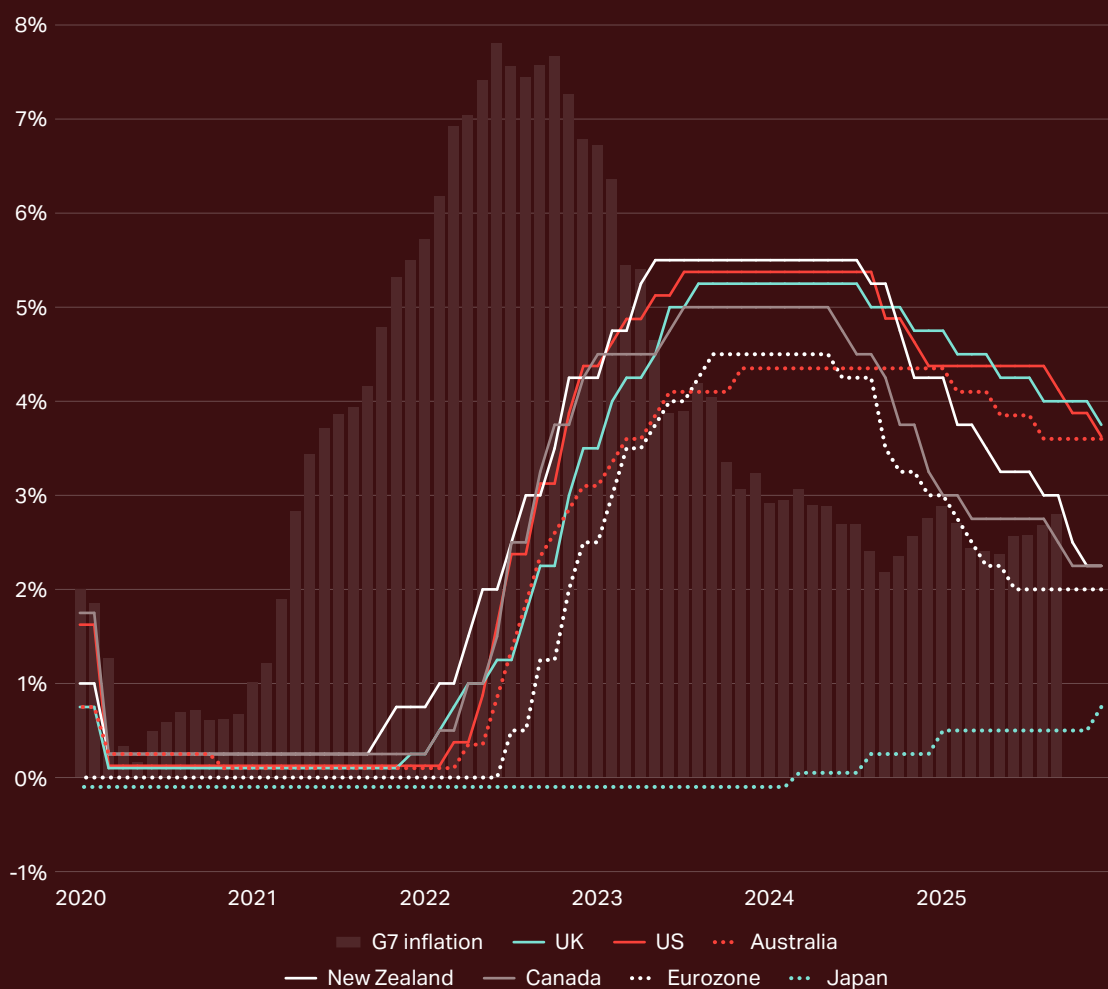


Non-economic factors linked to litigation trends and reserve deterioration continue to keep market conditions firm in US liability lines. However, after multiple rounds of rate increases, the pace of rises in both primary and excess markets is now showing signs of moderation. Investment returns remain strong and continue to support earnings.

Following the synchronised interest rate increases of 2022-23, monetary policy across advanced economies diverged in 2024-25. Central banks adopted differing approaches as they sought to balance support for growth and employment against the goal of price stability (see Figure 5). In economies grappling with entrenched inflation, limited room for policy easing persisted through much of last year, suggesting that rates are likely to settle at higher levels than in less inflationary markets.

Figure 5: Interest rates and inflation in advanced economies – 2020 to 2025

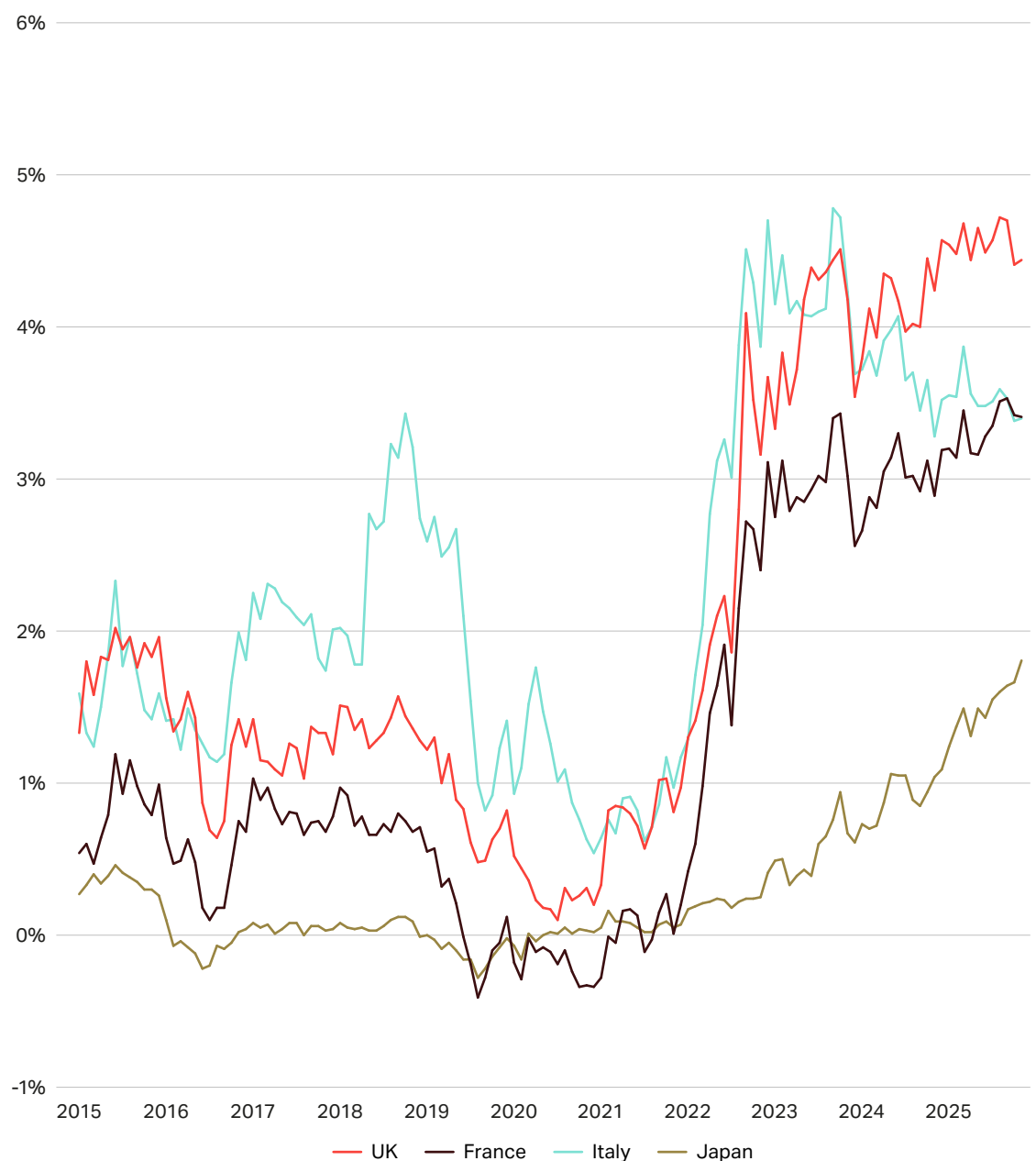
(Source: Howden, BIS, OECD)



Mixed economic signals, compounded by trade policy flux, high public debt levels (comparable only to wartime highs in several advanced economies) and expansive spending plans (with defence being prioritised by several governments), contributed to heightened currency volatility and sharp swings in government bonds.

Yields in Europe and Japan saw significant movements due to political uncertainty and elevated debt. Ten-year yields in France and the UK rose above those in Italy (as shown by Figure 6). Ongoing concerns about the fiscal outlook of both these economies are expected to keep long-term yields at elevated levels.

Figure 6: 10-year government bond yields for France, Italy, Japan and UK – 2015 to 2025
(Source: Howden, Bloomberg)



Traditional safe-haven relationships – illustrated in Figure 7 by the US dollar and long-term Treasuries – diverged early in the year, before narrowing towards year-end as 10-year yields retreated to 4.2% (from a peak of 4.8%) and the dollar recovered some losses, helped by receding trade tensions and a slower pace of interest rate cuts. Gold hit a series of record highs in 2025 to peak just above US\$4,500/oz, rising alongside buoyant equity markets.

Concurrent yield curve steepening across several advanced economies reflected evolving expectations about persistent inflation, fiscal sustainability and the direction of monetary policy.

Figure 7: US 10-year government bond yield vs dollar movements – 3Q24 to 4Q25

(Source: Howden, Bloomberg)



Note: Dollar Index tracks the relative value of the dollar against a basket of major currencies.

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Traditional safe-haven relationships diverged early in the year, before narrowing towards year-end, helped by receding trade tensions and a slower pace of interest rate cuts.

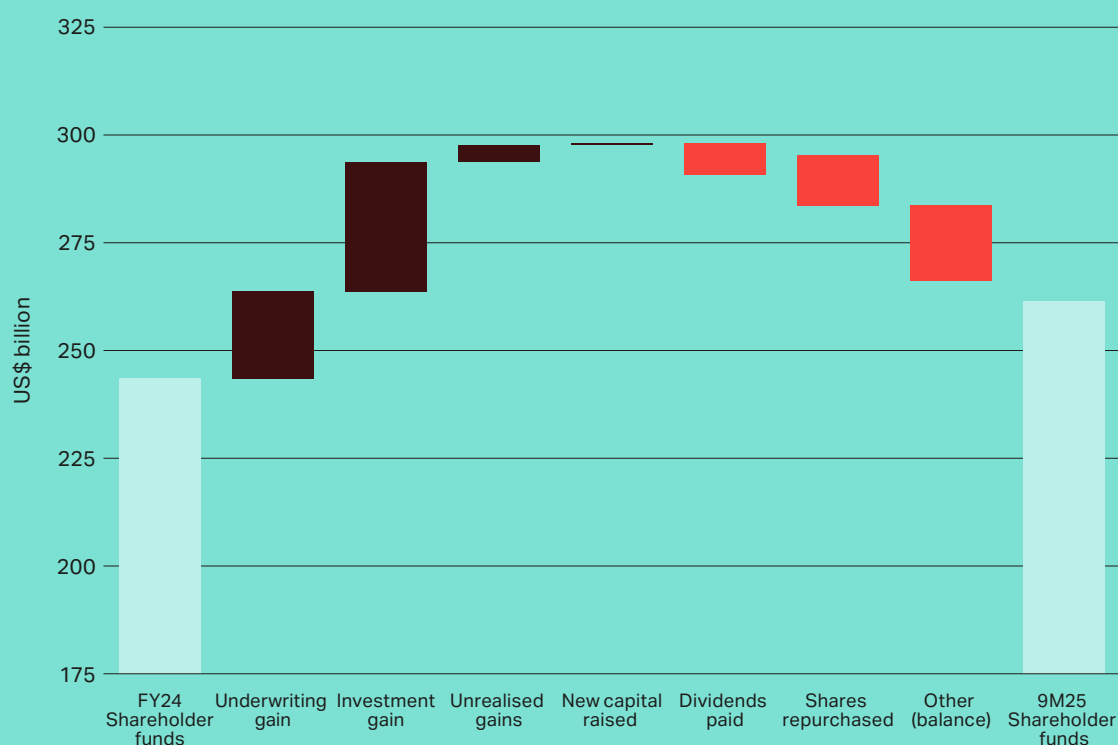
Absorbing volatility

Such a volatile macro backdrop has been a key driver of (re) insurance supply, loss costs, investment income and pricing. Despite sharp movements in financial markets in 2025, robust balance sheets, improved asset-liability matching and strong earnings left (re)insurers well positioned to absorb the volatility.

Following sizeable asset-side impairments in 2022, sector capital recovered strongly through 2023-24 off the back of technical profits and investments gains. Momentum accelerated in 2025, as profitable underwriting and solid investment income further strengthened balance sheets.

Figure 8 shows that shareholders' funds for a composite of (re)insurance carriers rose by 7% in the first nine months of the year, even after sizeable capital returns (of US\$19 billion). Increased dividend payouts and share buybacks, alongside increased M&A, reflected the sector's healthy capital position, slowing top-line growth and manageable catastrophe losses.

Figure 8: Breakdown of balance sheet components for (re)insurance composite – FY24 to 9M25 (Source: Howden, NOVA)



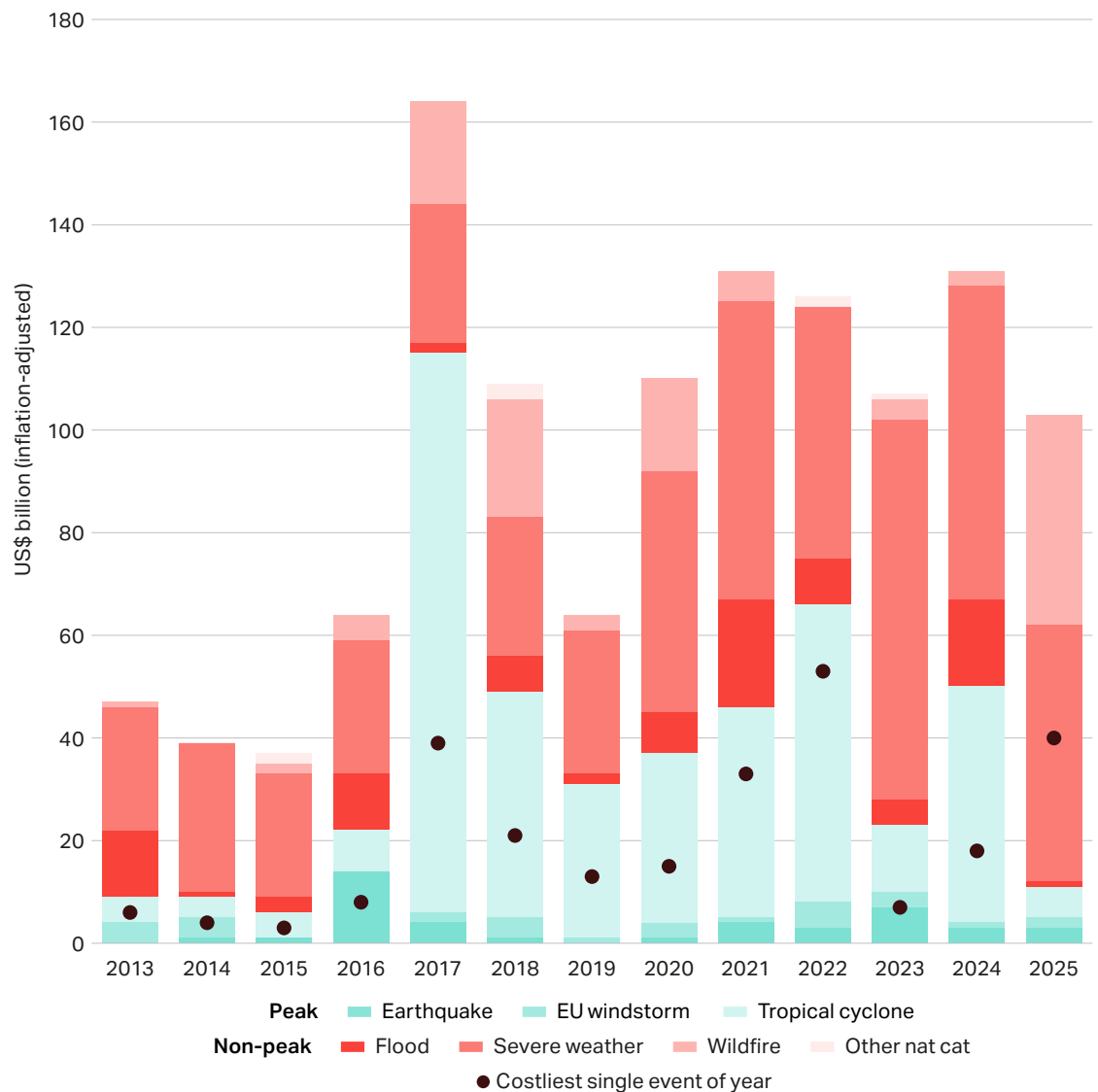
Wildfires and severe convective storms dominated the natural catastrophe loss landscape in 2025, when a highly active first half gave way to a relatively quiet second half, punctuated only by Hurricane Melissa's record-equalling landfall (in terms of wind speed) in Jamaica.

The wildfires in Los Angeles early in the year continued a long-running trend in the catastrophe market, where so-called 'non-peak perils' have consistently accounted for the lion's share of global insured losses

(see Figure 9). This period coincided with reinsurance programme structural changes that have heightened increased earnings volatility for insurers.

Although the Los Angeles wildfires represented one of the largest reinsured losses since Japan's Tohoku earthquake in 2011, reinsurers posted another year of strong profitability. This brought structures and terms into focus during the 1 January 2026 renewal negotiations, as cedents considered recalibrating the balance.

Figure 9: Annual global insured natural catastrophe losses vs single largest annual loss – 2013 to 2025 (Source: Howden, NOVA)



Performance remains strong across the value chain. After years in which insurers and reinsurers struggled to meet their cost of capital, Figure 10 illustrates the scale of the turnaround experienced since 2022. Reinsurers delivered levels of economic value in 2023 not seen in well over a decade, and whilst returns have since moderated as the market softened, performance for both insurers and reinsurers remained in positive territory in 2025, even after one of the largest (re)insured losses on record (Los Angeles wildfires).

Figure 10: Economic value added for insurers and reinsurers – 2014 to 3Q25

(Source: Howden, NOVA)



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Performance remains strong across the value chain, with both insurers and reinsurers consistently exceeding their cost of capital since 2023.

Reinsurance market

2025 marked another strong year for the reinsurance market, with returns recovering after significant losses from the Los Angeles wildfires in January. Initial concerns that reinsurers' full-year targets would come under pressure subsided as the remainder of the year saw light catastrophe activity in terms of reinsurance impact, extending a positive run for the sector.

Supply comfortably met increased demand throughout the 2025 renewal cycle, as capital providers deployed capital at attractive levels in a 'hard market softening' environment.

Competition in the property-catastrophe market yielded risk-adjusted rate decreases in the low double-digit range in 2025, with discipline largely holding around retentions and scope of cover. More sizeable decreases were recorded in higher layers due to strong appetite from traditional and alternative capital providers. Although there was more caution for longer-tail lines amidst scrutiny on price and reserving adequacy, there was sufficient capacity to meet demand.

Sustained profitability has strengthened the sector's capital base, with Figure 11 showing estimated dedicated reinsurance capital at record highs of US\$501 billion by year-end 2025. Growth in capital last year was driven by retained earnings and inflows from alternative capital, rather than new entrant disruptors.

Capital growth of 8% in 2025 outpaced premium growth, sending the solvency margin ratio (capital divided by premiums) to 113%, the highest reading since 2021. All of which reflects favourable supply and demand dynamics in the reinsurance market currently.

~\$500_{bn}

Estimated dedicated reinsurance capital at record high at year-end 2025.

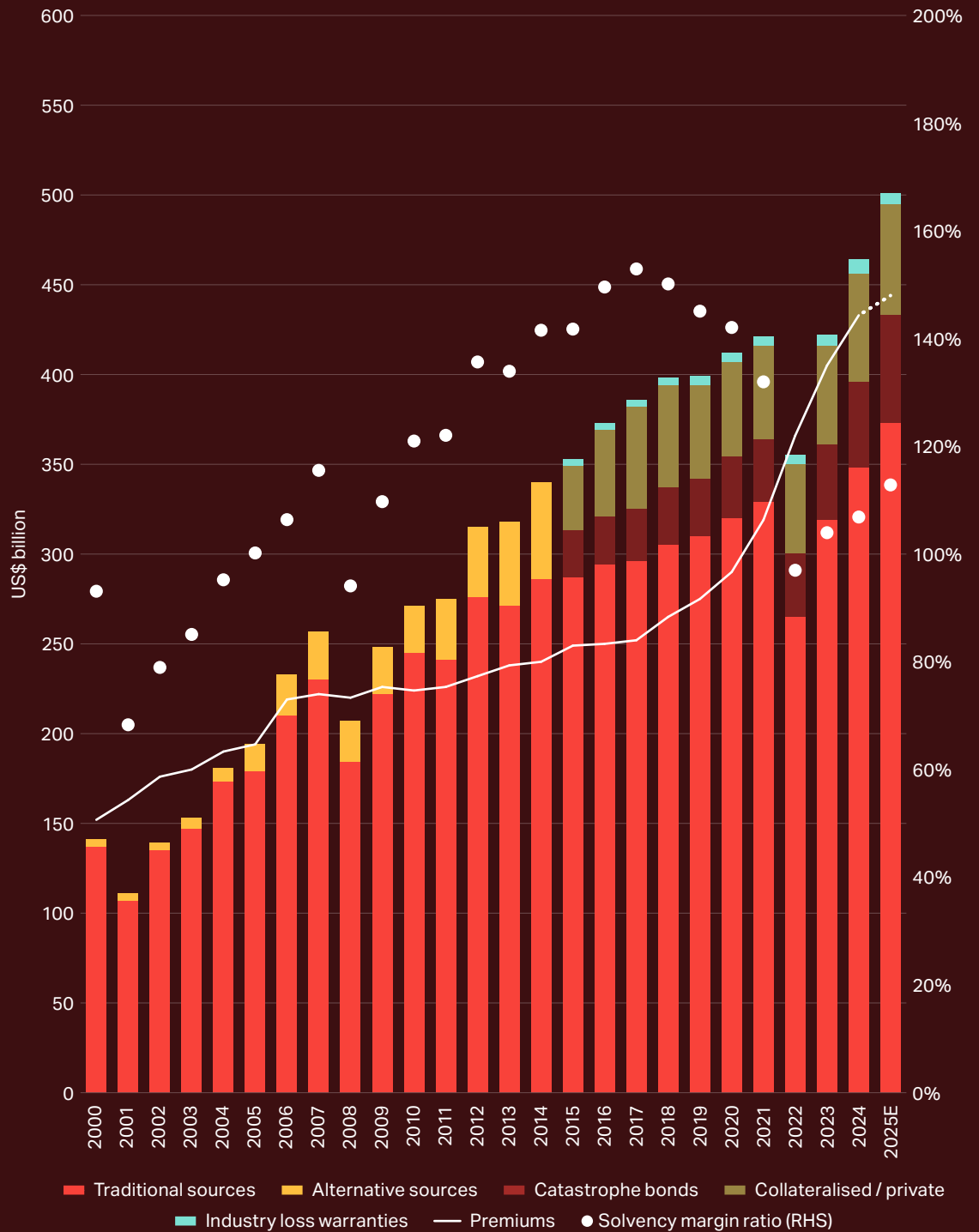
8%

Year-on-year increase compared to year-end 2024.

113%

Solvency margin ratio is the highest since 2021.

Figure 11: Dedicated reinsurance capital and global gross reinsurance premiums (all lines) – 2000 to 2025E (Source: Howden, NOVA)

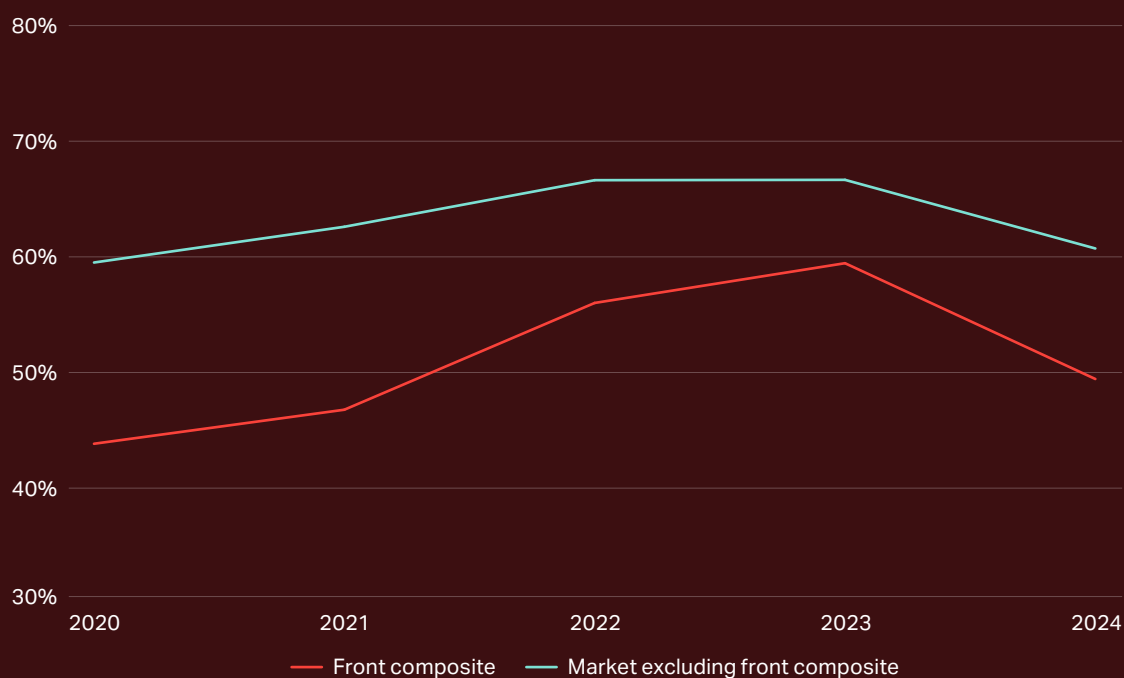


MGAs

The global MGA market continues to perform strongly. In a deviation from previous softening cycles, the US excess and surplus (E&S) market is expected to continue to outgrow the admitted market, underpinned by increased risk complexity and strong submission momentum.

Having become active players in the E&S market in recent years, MGAs will continue to be central to this growth as they look to build on five consecutive years of stellar underwriting results. Figure 12 shows that a composite of US fronting carriers with significant MGA-sourced business outperformed the broader P&C market's loss ratio by an average of 12 percentage points between 2020 and 2024.

Figure 12: Incurred loss ratio for US front composite vs US P&C market excluding composite – 2020 to 2024 (Source: Howden, NAIC)

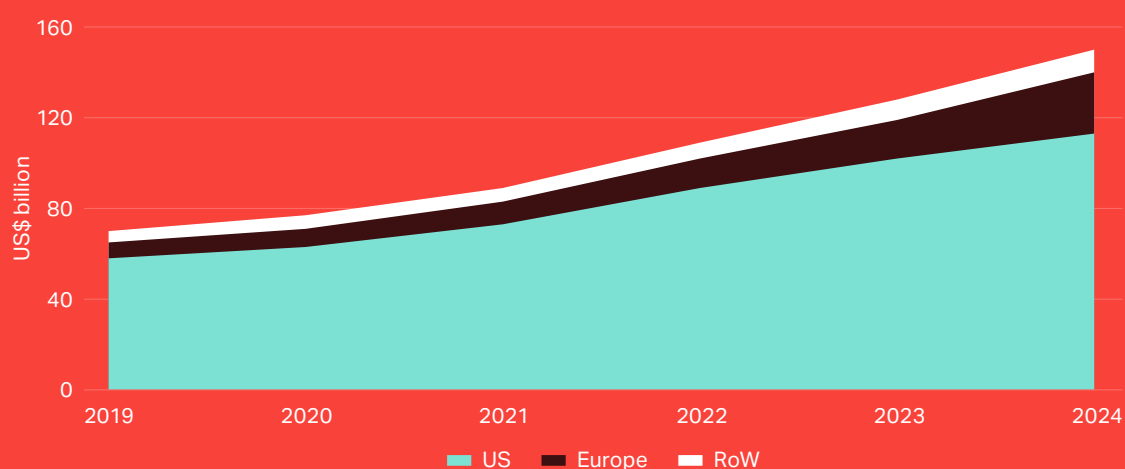


As market conditions soften, underwriting discipline amongst MGAs will be key to sustaining increasingly selective reinsurance capacity. Leading MGAs are well positioned to succeed by combining innovative, tech-enabled underwriting with the agility to address capacity gaps in areas where it is needed most.

Recent growth trends highlight opportunities across all geographies. Global MGA gross written premium more than doubled between 2019 and 2024, rising from US\$70 billion to US\$150 billion and registering a compound annual growth rate (CAGR) of 16% (see Figure 13).²

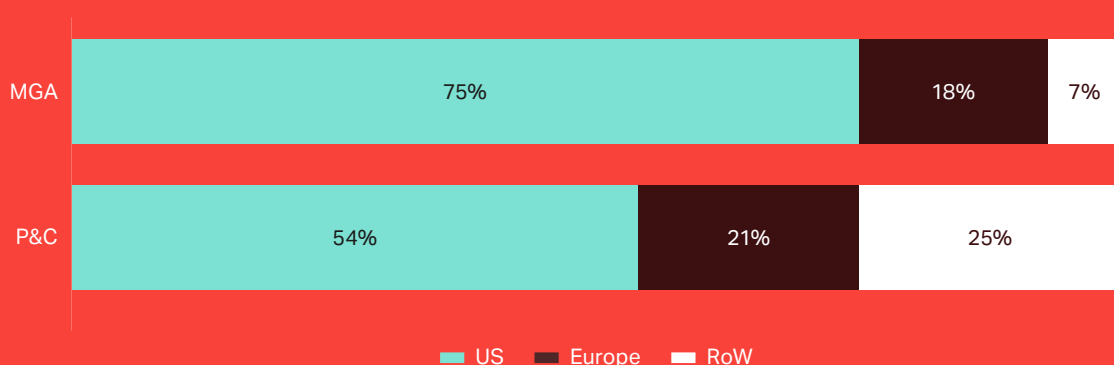
² Howden Re, *Agents of Change*, June 2025.

Figure 13: Global MGA gross written premium – 2019 to 2024 (Source: Howden)



Whilst growth in the US MGA market looks set to remain strong, other regions are showing even greater upside potential. As shown by Figure 14, non-US regions currently account for just 25% of global MGA premiums, compared to 46% of global P&C premiums.

Figure 14: Breakdown of 2024 gross written premium by region – MGA vs P&C (Source: Howden, Allianz)



This disparity presents considerable opportunities internationally. In 2024, Europe contributed 45% of global MGA growth despite comprising only 18% of the market, signalling accelerating momentum. According to Howden Re research, gross written premium generated by European MGAs is projected to rise from US\$20 billion in 2025 to over US\$50 billion within five years, assuming current compound growth rates are sustained.²

With other international regions starting from an even lower base, similar growth trajectories are emerging here too, underscoring the immense opportunity for investors, intermediaries and carriers seeking to diversify geographically and enter new markets.

Catastrophe bond market

The catastrophe bond market continued to break records in 2025, with new issuance reaching levels nearly 45% higher than in 2024.

This exceptional expansion has been a key supply-side driver throughout the year and into the 1 January 2026 renewals, supported by a growing number of new sponsors entering the market.

Robust investor demand – together with US\$6.3 billion of catastrophe bond maturities in the second half of 2025 alone – placed downward pressure on rates, which declined by double-digit percentages towards year-end. Despite this, pricing remains attractive for both sponsors and investors.

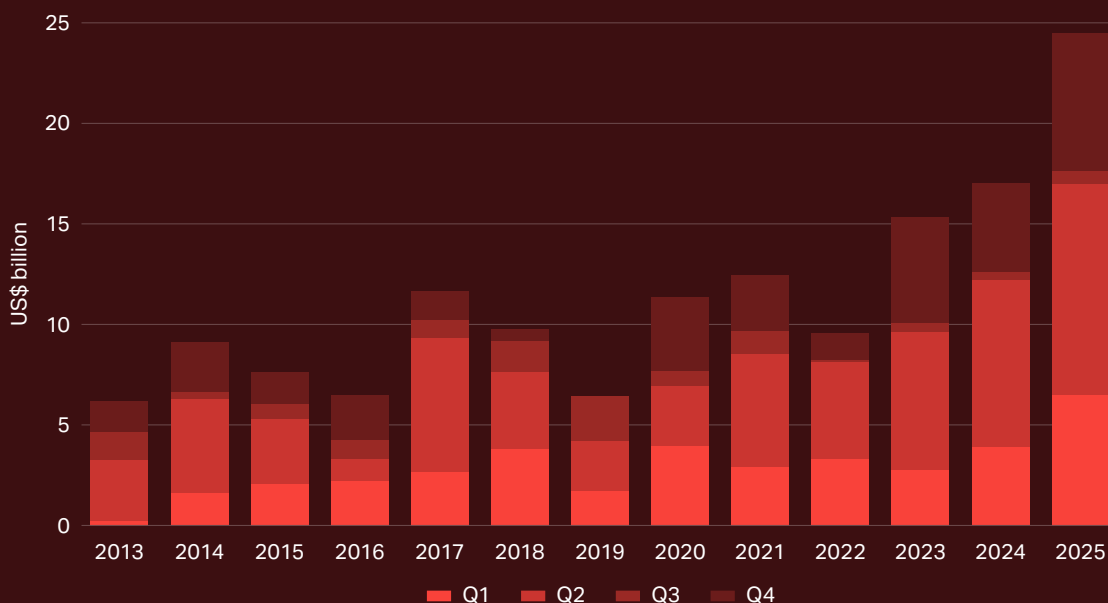
Catastrophe bonds have now become a fundamental component of many reinsurance programmes. In the current environment, they can often offer more favourable pricing than traditional reinsurance, driving further interest from sponsors. Multi-year catastrophe bonds increasingly serve as strategic cornerstones of reinsurance programmes, rather than opportunistic supplements.

The Los Angeles wildfires had a minimal impact on the catastrophe bond market. Although secondary spreads widened slightly, no material principal losses were recorded. The muted effect of such events continues to reinforce investor confidence that – even following major insured losses – the implications for overall returns remain modest in what is still a compelling pricing landscape.

Whilst average transaction sizes remained relatively stable, the number of transactions increased significantly. As a result, new issuance in 2025 reached US\$24.5 billion, a milestone that represents the highest annual issuance in the market's history by a substantial margin. Catastrophe bonds remain the preferred ILS instrument due to their liquidity and more standardised structure. The market now also offers a broader range of risk profiles for investors, across the risk spectrum, and by peril / geographic scope and structure.

Figure 15: Catastrophe bond issuance by quarter – 2013 to 2025

(Source: Howden Capital Markets & Advisory)



Industry loss warranties (ILW)

After a prolonged period of growth and outperformance, 2025 marked a year of moderated demand for the ILW market as buyers recalibrated their wider purchasing strategies. Limit transacted fell by 10-15% to ~US\$6 billion, driven primarily by a significant reduction in higher risk purchases (including state-weighted industry loss products priced at 20-30% gross rates on line).

Buyers' rotation into competing retrocession products was essentially a price-driven, non-recurring reallocation. Although there was a marginal shift at 1 January 2026 towards replacing ILWs with indexed catastrophe bonds, the scale was limited given the minimal overlap between the two markets. Most ILW writers remain unwilling to support similar structures in the private market unless cedents are prepared to pay above the typical US nationwide windstorm minimum GROL of ~6%.

ILWs are expected to return to more normalised growth in 2026, as their appeal for tail protection – at levels slightly below typical index catastrophe bond attachments – continues. Pricing, attachment levels and coverage terms remain firmly in buyers' favour, supported by robust overall supply following a benign hurricane season.

Transactions at 1 January 2026 saw risk-adjusted reductions of around 10-20% (more in some instances) across the US nationwide windstorm occurrence curve, with the lower end of the range typically observed below the US\$50 billion attachment point and the upper end above US\$100 billion.

The US\$50-100 billion range of the curve saw less softening than expected at 1 January 2026, although most buyers anticipate further softening in this area through 1Q26 and 2Q26. Pricing for US peak aggregate faced less pressure than occurrence covers (down an average of 10% on a risk-adjusted basis, more for preferred cedents or structures) due to comparatively tighter supply.

This backdrop reinforces the fundamental strengths of the product: approximately 90% of ILW purchases are for capital relief (including Lloyd's exposure management requirements and rating agency expectations), a role unlikely to change given the relative inefficiency of alternative products at risk-remote layers.

Expectations for broader coverage within US aggregate ILWs (such as the inclusion of all natural perils) have diminished due to severe convective storm-driven model increases. Buyers continue to seek protection for non-peak perils through isolated, structured products with lower attachments. Expectations for increased traded volume for these products remain high, although bid-ask spreads are still wide at this early stage of the 2026 trading season.

Looking ahead, opportunities exist across both US and international markets. In the US, shifting risk views and rate reductions are prompting product evolution and encouraging more responsive structures.

International markets have even more room to grow, given their low starting base (less than 20% of limit transacted in 2025), the expansion of peril coverage and the emergence of new indices. Many European transactions now include flood, and with official SCS industry-loss reporting now available for Europe, Japan and New Zealand, the foundations are in place for broader market participation and future product development. Early bound volume reflects this momentum, with European windstorm ILWs down 15-20% on a risk-adjusted basis at 1 January 2026, and more when non-peak coverage (flood and SCS) was included.

1.1.26 reinsurance renewals

Strong fundamentals, driven by retained earnings and deployment appetite, yielded favourable reinsurance renewals across most product lines at 1 January 2026. Reinsurers' desire for growth meant supply was more than sufficient to absorb demand.

Margins remain strong overall, supported by broadly adequate pricing levels following compounded price increases imposed during the hard market.

Demand for reinsurance at 1 January 2026 was driven by recent loss experience and by exposure and model changes. Some cedents initially prioritised banking savings from rate reductions rather than pushing for a full reversion to pre-hard market terms. Having achieved these savings, and with some reinsurers still looking to support top-line growth, these buyers are now exploring supplementary coverage in the first half of 2026 to manage retentions and reduce volatility.

Property-catastrophe pricing saw compounded reductions, with loss-free risk-adjusted rates down within a range of down 10% to down 20%.

Any major deviation from this range was driven by loss experience and overall performance. Despite the Los Angeles wildfires in January registering as a major reinsured event, followed late in the year by Hurricane Melissa's landfall in Jamaica, impacts beyond local markets were limited and the losses were manageable at a global level.

Strong competition led to competitive pricing and frequent oversubscription. Reinsurers looked to differentiate by introducing flexibility that provided more comprehensive protection. Capacity for aggregate and frequency covers increased at 1 January 2026, with several cedents engaging strategically to enhance protection across programmes.



Expectations for casualty lines heading into 1 January 2026 renewal were more balanced, with ongoing focus on reserve and price adequacy for certain US liability lines (amidst underwriting actions by cedents) offset by stronger performance in other long-tail classes and geographies.

Outcomes were influenced by cedent-specific performance, particularly loss development experience and the strength of underlying portfolios. The growing use of casualty ILS and sidecars in the US, combined with reinsurers reallocating premium from a softening property market, increased clients' negotiating leverage.

Strongly performing US cedents secured modest commission increases at 1 January 2026. Ceding commissions remained stable elsewhere or, where recent deterioration was evident, faced downward pressure or reduced reinsurer shares. Programmes outside the US, particularly those without US liability exposures, continued to benefit from strong underlying performance and received favourable renewal terms.

Despite heightened geopolitical risks, most specialty lines continued to perform well, which typically led to improved outcomes for cedents at 1 January 2026 renewals. Increased clarity around losses from ongoing conflicts and other recent events, whilst painful for exposed carriers, removed an overhang of uncertainty, enabling buyers to capitalise on broadly favourable market conditions.

This dynamic was evident across credit and political risk, construction, cyber, marine and energy and political violence and terrorism, where strong underlying portfolios and abundant capacity benefitted buyers. Aviation was the notable exception from the broad softening trend, as conditions firmed modestly following a series of losses in 2025

Property retrocession

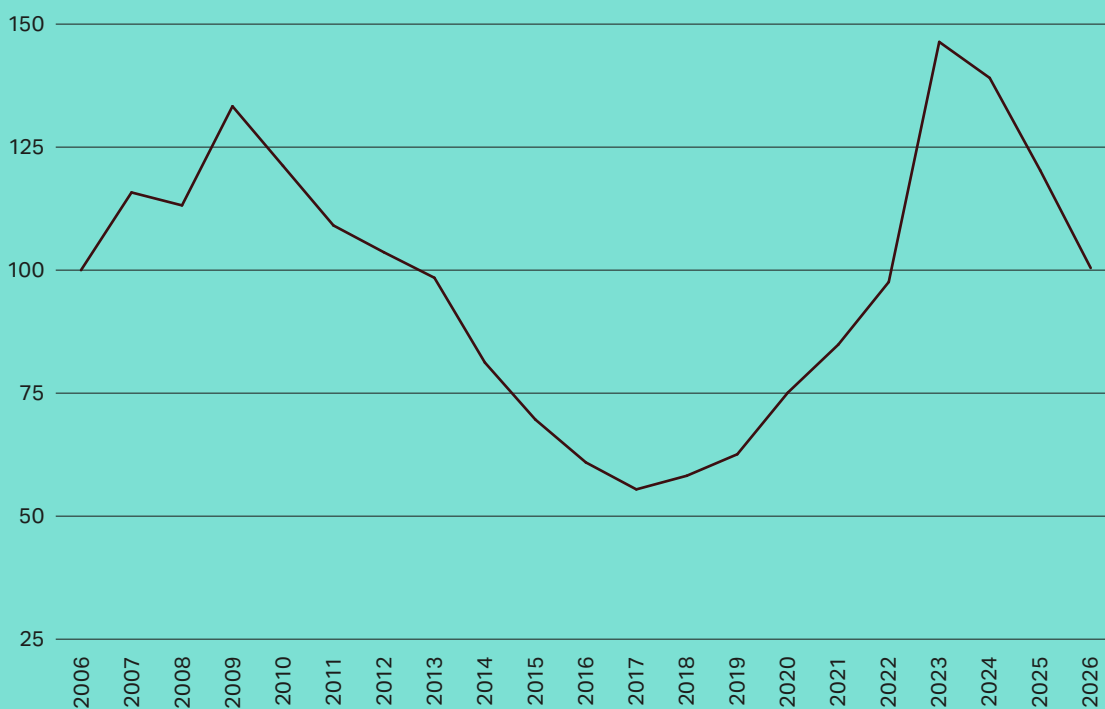
Capacity in the retrocession market was more than sufficient to meet demand at 1 January 2026, although dynamics were more evenly balanced due to increased demand. Favourable supply dynamics were supported by retained earnings for ILS and rated carriers following a few years of strong performance, as well as ILS inflows and new entrants.

The loss environment also remained manageable, with the Los Angeles wildfires affecting only a small number of programmes and impacts potentially mitigated by expected subrogation recoveries.

Buyers explored the purchase of up to US\$800 million of additional limit at 1 January 2026, driven by efforts to reduce net retained exposures, growth in underlying portfolios and capital model adjustments following catastrophe model changes. In a market with total capacity of approximately US\$20 billion, this represents a significant uplift in demand.

Healthy supply levels drove price softening at 1 January 2026, with risk-adjusted pricing falling by 12.5% to 21%, with an average reduction of 16.5%. Outcomes varied widely depending on coverage, scope, attachment points and underwriting profitability. Pricing changes were most pronounced at higher excess of loss layers, reflecting increased supply from ILS funds. Blue-chip carriers typically secured more favourable terms than smaller or more opportunistic buyers.

Figure 16: Howden Risk-Adjusted Property Retrocession Catastrophe Rate-on-Line Index – 2006 to 2026 (Source: Howden, NOVA)



Against a backdrop of excess capacity, retrocession signings were influenced by the source of supply. Long-established lead markets typically leveraged cross-class client relationships to secure signings whilst ILS funds, particularly those focused on tail-end catastrophe risk, were subject to participation sign-downs.

There was minimal movement on coverage terms, with retrocessionaires typically unwilling to broaden coverage to include non-natural perils such as SRCC and terrorism, despite buyer interest.

Having completed their core capital protection at a discount at 1 January 2026, several buyers are now expected to explore opportunities to add earnings protection over the course of the year. This demand will be met with increased appetite by retrocessionaires, particularly as aggregate products (now structured

differently from those seen in previous soft markets) offer opportunities for more bespoke structures following significant changes in underlying portfolios.

Demand for this coverage is expected to be concentrated amongst larger buyers looking to leverage the attractive economics available during the softening phase of the pricing cycle. Products such as aggregate stop loss, top-and-drop structures and multi-class aggregates offer buyers effective tools to lock in profits and manage earnings volatility more efficiently.

These benefits are expected to filter through the supply chain, as reinsurers' strategic use of such covers enables them to offer frequency protection to their underlying treaty clients, helping to unlock much-needed growth and market share in a softening market environment.

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Having completed their core capital protection at a discount at 1 January 2026, several buyers are now exploring opportunities to add earnings protection over the course of the year.

Global direct and facultative reinsurance

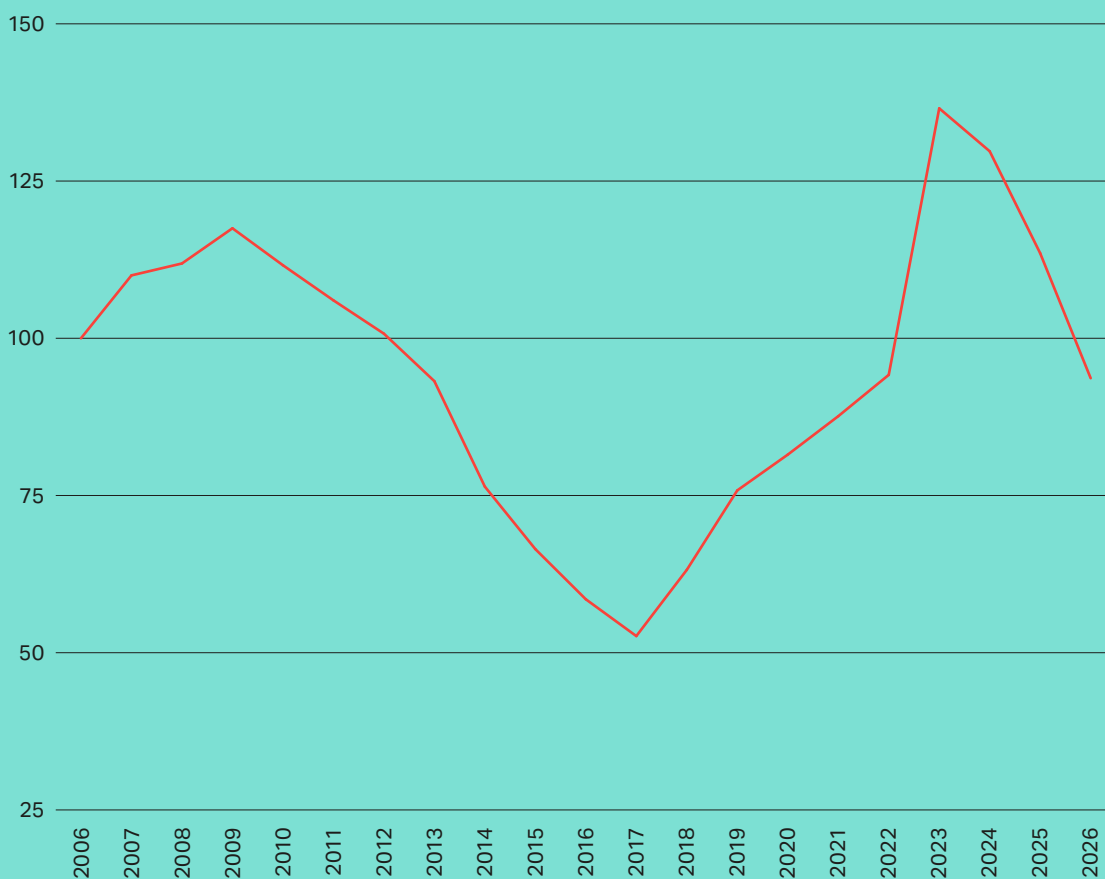
The global D&F reinsurance market's long run of strong performance led to softening in 2025, which accelerated at 1 January 2026 renewals.

Continued price adequacy and minimal erosion of terms, combined with modest catastrophe losses in 2025 (neither the Los Angeles wildfires nor Hurricane Melissa materially impacted D&F reinsurance programmes), sustained profitability. Terms played a major role in driving performance and delivered low loss ratios in 2025.

Strong competition in a softening market environment has created some uncertainty in the direct D&F market around premium income expectations. Having struggled to meet their 2025 targets, many participants are now questioning how ambitious 2026 goals can be achieved.

Demand was up incrementally at 1 January 2026 against a backdrop of strong supply and elevated competition. These dynamics drove average risk-adjusted price reductions of 15-20%. Additional purchases for volatility protection are expected in the first half of 2026.

Figure 17: Howden Global Direct and Facultative Reinsurance Pricing Index – 2006 to 2026
(Source: Howden, NOVA)



Terms and conditions evolved (rather than shifted dramatically) in 2026, most notably through the expansion of coverage to include some additional non-natural perils. The availability of reduced minimum deposit provisions became more widespread in 2026 following a phased return since 2023, improving overall price efficiency.

Although reinsurers showed greater willingness to participate lower in programmes, these moves were measured and selective, with capacity at these levels also coming at a cost.

Confidence in rate adequacy (supported by recent loss experience) led several cedents to maintain existing dollar attachment levels and cede more exposure to secure meaningful risk-adjusted savings.

There was less interest in lowering retentions where exposures were flat, with most cedents also opting to take the savings.

Traditional reinsurers remained the dominant players at 1 January 2026. A smaller number of ILS sellers continued to participate, but those that did deployed significant capacity. Core markets focused on defending their positions at a time when new markets were looking to enter, resulting in signing difficulties.

Despite high levels of competition, cedents looked to preserve long-term relationships and avoid over-reliance on a small number of reinsurers, recognising the market's sensitivity to a future major loss and the potential for conditions to shift quickly.

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Price adequacy and minimal erosion of terms, combined with modest catastrophe losses in 2025, sustained strong profitability in the global D&F market.

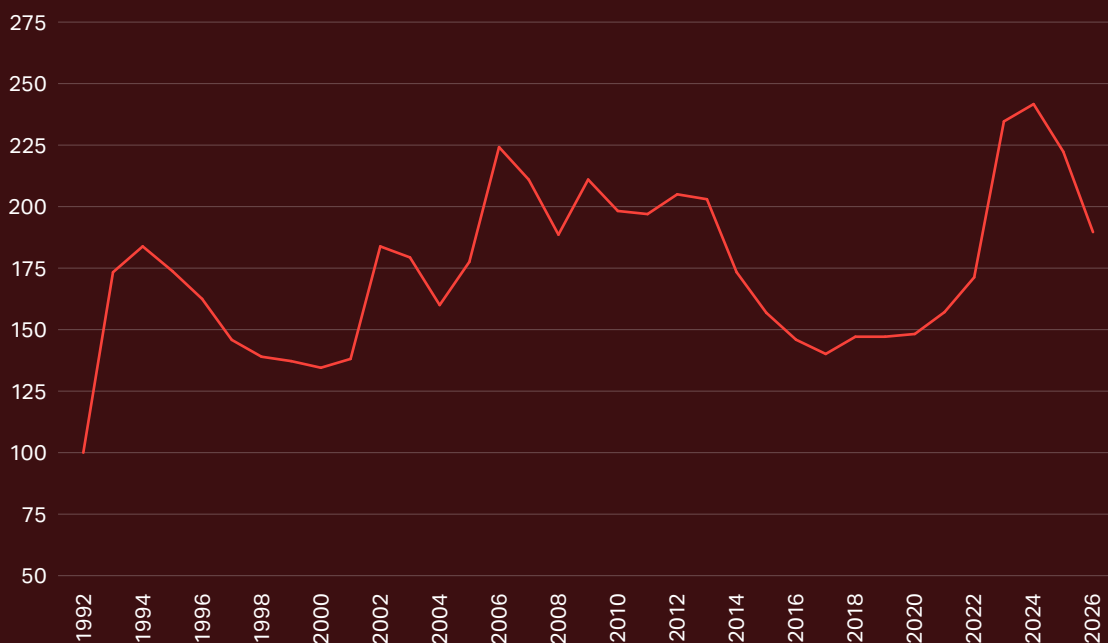
Property-catastrophe reinsurance

Another year of elevated catastrophe activity, dominated by the largest wildfires loss ever in Los Angeles, did little to arrest favourable property-catastrophe market conditions that saw placements complete with sizeable rate decreases and improved terms.

Reinsurers' access to increasingly cost-effective retrocession – supported by further rate reductions at 1 January 2026 and increased collateralised capacity as investors expanded allocations after another strong, largely loss-free year and favourable macro conditions – helped to marginally lower their cost of capital. This, in turn, enabled reinsurers to offer technical price discounts that yielded substantial rate reductions across most programmes.

Figure 18 shows that risk-adjusted global property-catastrophe reinsurance rates-on-line decreased by 14.7% on average. This compares to down 8% last year and is the biggest reduction since 2014.

Figure 18: Howden Global Risk-Adjusted Property-Catastrophe Rate-on-Line Index – 1992 to 2026 (Source: Howden, NOVA)



³ This is a point estimate within ranges depending on loss experience, exposure, territory and other client-specific conditions.

Favourable supply dynamics benefitted buyers, who were able to extend protection across towers by securing improved terms. Competition was once again strongest in the higher layers, where another round of double-digit rate reductions further eroded (thinning) margins, prompting traditional markets to differentiate through more flexible, multi-layered structures.

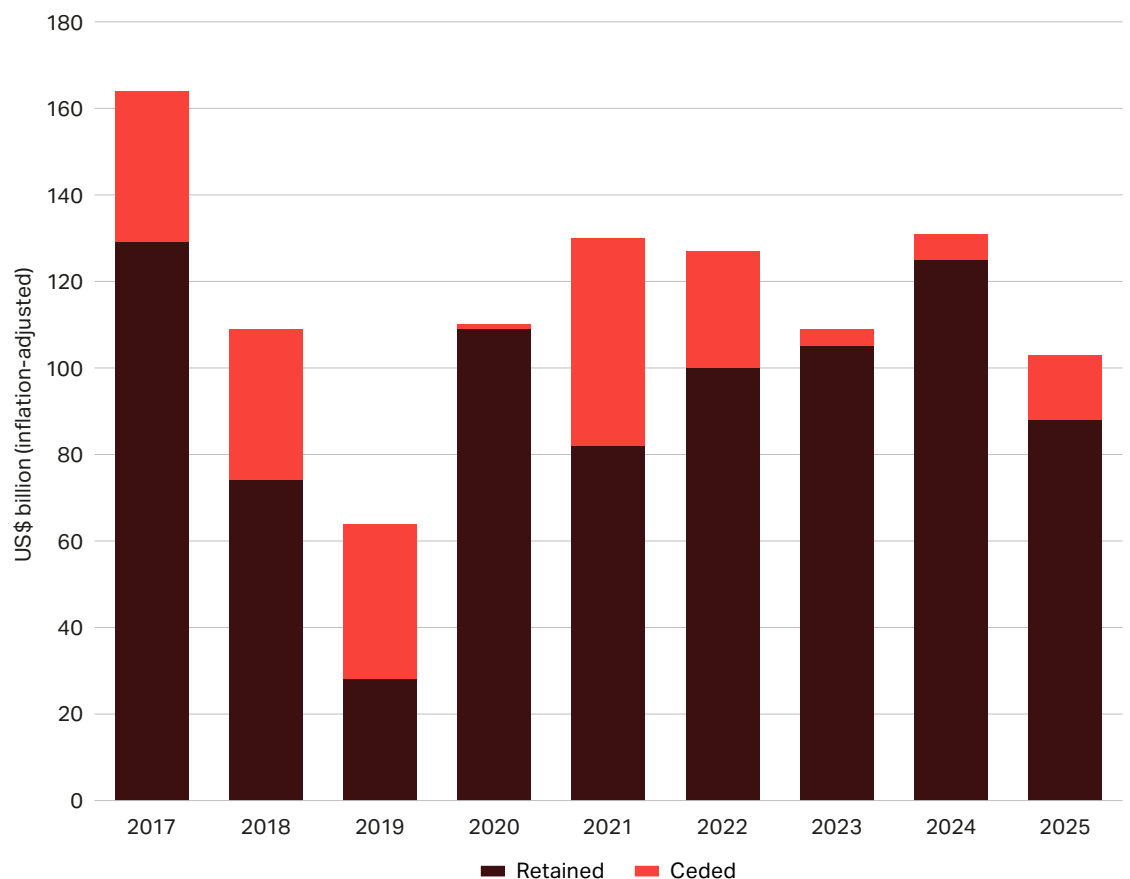
Capacity for frequency covers increased at 1 January 2026, albeit on tighter terms and higher return-periods (and pricing) than in pre-hard market years. Market conditions nevertheless enabled buyers to buy-down both occurrence and aggregate retentions, as well as find bespoke solutions that addressed their specific needs. All of which was indicative of increased flexibility

on terms, with the market generally accommodating broader coverage and innovative structures.

The focus on frequency followed successive years in which insurers absorbed the lion's share of losses, with reinsurers reverting to fulfilling a capital-protection role. According to Howden data, more than 95% of natural catastrophe losses were retained by insurers in 2023 and 2024 due to the high frequency of low-to-mid sized losses (see Figure 19).

Losses ceded to reinsurers increased in 2025, reflecting sizeable reinsurance recoveries from the Los Angeles wildfires (one of the largest reinsured events since 2011), as well as losses (in the low single-digit billions range) from Hurricane Melissa. Claims from other events were largely retained by insurers.

Figure 19: Global insured natural catastrophe losses split by retained (insured) and ceded (reinsured) – 2017 to 2025 (Source: Howden)



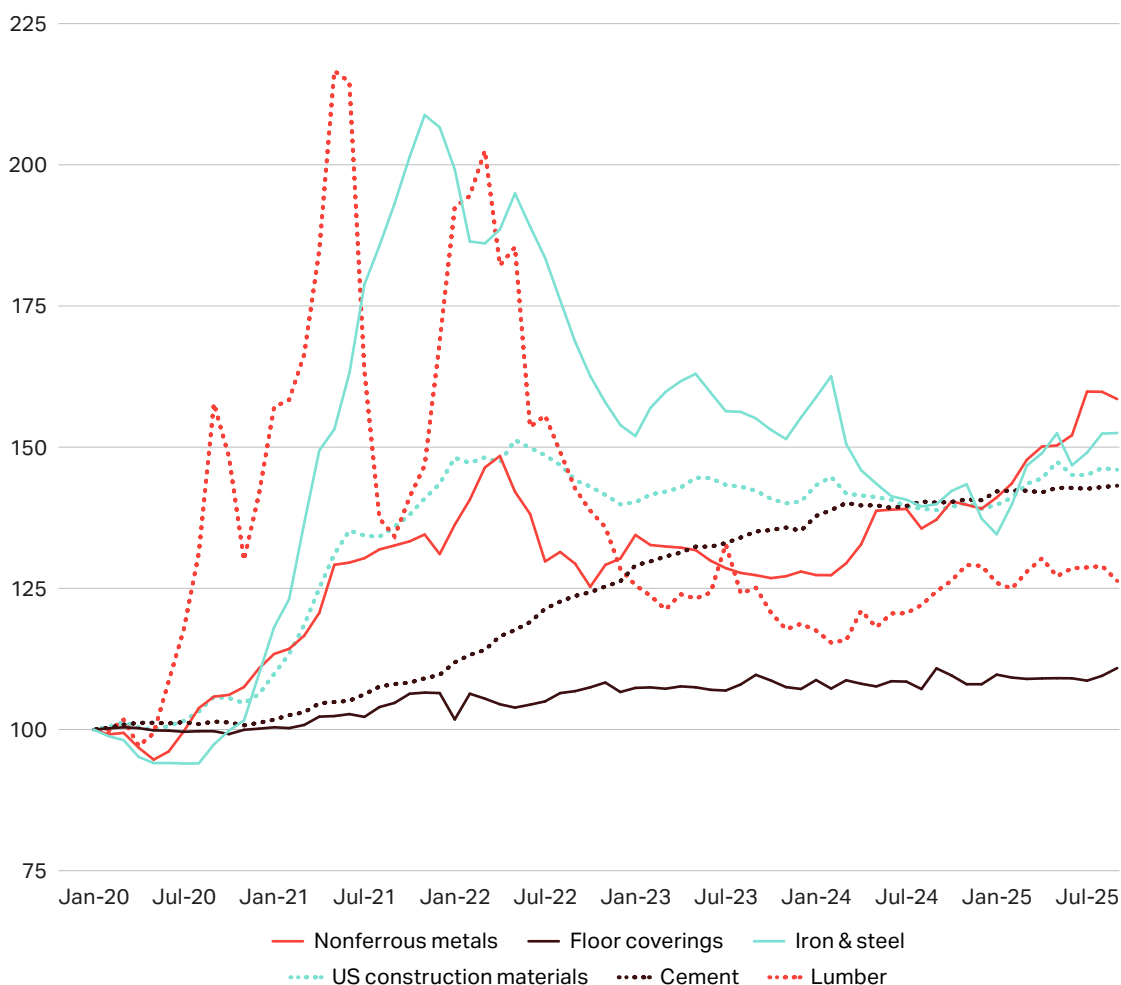
2025 marked the sixth consecutive year of global natural catastrophe losses exceeding US\$100 billion. Last year was defined by the dominance of US events – alongside the Los Angeles wildfires, US severe convective storms surpassed US\$45 billion for only the third time. In contrast, US hurricane-related losses were the lowest since 2015, whilst globally, only three non-US events surpassed the US\$1 billion threshold.

Luck played a role in preventing even greater losses in 2025, as steering patterns in the North Atlantic kept powerful hurricanes – four of which underwent rapid intensification to reach Category 4 or 5 status – away from the US mainland. 2025 was the first season in 10 years without a US hurricane landfall. Jamaica was not so fortunate as Hurricane Melissa equalled a North Atlantic landfall record when it came ashore along the south-west coast with sustained winds of 185 miles per hour, causing widespread devastation.

Some components contributing to property loss costs resumed an upward trajectory in 2025, although increases remained well below the sharp rises seen in 2021–22 (see Figure 20 for key US construction materials). Persistent inflation and supply chain pressures ensure that claims costs will remain a key focus for the market this year.

Figure 20: Rising costs for key US construction materials – 1Q20 to 3Q25

(Source: Howden, BLS)



United States

US property-catastrophe renewals at 1 January 2026 saw cedents benefit from strong supply and reinsurers willing to deploy capital at what remained attractive margins despite rate reductions.

Unlike previous major losses, the impact of the Los Angeles wildfires was confined to local markets, underscoring the system's ability to absorb large events without destabilising capital or pricing. For the limited number of Los Angeles wildfire-affected programmes renewing at 1 January 2026, loss-affected layers generally renewed flat whilst higher, loss-free layers secured double-digit reductions.

Favourable supply dynamics in the wider US market exerted substantial downward pressure on pricing, with softening accelerating as the renewal progressed. Programme-wide decreases at 1 January 2026 generally ranged from down 10% to down 20% on a risk-adjusted basis. Improvements in underlying portfolios – particularly around deductibles and construction codes – together with the increased use of analytical tools to assess risk, allowed reinsurers to absorb this year's reductions without undermining the sustainability of outcomes.

Competition was acute at 1 January 2026, as traditional carriers and alternative capital competed aggressively for signings.

Whilst ILS markets focused on price as their point of differentiation in the higher layers, most traditional markets provided greater flexibility on structures and terms, resulting in broader coverage across programmes.

Whilst cedents generally transacted at higher return periods than were available before the hard market – most opting to maintain nominal dollar retentions that, due to portfolio growth, increased the likelihood of triggers – some buyers broadened their vertical coverage (both upward and downward) or expanded co-participations to reinstate protection that had been scaled back during the hard market.

Capital was available for lower return period coverage for aggregate covers, but pricing constraints limited demand to capital-light reinsurers with the appetite to absorb higher costs. Larger cedents acted strategically, carving out selected portfolio segments and purchasing sub-layers focused on the business lines or perils contributing most to volatility.

Reinsurers' appetite for additional pro rata business received a more muted response from cedents, many of whom were comfortable retaining more risk. As a result, demand for proportional placements remained broadly stable, although competitive supply dynamics pushed ceding commissions higher. Reinsurers continued to support the per-risk market, where more balanced supply and demand dynamics led to more modest rate reductions of down 5% to down 10%.

Europe

Low loss activity, an oversupply of capital and reinsurers' desire to defend top lines shaped European property-catastrophe renewals at 1 January 2026. Capacity exceeded demand, as incumbent reinsurers drew on retained earnings to compete for signings and preserve market share.

The degree of softening varied by territory, with outcomes influenced in part by historical loss experience – including Bernd in Germany (2022) and the 2023 hailstorms in Italy – as well as strong broker advocacy on behalf of clients. France, Italy, Switzerland and the UK recorded the largest rate reductions (down 10% to 20%) whilst Germany, where direct placements are prevalent, experienced more moderate softening (down 8% to 11%).

The renewal process ran later than in prior years, with many programmes issuing firm orders simultaneously, making it harder for reinsurers to adjust their deployment strategies. Smaller, less diversified cedents purchasing on a catastrophe-and-risk combined basis typically saw slightly smaller reductions (down 10% to 17.5%) whilst risk excess layers were down 10% on average.

Reinsurer appetite was noticeably more segmented compared with pre-hard years, resulting in less uniformity across programmes and layers. Some reinsurers maintained strict underwriting discipline whilst others demonstrated more flexibility, producing more nuanced renewal outcomes. Even with some movement on terms this year, retentions remained broadly unchanged as most cedents opted to take monetary savings rather than pursue lower attachment points.

As a result, cedents have begun to explore ways to redeploy budget savings in late 2025 and early 2026 – targeting standalone sub-layers, reinstatement premium protection covers, new programme structures or other over-placement strategies – to better manage retentions. Reinsurers will respond with supplementary capacity as they seek to boost top-line income not secured during the main 1 January 2026 signing process.

Looking ahead to the remainder of 2026, the market is likely to continue to soften, although this could be tempered by increased scrutiny on margin sustainability or by an occurrence of a major loss. Buyers will continue to benefit as favourable market conditions spur further innovation and help close specific coverage gaps.

One such area is parametric protection, which is gaining traction with clients seeking to supplement their core programmes or find solutions for risks not well covered by standard treaties. As evidenced by recent transactions facilitated by Howden Re in Italy for earthquake and hail and the Northern Europe for winter weather exposures, both cedents and capital providers are showing increased interest in parametric solutions due to their shorter payment periods and clearly defined triggers.

Asia

Property-catastrophe renewals in the Asia Pacific (APAC) region were competitive at 1 January 2026. Building on mid-single-digit reductions in 2025, cedents capitalised on abundant capacity, with risk-adjusted pricing for loss-free excess of loss programmes generally falling by 10% to 20%.

Although there was variation across individual markets (Korea, for example, experienced some of the steepest reductions at 15-20%), most APAC territories saw favourable renewals. Even with the losses sustained by the Taiwanese market over the last couple of years, cedents were still able to achieve rate reductions of between 10% and 20% at 1 January 2026.

In contrast, markets hit by significant losses in 2025, particularly Thailand following extensive earthquake damage, faced different outcomes, with widespread high double-digit rate increases and significant limit increases alongside additional capacity purchase sought by cedents.

Capacity in APAC remains abundant, with reinsurers actively maintaining or expanding their positions. A strong appetite for growth and diversification has further intensified competitive dynamics across the region.

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Favourable loss experience and strong supply shaped property-catastrophe renewals.

Casualty reinsurance

Casualty reinsurance renewals at 1 January 2026 were marked by improved supply dynamics. In the US, outcomes were performance-driven against a backdrop of persistent long-tail loss development, ongoing reserving concerns and sustained demand for protection.

International placements reflected stable claims performance and strong results across key markets, although programmes with US exposures continued to face more challenging renewals.



United States

Supply and demand dynamics in the US casualty reinsurance market resulted in largely stable conditions at 1 January 2026 renewals. Although the loss environment for liability lines continued to be driven by social inflation concerns, overall capacity remained steady, with no material changes in the number of active reinsurers. The trend towards greater syndication continued, reflecting typical line-size constraints and the high number of markets competing for shares on programmes.

Another important factor in the renewal process was the expanding role of casualty ILS and sidecars, which are now being actively pursued by many cedents, particularly those able to offer large, stable portfolios that appeal to investors. In addition to increasing supply, these vehicles are also removing some premium from the open market, reducing the amount cedents need to place traditionally. Whilst this has not yet had a meaningful impact on the traditional casualty reinsurance market, a continuation of the trend could begin to influence supply-demand dynamics over time.

With property reinsurance rates easing and catastrophe-exposed premium volume contracting, some reinsurers sought to increase allocations in the casualty market as a compensating source of premium. Clients continued to show interest in whole-account deals that combine property and casualty to achieve more efficient transactions from the cession of more diversified portfolios.

Most treaties renewed at expiring terms at 1 January 2026. Cedents with high-quality data and a demonstrable track record of outperforming the market pushed for higher ceding commissions, and some secured increases of 0.5-1 point. Existing commission levels played an important role in shaping outcomes: programmes with commissions below 30% had more room for (modest) uplifts.

The market remained disciplined and uncompromising to any sign of deterioration. Loss-affected accounts faced downward pressure on commissions and, in some cases, reduced shares from reinsurers seeking compensation for elevated claims severity.

Loss development for accident years 2014-19 remained a prominent feature in negotiations, as development from those years continued to influence the marketing of 2026 placements. Scrutiny also intensified on 2021-23 accident years, reflecting changes in claims patterns and notable instances of reserve strengthening in 2024 and 2025.

Ongoing reserving concerns and adverse loss trends are likely to sustain rate increases in casualty over the next several years. Although the magnitude of these rises is expected to moderate to around 8-9%, they follow consecutive years of double-digit increases. Mounting cost pressures notwithstanding, demand for protection remains strong, and the US casualty market is well positioned to deliver.

International

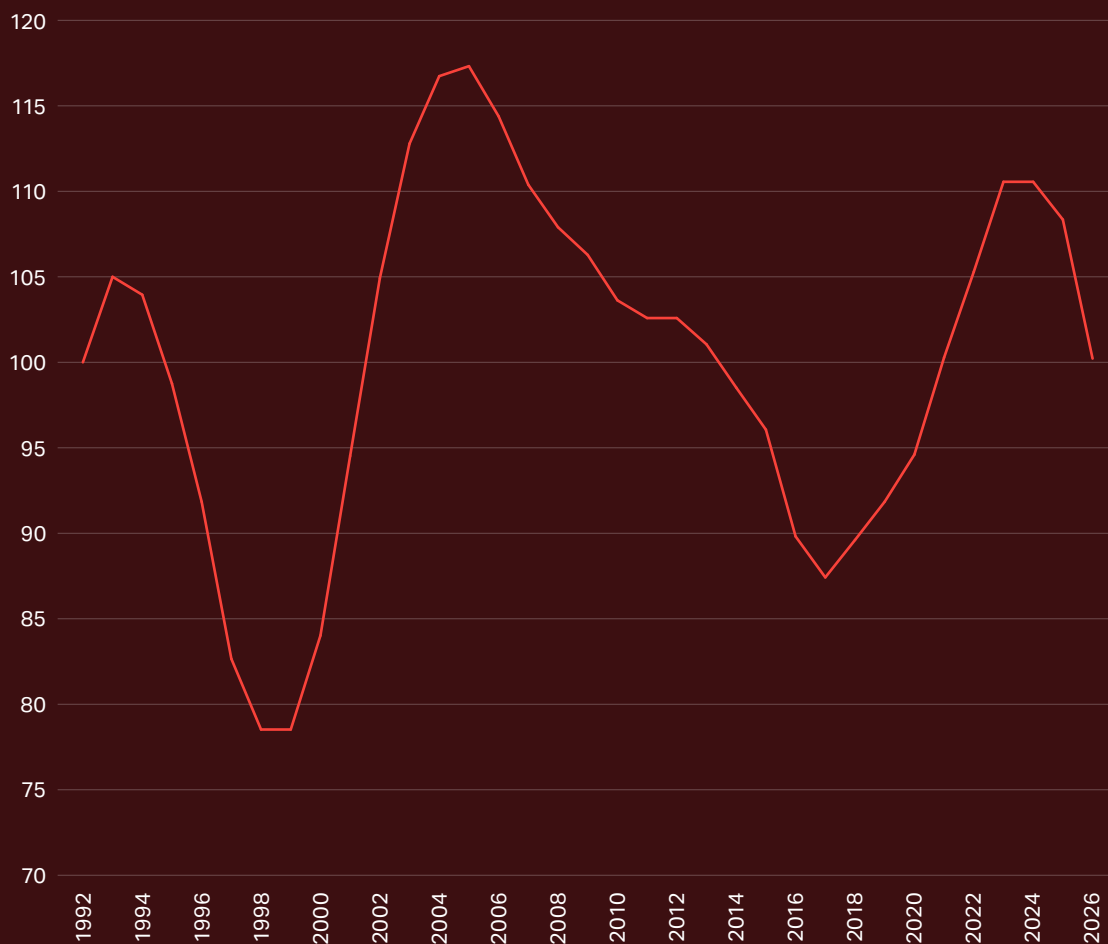
The international casualty market experienced modest softening at 1 January renewals, with widespread price reductions due to increased capacity and a generally stable loss environment. Programmes with US exposures faced more challenging renewals with outcomes sensitive to loss volatility associated with nuclear verdicts. Programmes showing signs of loss deterioration typically saw pricing increase.

Buyers in London market casualty benefitted from strong supply, with incumbents looking to deploy capacity not used in the property market to meet broader growth targets. The market also saw increased participation from several US and Bermudian reinsurers.

This reflected another year of strong performance, with results still benefitting from reduced line sizes following Decile 10 and the subsequent hard market. Whilst claims inflation and falling rates are beginning to drive modest deterioration, claims activity has been limited which has tempered any experience account deterioration.

With underlying account dynamics remaining broadly stable, reinsurer results continuing to be profitable and capacity plentiful, London casualty excess of loss programmes recorded risk-adjusted reductions of 5-10% at 1 January 2026 renewals.

Figure 21: Howden London Market Casualty Risk-Adjusted Reinsurance Rate Index – 1992 to 2026 (Source: Howden, NOVA)



Performance was supported by remediation in the W&I market after reinsurers scrutinised judgement-preservation exposures that had produced volatile, outsized losses. By 1 January 2026, these covers had been largely removed on the front-end following remediation of contingent exposures, a process accelerated by consolidation among W&I MGAs, which improved reinsurer comfort around accumulations.

Continental Europe also saw increased capacity at 1 January 2026, as reinsurers sought greater diversification and reduced US exposure. Price outcomes continued to reflect underlying portfolio performance and product line dynamics, with strongly performing GTPL excess of loss programmes achieving risk-adjusted rate reductions of around 5% and D&O portfolios that have ended direct-market softening securing reductions of 7.5% on average.

Exposures to volatile US litigation trends created a clear bifurcation in the market for large multinational GL programmes. Those with significant exposure and recent claims activity saw prices rise by up to 5% whilst programmes with low or no claims activity generally renewed on stable terms.

Strong performance and stable claims have kept the international casualty market well capitalised, creating favourable conditions for buyers. With capacity expanding and pricing easing across most product lines, cedents are well placed to secure attractive terms into 2026.

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International casualty renewals saw widespread price reductions due to increased capacity and a stable loss environment.

Specialty reinsurance

Aviation

Following a period of relatively modest major risk airline losses, a series of high-profile claims over the last 12 months – including the American Airlines loss in January, Air India in June and UPS in November, all coming after the Jeju Air crash in late 2024 – triggered market tightening across the major risk market in the fourth quarter of 2025.

Whilst the ultimate insured costs of these events remain uncertain – owing to the long development tail typical of aviation liability claims and unresolved issues such as potential government contribution in the American Airlines settlement – these 2025 calendar year losses, combined with some continued deterioration of past year events, was sufficient to counteract continued overcapacity and generate firming overall.

Hardening has been more pronounced in the US airline market, where overcapacity has been less acute than in non-US markets and loss uncertainty is greatest. Market conditions improved sufficiently in the fourth quarter of 2025 to retain existing capacity levels but not enough to attract a significant number of new entrants.

General aviation, with its wide variety of risk types and geographical territories, has continued to soften following its earlier hard market phase, and that overall trend continued through 2025.

The standalone hull war market also saw further softening following sharp rate increases that followed Russia's invasion of Ukraine.

Last year's High Court ruling that lessors claim under contingent war-risk policies for aircraft and assets stranded in Russia triggered a small number of loss advices into the aviation non-proportional reinsurance market. The impact so far has been manageable and less acute than it would have been had the judgement gone the other way. However, given the complexity of the loss (or losses), the ultimate effect on the aviation reinsurance market remains uncertain.

This backdrop set the tone for reinsurance renewals through the second half of 2025 and into 1 January 2026. Following the potential significant losses in the major risk market, excess of loss programmes saw low single-digit rate increases depending on exposure change, with hardening more pronounced in retrocession layers than in first tier non-proportional reinsurance.

Quota share arrangements remained largely stable in both capacity and commission levels. Reinsurers have become reluctant to increase quota-share support for major risk accounts, opting instead to maintain existing commitments.

Looking ahead to 2026, the trajectory of major risk market conditions will most likely hinge on how 2025 losses ultimately crystallise. In the absence of further major loss deterioration, which has been the trend in recent years, a broadly steady environment is expected – with insurers and reinsurers looking to continue along the pathway of continued hardening.

Construction

The construction reinsurance market continues to perform strongly, supported by the 2019–24 hardening cycle that corrected prior under-pricing and large-loss activity, restoring underwriting margins to healthy levels.

Favourable conditions in the global construction market attracted additional capital into the class in 2025. Incumbent reinsurers increased deployments to defend or grow their positions, whilst new entrants – from established markets such as Lloyd’s as well as Bermuda as part of their broader specialty growth strategies – added meaningful supply. This expanded participation highlights the continued attractiveness of the market’s risk-return profile.

The additional capacity is providing buyers with greater flexibility and contributing to a softening of terms from historically elevated levels. At recent renewals, ceding commissions on quota-share treaties moved modestly higher. Excess of loss pricing eased slightly, with strong competition and abundant capacity putting signing pressure on programmes. The softening remains orderly, however, with underwriting margins largely intact.

These dynamics point to a market that is well capitalised and increasingly competitive, yet still broadly disciplined. Caution is reinforced by the long-tail nature of large and technically challenging construction projects. Recent losses (including the solar farm loss in Dubai for the 2018 underwriting year from flooding in 2024) illustrate how an extended tail can act as a brake on market softening, even when ultimate losses settle below initial estimates.

On the demand side, global infrastructure, data centres (now considered critical infrastructure) and energy transition investments continue to underpin growth. Whilst current data centre exposures are broadly being absorbed within existing treaty limits and remain a relatively small share of overall portfolios, a drive towards facilitised capacity (primarily at excess levels) to meet the US\$100 billion plus investment pipeline reflects adjustments in supply and demand dynamics.

As investment scales – across data centres as well as the wind, solar and other transition-related projects required to help to power these energy-intensive assets – the demand for capacity will only increase further. The construction reinsurance market enters this phase with strong capitalisation, solid technical margins and broad appetite, leaving it well positioned to meet these growing needs.

Credit and political risk

The CPRI market delivered another strong year of growth and performance in 2025, supported by higher demand, increased capacity and sustained underwriting outperformance.

Supply and demand dynamics remained broadly balanced, with higher client uptake met by a corresponding rise in capacity. Although the focus on high-quality risks led to pockets of overcapacity and a general easing in pricing, reductions were measured across the wider market, constrained by conservative underwriting and the market's overall supply limitations.

Incumbents sought to materially increase line sizes in 2025 by offering more capacity on a per risk basis. This additional supply, combined with several new market entrants, helped absorb a portion of the elevated demand from banks and corporates navigating a volatile macroeconomic and geopolitical environment, though demand continued to outstrip available capacity in certain areas.

These trends are reflected in available (albeit limited) data. In the US, credit, surety and fidelity – a reasonable proxy for the global CPRI market – grew by 10% in 1H25 compared with only 5% for major US commercial lines. The incurred 1H25 loss ratio for the same markets was 26% compared with 57% for major US commercial lines. The three global credit insurers recorded combined ratios in 2024 of 75% on average.

High underwriting standards remain a defining feature of the CPRI market, with (re)insurers targeting a narrow window of volatility. Despite significant macro uncertainty, 2025 saw no major deterioration in claims. The underwriting rigour and restructuring required to navigate sovereign defaults, Russia-Ukraine payments and credit events helped to shield the market from potential losses arising from a small number of high-profile private credit defaults.

Strong performance has contributed to steady pricing declines, with intensifying competition bringing reductions of 10-20 points from post-COVID highs in the direct market for more standardised and commoditised risk types. Reinsurance renewals at 1 January 2026 saw ceding commissions on quota-share business increase moderately. Similarly limited downside movements were recorded for excess of loss programmes, or exposures expanded on some business where rates were flat.

Absent major losses, gradual softening across the CPRI market for more standardised risk types is expected to persist into 2026. Demand is set to remain strong as banks and corporates continue to rely on CPRI for capital relief, balance sheet management and risk mitigation – bolstered by increased participation from institutions that historically were not major buyers, including US banks.

One immediate challenge facing the market, however, is the shortage of experienced underwriting talent. Competition for skilled CPRI professionals has intensified, driving up hiring costs and raising expense ratios, particularly amongst new entrants and MGAs. It has also reinforced the perception amongst senior leadership teams that CPRI business is a niche class, which can weaken long-term commitments if losses materialise above expectations.

The talent issue is likely to create winners and losers. Well-established underwriters with deep experience and strong management support will be better positioned to succeed. Those unable to attract and retain talent risk losing internal visibility, defaulting to overly cautious approaches and ultimately shrinking into irrelevance.

Cyber

Continuing the 2025 trend, buyers of cyber reinsurance benefitted from favourable supply dynamics for early 2026 renewals, supported by strong competition and a manageable loss environment. Despite several high-profile attacks on individual insureds and a number of systemic events, financial impacts have not been material enough to shift pricing sentiment.

Of the nine new reinsurers that entered the market at 1 January 2025 (bringing US\$250 million of new capacity), most did not meet their deployment targets and reloaded for 2026, further resulting in abundant capacity and competitive terms.

Strong profitability on excess of loss business and continued appetite from reinsurers have counteracted thinning margins in quota share, with reinsurers attracted to the long-term opportunity presented by cyber reinsurance and their desire to grow. Together, these factors tilted supply-demand dynamics further in favour of cedents.

These conditions led to accelerated softening at the 1 January 2026 renewal. New structures also gained traction as cedents capitalised on the increased flexibility offered by reinsurers.

Ceding commissions on quota share business moved up by 1% to 1.5% for most buyers. Following increases of 3% to 4% since 2022-23, most commission percentages have now reached the mid-30s range, where they are likely to stabilise unless the loss environment deteriorates. A loss-free year in the excess of loss market pushed global stop-loss pricing down by 15% to 20%, with sharper declines internationally than in the US, reflecting underlying performance and growth potential.

Buyers showed increased interest in portfolio-level optimisation, exploring ways to monetise profitable parts of their books whilst still achieving capital relief. This led to the execution of a small number of new structures, including variable quota share, per risk excess of loss and aggregate of event solutions.

Looking ahead, the heightened threat landscape, exacerbated by threat actors' use of AI to identify and exploit vulnerabilities, underscores the need for vigilant underwriting and risk monitoring. The potential for structural shifts in attacker behaviour, akin to the ransomware-driven inflection that preceded the last hard market, reinforces the importance of proactive claims monitoring and responsive underwriting in anticipation such developments.

Marine & energy and war, political violence & terrorism

Softening accelerated across the marine and energy (M&E) and war, political violence and terrorism (WPVT) markets in 2025 due to increased capacity and manageable losses.

Clarity around sizeable 2024 losses – including the collapse of the Baltimore bridge, where claims appear to be settling at the lower end of initial expectations and widely spread across the market – intensified competition in what remains a strong market overall. Aside from pockets of strain (particularly in hull and onshore downstream energy on the direct side), most areas continue to be profitable.

Loss activity in the WPVT market remained manageable in 2025. Only a limited number of carriers have exposure to the Russia-Ukraine war, and for those that do, losses have generally been retained net and have not flowed through to reinsurance or retrocession layers. As a result, conditions continued to soften, with increasingly favourable terms, including wider radii and more flexible country definitions.

New market entrants over the last 12 months, in addition to the wave of additions in 2024, shifted supply and demand dynamics further into buyers' favour, with the increase in overall supply enabling buyers to push for improvements in pricing and terms. Instances of M&A consolidation in 2025 were more than offset by the arrival of new participants. Supply-side changes have been accompanied by shifts in demand, with the growth of facilities reducing open-market premium flow.

These dynamics carried through into the reinsurance market, where low losses and new entrants from the 2024 cohort, alongside smaller existing reinsurers, challenged incumbents (including market leaders) and gave buyers greater leverage in securing more favourable terms. This led to increased panel turnover, with buyers drawn to new markets that offered strong relationships, good security and the ability to deploy capacity across multiple product lines.

All of which culminated in significant pricing pressure at 1 January 2026 renewals, with most excess of loss programmes seeing risk-adjusted reductions of 15% to 20% across most lines. These outcomes came on top of double-digit decreases recorded at last year's renewals.

For proportional programmes, cessions have typically reduced by 10-20%, reflecting an increased need to manage net retained income in a more challenging rating environment. These reductions in cession orders supported higher ceding commissions at 1 January 2026, with most programmes securing increases of 1-2 percentage points.

Retrocession renewals held up better, supported in part by a smaller pool of leaders in the market and the prospect of sizeable recoveries from aviation losses related to the Russia-Ukraine war. Some retrocession placements were deferred to later renewal dates to allow for greater clarity on loss development and to take advantage of increased competition for capacity. These dynamics were further reinforced by the availability and uptake of quota-share capacity, which continues to encroach on more traditional excess of loss structures.

Composite programmes continued to be widely used, often bundling marine, energy, terror and other classes within single layers. Their use after a short-lived pause following the Russia-Ukraine war is indicative of the high levels of competition within the market.

Current market conditions in M&E and WPVT reinsurance are expected to persist into 2026, absent a major market loss. Sub-plan signings for many at 1 January 2026 will only serve to reinforce this dynamic.



2025: a world in flux

2025 will be remembered as a year of macroeconomic volatility and adaptability. Intensifying (and shifting) rivalries between major powers, the evolution of modern conflict, competition for critical minerals, fiscal constraints, trade uncertainty and rapid technological advancement all contributed to a landscape in flux.



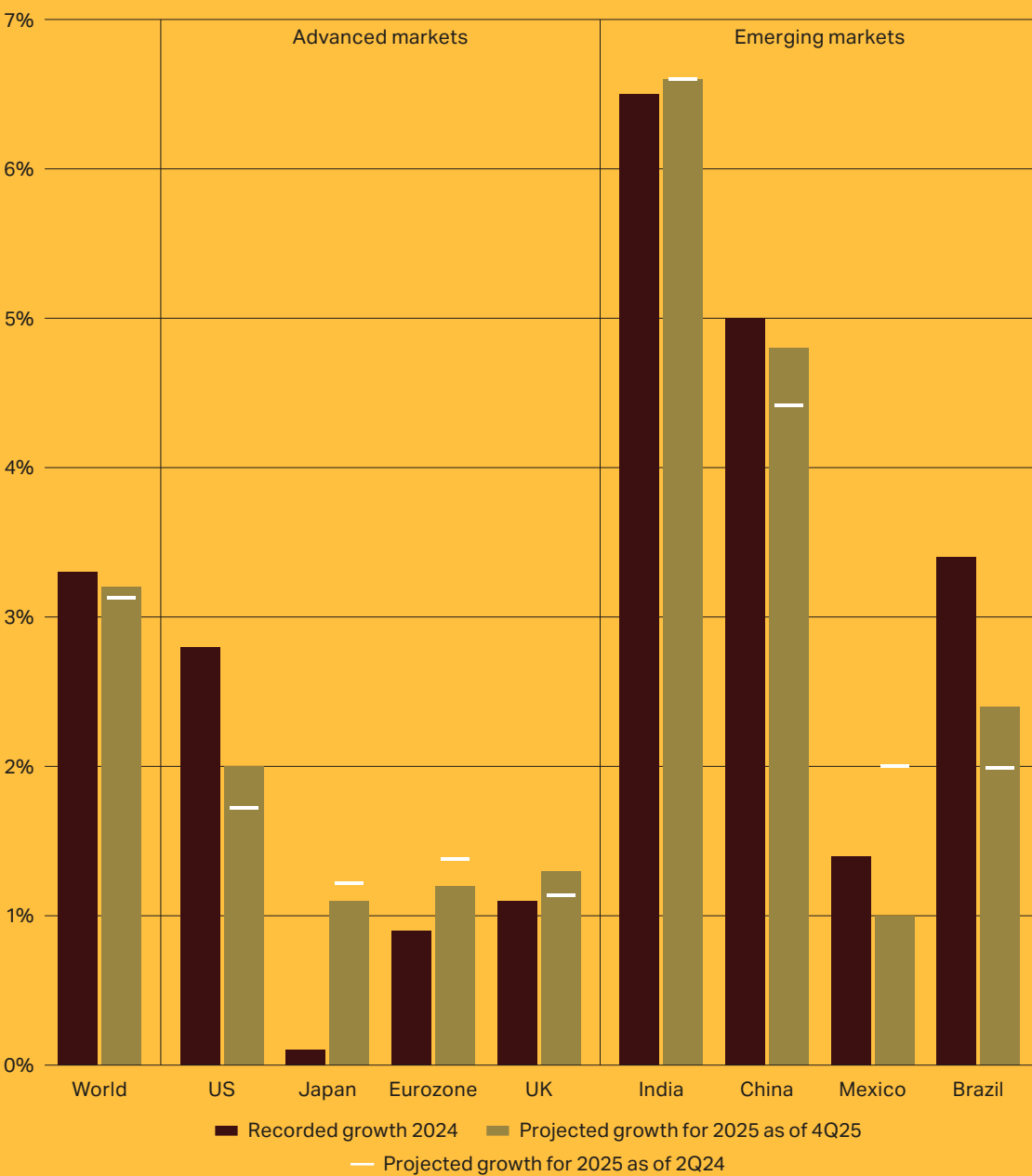


Increased divergence between economies in terms of GDP growth, inflation, fiscal trajectories, currency movements and monetary policy reflected shifting trade flows, geopolitical uncertainty and the long-term impacts of AI.

These structural changes notwithstanding, economic growth proved resilient across most regions in 2025. The US economy was supported by AI-related capital expenditure, enabling it to outperform peers where early momentum from front-loaded activity faded as the year progressed. Growth in the Eurozone remained uneven, with Spain expanding by an average of 3% in the first three quarters of 2025 compared to Germany's 0.3%. Fiscal stimulus in Germany is expected to boost growth in 2026 and 2027.

Emerging markets remained a key driver of global growth in 2025, reflecting the strong performance of several economies and their growing contribution to global output after years of outperforming advanced markets. China, however, continued to face headwinds, with weak domestic demand, deflation and a deteriorating external environment suppressing activity.

Figure 22: Realised and projected GDP growth for 2024 and 2025 (Source: Howden, IMF, BIS)



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The US economy was supported by AI-related capital expenditure, enabling it to outperform peers where early momentum from front-loaded activity faded as the year progressed.

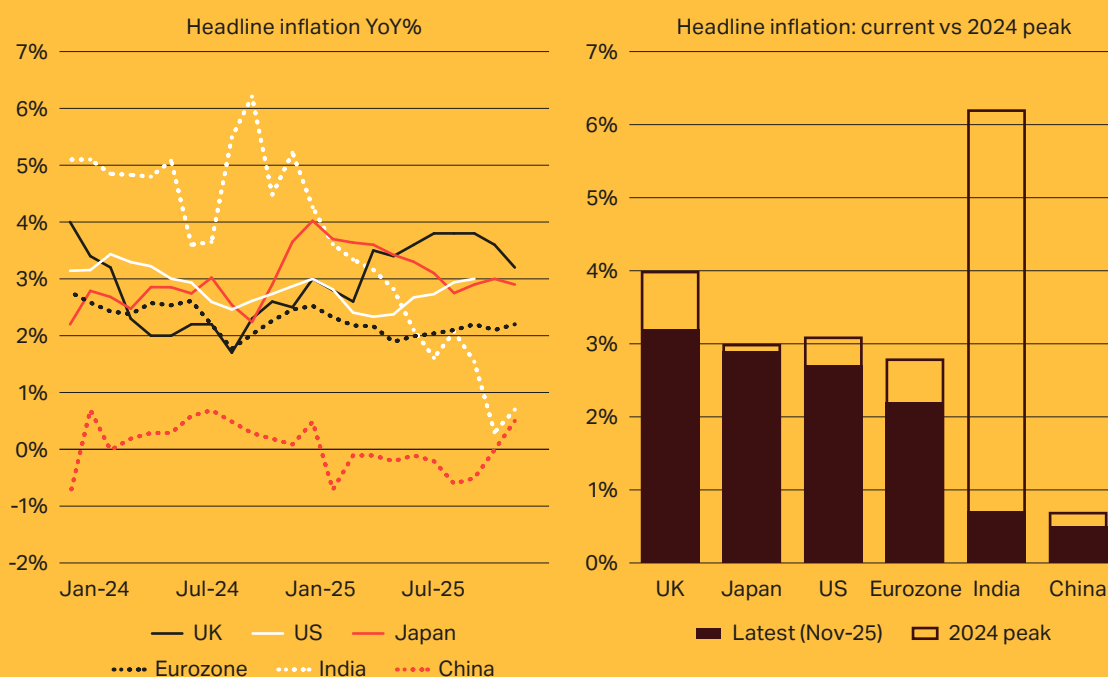
Cycle divergence

Inflation dynamics in 2025 reflected the interplay of complex global forces, as trade uncertainty, supply chain recalibration (with security increasingly prioritised over efficiency), currency volatility and falling oil prices (despite conflicts in the Middle East) produced divergent outcomes across major economies.

Elevated services inflation, as well as higher goods inflation, in the US and UK kept headline CPI high throughout the year whilst structural shifts away from deflation in Japan drove price and wage increases. Disinflation took hold in the Eurozone, as weak growth, currency appreciation and a softening labour market brought CPI back to target. India also saw inflationary pressures recede whilst China remained in deflation territory for much of the year.

Figure 23: Headline inflation for select economies – Jan-24 to Nov-25

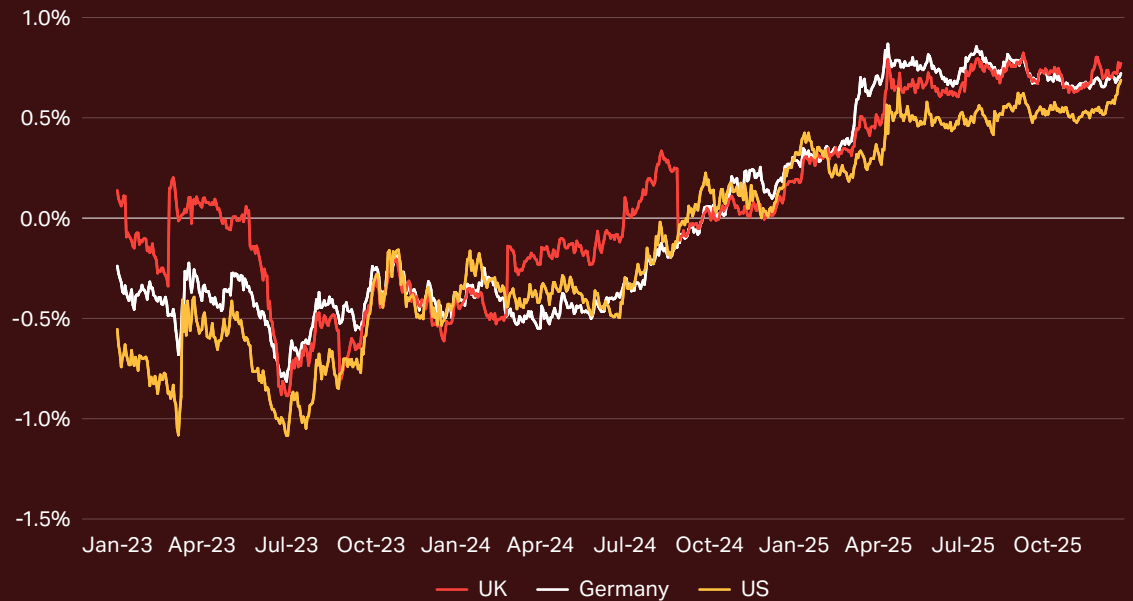
(Source: Howden, government statistics)



Monetary policy responses varied accordingly, as central banks navigated the trade-offs between supporting growth and employment and maintaining price stability. This led to gradual easing in the US and UK (the Fed and BoE have cut rates by 150-175 basis points since 2024) whilst the Eurozone saw a more aggressive loosening cycle (with cuts totalling 250 basis points over the same period). Interest rates were cut in several large emerging economies too.

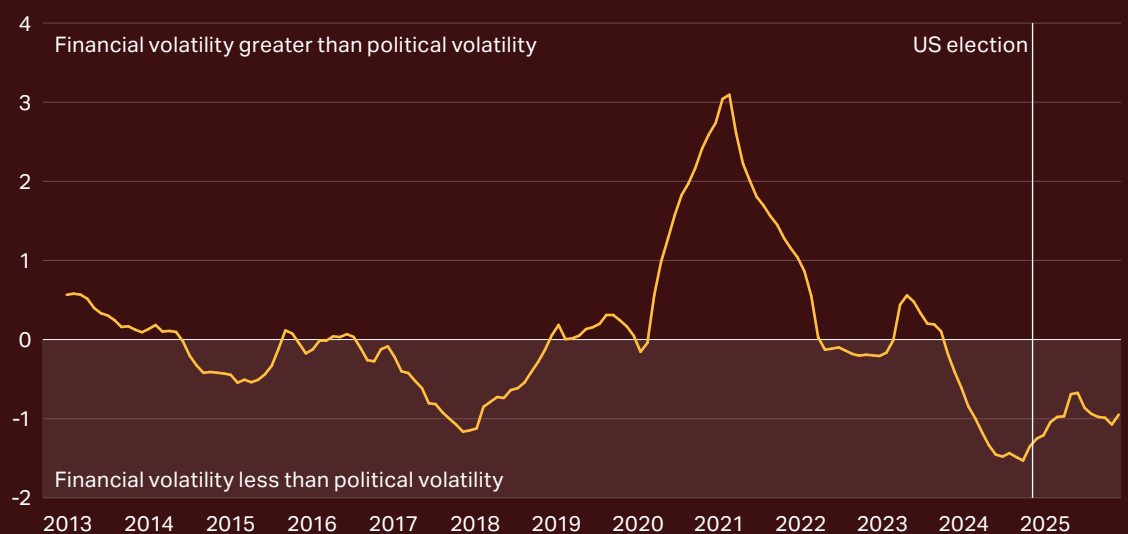
Policy easing in 2025 drove short-term yields lower, whilst longer-dated maturities remained elevated amidst concerns about persistent inflation and fiscal sustainability. The resulting steepening of the yield curve shown in Figure 24 reflects expectations of more supportive monetary policy at the front end, alongside higher long-term yields as markets adjust to sustained inflation in some advanced economies, rising sovereign issuance and wider fiscal deficits.

Figure 24: Yield curve steepening (10-year minus 2-year yields) for select advanced economies – 2023 to 2025 (Howden, Bloomberg)



These dynamics are likely to have a meaningful bearing on growth, inflation and interest rate trajectories in 2026. Despite ongoing geopolitical instability and structural challenges, market sentiment has remained largely positive over the past two years, interrupted only briefly by a correction in 2Q25. As shown in Figure 25, financial volatility has fallen back to low levels relative to geopolitical risk, even as macro-financial risks remain elevated and the potential for escalation persists (as demonstrated by volatility in AI stocks in 4Q25).

Figure 25: Geopolitical risk relative to financial market volatility – 2013 to 2025⁴
(Source: Howden, VIX, Geopolitical Risk Index)



⁴ Data shows 12-month moving average of differences in z-scores of geopolitical risk (Geopolitical Risk Index from Caldara and Iacoviello) vs financial market volatility (VIX) and how the latter has fallen far below geopolitical risk.

(Re)insurance growth

This backdrop of low growth, persistent inflation, a shifting yield curve and rising geopolitical risk has significant implications for the (re)insurance market. The close relationship between GDP and insurance premiums is well established, with demand for risk transfer typically declining when economic activity contracts.

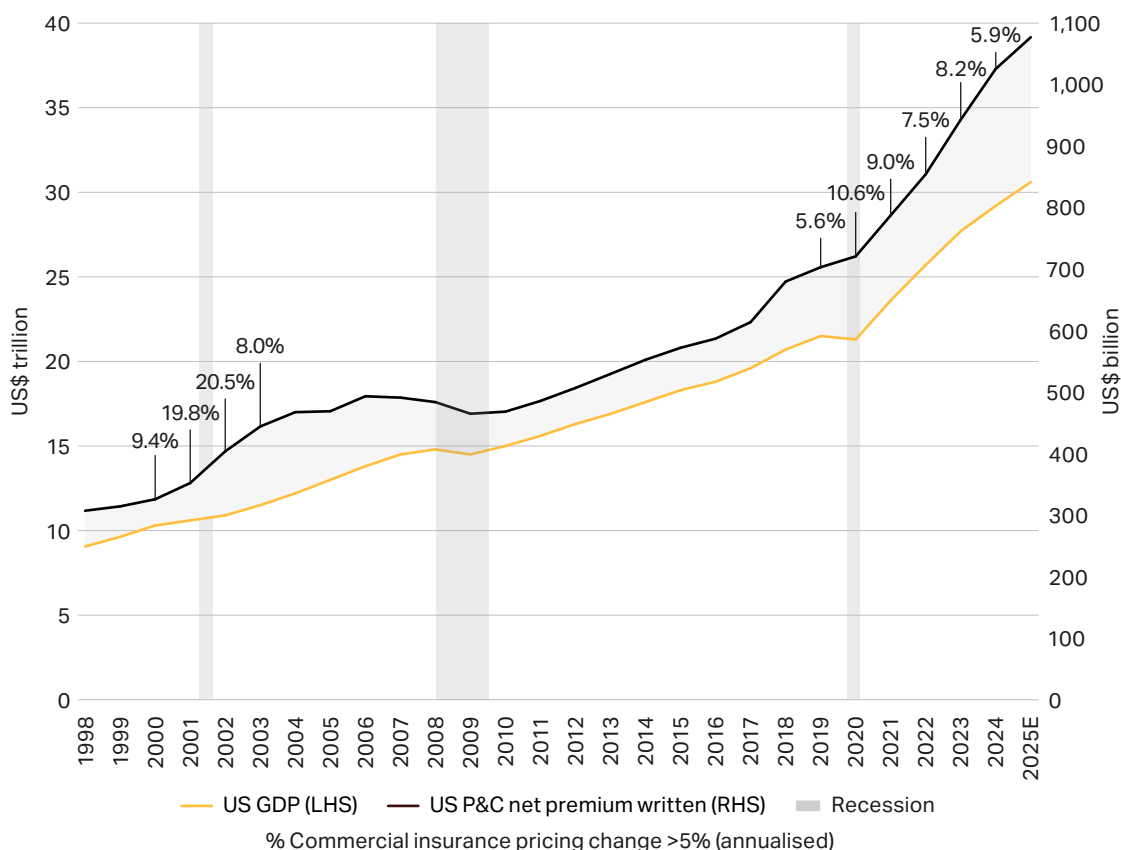
Having benefitted from above-trend premium growth since the turn of the decade, supported by cyclical and structural factors including significant rate increases and a changing risk landscape, headwinds are now starting to emerge.

Softening market conditions are reversing one of the key premium growth drivers of recent years. Combined with modest economic growth, this points to a slowdown and a reversion to historical correlations with GDP, even as persistent inflation and heightened geopolitical risk shore up underlying demand. This contributed to a flurry of M&A activity in the global P&C market towards the end of 2025.

Any economic shock that leads to increased company bankruptcies, reduced payrolls or falling asset values would further constrain top-line growth.

Figure 26: US GDP vs P&C insurance premiums – 1998 to 2025E

(Source: Howden, US Bureau of Economic Analysis, S&P Global Intelligence, CIAB)



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The backdrop of low growth, persistent inflation, a shifting yield curve and rising geopolitical risk has significant implications for the (re)insurance market.

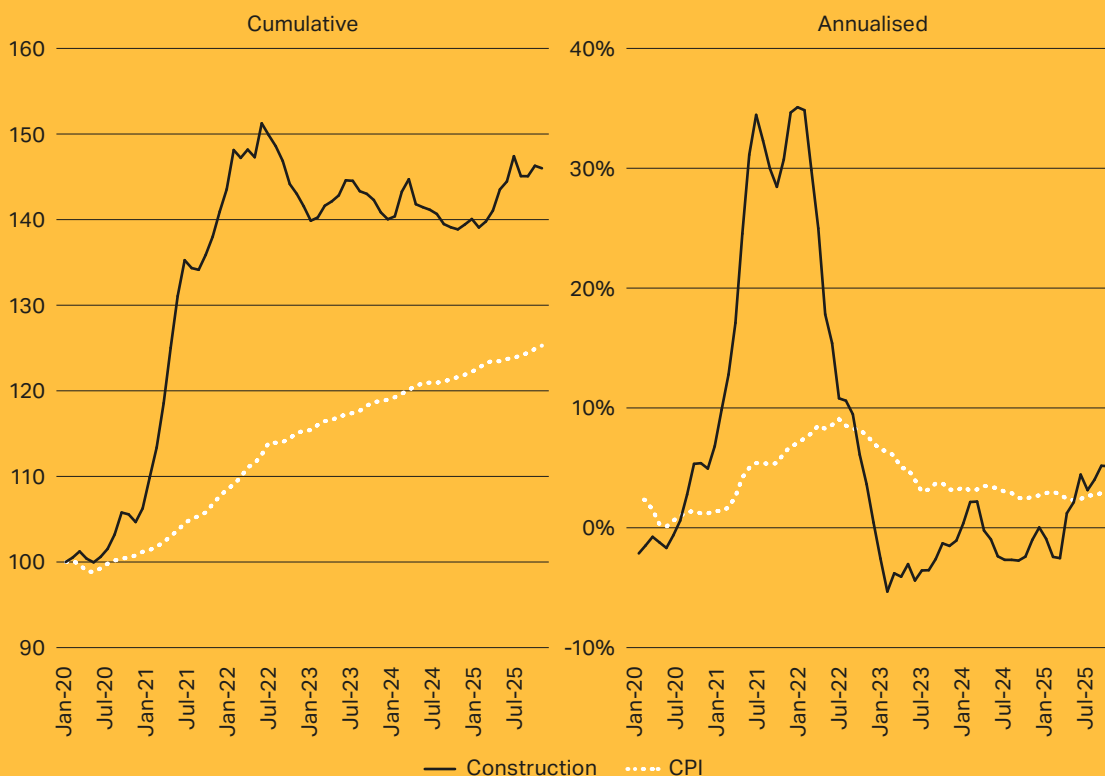
Economic inflation

Macroeconomic shifts have also changed the claims and investment environment. Inflation has driven a notable increase in insured valuations whilst also impacting claims costs, reserving and pricing.

Shorter-tail lines experienced the most immediate and pronounced effects during 2020-22, as elevated costs and replacement values fuelled claims severity, and are again at the front-line as pockets of inflationary pressures return to certain areas of the market.

Figure 27 shows that US construction material costs rose above headline inflation in 2025. Year-on-year increases accelerated in the second half of the year, resulting in a cumulative increase of 5% for the first nine months of the year. Although prices remain below the 2022 peak following a brief period of relief, these incremental gains are having a compounding effect on property claims costs at a time of falling prices.

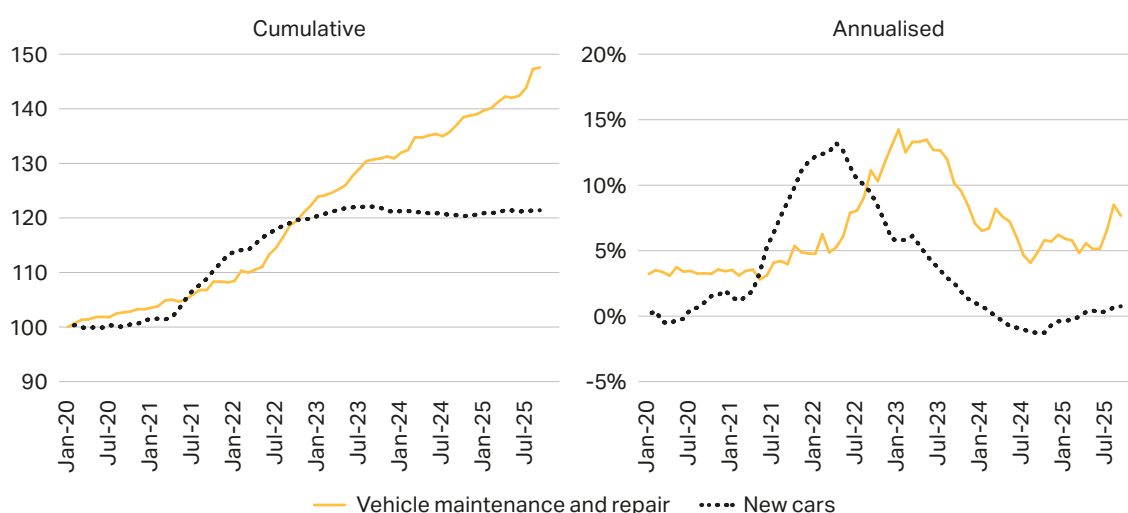
Figure 27: Construction material costs in United States vs headline CPI – 1Q20 to 3Q25
(Source: Howden, BLS)



The motor market is likewise experiencing inflationary pressures on physical components – from high vehicle values to rising repair costs – alongside supply chain pressures, all of which are once again feeding claims severity (see Figure 28).

Figure 28: Indices of loss costs components for US motor market – 1Q20 to 3Q25

(Source: Howden, BLS)

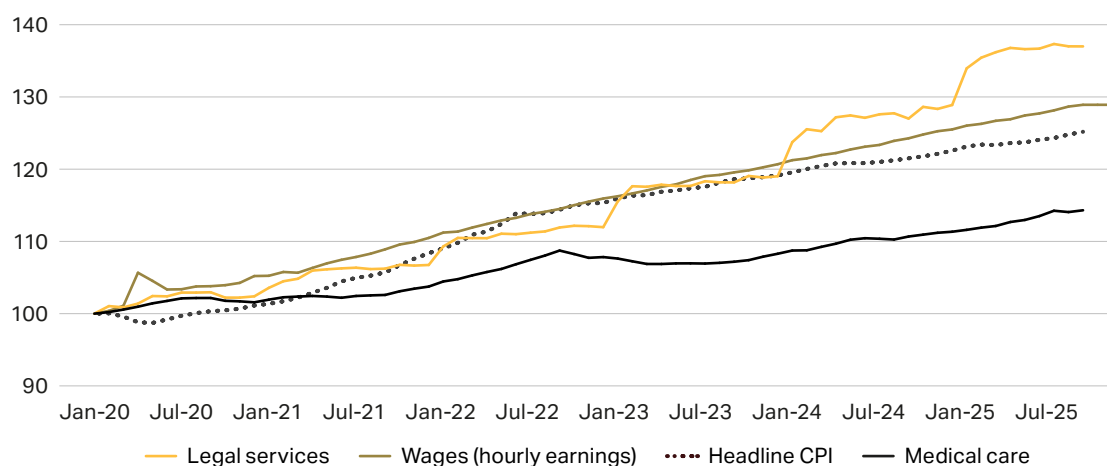


Liability lines are more exposed to subsets of medical, wage and legal costs, areas that can transcend broader economic trends. Figure 29 shows that medical-related costs in the United States, an important input for an array of casualty classes, have trended below headline inflation in recent years, continuing to rise only modestly through 2025. Legal costs, on the other hand, surged well above inflation in 2024-25, driven by strong demand.

Wage growth in the US, which has outpaced headline CPI since 2020, continues to provide premium tailwinds for certain classes, notably workers' compensation and employers' liability, although the pace of growth moderated in 2025.

Figure 29: Indices of CPI categories relevant to US liability lines – 1Q20 to 3Q25

(Source: Howden, BLS)

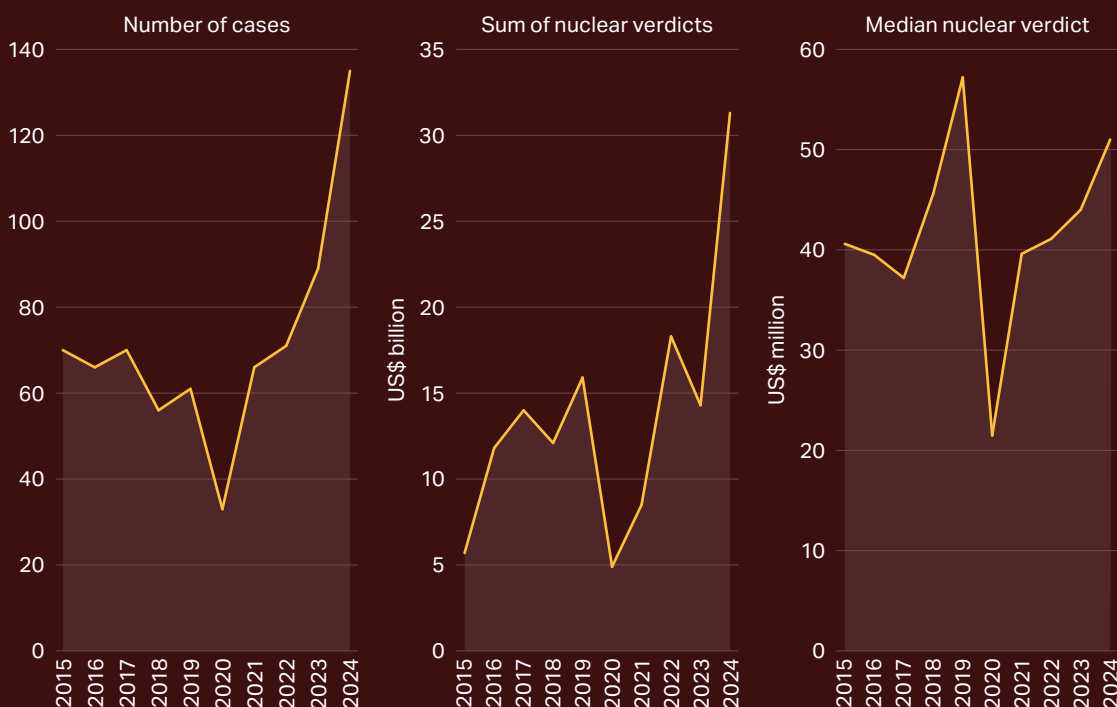


Sting in the (US liability) tail?

Loss development for US liability product lines has been driven primarily by non-economic factors, with broad-based societal shifts – including rising anti-corporate sentiment and a general desensitisation towards large financial awards – combining with rapid growth in litigation funding to drive up jury awards at rates far above headline inflation.

Figure 30 charts the sharp rise in both the number and size of US nuclear verdicts (defined as awards greater than US\$10 million) since COVID. This trend accelerated significantly in 2024, which saw a record-breaking volume of cases and a 120% surge in the total value of verdicts (to US\$31 billion). Whilst the median verdict remained below the 2019 peak, it continued its upward trajectory to reach the second-highest level in the past decade.

Figure 30: Nuclear verdict data in United States – 2015 to 2024 (Source: Marathon Strategies)



Even in instances where some of the larger nuclear settlements resolve at lower levels, claims are being inflated above actuarial assumptions, eroding profitability. The loss and loss adjustment expense (LAE) ratio for statutory US liability lines⁵ shown in Figure 31 rose from 72% in 2023 (a level consistent with the 10-year average) to 74% in 2024. The issue is concentrated in other liability lines, including general liability, E&O, D&O and environmental liability, which account for 96% of the increase in losses relative to premium growth between 2023 and 2024.

⁵ Commercial auto, medical professional liability, products liability and other liability.

Figure 31: Premiums vs loss and LAE ratio for statutory US liability lines by accident year – 2015 to 2024 (Source: Howden, NAIC)

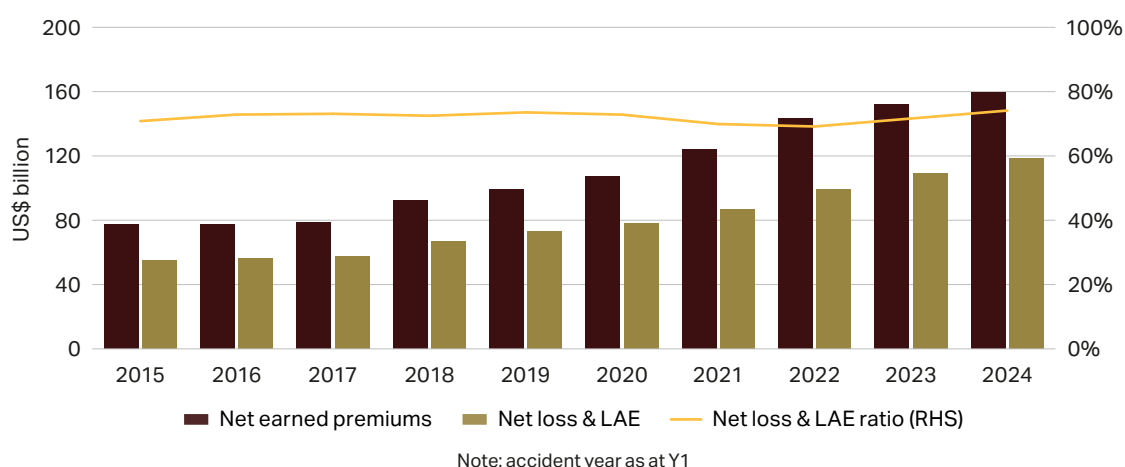
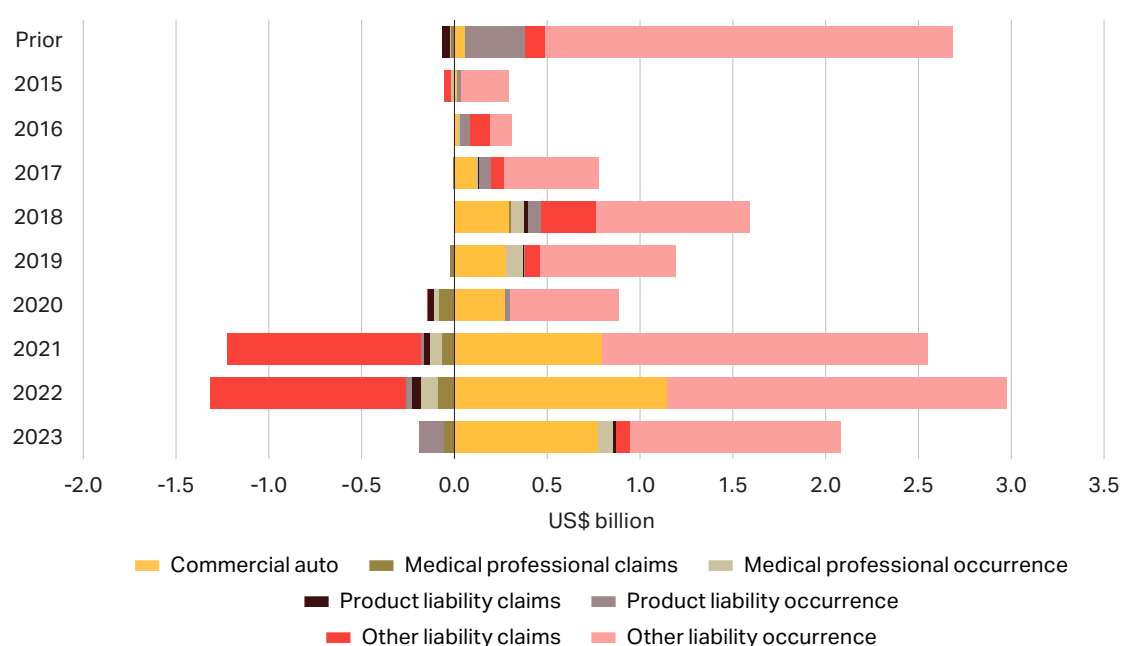


Figure 32 takes the analysis a step further by showing how previous accident years developed in 2024. The trend is clear: excluding pre-2015 years, which provide only retrospective insights, the majority (59%) of adverse development emanated from other liability occurrence (OLO) and commercial auto policies written between 2021 and 2023.

This is significant because these recent accident years had been expected to develop favourably off the back of underwriting remediation (rate increases and limit reductions) through the hard market. This assumption is now being challenged: development for OLO in AY 2022, for example, has swung significantly, moving from a US\$40 million release in 2023 to a US\$1.8 billion addition in 2024.

Figure 32: 2024 reserve movement by US statutory liability line of business and accident year (Source: Howden, NAIC)

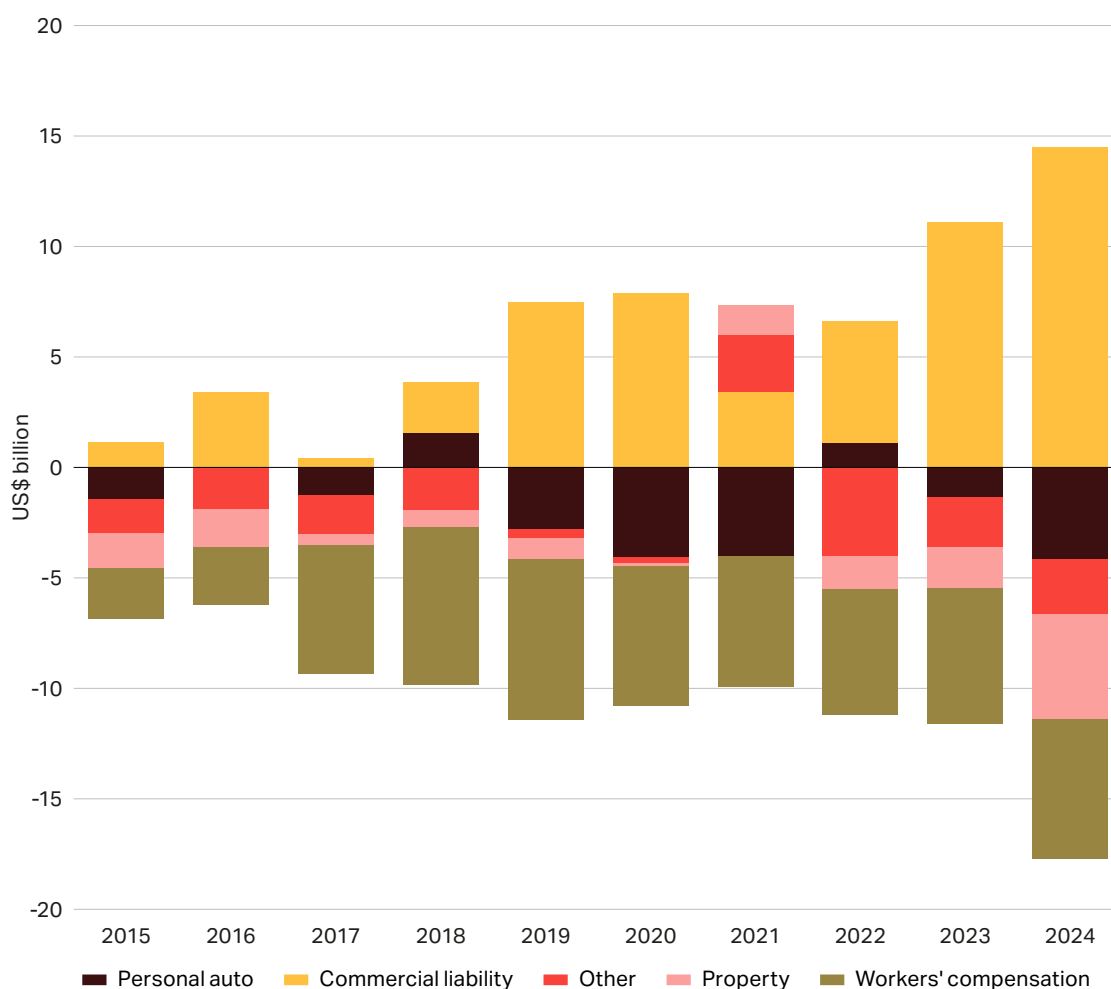


Deterioration nevertheless remains well below levels recorded during 2015-19. Whilst incurred losses for these years increased by an average of 9.5% and 10.7% of net earned premium for OLO and commercial auto respectively, the corresponding figures for 2021-22 are just 3.5% and 4.8%.

Furthermore, reserve strengthening in challenged US lines has been more than offset by favourable development elsewhere. In 2024, substantial redundancies emerged from workers' compensation (~US\$6 billion) and property (~US\$5 billion), resulting in a year of strong releases overall (see Figure 33). Workers' compensation, aided by improvements in workplace safety and high employment, has been a consistent source of redundancies for the best part of a decade and shows few signs of relenting.

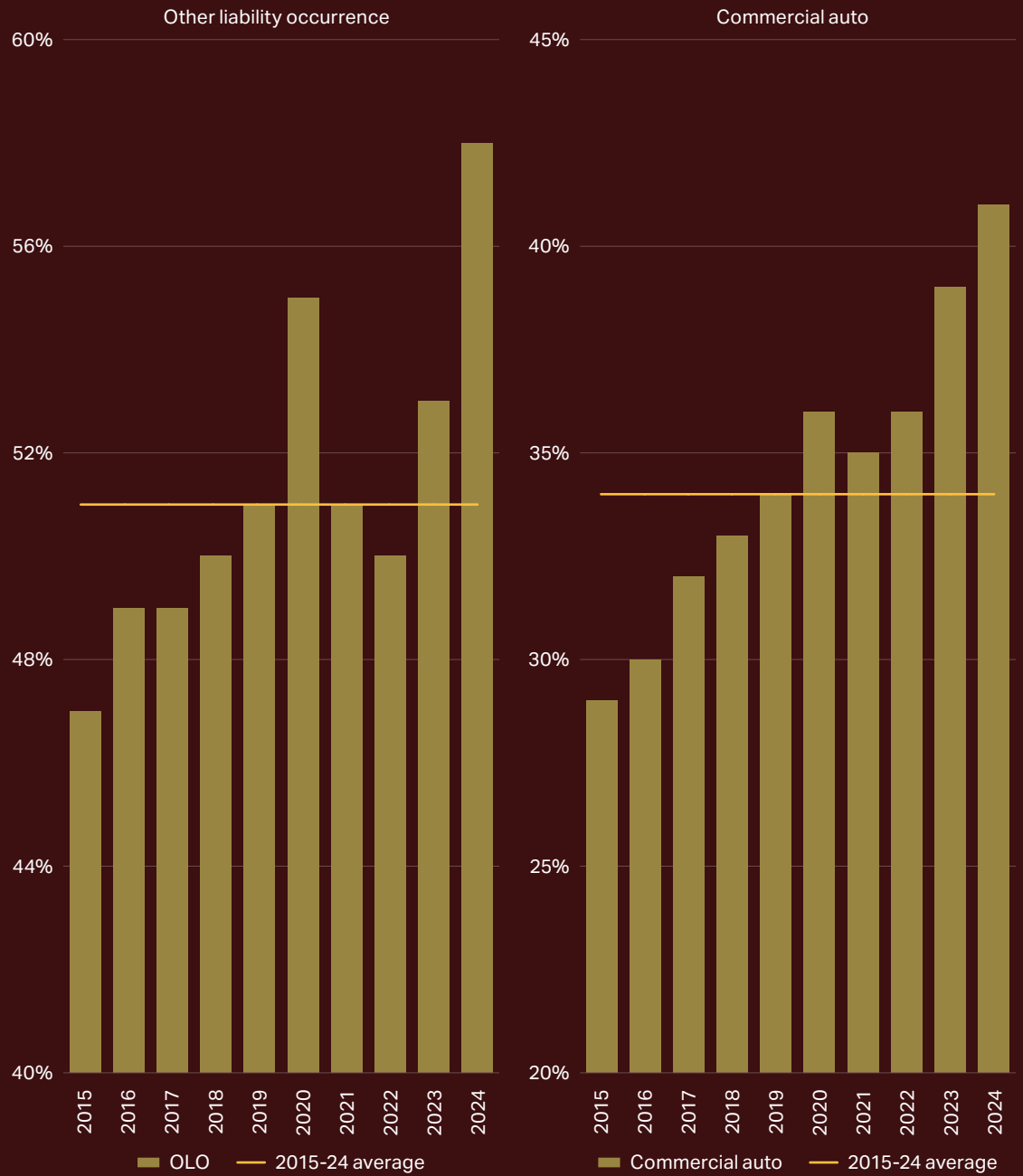
Figure 33: Reserve movements by US P&C line of business – 2015 to 2024

(Source: Howden, NAIC)



Carriers are also adopting an increasingly conservative approach to reserving for the most recent years. Figure 34 shows the proportion of incurred but not reported (IBNR) reserves within total first-year reserves across the two most challenged lines. In 2024, these allocations hit 10-year highs of 58% and 41%, with OLO's IBNR share rising five percentage points compared to 2023.

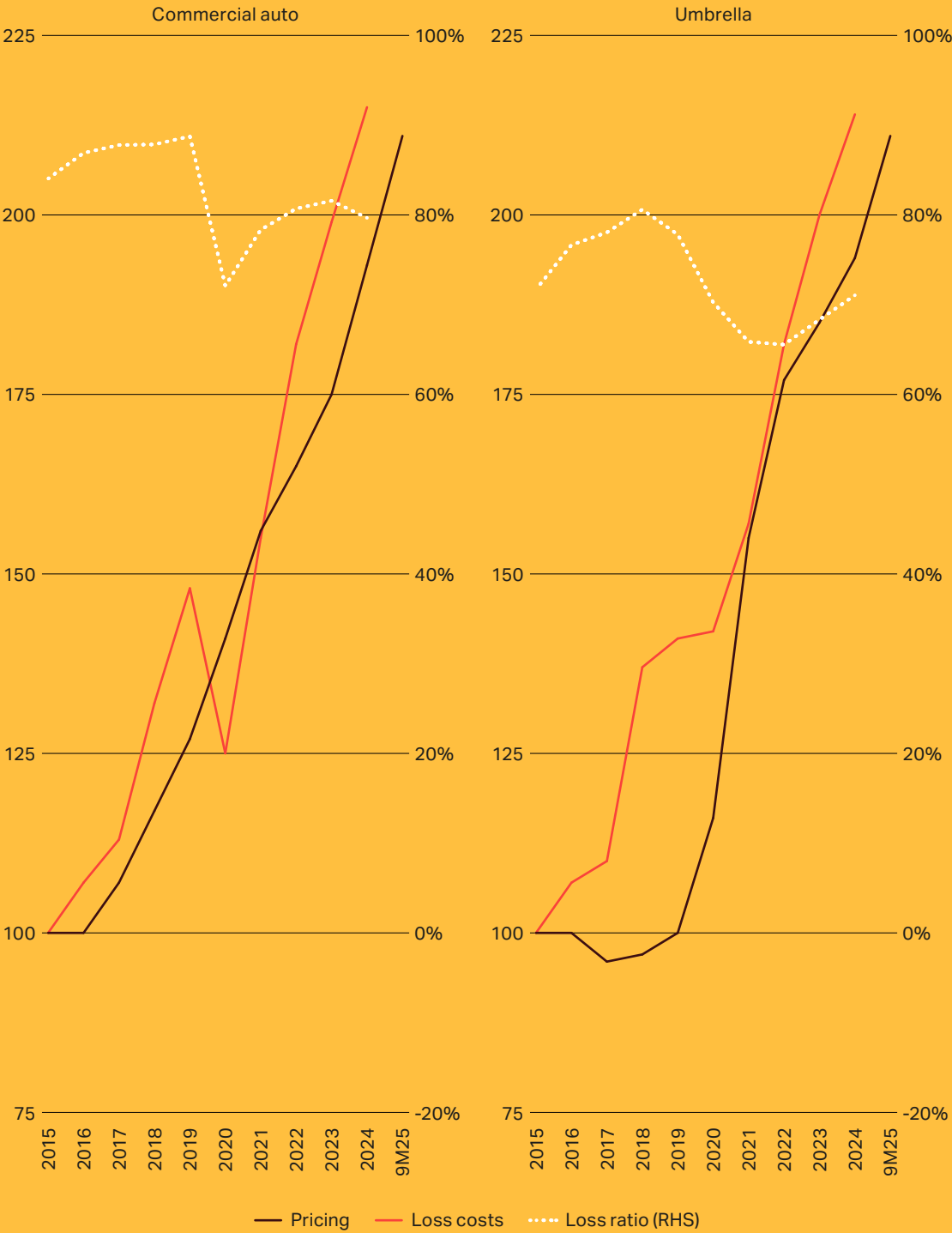
Figure 34: IBNR share of US P&C first year reserves 2015 to 2024
(Source: Howden, NOVA, NAIC)



Absent the emergence of a new lag in claims reporting, for which there is limited evidence, current IBNR levels imply that the 2024 accident year is more likely to experience reserve releases than the 2021-23 accident years.

US casualty insurers have responded to what appears to be a structural shift in the loss environment by compressing limits and implementing rate increases that are largely keeping pace with loss-cost trends (see Figure 35), providing additional support to portfolio performance.

Figure 35: Cumulative price vs loss costs for US commercial auto and US umbrella – 2015 to 9M25 (Source: Howden, NAIC, CIAB)



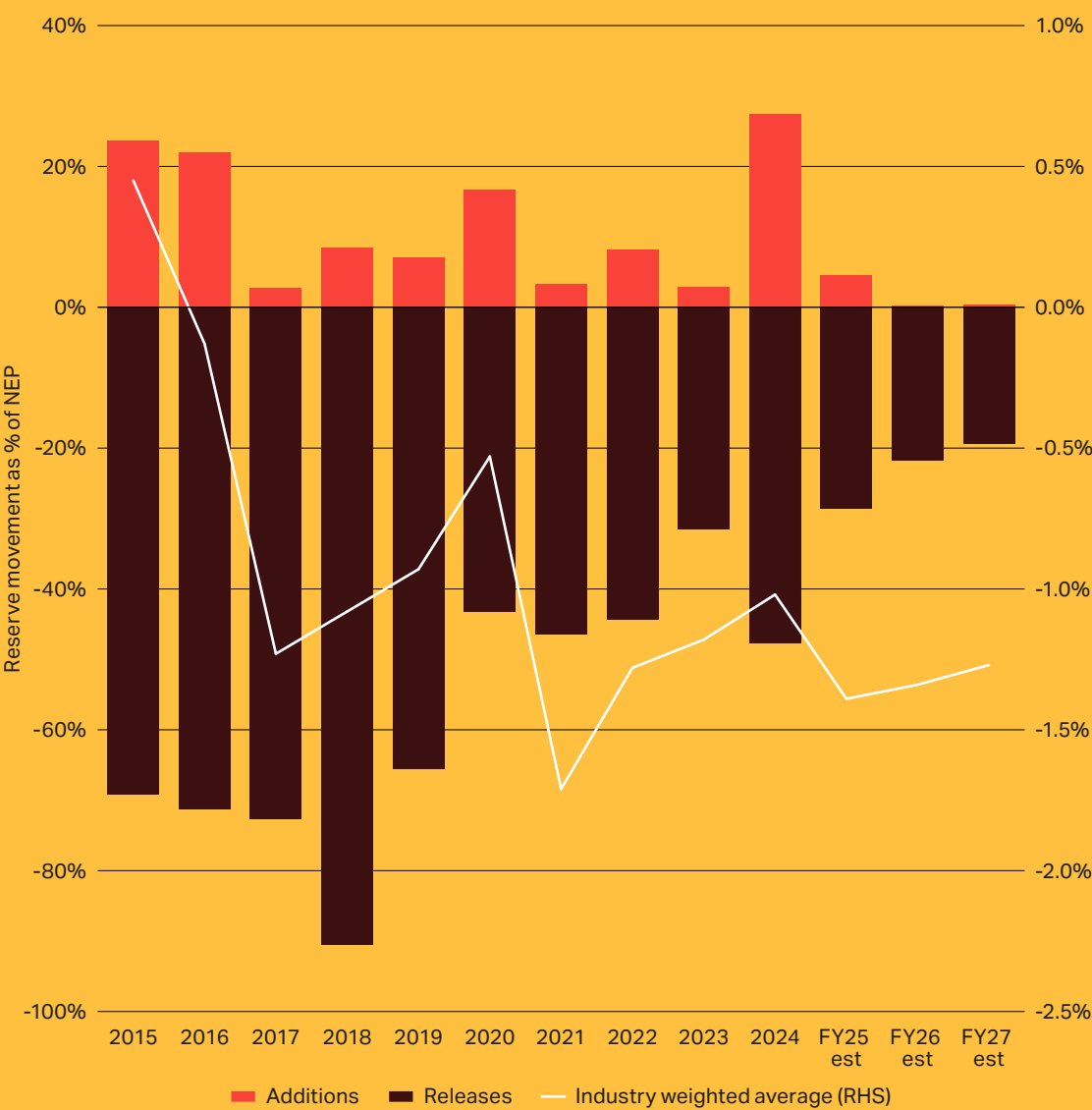
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US casualty insurers have responded to what appears to be a structural shift in the loss environment by compressing limits and implementing rate increases.

The picture improves further when viewed from a global perspective. Reserve releases are offsetting pockets of additions, reserving policies remain conservative and rates and limits continue to adjust rapidly in response to rising loss costs.

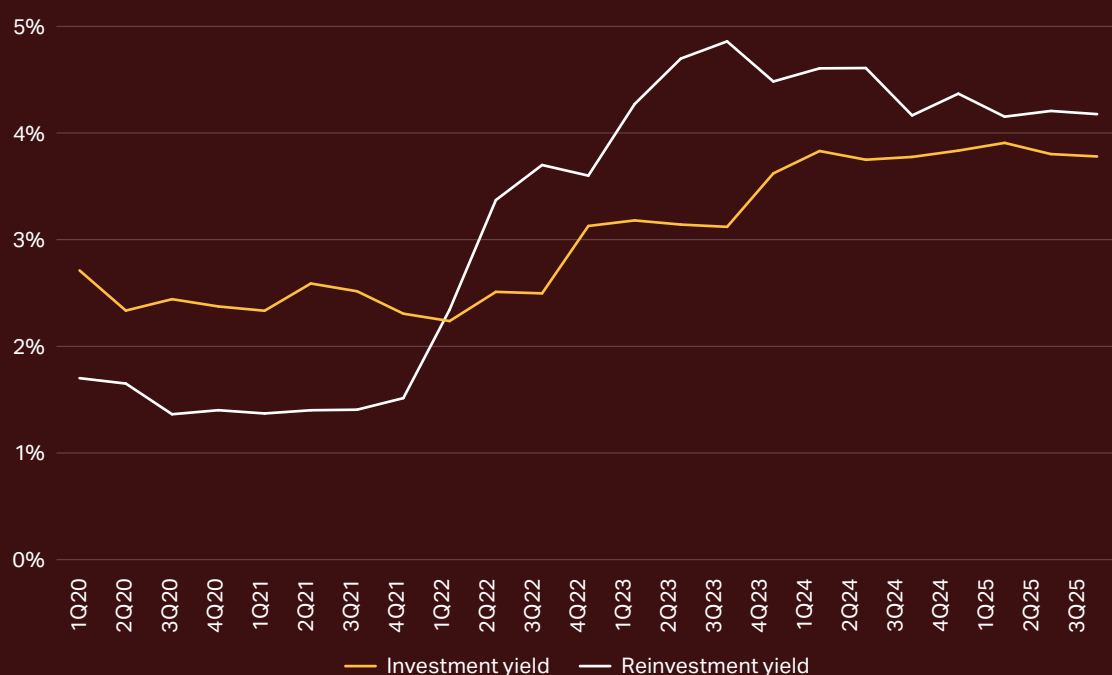
These trends are reflected in Howden's global composite of long-tail writers (as shown by Figure 36), with forward-looking analysis projecting that the overall level of releases will rise from -1% in 2024 to an estimated -1.4% in 2025.

Figure 36: Prior calendar year development and weighted ratio of PYD to net earned premiums ratio by carriers – 2015 to 2027E (Source: Howden)



And with investment portfolios continuing to deliver strong returns, many long-tail writers, having locked in higher yields by extending portfolio durations, are benefitting from a sustained income boost. As returns stabilise around the 4% mark in a higher-rate environment, this source of income is set to make a significant contribution to overall profitability for the foreseeable future.

Figure 37: Average investment yield for (re)insurance composite 1Q20 to 3Q25
(Source: Howden, NOVA)



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With investment portfolios continuing to deliver strong returns, most (re)insurers are benefitting from a sustained income boost.

2025: pervasive risk

Heightened risk volatility has been a rare constant through a period of perpetual change. In 2025, the reshaping of global trade, geopolitics and macroeconomics came sharply into focus, bringing far-reaching implications for security, commerce, investment, supply chains and political stability.

These structural changes in the macro landscape have coincided with a new normal for loss expectations, with global insured catastrophe losses breaching the US\$100 billion threshold every year this decade. Last year's Los Angeles wildfires were the latest in a series of events challenging insurability and underscoring the need for coordinated action from policymakers, carriers and brokers to mitigate devastating impacts.

Alongside short-lived new conflicts and a ceasefire in Gaza, 2025 was set apart by shifting geoeconomic risks.

Evolving trade policies accelerated supply chain diversification and channelled capital towards new markets and asset classes. Security alliances were also recalibrated as geopolitical rivalries deepened and the consequences of war (accompanied by a notable increase in hybrid warfare) played out in rapid time.

The convergence of these megatrends, together with a series of high-profile cyber incidents (both targeted and systemic), expose the deep interconnections within today's risk landscape and the growing range of exposures facing businesses and (re)insurers.

Figure 38: Timeline of major events in 2025 (Source: Howden)

	Environmental	Economic	(Geo)political	Societal	Technological
January	Nat-cat Los Angeles wildfires cause insured loss of ~\$40bn				AI Launch of DeepSeek in China
February	Man-cat Refinery fire in California causes insured loss of ~\$1.5bn				Trade Global equities decline amidst initial tariff disputes
March		Macro Germany announces fiscal expansion to finance defence and infrastructure investment			Nat-cat Mw7.7 earthquake causes devastation in Myanmar & Thailand (insured loss = \$1.5bn)
April		Cyber High-profile ransomware attacks against UK retailers, including M&S and Co-Op			Markets Equity market corrections, with S&P 500 index down 10% in two days
May		War Four-day conflict between India and Pakistan			Trade Liberation Day tariffs
June		War Israel-Iran war triggers direct military engagement during the 12-Day War			War Houthi rebels attack on Tel Aviv airport triggers retaliatory Israeli attacks
July		War Houthi rebels sink two cargo ships in the Red Sea			War Ukraine drones strike bombers during major attack in Russia
August		War Short-lived conflict between Thailand and Cambodia in border dispute			
September	Nat-cat Spain and Portugal wildfires drive worst EU season on record				Riots Anti-government protests erupt in Indonesia
October		Cyber JLR ransomware attack triggers £1.5bn government support			War Israeli air strike on Qatar heightens tensions
November		War AWS outage causes IT disruption worldwide			War Gaza ceasefire agreed between Israel and Hamas
December		Nat-cat Devastating floods in Asia cause billions in damage			War Drone incursion into Belgium
		Terror Terrorist attack in Australia			War Thai air strikes on Cambodia as border dispute is reignited

01

Insurability

In a period marked by elevated catastrophe loss activity, the issue of insurability has moved to the centre of industry and policy discussions.

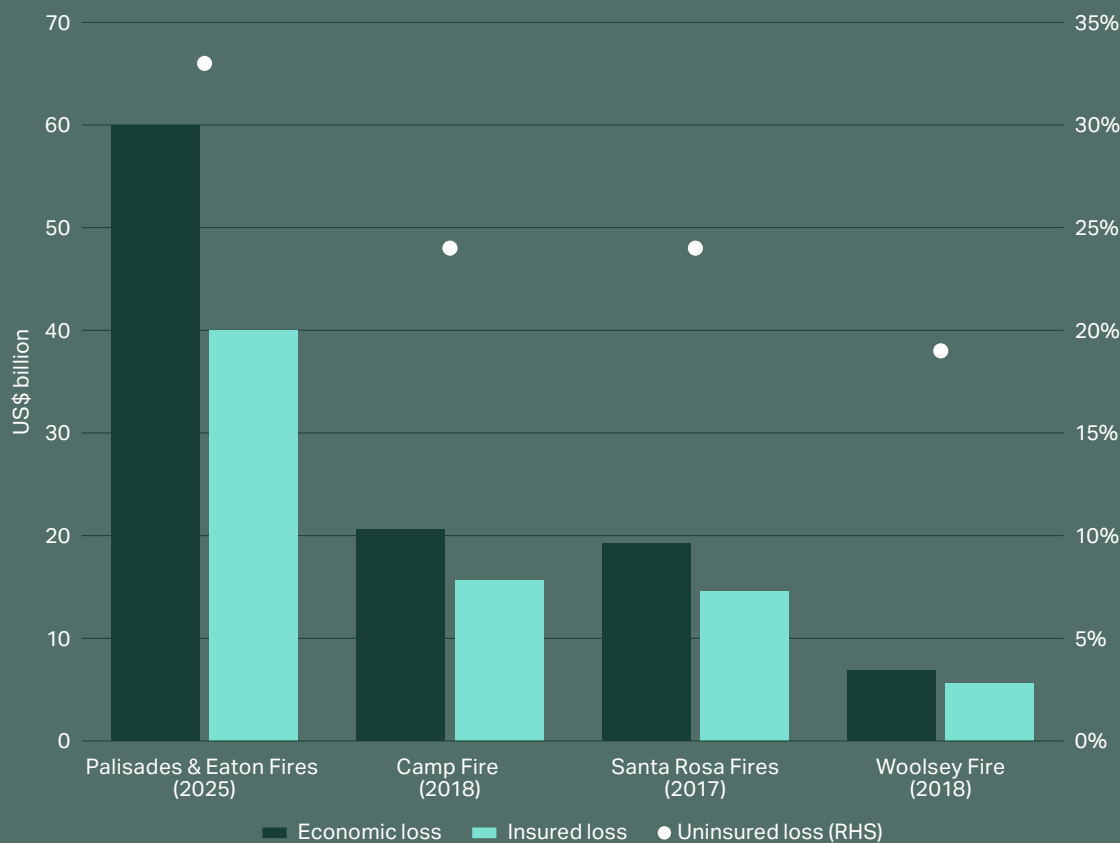
As losses from so-called 'non-peak perils' exceed historical norms, the interplay amongst three key enablers of resilience – regulation, risk management and risk transfer – has become critical to the long-term viability of insurance.

Major losses in high-risk US states such as California and Florida have brought these dynamics into sharp focus. The experiences of the two markets in recent years underscore the important role of regulation and policy in sustaining the provision of insurance amidst heightened catastrophe activity.

Last year's Los Angeles wildfires were the largest loss event in 2025 and surpassed previous fires in both total damage and uninsured losses (see Figure 39). Roughly one-third (33%) of the total economic loss was uninsured, compared with an average of 22% for the recent Camp, Santa Rosa and Woolsey fires.

Figure 39: Economic loss vs insured loss for major California wildfires

(Source: Howden, Munich Re)



Note: excludes subrogation recoveries

The effect of regulator-led rate suppression on carriers' risk appetite was a key driver of the 2025 fires' outsized protection gap. Between 2016 and 2023, average homeowners' premiums rose by only 2.6% per year above construction inflation, an insufficient uplift to absorb additional rebuilding costs (e.g. upgrades mandated by building codes) and the large losses suffered in 2017-18. As a result, carriers accumulated ~US\$10 billion in underwriting losses over the decade to 2023 and began scaling back or withdrawing from the market.⁶

Residential policy counts fell by ~160,000 from 2019 to 2023, even after some migration to surplus lines and the FAIR Plan, whose US\$3 million coverage cap left many higher-value homes underinsured.

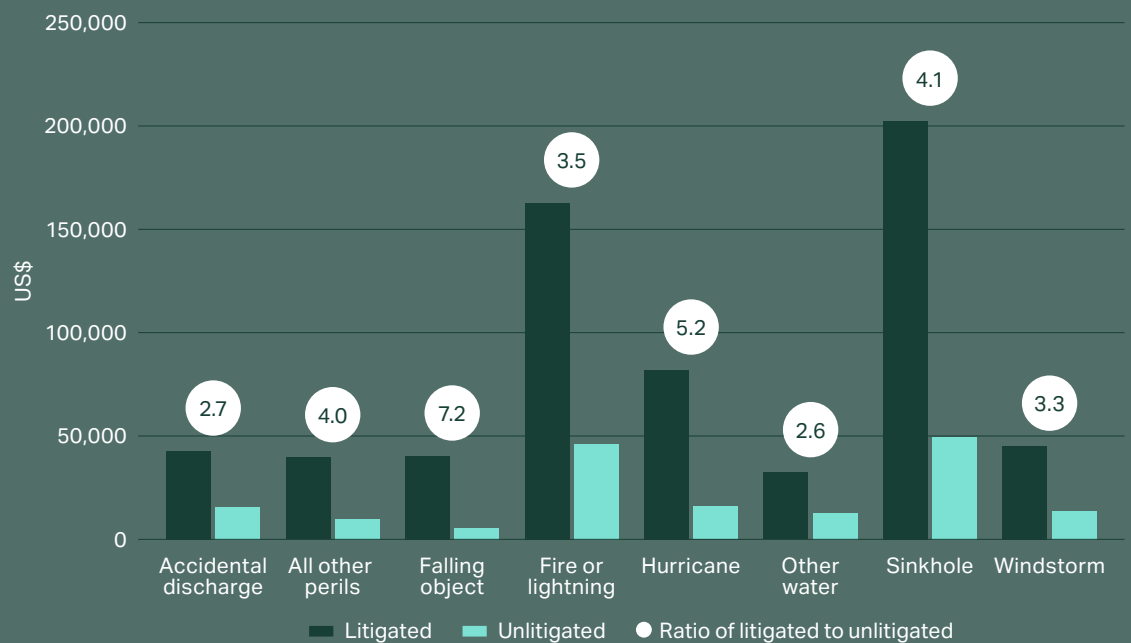
To address these pressures, California introduced major reforms in late 2024, allowing insurers to use forward-looking catastrophe models, pass reinsurance costs

to policyholders and obtain faster regulatory approval for rate changes. Although these measures came too late for last year's wildfires, they lay the groundwork for a more stable market.

Florida's property insurance market offers an example of how effective legislation through tort reform can improve insurability in peak-risk zones. Before 2022, rising litigation costs and regulatory constraints drove many carriers out of the state. Legal practices such as assignment of benefits (AOB) and one-way attorney fees (OWF) significantly inflated claims and reduced profitability.

As shown in Figure 40, litigated property claims settled in 2022 – the year of Hurricane Ian and the final year before the reforms fully applied – were between 2.6 and 7.2 times more expensive than unlitigated ones. This uplift added ~US\$2.2 billion to property insurance losses (as per the Office for Insurance Regulation).

Figure 40: Average Florida property claims 2022 by peril – litigated vs unlitigated
(Source: Howden, Florida Department of Financial Services)

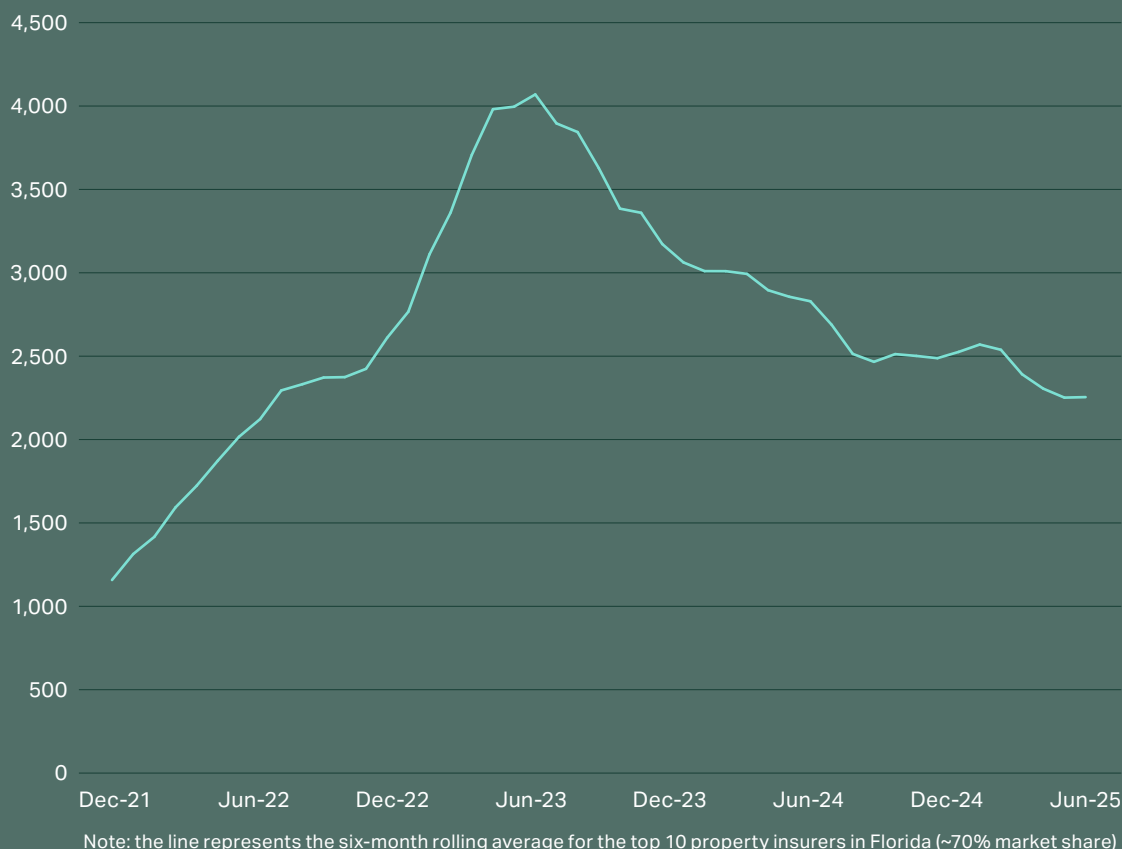


⁶ Howden Re, [2025 Los Angeles wildfires: a path forward](#), January 2025.

Reforms enacted between 2022 and 2023 banned AOB and OWF for all property insurance, producing immediate results. Property insurance litigation dropped 44% from its peak (as shown in Figure 41), significantly reducing claims costs.

Figure 41: Florida property insurance intent to litigate notices – 3Q21 to 4Q25

(Source: Howden, Florida Department of Financial Services)

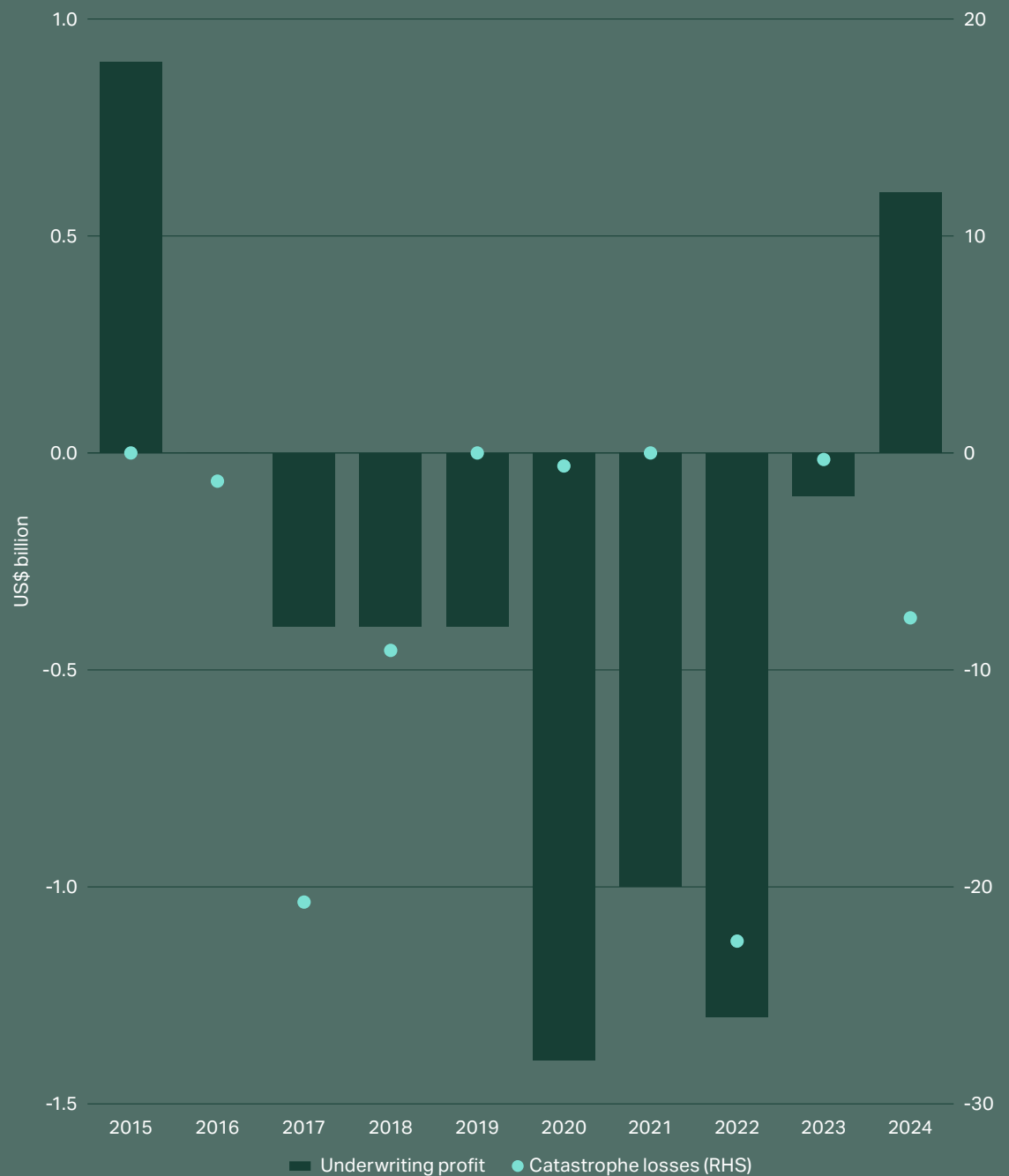


The sustainability of any market depends on carriers maintaining adequate capital to meet claims obligations whilst achieving profitability. Since the beginning of 2023, 15 new insurers have entered the Florida property market, whilst Citizens, the state's insurer of last resort, reduced its policy count by 45% (~639,000 policies) from 2023. Several incumbent carriers have also responded to the improved conditions by significantly increasing commitments.

Rates have fallen as a result, with Miami-Dade, Broward and Palm Beach, the three most populous counties, seeing average decreases of 2.5% between September 2024 and March 2025. This was replicated in the reinsurance market, with pricing falling by an average of 10% at the 1 June 2025 renewal following reductions of 5% in 2024.

Most importantly, Florida's domestic residential carriers achieved a US\$550 million net underwriting profit in 2024, despite major hurricane losses from Milton and Helene of ~US\$8 billion (Figure 42). No other year in the past decade achieved profitability amidst losses of this scale. This result marks a sharp turnaround after eight consecutive years of aggregate losses driven by catastrophe activity, non-cat weather claims, social inflation and higher reinsurance costs.

Figure 42: Net underwriting income for Florida domestic property insurers and estimated Florida catastrophe losses (Source: Howden, FLOIR)



Florida's experience demonstrates how focused legislative reform can restore insurability in catastrophe-exposed markets. By reducing litigation costs and enabling more responsive pricing, the state has rebuilt confidence, attracted new capacity, improved affordability and strengthened the market's financial footing.

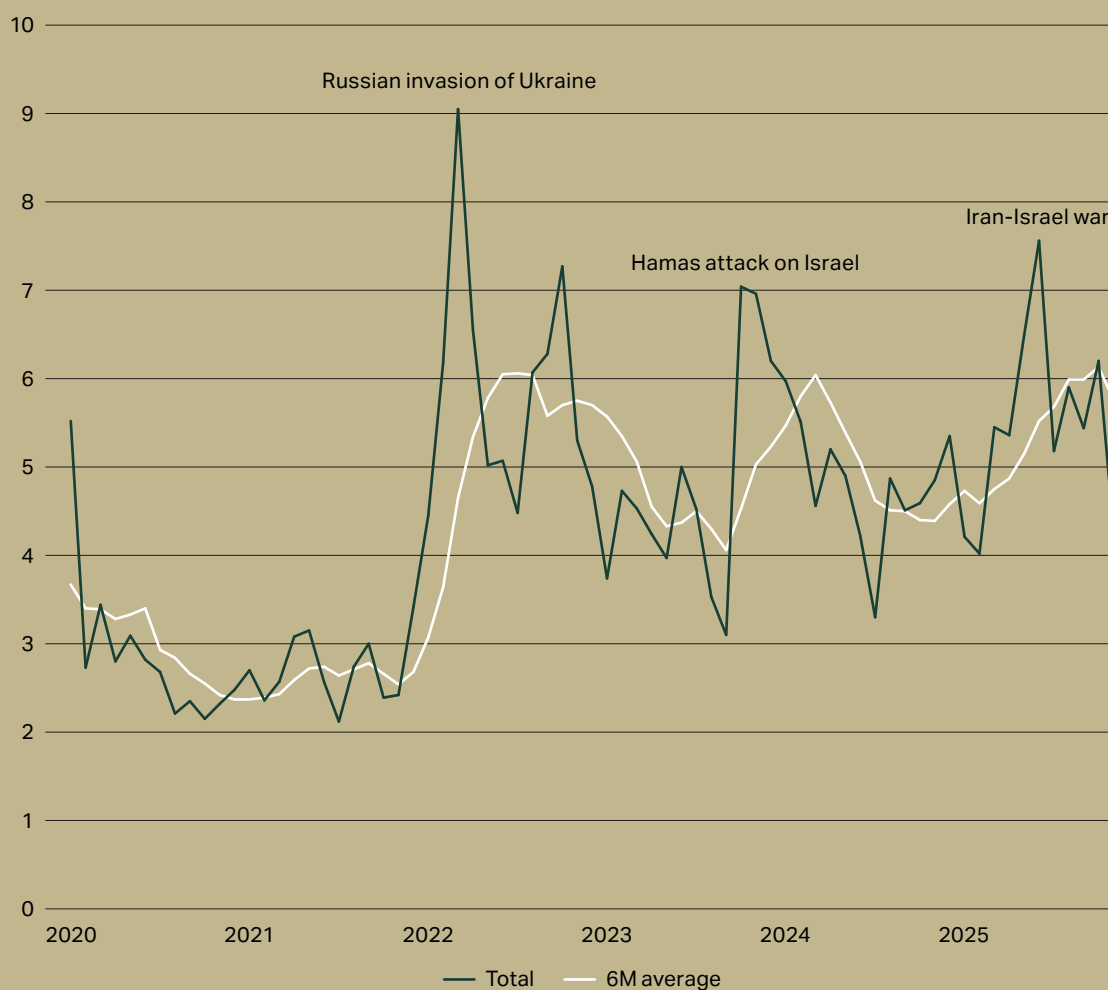
Early outcomes suggest a stronger, more sustainable foundation for both (re)insurers and policyholders, and offers an encouraging model for other regions confronting similar catastrophe volatility and constrained risk appetite.

02 Geopolitics

The geopolitical landscape continued to impact the (re)insurance market in 2025. Ongoing global conflicts not only triggered direct losses and changed risk profiles but also amplified macroeconomic volatility. Such turbulence increased demand for risk transfer, particularly solutions designed to protect cross-border trade and investment.

Indicative of today's fast-moving geopolitical backdrop, the Global Geopolitical Risk Index in Figure 43 shows a marked increase since 2020, driven by wars in Ukraine and the Middle East. The 12-Day War between Iran and Israel in June last year triggered a sharp, albeit short-lived, spike. More broadly, the prevalence of hot wars, alongside the proliferation of hybrid warfare, has seen geopolitical risks rise significantly compared to the pre-conflict period.

Figure 43: Geopolitical Risk Index – 2020 to 2025⁷ (Source: Howden, Geopolitical Risk Index)



⁷ Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk," American Economic Review, April, 112(4), pp.1194-1225. Data downloaded from <https://www.matteoiacoviello.com/gpr.htm> on 18 December 2025.

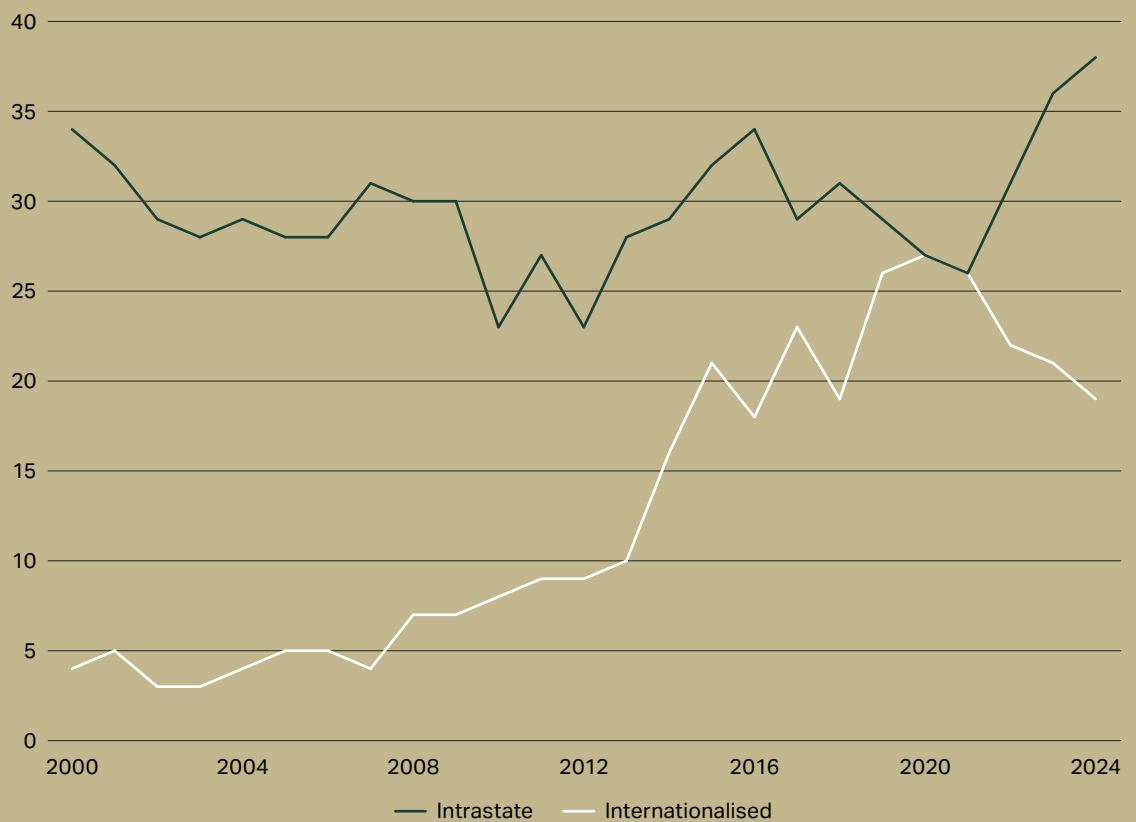
War-related losses continued to flow into the P&C market last year, with the major development coming from a High Court ruling that aircraft stranded in Russia after its invasion of Ukraine would be payable under aviation war policies. The judgement provided additional clarity on multiple issues, including the cause of loss, impact of sanctions and interplay between war and hull policies. Other claims from conflicts zones, including the PVT loss to the Haifa refinery in Israel, proved manageable.

Heightened vigilance for potential flashpoints will remain crucial for clients and carriers in 2026. The world has entered a new, riskier and less predictable geopolitical phase, with major powers locked in strategic competition. This shift has coincided with a sharp rise in conflicts, with the post-COVID era increasingly characterised by intrastate clashes and localised confrontations between governments and disaffected factions (see Figure 44).

This has been accompanied by a notable increase in hybrid warfare activity, encompassing drone incursions, cyber attacks, misinformation campaigns and sabotage (from arson and vandalism to the targeting of undersea cables). Hostile powers are leveraging modern technology to erode trust in democratic governments and inflict large-scale disruption by targeting critical infrastructure, defence-industrial assets and aviation operations whilst obscuring attribution.

Figure 44: Number of conflicts by type – 2000 to 2024

(Source: Howden, UCDP / PRIO Armed Conflict)

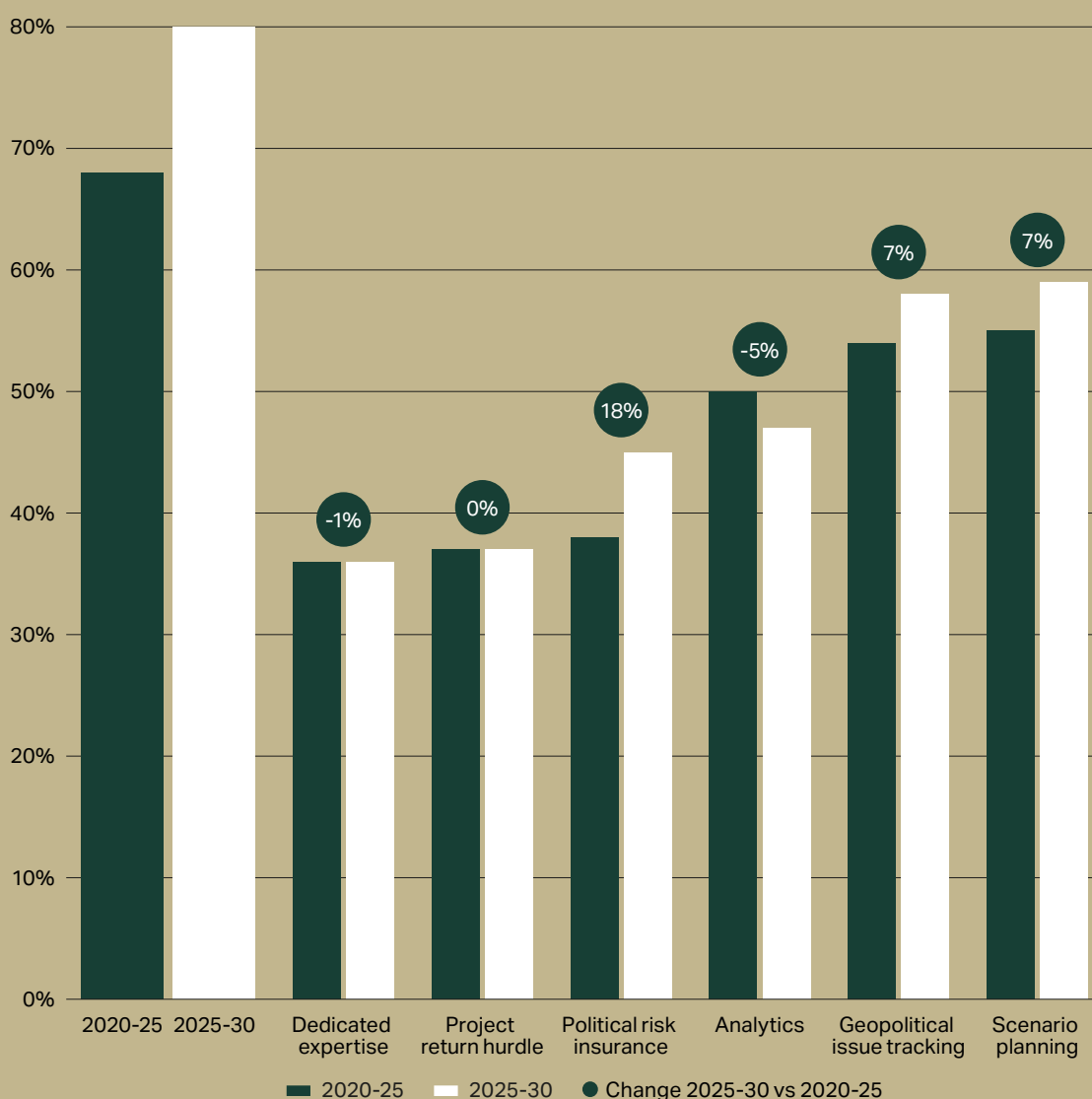


Note: Intrastate = conflict between a government and a non-governmental party.
Internationalised = armed conflict between a government and a non-government party, with one or both sides receiving military support from other governments.

The corollary is shifting exposures amidst a more complex loss environment. Add into the mix the macroeconomic uncertainties of a more fragmented world order, including higher inflation, structurally lower growth and more frictional trade, and many corporates are looking to (re)insurers and brokers for additional risk expertise, insight and solutions.

According to Howden data, more than two-thirds of multinationals utilised political risk management tools between 2020 and 2025.⁸ Figure 45 shows that usage is set to increase to 80% in the latter half of the decade, with political risk insurance recording the biggest increase of any tool. This is consistent with what many insurers experienced in terms of growth in 2025.

Figure 45: Proportion of multinationals using specific risk management tools overall and by tool (Source: Howden, Editorial Institute)



Note: project return hurdle means political risk is loaded on required return on capital.

⁸ Howden, *Stepping up*, September 2025.

Persistent geopolitical and economic risks will continue to drive demand for credit and political risk (re)insurance. Alongside adopting measures to build resilience, companies are looking for risk transfer solutions that go beyond traditional coverage and provide access to risk management expertise. Howden data shows that one-third of multinationals that have not purchased political risk cover in the past five years are more likely to do so in the current environment.⁹

By protecting cross-border investment flows, coverage is aligned with the needs of corporates governments and export credit agencies as they channel major new investment into building more secure supply chains to access critical minerals for defence, AI and other strategic sectors.

This is a strong position from which to support clients in 2026. Companies increasingly recognise the importance of resilience in

such uncertain times and are turning to their insurance partners for specialist products as they grow into new markets.

The political risk market is stepping up to meet this increased demand. Yet, with seven in ten multinationals still citing a lack of understanding of the product as the top barrier to uptake, there is more work to do around improving accessibility and simplicity.

This creates a two-fold opportunity: for insurers, the chance to meet clients' evolving needs and commit to a high-demand (and strongly performing) market at a time of wider P&C softening; and for buyers, simpler access to protection that delivers tangible value, including cost of capital savings for investment projects.

In a world of geopolitical and macroeconomic flux, political risk insurance will continue to play a pivotal role in enabling cross-border investment and resilience.

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Persistent geopolitical
and economic risks
will continue to drive
demand for credit and
political risk (re)insurance.

⁹ Howden, *Opportunity in flux*, May 2025.

03 Cyber

2025 was another eventful year for the cyber insurance market. Despite a fluid threat landscape dominated by a series of high-severity ransomware attacks, ample capacity and manageable losses (some high-profile ransomware victims were uninsured or underinsured) sustained broadly favourable conditions.

This resulted in accelerated softening in international markets. Conditions were more balanced in the US, where rising privacy claims (driven by its distinctive regulatory and litigation environment) led to a moderation in price reductions as carriers increasingly focused on underwriting profitability.

Strengthened cyber resilience is paying dividends for policyholders in what remains a hostile risk landscape. The value proposition of cyber insurance is clear: Howden data shows that protection more than pays for itself, generating a 19% return on investment.¹⁰ As well as providing a financial safety net, cyber insurance also acts as an enabler of improved cyber hygiene, incident response and operational resilience.

The market's growth story is nevertheless encountering headwinds for the first time.

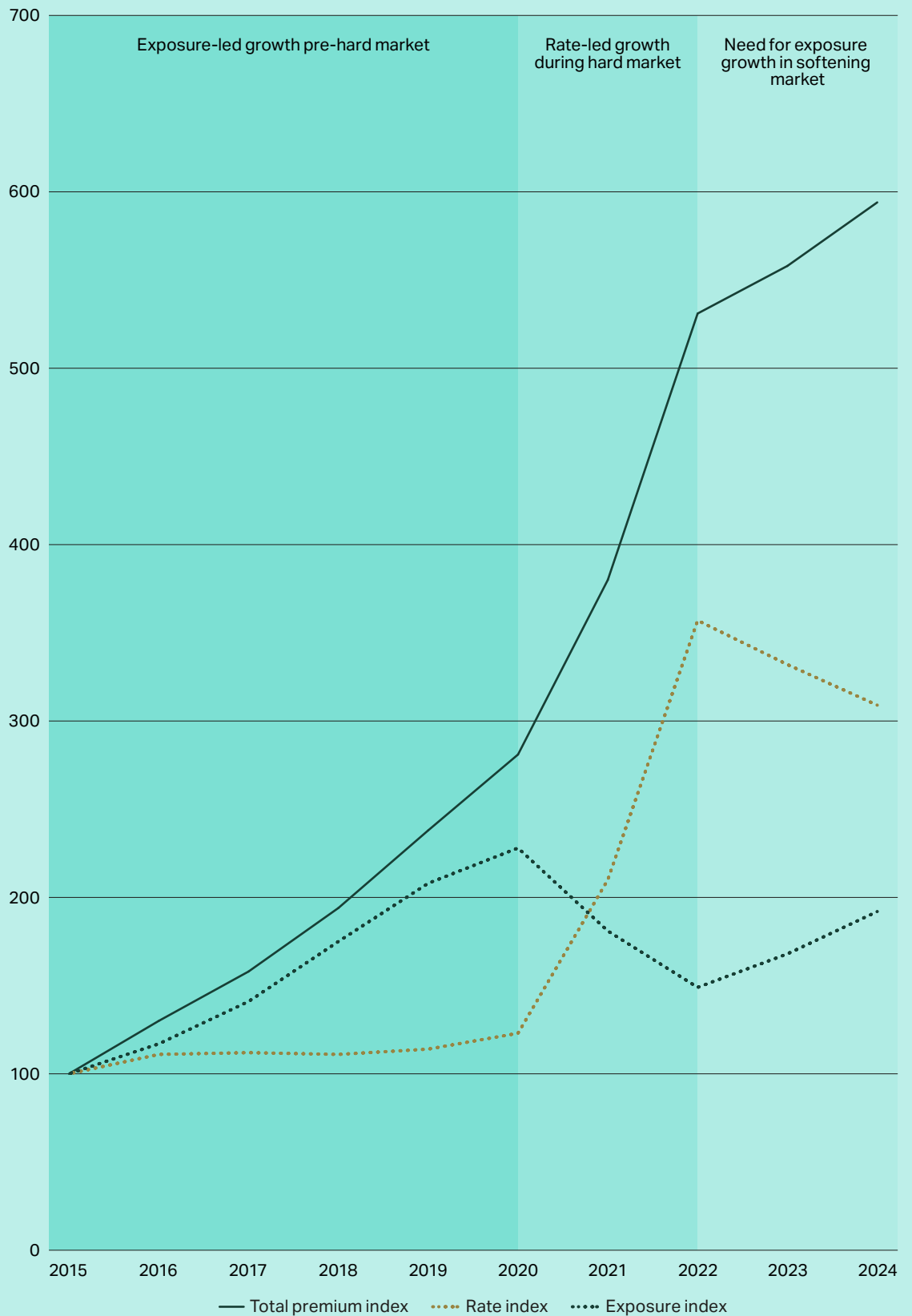
Strong competition for existing business and falling rates have slowed global cyber premium growth to a near standstill, a stark reversal from the market-leading expansion over the last decade.

Figure 46 charts the three distinct phases of the cyber market's growth during this period, breaking down the two primary drivers of premium: rate and exposure. Prior to 2020, growth averaged 23% annually, driven by new buyers entering the market whilst pricing remained broadly stable.

During the hard market of 2020-22, growth was driven exclusively by price increases of ~70% annually, pushing total premium growth to 40% as exposures contracted under tighter underwriting. Today, global growth has cooled considerably to 6% per year, with US premiums broadly flat for the first time.

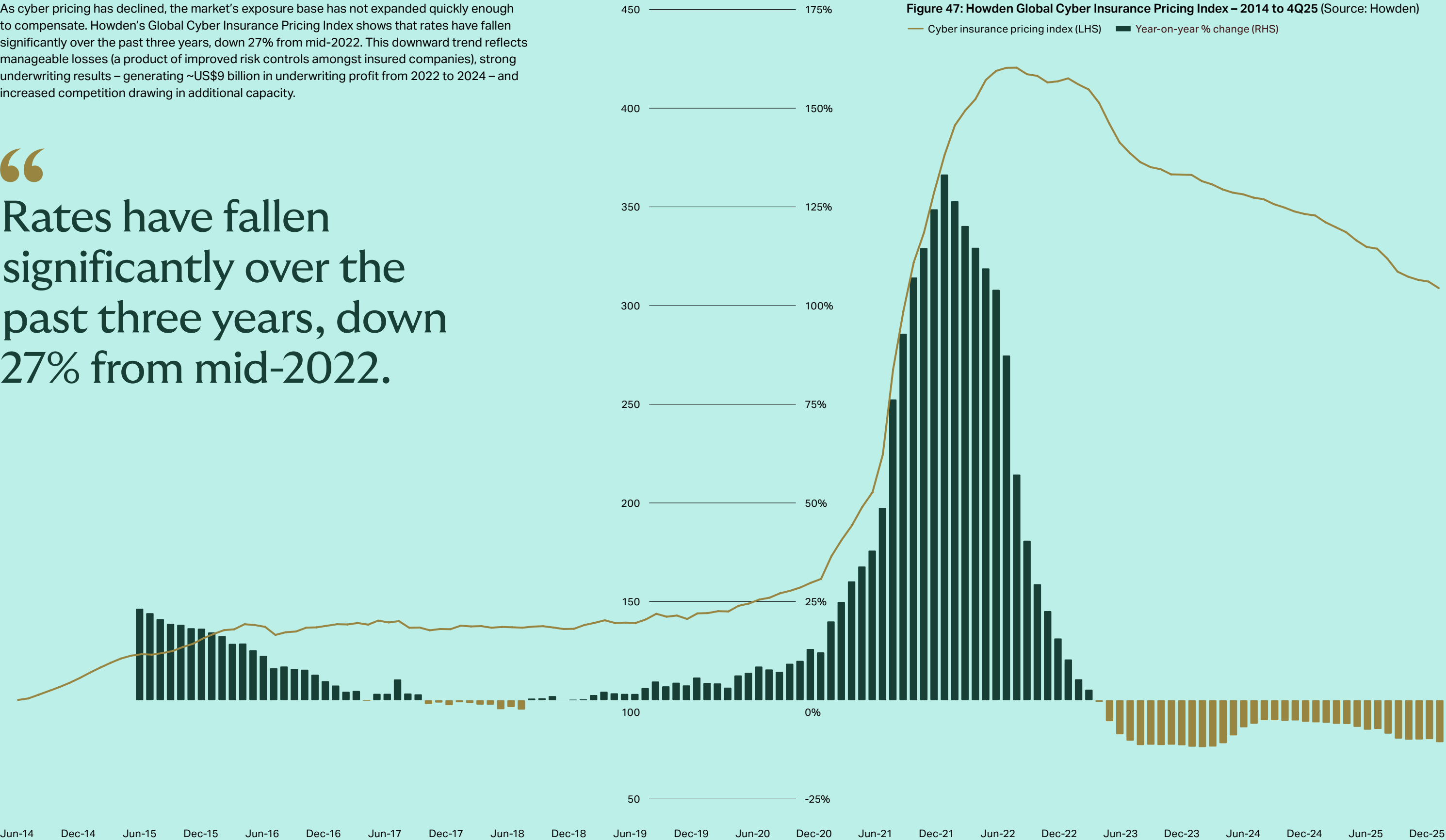
¹⁰ Howden, *Cyber insurance: rebooting growth*, September 2025.

Figure 46: Premium growth of global cyber insurance market broken down by rate and exposure – 2015 to 2024 (Source: Howden)



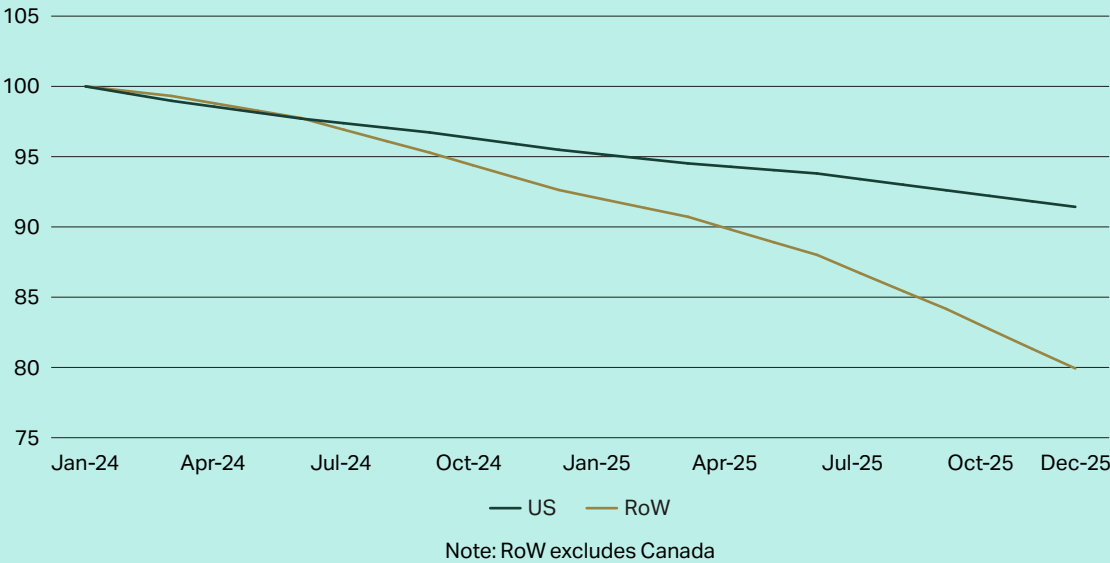
As cyber pricing has declined, the market’s exposure base has not expanded quickly enough to compensate. Howden’s Global Cyber Insurance Pricing Index shows that rates have fallen significantly over the past three years, down 27% from mid-2022. This downward trend reflects manageable losses (a product of improved risk controls amongst insured companies), strong underwriting results – generating ~US\$9 billion in underwriting profit from 2022 to 2024 – and increased competition drawing in additional capacity.

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Rates have fallen significantly over the past three years, down 27% from mid-2022.



The lion's share of the global softening is being driven by international markets, where conditions remain highly favourable for buyers. The 20% average reduction in pricing since January 2024 reflects low losses (supported in part by clients' investments in cyber controls) and strong underwriting results in those markets. Prices in the US, meanwhile, have fallen by just 9% over the same period, and the market is beginning to show signs of stabilisation as it contends with rising privacy-related claims and increasingly squeezed margins.

Figure 48: Cyber insurance pricing indices for US vs rest of the world – 2024 to 2025
(Source: Howden)



Bringing these factors together – a loss landscape that remains within tolerance levels, growth headwinds and diverging market conditions – 2026 looks set to be a pivotal year in the cyber market's evolution.

Assuming current trends persist, the US market is likely to be supported by an emerging pricing floor. International growth, on the other hand, will depend on accessing new risk pools, either through additional protection for existing buyers or greater penetration in underserved regions.

Howden analysis illustrates the scale of the challenge: to meet the (downwardly revised) market-wide premium target of ~US\$20 billion by 2027, exposures need to rise by 15% annually. There is ample reinsurance capacity, both traditional and alternative, available to support cedents in achieving this renewed growth cycle.

The US remains by far the largest cyber insurance market and will continue to play a central role in shaping global growth. Yet the international opportunity is even greater: with low penetration, rising risk awareness and declining coverage costs, many regions are primed for significant expansion.

Howden data on Europe's four largest markets of France, Germany, Italy and Spain highlights significant latent demand across all company revenue bands, with the market effectively pushing against an open door. Many current non-buyers (including 41% of companies with revenue above €500 million) have confirmed their intention to purchase cyber insurance within the next five years. Similar opportunities are emerging in other markets.

All of which represents a clear call to action for the market to engage, educate and convert interest into uptake.

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Future growth needs to come from accessing new risk pools, either through additional protection for existing buyers or increased penetration in underserved regions.

2026: shifting cycles

After a year in which policy implementation reshaped global trade, geopolitical risk and macroeconomic conditions, 2026 is set to bring both continuity and disruption as the world moves from a phase of flux to one of adapting to the consequences.





With geopolitics and its impact on macroeconomics and trade dominating the outlook, the corollary is a more volatile global risk landscape.

Finding risk transfer solutions that help (re)insurance buyers to navigate this transition will be critical – not only to maintaining relevance but also to driving growth as prices continue to soften across most product lines.

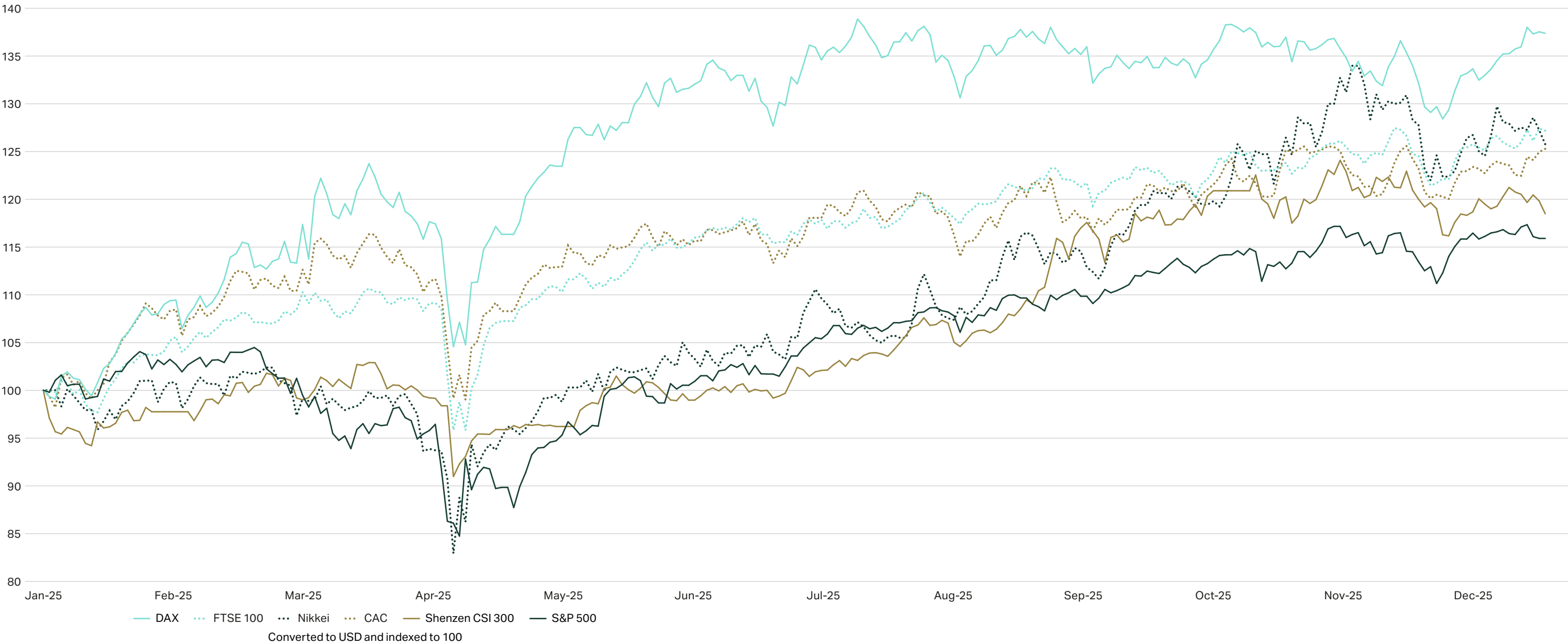
Macro outlook

One trend likely to persist into 2026 is regional divergence. Figure 49 illustrates the differing trajectories of major equity markets in 2025, all converted to US dollars for comparability.

Despite sharp movements during the year, including late-year jitters over AI valuations and a period in April when all but the DAX slipped into negative territory (supported in part by Germany's large fiscal expansion), every major index ended 2025 with gains as trade uncertainty eased, falling within a range of 16% to 37%.

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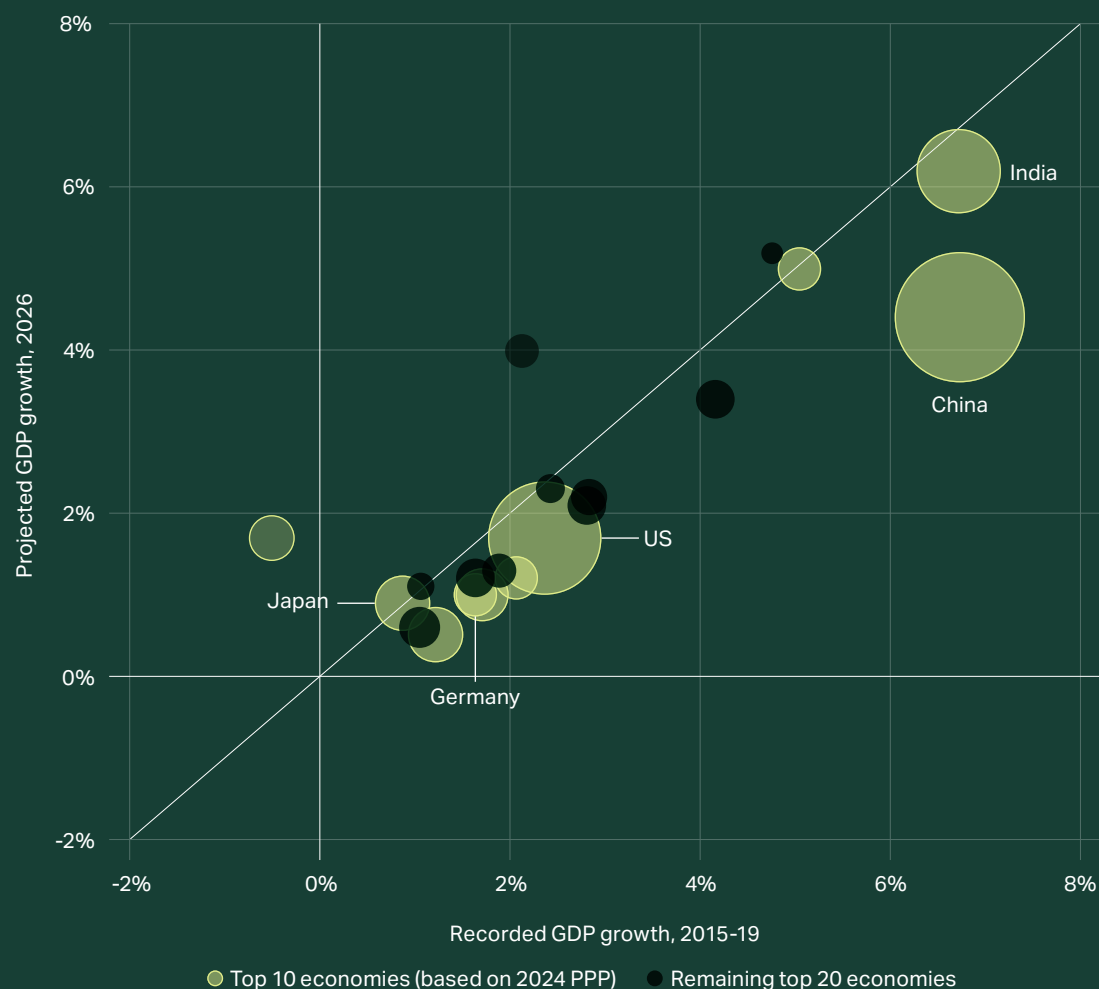
Figure 49: Performance of major equity markets in 2025 (Source: Howden, Bloomberg)



Key macroeconomic metrics, including growth, interest rates and inflation, are likely to continue to show wide regional variation in 2026. Factors that underpinned US resilience in 2025, including AI-related capital expenditure and strong consumer demand, are expected to contribute meaningfully to growth again this year. Elsewhere, fiscal stimulus in Germany looks set to offset weakening external demand and deliver marginally higher growth whilst China's economy will continue to struggle by its recent standards due to structural headwinds.

Figure 50 shows that growth expectations for 2026 remain below pre-COVID levels for some countries, with only three of the world's largest 20 economies (Brazil, Saudi Arabia and Egypt) projected to register higher growth this year than before the pandemic. India is projected to be the fastest growing major economy this year.

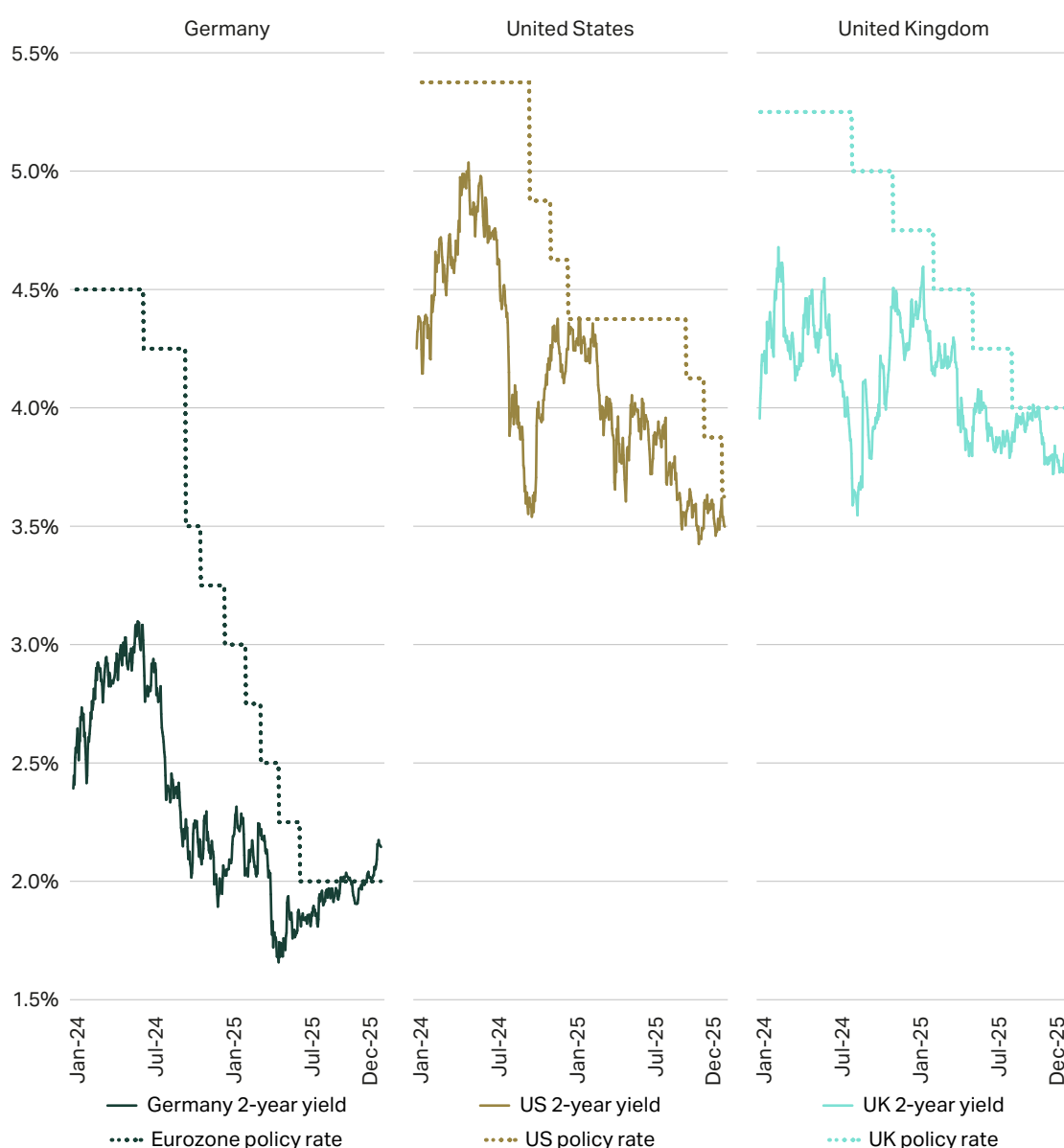
Figure 50: Projected 2026 GDP growth vs recorded performance in 2015-19 for largest 20 economies (Source: Howden, OECD, Bloomberg)



Interest rates and inflation are expected to remain on divergent paths in 2026. Weaker growth and softer inflation in the Eurozone have prompted rapid rate cuts that markets now believe are close to a cyclical floor, whereas the US and UK have seen less policy easing and persistently higher risk-free rates amidst more entrenched inflation.

Figure 51 charts the trajectories of 2-year government bond yields in 2024-25 for the US, UK and Germany relative to central bank policy rates. The current spreads suggest markets see limited scope for further policy easing in the US and UK compared with 2024, even though yields remain significantly higher than in the Eurozone. Geopolitical developments (such as a ceasefire or durable peace in Ukraine) could shift expectations for interest rate movements and inflation in 2026.

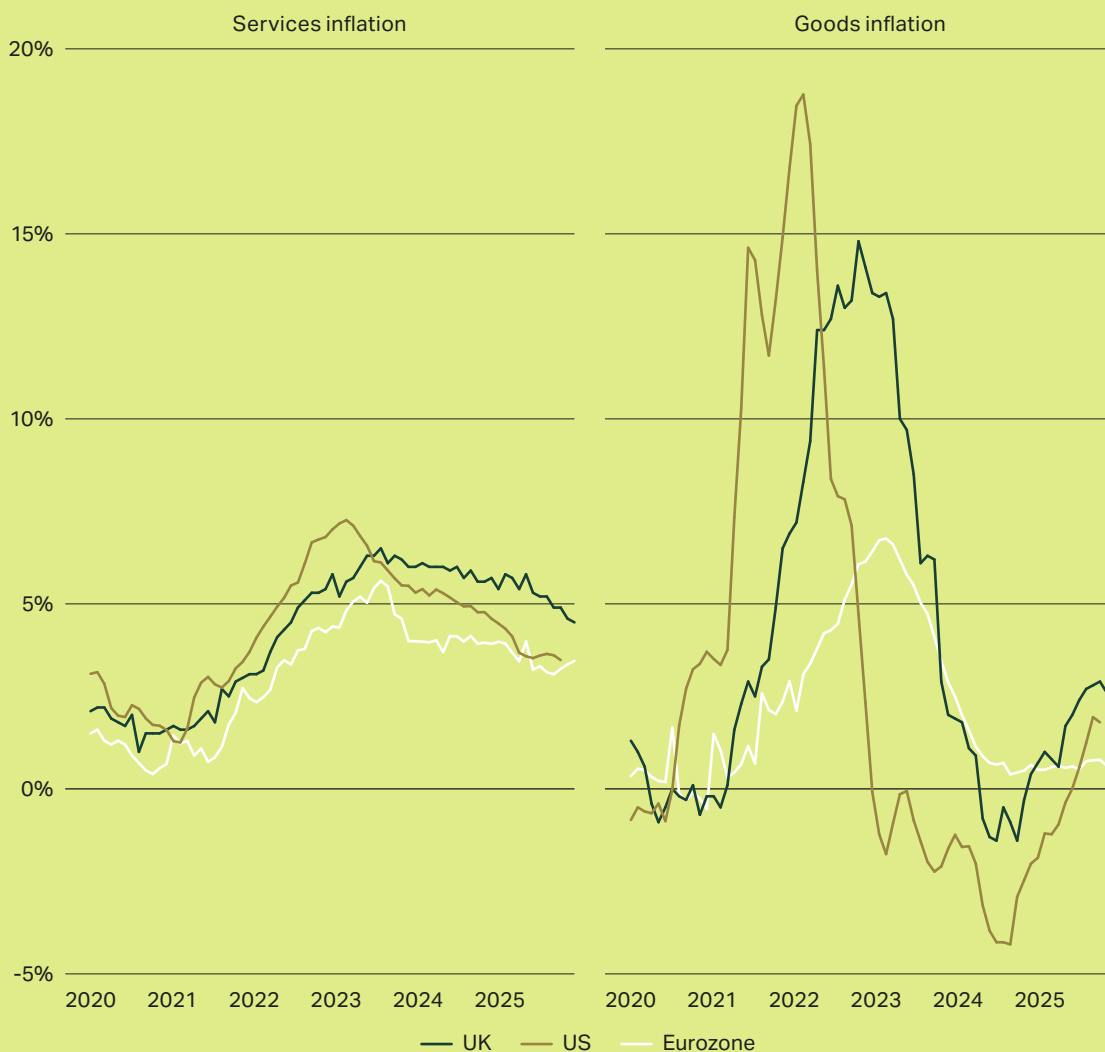
Figure 51: Two-year government bond yields vs central bank policy rate – Germany vs US and UK in 2024-25 (Source: Howden, Bloomberg)



CPI continues to ease gradually across most advanced economies, reflecting modest declines in services inflation as labour markets cool, whilst previously negative goods inflation in the US and UK has turned positive (see Figure 52).

The combined effects of tariffs, the movements of discounted goods and currency fluctuations are likely to sustain uneven inflation outcomes in 2026. Alongside potential geopolitical flashpoints and related supply chain disruptions, these factors could lead to higher replacement costs and greater claims severity in lines of business exposed to goods inflation, such as motor.

Figure 52: Goods vs services inflation in the US, UK and Eurozone – 2020 to 2025
(Source: Howden, BLS, Eurostat, ONS)



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Opportunity in flux

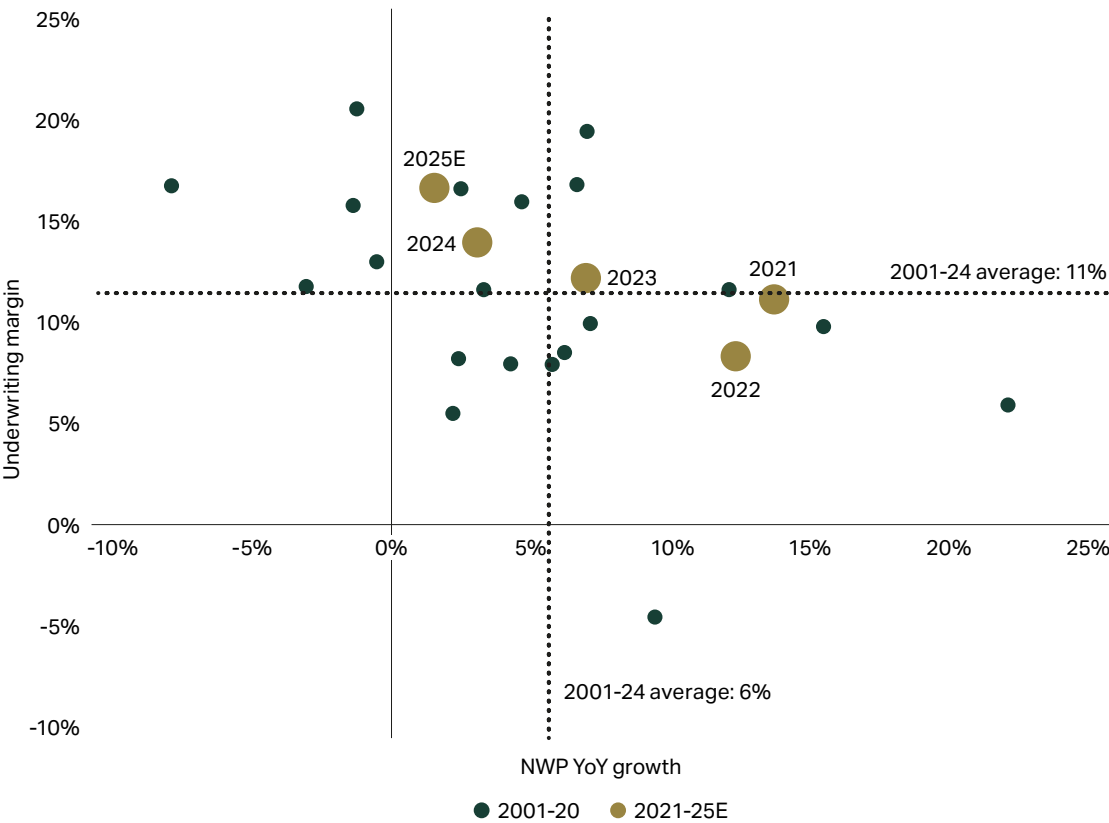
The macroeconomic backdrop is just one of several factors that will shape (re)insurance market developments in 2026.

Others, including war, civil unrest, litigation, cyber, climate and the net-zero transition are equally important and difficult to predict. Elevated debt levels and higher interest payments across most advanced economies mean that governments are less willing or able to backstop risk, shifting more of the burden from the public to private sector.

Successive shocks highlight the high-risk environment that businesses and (re)insurers now face, underscoring both the value of risk transfer and the need for extended and new cover to help close protection gaps.

The market is strongly placed to deliver, supported by strong fundamentals and a record of sustained performance in recent years that rivals any previous cycle. Figure 53, which benchmarks underwriting performance and premium growth for US commercial lines by year since 2001, shows that four of the past five years (a period marked by heightened loss activity) delivered above-average underwriting results. In fact, performance has improved sequentially through the decade, even as price softening began in 2024 and accelerated in 2025.

Figure 53: Growth vs profitability for major US commercial lines – 2001 to 2025
(Source: Howden, NAIC)

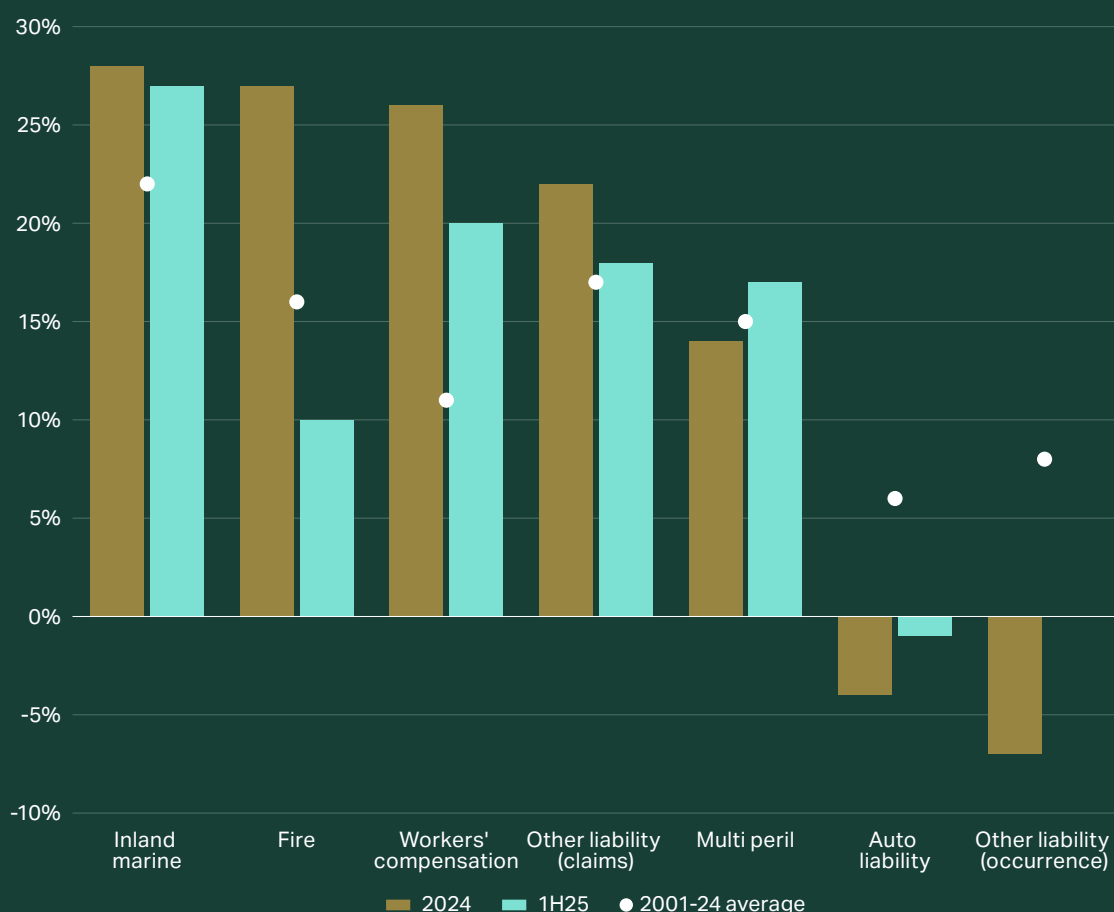


Note: underwriting margin = 100% minus average loss ratio and 30% for expense ratio

Premium growth has moved in the opposite direction, slowing from double-digits in 2021-22 to low single-digits in 2024-25E. This aligns with historical patterns showing an inverse correlation between underwriting returns and growth, with most high-margin years sitting in the top-left quadrant with low or even negative premium expansion.

Performance is expected to remain strong in 2026, supported by still-attractive (though gradually narrowing) underwriting returns and hard market reserving buffers. Figure 54 highlights both the elevated margins available in the market and the line-specific variability within this phase of the cycle by breaking down 2024 and 1H25 underwriting margin by product line. Most areas continue to record above-average results, and overall performance would have been stronger still were it not for the Los Angeles wildfires and ongoing challenges in liability lines.

Figure 54: Underwriting margin for select US commercial lines in 2024 and 1H25 vs long-term average (Source: Howden, NAIC)



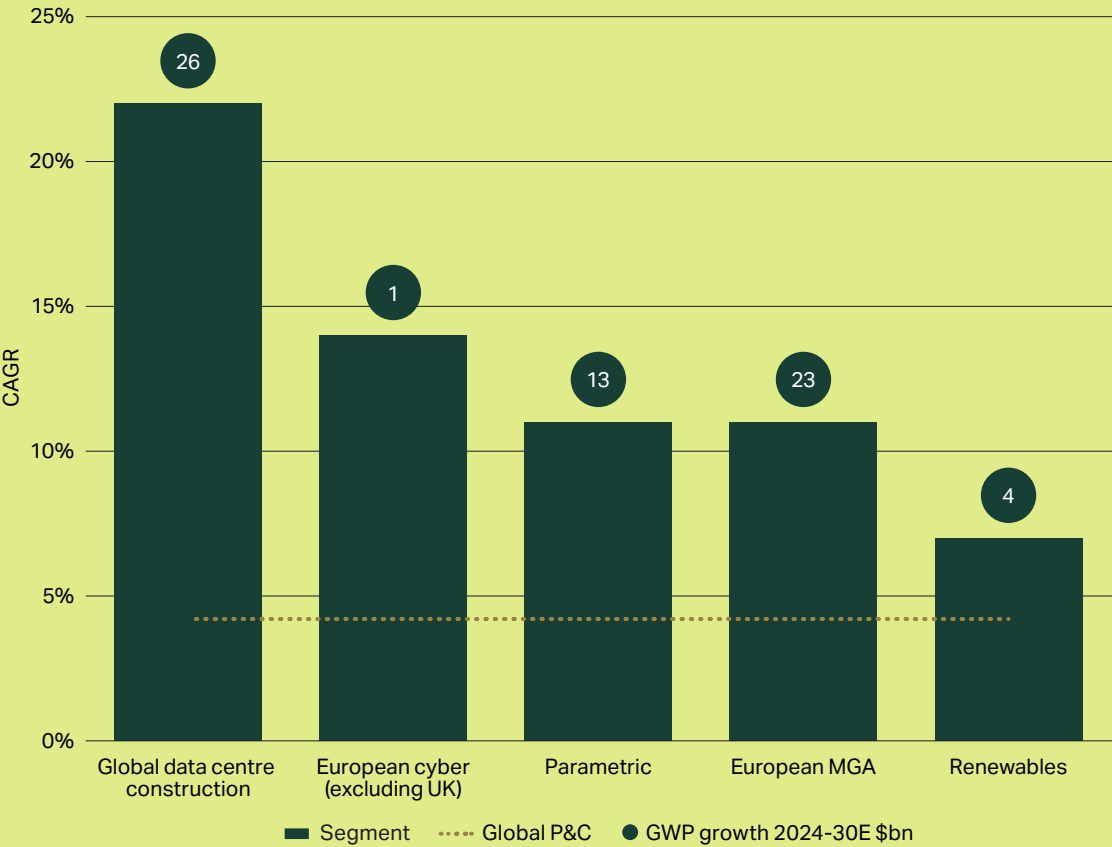
Note: underwriting margin = 100% minus average loss ratio and 30% for expense ratio

Growth, on the other hand, risks slowing further as carriers prioritise margin over premium volume. Historical precedent shows that the commercial market has typically struggled to expand during periods of price softening, a pattern that becomes even more pronounced when cyclical pressures coincide with economic headwinds (as reaffirmed by Figure 53).

Despite slowing growth and accelerated softening in most areas in 2025, the factors driving this cycle could lead to a different outcome. Heightened risk, transformative AI-driven investment, higher risk-free yields and elevated asset values after five years of cumulative inflation are sustaining demand for protection at a time when new (non-incumbent) capital remains limited.

Rather than a pronounced correction, the result could be a more moderate cycle – one that continues to reward underwriting excellence whilst also incentivising innovation to unlock new opportunities and bring in additional premium volume. Figure 55 highlights several areas that are projected to outpace the broader P&C market through 2030, with data centres drawing significant interest given high levels of investment and risk transfer demand.

Figure 55: Fast growing P&C segments - GWP CAGR and total growth 2024-30E
(Source: Howden, McKinsey, Turner & Townsend, Evercore, Lloyd’s, Global Market Insights)





Market equilibrium

Taken together, this is a market in which all participants stand to benefit. For (re)insurers, adequate pricing, favourable terms, lower retentions, manageable loss activity and prudent reserving are supporting performance, even in areas where rates are softening.

Opportunities are also emerging in non-catastrophe lines after years of compounded rate increases. Shifting risk-reward dynamics are reaffirmed by rising investor interest in casualty and other long-tail lines within the ILS space, driven by a desire to diversify beyond property-catastrophe.

Buyers, meanwhile, are benefitting from healthy supply dynamics and the opportunity to secure broader coverage by reinvesting P&C budget savings into new areas. Growing competition is delivering lower rates and improved terms at a time when softening market conditions are also spurring further innovation and broadening the range of available products. In a period of elevated risk and heightened potential for shocks, now is the time to secure additional protection.

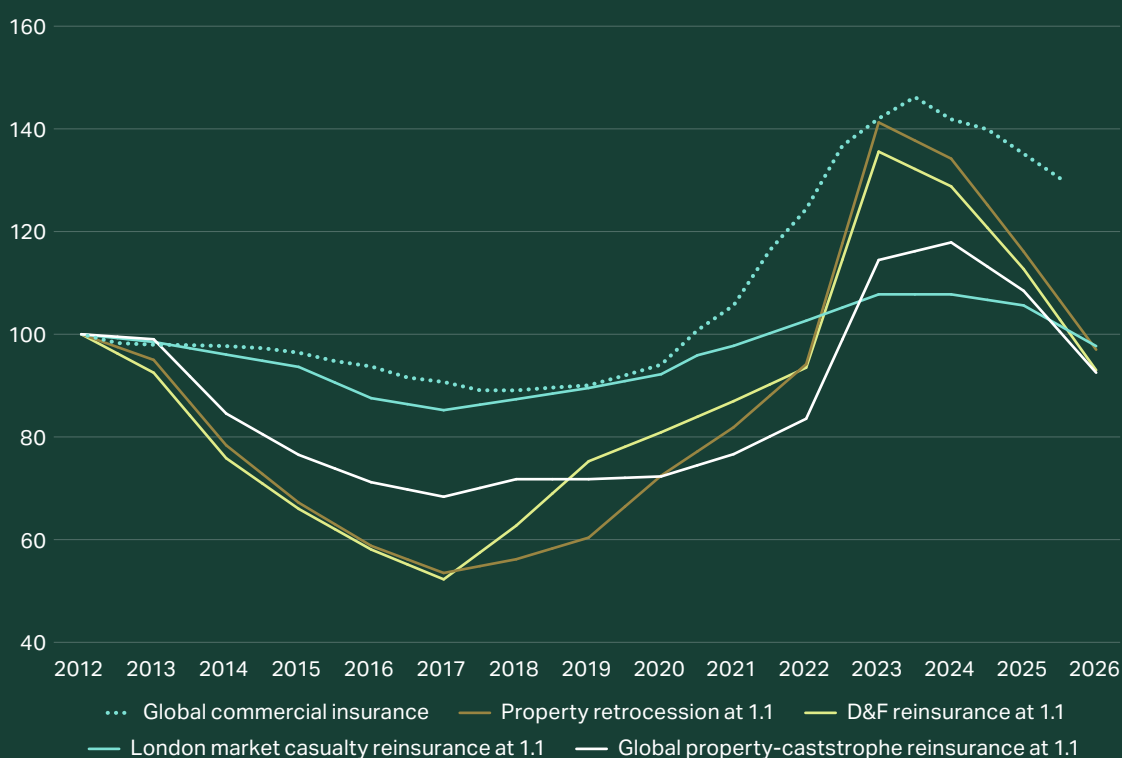
Figure 56 illustrates that the 1 January 2026 renewals saw pricing across all major product lines revert to levels comparable to 2022 and 2012, with the latter serving as a benchmark year of solid performance prior to the subsequent soft market.

Another year of significant price decreases in 2026 could see some product lines fall into soft market territory, although it should be noted that tighter terms and structures, following a major reset in 2023, look set to continue to differentiate this cycle and support returns.

Such market conditions demand exceptional intermediary expertise and strong leadership across the value chain. At Howden, we are acutely aware of our position in the market and our responsibility to provide a balanced, objective view in the interests of clients. This report attempts to do just that. By bringing the most important sector trends and actionable insights to the fore, Howden is leading the conversation and enabling the delivery of innovative solutions.

We look forward to working closely with insurance and reinsurance carriers in this endeavour, and to supporting our clients in managing change and securing the best coverage available in the marketplace.

Figure 56: Howden pricing index for primary, reinsurance and retrocession markets – 2012 to 2026 (Source: Howden, NOVA)



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Most product lines recorded price decreases at 1 January 2026, bringing pricing back towards levels last seen four years ago.

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