AM Best
September 2026
Market Segment Report

Global Reinsurance at an Inflection Point: Can Discipline Survive the Temptation of Record Capital?

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Welcome to AM Best's annual report on the global reinsurance market.

After building a foundation of disciplined capital deployment and underwriting for the past several years, the global reinsurance market has established a position of strength. Reinsurers have benefited from elevated investment yields and a generally favorable catastrophe experience relative to pricing assumptions. As a result, dedicated reinsurance capital is expected to reach another record level, extending a period of capital inflow that has few parallels in recent market history.

However, the global reinsurance market has also reached a pivotal juncture. While capital levels are strong, and earnings remain robust, the industry's ability to display prudence will be tested over the next twelve months. The outcome will determine whether discipline established during the recent hard market reflects a structural shift or merely another phase of the traditional underwriting cycle.

For the third year in a row, reinsurers generated returns well above the cost of capital due to positive underwriting results driven by repricing and de-risking of reinsurance portfolios. Returns were even higher in the first quarter of 2026. Mid-year 2026 property catastrophe renewals reflected another orderly and increasingly buyer-friendly season, supported by abundant traditional and ILS reinsurance capital. Market capacity readily met or exceeded cedents' demand for reinsurance.

The global life/annuity segment remains well capitalized and robust growth is expected due to increased dedicated capital for life reinsurance for traditional life business and more asset-intensive annuity business via third-party capital. The majority of growth in the US market has come through the offshore annuity channel.

We also note a rise in the use of external reinsurance by US health insurers. The growing exposure to high-cost claims, along with a period of elevated utilization and rising medical cost trends, has bolstered demand for reinsurance support within the US health insurance segment.

In 2025, the European "Big Four" reported strong results, reflecting the benefit of good rate adequacy and continued underwriting discipline. The reinsurers continued their strong performance in the first half of 2026, helped by a benign catastrophe experience. Additionally, they are also maintaining ambitious profit targets for 2026, in spite of both a softening of rates and the increase in uncertainties tied to the geopolitical environment.

Reinsurers domiciled in the Middle East and North Africa (MENA) region face challenges and opportunities, with heightened geopolitical tensions being the main hurdle. Reinsurance capacity for the region remains plentiful and dynamic, sourced through large global reinsurers, regionally domiciled reinsurers, and carriers domiciled across Africa and Asia.

The Japanese reinsurance market has undergone a notable structural shift following the recent hard market cycle. A key catalyst was the regulatory-driven acceleration of the industry's plan to unwind multi-trillion-yen strategic equity holdings, with major insurance groups committing to full disposal by 2030. Japanese insurers are better positioned to manage reinsurance market volatility than in prior cycles.

Growing Latin American reinsurance markets are demonstrating resilience, despite the challenging conditions facing the region's economies.

AM Best reaffirms our commitment to sharing our insight while addressing the wide range of opportunities and challenges that reinsurers face. I hope you find our latest report to be valuable to your understanding of the issues that affect the reinsurance industry, as well as our credit ratings on segment participants.

Stefan Holzberger
Executive Vice President & Chief Operating Officer, AM Best

BEST'S MARKET SEGMENT REPORT

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Table of Contents:

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Global Reinsurance at an Inflection Point: Can Discipline Survive the Temptation of Record Capital?

Whether reinsurers can maintain the discipline that produced profitable results is key

Principal Takeaways

- The global reinsurance market has reached a pivotal juncture. Capital levels are strong, and earnings remain robust. However, the industry's ability to maintain underwriting discipline will be tested over the next 12 months. The outcome will determine whether the discipline established during the recent hard market—and sustained as market conditions began to soften—reflects a structural shift or merely another phase of the traditional underwriting cycle.
- Property catastrophe reinsurance faces its first real test since the 2023 market reset. Record capital levels and growing competition are increasing pressure on pricing, but diversified business models and the absence of significant new entrants may help reinsurers preserve market discipline.
- Casualty reinsurance has emerged as one of the industry's most closely watched areas. Differing views regarding the adequacy of current pricing relative to loss cost trends on certain US casualty lines highlight ongoing uncertainty surrounding reserve development, social inflation, and long-tail liability risks.
- Growing interest in casualty insurance-linked securities presents both opportunities and risks. While investor demand may provide additional sources of capacity, concerns remain that some structures may underestimate the complexity and uncertainty associated with casualty underwriting exposures.

The global reinsurance market approaches 2027 from a position of strength. Reinsurers have benefited from several years of improved underwriting conditions, elevated investment yields, disciplined capital deployment, and generally favorable catastrophe experience relative to pricing assumptions. As a result, dedicated reinsurance capital is expected to reach another record level, extending a period of capital accumulation that has few parallels in recent market history.

That improvement is evident across major reinsurance segments. Among US and Bermuda reinsurers, the combined ratio has improved from an underwriting loss position in 2020 into the mid-80s to low-90s range in the years following the 2023 reset (**Exhibit 1**), while return on equity, after a weather- and investment-driven trough of roughly –3% in 2022, rebounded to about 23% in 2023 and has since held in the mid-to-high teens.

The European "Big Four" demonstrate a similar pattern with combined ratios above 100 in 2020, giving way to the mid-80s once the reset took effect (**Exhibit 2**), with return on equity recovering into the high teens. Because these companies are reporting on an IFRS 17 basis, where combined ratios are discounted, the composites are not strictly comparable, but the trends are the same. Pricing is easing from peak levels even as returns remain comfortably above the cost of capital.

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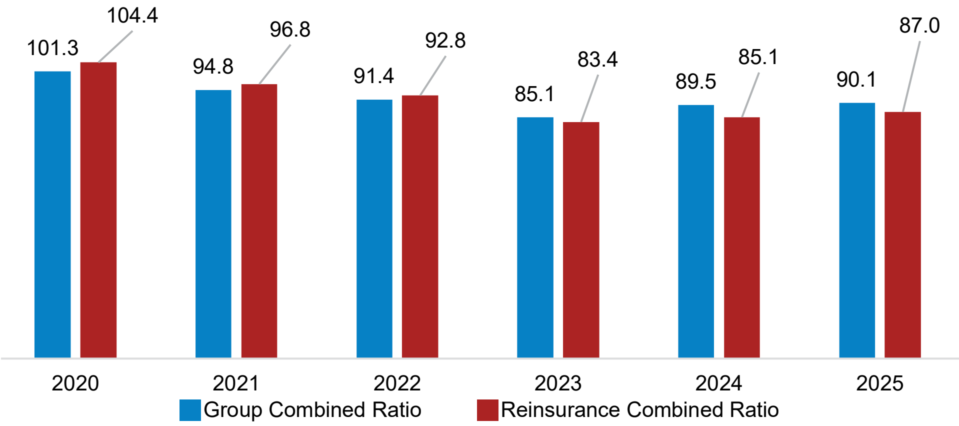
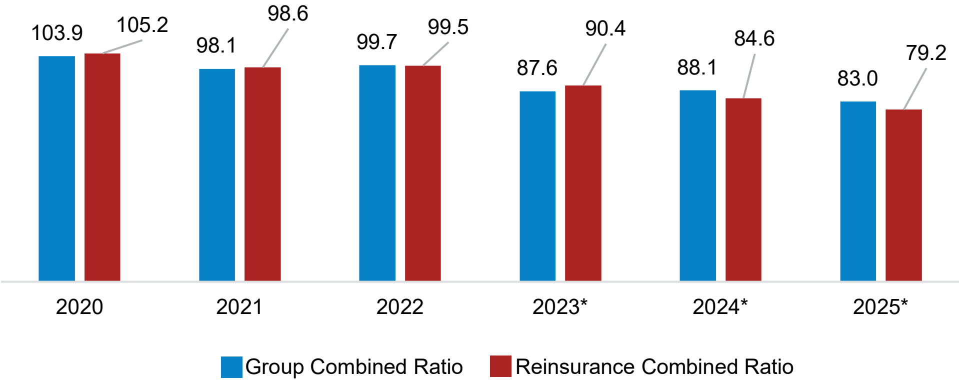
Yet despite these favorable fundamentals, the market finds itself at a critical inflection point. The question facing reinsurers is no longer whether the corrective actions taken during the 2023 market reset were successful. By almost all measures, they were. Instead, the focus has shifted to whether the industry can maintain discipline as capital continues to accumulate and competitive pressures increase.

Exhibit 1
US & Bermuda Market Trends — Combined Ratios



Source: AM Best data and research

Exhibit 2
European "Big Four" Market Trends — Combined Ratios



*Discounted under IFRS 17
Source: AM Best data and research

The next twelve months may ultimately determine whether the market is entering a new era of sustained underwriting discipline or continuing down the path of yet another traditional soft market cycle. The question is hardly a new one. Throughout the past two decades, the reinsurance industry has repeatedly debated whether structural changes would permanently alter the traditional underwriting cycle.

Following the formation of the Bermuda Class of 2005 in the wake of hurricanes Katrina, Rita, and Wilma, market participants questioned whether increasingly sophisticated catastrophe models, improved risk management practices, and new forms of capital would dampen the severity of future underwriting cycles. Similar discussions emerged during the rapid growth of insurance-linked securities (ILS) and third-party capital in the years following the global financial crisis. While each period introduced meaningful changes, history ultimately demonstrated that cycles remained present, albeit in evolving forms.

A Defining Test for Property Reinsurance

The property catastrophe market remains the clearest bellwether of overall reinsurance market conditions. Since the significant market reset of 2023, reinsurers have benefited from higher attachment points, tighter terms and conditions, reduced aggregate exposures, and pricing levels that more appropriately reflect underlying risk.

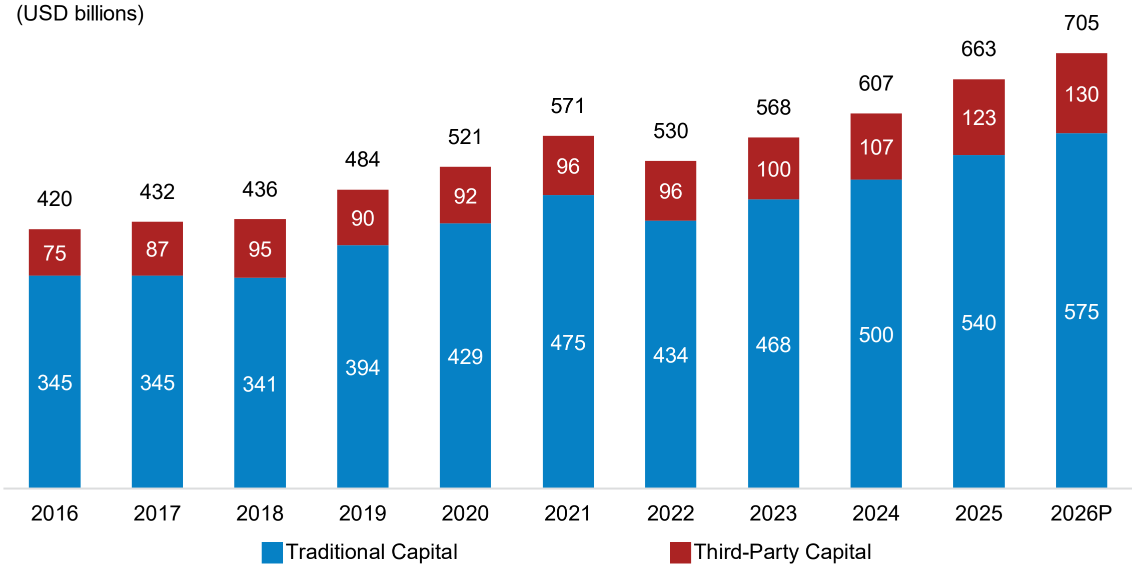
The January 1, 2026, renewals marked a decisive turn, with brokers reporting risk-adjusted property catastrophe rate reductions of roughly 10% to 20%. Indexed rates approached pre-2023 levels as a result of softening, though the elevated attachment points and tighter terms and conditions established in the 2023 reset remained largely intact. These trends intensified at the April and mid-year renewals, where US property catastrophe placements, led by Florida, saw reductions widely estimated at 15% to 20%. The underlying primary insurance has also benefited from improved deductibles and underwriting risk management. When combined with the more stringent terms and conditions reinsurers have held on to for the most part, it is difficult to assess how close the industry is to 2022 on a risk-adjusted basis.

Most market participants continue to maintain that current pricing levels remain attractive and support adequate risk-adjusted returns on capital. However, reinsurers now face a different challenge compared to two years ago. The industry faces an abundance of capital and relatively few areas where additional capacity can be deployed with acceptable risk return trade-offs.

Dedicated reinsurance capital has continued to increase through retained earnings growth derived from underwriting profit coupled with favorable investment returns, and growth in third-party capital participation (**Exhibit 3**).This capital growth has occurred largely within existing market participants. Unlike prior hard markets, the industry has not experienced a significant influx of newly formed reinsurers seeking market share by underpricing business. This distinction has helped moderate competitive dynamics, as organic capital growth tends to enter the market more gradually than capital raised by new entrants and be deployed across more diverse underwriting markets.

Whether this dynamic persists remains a critical question. Reinsurers now possess a wider range of strategic options than in previous cycles. Almost all leading reinsurers have evolved beyond the traditional pure-play reinsurance model, operating diversified platforms that include primary insurance, specialty underwriting operations, and alternative capital businesses. As capital continues to accumulate, management teams may increasingly seek opportunities to deploy excess capacity through acquisitions, business expansion, or simply increasing shareholder distributions and returning capital accumulated during the hard market.

Exhibit 3
Estimated Dedicated Reinsurance Capital
(USD billions)



Sources: AM Best data and research, Guy Carpenter

These alternatives could ultimately support pricing discipline by reducing pressure to deploy capital solely within the property catastrophe reinsurance market. However, if competitive forces begin to outweigh these alternatives and pricing deteriorates materially, the industry could find itself, once again, with rates below adequate risk-adjusted levels.

The significance of the current moment is difficult to overstate. Should reinsurers successfully maintain underwriting discipline despite record capital levels, it would represent evidence that the industry's structure has fundamentally changed. If not, the market may simply be unable to resist the competitive temptations that growing capital brings.

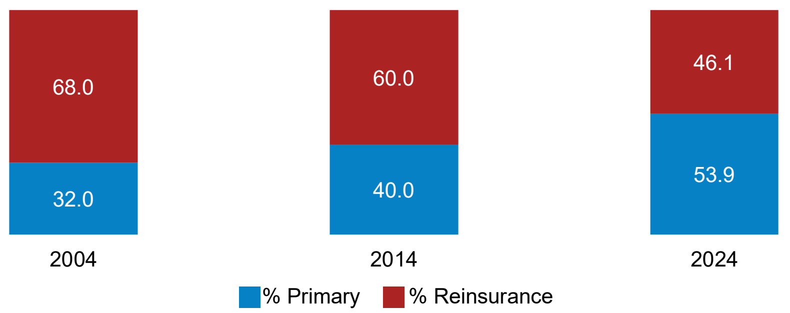
The Evolution of the Reinsurance Business Model

While pricing remains the primary focus of market discussions, the structure of the industry itself has evolved significantly. Historically, many reinsurers operated as relatively concentrated underwriting businesses, often focused heavily on property catastrophe exposures. Over time, however, market participants increasingly recognized the limitations of relying exclusively on a narrow underwriting segment.

Beginning in the years following Hurricane Katrina, many reinsurers sought greater diversification through expansion into specialty insurance, casualty business, primary insurance operations, and broader geographic markets. Mergers and acquisitions accelerated this trend, while growing access to alternative capital created opportunities for fee-based revenue streams that were less dependent on underwriting results.

Today, many of the industry's leading organizations bear little resemblance to the traditional pure-play reinsurers that dominated previous market cycles. Diversified business portfolios, alternative capital management platforms, MGA investments, primary insurance operations, and broader distribution capabilities have become increasingly common (**Exhibit 4**).

Exhibit 4
Primary Insurance/Reinsurance Splits



Note: 2004 and 2014 Figures come from AM Best's July 2015 Report ""It is Not Your Father's Reinsurance Market Anymore – The New Reality". The 2024 data represents the allocation split among Top 50 Reinsurers at year-end 2024.
Source: AM Best data and research

These developments may ultimately prove to be one of the most important differences between the current market and prior cycles. The availability of alternative avenues for capital deployment potentially reduces pressure to compete aggressively within any single segment of the reinsurance market.

These broader business models may reduce the pressure to pursue growth in any single segment, but they do not diminish the need for discipline within individual lines. Casualty reinsurance, in particular, continues to attract scrutiny because of uncertainty surrounding pricing adequacy, reserve development, and long-tail loss trends.

Casualty Reinsurance Draws Increased Scrutiny

While property catastrophe reinsurance often dominates market discussions, casualty reinsurance increasingly represents one of the industry's most important strategic concerns.

Unlike property business, casualty market conditions are often more difficult to classify as definitively hard or soft. Reserve development emerges over longer periods, and changing social, legal, and economic environments can materially alter prior accident year loss trends, bringing into question prior period rate adequacy. The central question facing casualty reinsurers is straightforward: are rate increases keeping pace with loss cost trends? The answer depends largely on whom one asks.

Some market participants believe pricing remains adequate by keeping pace with loss cost inflation caused by heightened uncertainty surrounding social inflation, litigation funding, larger jury awards, and escalating adverse legal environments. These participants often cite 2019 as an inflection point for casualty underwriting conditions. However, others remain concerned that loss trends are proving more persistent than originally anticipated and that recent rate increases may ultimately continue to prove insufficient. While some reinsurers have reported adverse casualty loss reserve development in earlier accident years, others are still holding indications steady. However, even those that have yet to adjust loss picks in more recent years are not yet declaring victory for that period.

The resulting uncertainty has led reinsurers to pursue a variety of strategies. Some organizations continue to actively support casualty growth opportunities, capitalizing on the enhanced rates to bolster overall group premium/revenue, while others have adopted a more cautious approach through tighter underwriting standards, selective portfolio repositioning, or increased reserve strengthening.

The casualty market's importance extends beyond current underwriting performance. Casualty exposures often develop over many years, meaning that decisions being made today may not be fully understood until well into the next decade. Consequently, maintaining pricing discipline in casualty business may ultimately prove as important as preserving discipline within the property catastrophe market. Since a significant portion of the economics derived from writing casualty reinsurance business is produced from the investment income earned in the period between premium collection and loss payment, investment market volatility adds more than a modicum of additional risk.

The Emerging Debate Around Casualty ILS

One of the more widely discussed developments within the broader reinsurance market is the budding casualty ILS market.

To date, casualty ILS remains a relatively small portion of the overall alternative capital market. The limited penetration of alternative capital into casualty risks is noteworthy given that industry observers have discussed the possibility for more than a decade. While ILS successfully transformed portions of the property catastrophe market, many of the characteristics that made catastrophe risks attractive to investors—including low correlation to capital market returns, shorter investment duration, event-driven loss emergence, and relatively transparent modeling assumptions—have proven far more difficult to replicate within casualty business.

Consequently, while investor interest in casualty-linked structures continues to grow, the market remains substantially smaller than many earlier projections envisioned. Whether recent innovations can overcome those historical limitations remains one of the more closely watched developments within the broader convergence market.

While innovation within capital markets can provide valuable sources of capacity, some reinsurers have expressed concerns regarding the pace and structure of certain casualty ILS initiatives.

The concern is two-fold, the concept itself and whether all participants fully understand the risks being transferred. Casualty liabilities can take years to emerge, and are highly sensitive to changing legal and social environments, as well as to capital market volatility. This can result in substantial uncertainty around ultimate loss development and the return on the float that seems to be so attractive to investors. Unlike many catastrophe exposures, the underwriting risks associated with casualty business may not become fully apparent for extended periods. Many traditional reinsurers contend that the lack of certainty is misaligned with the general thesis of ILS.

Some industry participants have also highlighted the potential for elevated investment risk within certain proposed structures. Concerns have been raised that investors may focus primarily on attractive yield opportunities without fully appreciating the complexity of the underlying liabilities and how much the timing of those liability payments can impact overall returns. This has been evident in recent years in the private credit markets, as early redemptions have caused material devaluations in times of liquidity needs.

It is important to recognize that these concerns do not apply universally to the casualty ILS market. Many casualty ILS structures are being developed thoughtfully and involve sophisticated participants with substantial expertise utilizing conservative investment allocations. However, the industry's experience has demonstrated that isolated examples of poorly structured transactions can sometimes influence perceptions of an entire asset class.

As casualty ILS continues to evolve, market participants will likely remain focused on ensuring that underwriting discipline and risk transparency develop concurrently with investor demand.

Artificial Intelligence: Moving from Experimentation to Implementation

Artificial intelligence has rapidly become one of the most widely discussed topics across the insurance and reinsurance industry. Nearly every major reinsurer is evaluating how AI can be incorporated into operations, although the industry remains in the relatively early stages of implementation.

Initial investments have largely focused on efficiency gains and cost reduction opportunities. Reinsurers have explored applications ranging from document processing and claims administration to workflow automation and internal knowledge management. These projects generally offer clearer return profiles and lower implementation risks than more advanced underwriting applications.

More recently, attention has begun shifting toward risk assessment and underwriting support. Some organizations are exploring how AI tools can enhance exposure analysis, improve portfolio monitoring, identify emerging trends, and support underwriting decision-making. While most reinsurers continue to emphasize human oversight, the potential for AI to augment underwriting processes is becoming increasingly apparent.

Despite the growing enthusiasm, the industry's adoption curve is likely to remain gradual. Reinsurance underwriting involves relationships, complex judgment, limited datasets, and significant exposure to low-frequency, high-severity events. Consequently, meaningful benefits may take time to emerge and will likely develop incrementally rather than through immediate transformation.

The growing adoption of AI poses several challenges for reinsurers, including model risk and lack of explainability, where the underlying logic and drivers of AI-generated decisions are not always transparent or easily understood, which could result in shortfalls with regulatory compliance. The effectiveness of models is often hampered by limited and inconsistent data, while also increasing cyber and systemic risk exposure. Reinsurers must be able to navigate complex regulations and address rising governance, bias, and talent constraints, not to mention the uncertainty surrounding the long-term return on AI investments, as well as concerns about supplier dependence.

Nevertheless, AI increasingly appears poised to become a differentiating factor for organizations that successfully integrate technology into underwriting, claims, and operational processes while maintaining appropriate governance and risk controls.

Life Reinsurance Continues to Provide Stability

For many of the large global reinsurers, particularly those headquartered in Europe, life reinsurance remains an important source of earnings diversification and capital generation.

Life reinsurance continues to provide relatively stable earnings streams that can help offset volatility elsewhere within the business portfolio. The segment has also benefited from favorable interest rate environments and continued demand for longevity, mortality, health, critical illness, and capital management solutions.

The implementation of IFRS 17 has further highlighted the long-term value embedded within many life reinsurance portfolios through the contractual service margin, while also providing investors with additional insight into expected future profitability.

Although individual companies continue to experience assumption changes and periodic adjustments to future earnings expectations, life reinsurance remains an important contributor to overall group performance and a valuable source of diversification for the segment.

Uncertainty in the Mix

Beyond the dynamics reinsurers shape through their own discipline lie two factors outside of their control – the macroeconomic environment and an increasingly unsettled geopolitical landscape – that will weigh on loss costs, investment returns, and competitive discipline as the sector approaches 2027.

Macroeconomic Risks

The macroeconomic backdrop heading into 2027 is one of caution. Elevated reinvestment yields continue to support earnings, although this tailwind is expected to moderate as some central banks ease policy while others maintain more restrictive stances in response to differing inflation and growth conditions. The principal threat on the liability side of reinsurers' balance sheets is the reacceleration of inflation which would erode reserve adequacy and inflate loss settlements. Currency volatility and divergent regional growth add further complexity to global reinsurers.

While none of these forces is likely to prove material on its own over the foreseeable future, collectively they narrow the margin for error. Renewed inflation would lift loss costs, while an accelerating rate-cutting cycle would erode the investment income tailwind and the cost-of-capital discipline now restraining competition.

Geopolitical Risks

Geopolitical instability can directly impact many lines of business, including property, marine, aviation, political risk, and cyber lines. Regional conflicts and state-sponsored cyberattacks have placed increased focus on war and state-backed cyberattack exclusions, which have been largely untested to date. Supply chain disruption forces cargo and logistics exposures to contend with rerouted shipping, port congestion, and escalation risk in key trade corridors. The 2026 US-Iran conflict and resulting disruptions in the Strait of Hormuz demonstrate how quickly geopolitical events can drive significant increases in marine and aviation war-risk premiums, disrupt global energy and trade flows, and create cascading business interruption and supply-chain impacts across multiple industries.

For reinsurers, the challenge is accumulation risk and clarity of policy language. A major geopolitical shock or systemic cyber event could reprice exposed lines quickly, making discipline around wording, exclusions, and aggregation as important as rate adequacy as the segment heads toward 2027.

Outlook

At the beginning of 2026, AM Best revised its outlook for the global non-life reinsurance segment to Stable from Positive. While the segment continues to benefit from strong capitalization, favorable earnings generation, and generally supportive market conditions, the change reflected a recognition that the market is entering a more stable phase of the cycle.

The industry's recent robust earnings have created a new challenge not experienced in several decades. Capital is abundant, competition is increasing, and investors continue to evaluate how management teams deploy their substantial capital resources.

Barring an outsized catastrophe event, the reinsurance market is expected to maintain favorable earnings profiles. However, profitability alone is no longer the primary story. The more important question is whether reinsurers can preserve the discipline that produced these results in the first place.

The answer will shape not only the next renewal season, but potentially the future structure of the reinsurance market itself. The reinsurance industry has spent much of the past thirty years adapting to structural changes that many believed would fundamentally reshape market behavior. The emergence of alternative capital, the growth of managed capital platforms, increasingly sophisticated catastrophe modeling, expansion into primary insurance markets, and greater diversification of business models have all challenged traditional assumptions regarding underwriting cycles.

Yet despite these developments, cycles have never fully disappeared. Instead, they have become more localized, more product-specific, and increasingly influenced by capital market dynamics. The industry's history suggests that predictions regarding the end of underwriting cycles should be approached with caution.

Nevertheless, the current environment presents perhaps the strongest test of that historical precedent. Unlike previous hard markets, capital has largely accumulated within existing organizations rather than through a wave of new entrants. Many reinsurers now possess multiple opportunities through which capital can be deployed, reducing the need to pursue growth solely through single-channel reinsurance underwriting. Concurrently, investors, rating agencies, regulators, and management teams remain intensely focused on risk-adjusted returns and capital efficiency.

If underwriting discipline and pricing integrity can be maintained despite record levels of capital, the industry may indeed be in the midst of a meaningful evolution of the reinsurance market. If not, history may once again demonstrate that while market structures change, the fundamental dynamics of supply, demand, and competition remain remarkably persistent.

World's 50 Largest Reinsurers

The California wildfires in January 2025 led to a rough start for the year, but nearly all reinsurers were able to book strong underwriting results by year-end, a strong testament to the favorable pricing environment

Principal Takeaways

- Munich Re reclaims the top position among IFRS 17 reporting reinsurers, followed by Swiss Re and Hannover, driven by the Euro's strong performance compared to the US Dollar, somewhat offset by modest revenue declines.
- Lloyd's moves to the top of the non-IFRS 17 reinsurers, followed by Berkshire Hathaway and Reinsurance Group of America, Inc. (RGA), driven by premium growth and the British Pound appreciating against the US Dollar.
- Market conditions remained favorable in 2025, though rates on property cat reinsurance continued to fall from recent highs, driving a slowdown of growth in the total market.
- The US Dollar's depreciation against most currencies in 2025 enhances the rankings of many non-US Dollar denominated reinsurers.

Reinsurers' underwriting performance continued to be strong in 2025, despite some material price softening. The industry generated record levels of capital, driven by multiple years of strong profitability after rates hardened and terms and conditions became more favorable for reinsurers. Additionally, investment returns supplemented strong operating profits. Risk-adjusted rate reductions occurred during the more recent renewal cycles, as the market experienced tailwinds, with terms and conditions largely holding strong.

The absence of significant US hurricane activity in 2025 improved profitability. Although Hurricane Melissa, a category 5 storm, ravaged Jamaica, Cuba, and the Bahamas, the total impact on reinsurers was minimal. No major hurricane made landfall in the US in 2025, leading to an overall benign season. The industry continued to see the impact of US severe convective storms, with loss estimates reaching as much as USD 61 billion, according to broker estimates. Earthquakes in Asia, namely Myanmar and Taiwan, caused industry losses of as much as USD 3.5 billion.

The largest insured loss of 2025 occurred within weeks of the new year, namely the California wildfires. As the books closed on a very profitable 2024, 2025 started with many reinsurers producing their worst quarterly results in years. The event eroded a significant portion of exposed reinsurers' allotted catastrophe capacity for the year. The wildfires destroyed more than 18,000 structures, caused 30 fatalities, and burned over 37,000 acres. The total industry loss estimates remain around USD 40 billion, one of the worst insured catastrophe losses in history and the costliest wildfire event on record. Despite the rough start to the year these fires created, nearly all reinsurers were able to book strong underwriting results by the end of that year, a strong testament to the current favorable pricing environment.

Though the record event hung heavily over the mid-year renewal periods in 2025, the downward pressure on rates persisted, and June and July renewals continued the trend of increased leverage for cedents, with reinsurers maintaining sufficient capital to absorb losses. The renewal period saw additional softening in property catastrophe pricing, increased willingness to expand limits and

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2026-090.2

provide broader coverage, and moderately more flexibility around terms and conditions than in recent renewals. Compounding this shift in market leverage is increasing competition from the ILS market.

Through the end of the second quarter of 2026, there was an absence of any market-shifting events to disrupt the current trend in rates reinsurers have been experiencing. Reinsurers continue to accumulate capital in the current relatively high-interest rate environment, through profitable underwriting operations, and catastrophe activity that remains below long-term averages. However, North America continues to experience elevated severe convective storms, wildfires, and other secondary perils, which have been the largest contributors to catastrophe losses so far this year. As of mid-August, the Complex wildfires in Washington state were actively burning. It's still too early for loss estimates, but AM Best expects there to be considerable fire losses in and around the area of Spokane, Washington.

Aside from headline catastrophe activity, there are additional notable factors that will play major roles in the performance of reinsurers in 2026. Casualty reserve adequacy remains a key concern, as US liability lines continue to experience adverse development driven by social inflation, elevated jury awards, and higher claims severity. While rates continue to rise to meet these rising costs, it remains a significant earnings headwind for the sector and requires continued diligence in reserving and underwriting.

Geopolitical risk has also been elevated into the third quarter of 2026, following the escalation of the conflict in the Middle East. Although insured losses remain somewhat unclear and dependent on the levels of exposure to marine, aviation, political violence, and trade disruption claims, reinsurers with exposure to these lines continue to monitor the potential for incremental losses and broader impacts on specialty reinsurance portfolios.

As 2026 continues to play out, the renewal seasons have painted a clear picture of the state of the market, which continues to transition from its period of rapid hardening to a more competitive, softening market. While rates continue to decline, the market overall remains favorable, though with fewer opportunities to deploy the substantial capital accumulated over the last few years. Non-loss-affected property catastrophe programs have seen double digit rate reductions and cedents were able to purchase additional limits at lower prices. Rate declines continued into the June and July renewals, though reinsurers remained selective on lower-attaching catastrophe layers and loss-affected programs. While reserve strengthening related to casualty and geopolitical uncertainty related to the Iran conflict are influencing underwriting decisions and risk selection, the rate trend overall remains unfavorable.

Ranking Changes Among the Top 5

The list of the Top 50 Global Reinsurers remains segregated into IFRS 17 and non-IFRS 17 reporting reinsurers (**Exhibit 1**).The most notable change among the IFRS 17 reporters this year is Munich Re reclaiming the top position from Swiss Re. Swiss Re was ranked in the top position among non-IFRS reporters in 2023 and then among IFRS 17 reporters in 2024, after the group transitioned that year. Both groups had modest declines in reinsurance revenue year-over-year, with Swiss Re reporting a decline of 4.5% and Munich Re reporting a pre-forex conversion decline of 3.7%.

While Munich Re reports in Euros, Swiss Re continues to report in US Dollars. The Euro's strength in 2025 over the US Dollar bolstered Munich Re's reinsurance revenue. Utilizing the prior year conversion rate, Swiss Re would have remained in first place; however, the 12.9% rise in the Euro year-over-year drove Munich Re to the first-place position, even though both groups produced less reinsurance revenue in 2025.

Exhibit 1
Top Reinsurance Groups
(USD millions[1])

Non-IFRS 17 Rank	IFRS 17 Rank	Company Name	Life and Non-Life: Reinsurance Premiums (GPW)	Life and Non-Life: Reinsurance Revenue (Gross)	Total Shareholders Funds[2]	Combined Ratio[3]
	1	Munich Reinsurance Company		35,418	39,319	73.5%
	2	Swiss Re Ltd.		34,564	25,739	79.5%
	3	Hannover Rück SE		31,513	16,389	84.0%
1		Lloyd's [4,5]	27,058		66,828	85.6%
2		Berkshire Hathaway Inc.	25,470		719,703	84.5%
	4	SCOR S.E.		18,092	5,208	82.4%
3		Reinsurance Group of America Inc.	17,482		13,461	N/A
4		Everest Re Group Ltd.	12,825		15,461	91.7%
5		RenaissanceRe Holdings Ltd.	11,738		11,609	87.2%
6		Arch Capital Group Ltd.	11,149		24,206	82.8%
7		PartnerRe Ltd.	9,165		11,083	88.6%
8		MS&AD Insurance Group Holdings, Inc. [6,7,10]	6,804		16,871	95.1%
	5	China Reinsurance (Group) Corporation		5,893	17,043	94.2%
9		MAPFRE RE, Compañía de Reaseguros S.A. [8]	5,426		3,230	93.1%
10		General Insurance Corporation of India [6]	4,703		9,757	103.3%
11		R+V Versicherung AG [9]	3,994		2,820	97.7%
12		Odyssey Group Holdings, Inc.	3,977		7,412	88.7%
	6	Assicurazioni Generali SpA		3,942	40,927	100.3%
	7	Canada Life Re		3,839	24,107	81.9%
13		Pacific LifeCorp	3,655		14,540	N/A
	8	Korean Reinsurance Company		3,448	2,552	91.6%
	9	Sompo International Holdings, Ltd.		3,294	13,904	73.5%
	10	AXA XL		3,112	13,936	81.9%
14		Liberty Mutual [11]	3,075		39,887	91.7%
15		Tokio Marine Holdings, Inc. [6, 12]	3,061		34,164	105.0%
16		Convex Group Limited	2,756		4,402	83.5%
17		Deutsche Rückversicherung AG [10]	2,604		418	92.4%
18		AXIS Capital Holdings Limited	2,465		6,356	92.6%
19		American Agricultural Insurance Company	2,294		888	78.1%
20		Allied World Assurance Company Holdings, Ltd.	2,191		7,132	86.6%
21		The Toa Reinsurance Company, Limited [6, 7]	2,105		3,605	93.2%
22		Ascot Group Ltd.	2,084		3,058	93.8%
	11	QBE Insurance Group Limited		2,037	11,673	83.8%
23		Aspen Insurance Holdings Limited	1,905		3,625	86.9%
24		DEVK Gruppe	1,668		3,393	91.2%
25		Arundo Re	1,651		1,072	89.8%
26		W.R. Berkley Corporation [13]	1,640		9,701	83.7%
	12	Peak Reinsurance Company Ltd.		1,535	1,678	87.9%
27		Chubb Limited	1,487		79,779	85.7%
28		Core Specialty Insurance Holdings, Inc.	1,435		1,528	96.3%
29		Hamilton Insurance Group	1,406		2,822	87.1%
30		SiriusPoint Ltd.	1,375		2,471	91.8%
31		Somers Re Ltd.	1,330		1,636	95.0%
32		Ark Insurance Holdings Ltd.	1,297		1,696	84.6%
	13	African Reinsurance Corporation		1,275	1,396	80.2%
	14	Hiscox Ltd.		1,246	3,948	63.9%
	15	Taiping Reinsurance Co. Ltd. [7]		1,148	1,713	89.9%
33		Markel Corporation	1,045		18,596	105.9%
	16	Helvetia Insurance Company		981	17,419	91.8%
34		Nacional de Reaseguros, S.A.	962		713	98.2%

[1] All non-USD currencies converted to USD using foreign exchange rate at year-end 2025.

[2] As reported in the group's annual statement.

[3] Non-Life only.

[4] Reflects total reinsurance premium written by all syndicates in the Lloyd's market. The above list includes insurance groups that write reinsurance business in the Lloyd's market. As such, reinsurance premium is included in both the insurance group's premium figure and the Lloyd's market's premium figure.

[5] Shareholders' funds includes Lloyd's members' assets and Lloyd's central reserves.

[6] Fiscal year ended March 31, 2026

[7] Net asset value used for shareholders' funds.

[8] Premium data excludes intragroup reinsurance.

[9] Ratio is as reported and calculated on a gross basis.

[10] Ratio is based on the group's operations.

[11] Ratio is based on Liberty Mutual Insurance Europe SE financial statements.

[12] Ratio is based on Tokio Marine & Nichido Fiscal Year 2025 reported combined ratio.

[13] Ratio includes monoline excess business in addition to reinsurance.

Source: AM Best data and research

IFRS 17's lack of comparability

The 2024 edition of AM Best's "World's 50 Largest Reinsurers" report was the first to include reported results utilizing IFRS 17 and the rankings for non-IFRS 17 and IFRS 17 reporting reinsurers segregated. While the adoption of IFRS 17 only impacted approximately a third of the companies included in the rankings, the change was material.

Under the prior regime, premiums written and earned were reported, and were generally comparable to GAAP reporting peers. Under IFRS 17, (re)insurers report insurance revenue, which reflects the amount earned for insurance services as they are rendered. This provides simpler comparability across industries where contracts are made between a service provider and a customer. However, the practice differs substantially from the prior method, and more so for life business and other long-duration non-life contracts. Ultimately, insurance revenue is not equivalent to premiums written or received during the period.

Additionally, with the introduction of discounting, risk margins, and differentiation in the way expenses are allocated to underwriting activity, combined ratios between IFRS 17 and local GAAP standards are not always directly comparable.

Swiss Re reported declines of 5.5% for non-life and 3.3% for life reinsurance revenue, with a consolidated decline of 4.5%. During the year, Swiss Re noted deliberately shrinking parts of its casualty portfolio where pricing and loss trends were less attractive. Management has remained cautious toward US casualty business and has repositioned its casualty portfolio to enhance profitability and risk discipline. Additionally, the group noted the softer market pricing contributing to the decline, as well as non-renewal of certain business to improve risk-adjusted returns.

Munich Re reported a decline of 8% in non-life business and growth of 3.5% for life business, with a consolidated decline of 3.7%. The group has focused on portfolio optimization as rates decline, citing that they intentionally reduced business during the year that did not meet their return requirements. The group's approach to US casualty, like many market players, remains cautious over concerns of social inflation, uncertainty surrounding reserve adequacy, and long-tail liability losses.

Both groups continue to have solid underwriting performance, with Munich Re producing a year-end combined ratio of 73.5% and Swiss Re at 79.5%. These results are some of the strongest among IFRS 17 reporting reinsurers, with Sompo International Holdings and Hiscox Ltd. being the only other IFRS 17 reporters to produce a combined ratio below 80%. The two groups, which represent a combined 46.2% of the reinsurance revenue recorded in this report, continue to trade places in the rankings, heavily driven by exchange rate volatility.

The rankings were consistent for the remainder of the top five IFRS 17 reporters, with Hannover staying in third place, their position bolstered by modest pre-forex growth of 0.6% for non-life and 3.9% for life. SCOR holds the fourth position and had pre-forex revenue declines of 4.5% for non-life and 4.8% for life. China Re remains in the fifth position, with a 5.6% decline in non-life revenue, while life revenue grew by 3.5% after declining 11.2% in the prior year.

The top five IFRS 17 players had solid performance in 2025, reporting a weighted combined ratio of 80.0%, a notable decline from the prior year's weighted combined ratio of 84.9%. Leading the top 5 on underwriting performance was Munich Re. The top 5 additionally grew combined shareholders' equity by 5.9%, not including the impact of foreign exchange rates. While growing shareholders' equity and producing more favorable combined ratios, the top 5 IFRS 17 reporters had an overall decline of 8.5% for reinsurance revenue, with nearly all, except for Hannover, producing less non-life reinsurance revenue year-over-year.

Among the top 5 non-IFRS 17 players, the most significant change is Lloyd's moving to the top position, overtaking Berkshire Hathaway after Berkshire Hathaway took the top position last year, when Swiss Re transitioned to reporting under IFRS 17. The change in the ranking is the result of a combination of factors. First, the British Pound appreciated 7.4% against the US Dollar in 2025. When utilizing the prior year exchange rate, which was more favorable to the Dollar, Lloyd's lagged Berkshire Hathaway's gross premiums, by approximately USD 215 million. Additionally, Lloyd's reinsurance growth significantly outpaced Berkshire Hathaway. Lloyd's gross premiums grew by 7.1%, before the impact of foreign exchange rates. Berkshire Hathaway's gross premiums contracted year-over-year by 7.9%, after contracting 2.1% between 2023 and 2024.

The growth in Lloyd's business was driven by increased underwriting activity among the syndicates, both through existing operations and new syndicates entering the market, with new volume more than outpacing rate declines. Reinsurance remained one of Lloyd's stronger performing classes, benefiting from continued strong demand for catastrophe protection, favorable attachment points, and underwriting discipline. The syndicates' strong performance in recent years continues to attract capital to the marketplace, with new entrants and capacity increases supporting the premium growth.

Berkshire Hathaway's gross premiums declined largely due to fewer attractive opportunities within the market, particularly in property-catastrophe reinsurance, with many opportunities no longer meeting return thresholds. While demand is strong, there is more than sufficient capacity to meet that demand. With cedents' greater leverage during the renewal seasons, management chose underwriting discipline over maintaining volume.

RGA maintained the third rank among non-IFRS 17 filers, growing life premiums by 12.3% year-over-year and shareholders' equity by 23.4%. The group had strong earnings generation throughout the year, with adjusted operating income reaching record levels. Premiums grew through strong demand, particularly across the North America, EMEA, and Asia-Pacific markets, with strong momentum in traditional life reinsurance business and continued growth in client activity. Additionally, the group deployed substantial capital into in-force transactions.

Everest remained in the fourth position, with nearly flat gross premium growth year-over-year. Similar to many other players in the market, management deliberately tightened underwriting to improve return profiles. The group made headlines in late 2024 and 2025 with significant reserve charges related to its casualty business, and the aggressive underwriting actions it took in casualty classes the group viewed as underpriced.

RenaissanceRe remained in the fifth position among non-IFRS reporters, with almost no growth in gross premiums, rising less than 0.1% year-over-year. In the prior year, third-party gross premiums contracted 4.9%. With substantial capital to meet demand in the market, the Group focused on underwriting discipline rather than growth for the year. Though growth was modest, the Group had return on equity of 25.9% and USD 1.3 billion of underwriting income.

Gross premiums written among the top 5 non-IFRS reporters grew approximately 2% before the impact of foreign exchange rates. However, there was strong performance during the year, driven by

World's 50 Largest Reinsurers Ranking – Methodology

AM Best's ranking of leading global reinsurers has evolved over time, but the primary intention of the Top 50 exercise is to try to isolate a reinsurer's business profile using gross premiums written (non-IFRS) and reinsurance revenue (IFRS 17) as the metric. To obtain the most accurate figures possible, we make a number of assumptions and adjustments as we navigate through different financial statements, accounting standards, and segment reporting. Capturing only third-party business and excluding affiliated or intergroup reinsurance are perhaps the most essential adjustments.

In reports prior to 2021, AM Best had included primary premiums in the calculation of reinsurance GPW if the percentage was below what AM Best deemed a material threshold (25%). Since 2021, AM Best has excluded all non-reinsurance premium.

AM Best converts all reporting currencies to USD using the foreign exchange rate as of the date of companies' financial statements. Currency exchange rate fluctuations have a meaningful impact on companies' rankings.

Finally, when financial statements and supplements do not provide a proper breakdown of reinsurance premiums, AM Best obtains data directly from the reinsurer. In these instances, the data may be unaudited.

underwriting discipline as the market became increasingly competitive. The top 5 ranking non-IFRS reporters generated a weighted non-life combined ratio of 86.7%, in line with the prior year's 85.7%.

This underwriting discipline and strong investment results produced 10.3% shareholders' equity growth among the top 5 non-IFRS reporters. Among the publicly traded companies in the top 5, all returned capital to shareholders except for Berkshire Hathaway, which did not pay a dividend and did not repurchase shares in 2025, driving their shareholders equity from USD 651.7 billion at year-end 2024 to USD 719.7 billion at year-end 2025. Reinsurance Group of America returned approximately USD 292 million through dividends and share repurchases, RenaissanceRe returned approximately USD 1.6 billion, and Everest Re returned approximately USD 1.1 billion. The reinsurance market's significant capital position continues to expand, even as capacity providers work to return capital to shareholders.

Underwriting Discipline Preserves Profitability as the Market Grows More Competitive

The global reinsurance market has undergone a significant transformation since the January 2023 renewal season. Following years in which the industry struggled to consistently earn its cost of capital amid soft pricing, elevated catastrophe losses, and a prolonged low-interest rate environment, reinsurers restored underwriting profitability through disciplined portfolio management, higher attachment points, diversification, and improved risk-adjusted rates. While material market softening occurred during the 2025 renewal season and into 2026, the structural changes from the hard market, including higher cedent retentions, improved risk selection, and reduced participation in lower layers of reinsurance towers, have largely remained intact. The resilience of these changes was tested in 2025 by the California wildfires, with reinsurers continuing to produce substantial underwriting income even after enduring severe losses.

Over the period from year-end 2022 to year-end 2024, the average unweighted combined ratio for the non-IFRS 17 reinsurers steadily declined. Year-end 2022 had an average combined ratio of 100.9%, with 2023 at 93.1%, and 2024 at 89.1%. The 2025 combined ratio was slightly elevated at 90.4%, which was expected for the year given the rate trends and catastrophe losses experienced in the first quarter.

Elevated interest rates remain an important tailwind for reinsurers. Higher portfolio yields continue to enhance net income, supporting stronger capital generation, even as many market players return excess capital to shareholders. Though the market may be seeing early indications of more normalized underwriting profitability, the industry's capital position continues to strengthen. Record traditional and third-party capital is expected to sustain ample market capacity into 2027, increasing competitive pressures while still allowing well-disciplined market participants to generate attractive returns.

Shareholders' equity among the consistently ranked non-IFRS 17 reinsurers grew 12.4% between 2024 and 2025, rising to a combined USD 1.11 trillion of equity, after the impact of foreign exchange. Tokio Marine and Nacional de Reaseguros were not included in the calculation. The largest percentage growth was experienced by Pacific LifeCorp, growing 43.2% from USD 10.2 billion to USD 14.5 billion. Liberty Mutual grew 30.1%, from USD 30.7 billion to USD 39.9 billion. Meanwhile, Core Specialty Holdings grew 27.9%, from USD 1.2 billion to USD 1.5 billion.

The risk-free rate remains high compared to recent historical averages. Elevated yields support investment income and retained earnings, while maturing securities can be reinvested at higher rates. AM Best believes reinsurers will likely experience some deterioration in underwriting results between year-end 2025 and year-end 2026, due largely to rate declines, absent significant US catastrophe events during the second half of the year that might impact earnings. Additionally, it is AM Best's expectation that growth in the market will continue its current weakened trend, as rates fall further and market players continue their commitment to enhanced underwriting discipline.

Other Changes to Rankings

Aside from Munich Re moving to the top of the IFRS 17 rankings, there was no substantial movement among the top 10. The only other change was Canada Life Re rising to #7 and Korean Re falling to #8. Driving the change was Canada Life Re's revenue growing 6.5% year over year, bolstered by the Canadian Dollar appreciating 5.1% over the US Dollar. Concurrently, Korean Re's revenues fell 3.1%. While the South Korean Won did appreciate against the US Dollar in 2025, it was a much more modest 1.9%.

The lower ranked IFRS 17 reporters saw more volatility, which is not atypical. Notable movements include Peak Reinsurance and Hiscox rising one rank each to #12 and #14, respectively. African Reinsurance Corporation and Taiping Reinsurance Company both fell one rank to #13 and #15, respectively.

While both African Reinsurance Corporation and Peak Reinsurance had substantial growth during the year, Peak Reinsurance's growth outpaced African Reinsurance Corporation's, rising a combined 34% for non-life and life compared to African Reinsurance Corporation's combined 6.2% non-life and life. Similarly, Hiscox and Taiping Reinsurance Company both experienced growth during the year. While Taiping Reinsurance Company had non-life and life combined revenue growth of 3.5%, Hiscox had non-life revenue growth of 21.2%.

The final notable change among the IFRS 17 reporters is the addition of Helvetia Insurance Company, one of Switzerland's largest insurance groups, with operations primarily in Europe. Though the group is primarily a multiline primary insurer, it does participate in reinsurance markets through its international operations. In late 2025, the group finalized its merger with Baloise, forming Switzerland's second largest insurance group "Helvetia-Baloise". The merger of the Swiss operating companies was effective July 1, 2026. While pre-merger strategic initiatives included growing the reinsurance book, the merger is not expected to substantially bolster reinsurance revenue in the short term.

Driving its inclusion in this report was 16.8% non-life reinsurance revenue growth between 2024 and 2025, as well as the strong appreciation of the Swiss Franc against the US Dollar of 14.3%. Helvetia's inclusion among the top 50 global reinsurers removed one reinsurer from the rankings, IRB – Brasil Resseguros S.A. In last year's edition of this report, IRB had fallen from eleventh to sixteenth among IFRS 17 reporters, driven heavily by the 21.7% depreciation of the Brazilian Real against the US Dollar, as well as a 7.1% decline in reinsurance revenue. The Brazilian Real appreciated against the US Dollar in 2025, though only 11.9%, recovering less than half of the value lost in the previous year. Additionally, IRB's reinsurance revenue fell for the second year in a row, approximately 14.0%, driven heavily by an 85.3% decline in life revenue.

Similarly to the IFRS 17 reporting reinsurers, the rankings among the top 10 non-IFRS 17 reinsurers were largely unchanged. Aside from Lloyd's rising to #1, MAPFRE moved to #9, above General Insurance Corporation of India, due to the Indian Rupee declining 9.3% against the US Dollar, while the Euro gained 12.9%. While both experienced premium growth in non-life and life business, the rate of growth was not significant enough to offset currency impact.

The largest upward ranking movement was Tokio Marine, which rose ten places, from #25 to #15 among non-IFRS reporters. The change in ranking is due to the data provided representing Tokio Marine's holding company, with prior years only representing Tokio Marine on a standalone basis. While data for both Tokio Marine from a holding company view and standalone basis were provided, the holding company view is more consistent with Tokio Marine's market position and more consistent when comparing to other market players.

Two non-IFRS reporting companies moved up four ranks each (**Exhibit 2**). W.R. Berkley's gross premiums written grew 31.2% year over year, from USD 1.25 billion to USD 1.64 billion, as the group continued to take advantage of the still favorable pricing environment with growth in casualty and specialty opportunities. The group moved from #30 to #26.

Finally, Hamilton Insurance Group moved from #33 to #29, with premium growth of 22.8%, rising to USD 1.4 billion at year-end 2025. Bermuda reinsurance operations expanded during the year, as the group took advantage of the market conditions while deploying disciplined underwriting strategies, seeing continued opportunity in property as well as increased opportunity in casualty and specialty lines.

Exhibit 2

Global Reinsurance - Notable Ranking Changes

Upwards	Current	Prior	Change	Standard
Hamilton Insurance Group	29	33	4	non-IFRS 17
W.R. Berkley Corporation	26	30	4	non-IFRS 17
Downwards	**Current**	**Prior**	**Change**	**Standard**
Core Specialty Insurance Holdings, Inc.	28	23	-5	non-IFRS 17
The Toa Reinsurance Company, Limited	21	18	-3	non-IFRS 17
Chubb Limited	27	24	-3	non-IFRS 17
Axis Capital Holdings Limited	18	15	-3	non-IFRS 17
American Agricultural Insurance Company	19	16	-3	non-IFRS 17

Note: Tokio Marine was omitted from this exhibit as the data represents a consolidated, rather than a standalone, view and is not directly comparable to the prior year.

Source: AM Best data and research

The largest decline in rankings was Core Specialty Insurance Holdings, which fell from #23 to #28 after rising 10 places the prior year. The insurance group is relatively young and continues to grow its book where it sees the most significant opportunity. While gross reinsurance premium declined 9.2% year-over-year, the group's overall gross premiums written rose 1.8%. Similarly, Chubb Limited dropped three places, from #24 to #27 after gross reinsurance premiums declined 5.1%. The group was among the most significant upward movements in the prior year, rising 6 places as the reinsurance market was more attractive at the time and the increase in premium took advantage of opportunity in a favorable market.

Additional notable declines in the ranking include Axis Capital Holdings Limited and American Agricultural Insurance Company, which each fell three places after both rose last year. While American Agricultural' s gross reinsurance premiums contracted 2.5%, Axis Capital's rose 3.1%. In the prior year, both experienced notable growth of 24.2% and 3.1%, respectively.

Qianhai Reinsurance Company experienced a second consecutive year of decline in ranking and no longer met the threshold to be included among the top 50 reinsurers. In the prior year, the group fell six places, from #25 to #31 among non-IFRS reporters, after experiencing a pre-foreign exchange decline of 11.3% and 10.2% in non-life and life gross reinsurance premium, respectively. For year-end 2025, gross non-life premiums fell an additional 5.5% and life fell 29.9%.

What's Ahead?

Results for 2026 will hinge on activity during the Atlantic hurricane season, with the most active months for storms ahead. NOAA predicts a below average hurricane season, driven by a strong El Nino, disrupting typical atmospheric conditions. El Nino is a natural climate phenomenon that has historically had a dampening impact on Atlantic hurricanes, lessening their formation and organization. Also benefiting reinsurers is an active Saharan Air Layer (SAL), which acts to dampen the formation of strong hurricanes that can hit the eastern and Gulf coasts.

AM Best expects the World's Largest Reinsurers report to continue to evolve, as more large reinsurance players adopt IFRS 17, global market dynamics evolve, and existing players make strategic changes to find growth and profitability as the reinsurance market continues through the current cycle and navigates new and evolving perils. Additionally, AM Best anticipates continued normalization of underwriting performance from the exceptionally strong results reinsurers produced between 2023 and 2025, as the current rate trend remains uninterrupted.

Reinsurance Capital Reaches New Highs as Risk Budgets Decline

Nominal capital levels are at record highs, but the amount of capital required to support the risks being assumed by the industry has remained comparatively flat

Principal Takeaways

- Global dedicated reinsurance capital increased to USD 663 billion at year-end 2025, reaching an all-time high, as both traditional and third-party capital continued to expand.
- Traditional reinsurance capital benefited from another year of strong underwriting profitability, investment earnings, and retained earnings, while investor appetite supported continued growth in insurance-linked securities (ILS) capital.
- Traditional reinsurers' capital utilization improved to 77% at year-end 2025, down from 85% in 2024, primarily driven by growth in available capital, as required capital remained relatively flat compared to the past few years.
- Catastrophe probable maximum loss (PML) exposure remained broadly stable year over year. As available capital increased, overall catastrophe risk budgets continued to decline, providing reinsurers with additional capacity to absorb volatility or deploy capital strategically.

For more than a decade, AM Best has estimated the amount of global capital dedicated to supporting the reinsurance market. This estimate is a joint effort between AM Best and Guy Carpenter, with AM Best estimating traditional reinsurance capital and Guy Carpenter estimating third-party capital.

The global reinsurance market entered 2025 from a position of considerable financial strength and continued to build capital throughout the year. Both traditional reinsurance capital and third-party capital increased to record levels, supported by strong operating performance across the industry and investor demand for insurance-linked securities. Traditional reinsurers generated another year of strong underwriting and investment earnings, allowing the industry to retain capital even as companies returned capital to shareholders and pursued growth opportunities. At the same time, the ILS market continued to attract investors seeking exposure to insurance risk that remains relatively uncorrelated with broader financial markets. Together, these trends pushed total global dedicated reinsurance capital to USD 663 billion at year-end 2025, compared with USD 607 billion in the prior year **(Exhibit 1).**

The continued accumulation of capital is particularly notable because it has not been accompanied by a corresponding increase in required capital (capital required to support risks at the individual companies). Required capital remained relatively flat during 2025 compared to the past few years, while available capital continued to expand. As a result, traditional reinsurers' capital utilization (capital utilization approximates how much of the market's available capital is required to maintain risk-adjusted capitalization at the Strongest BCAR score of 25% at a 99.6% VaR level) improved to 77% at year-end 2025, down from 85% in 2024. The improvement in capital utilization provides an important perspective on the financial position of the global reinsurance market. Nominal

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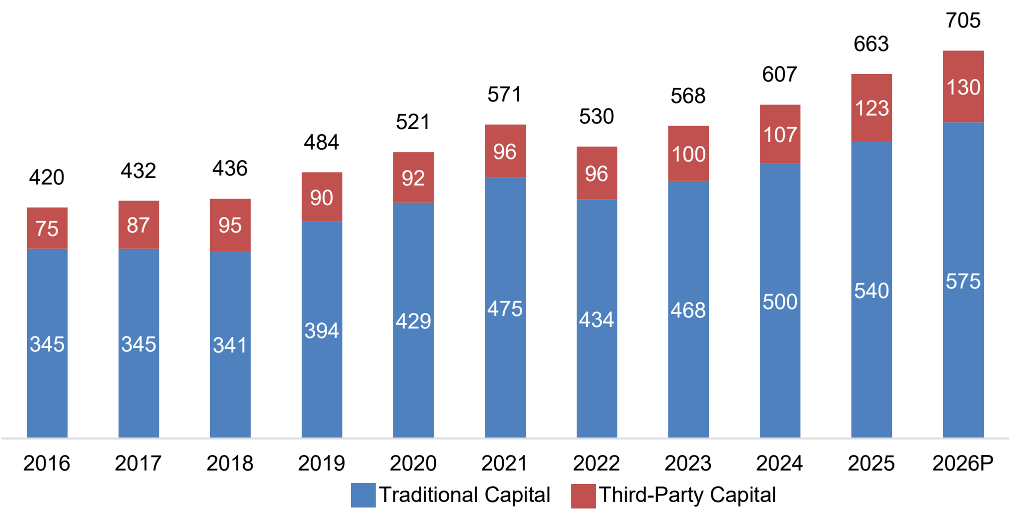
2026-090.3

Exhibit 1
Global Reinsurance – Estimated Dedicated Reinsurance Capital
(USD billions)



P=Projected
Sources: AM Best data and research; Guy Carpenter

capital levels are at record highs, but the amount of capital required to support the risks being assumed by the industry has remained comparatively flat.

This divergence between available and required capital has created increasingly substantial capital buffers across the sector and provides reinsurers with greater flexibility to absorb volatility, pursue growth opportunities, return capital to shareholders, or redeploy capital into primary and specialty insurance markets.

Traditional Reinsurance Capital Reaches Another Record

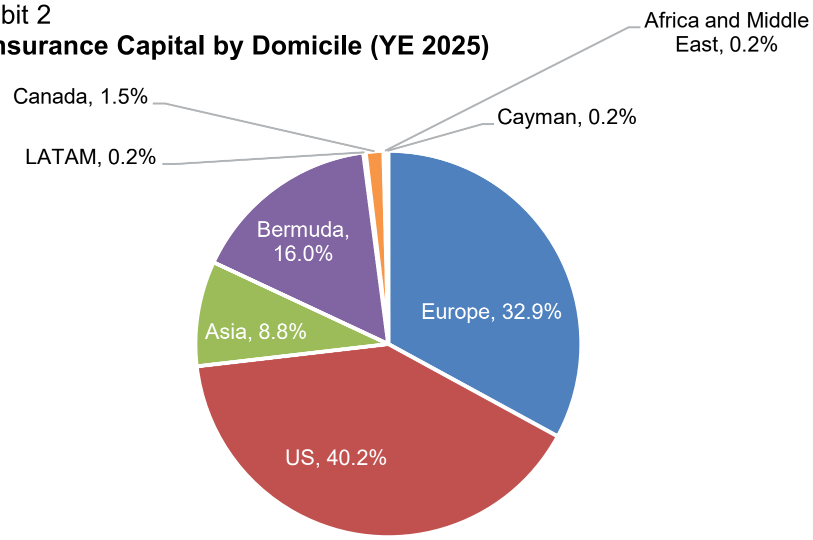
AM Best's estimate of dedicated reinsurance capital is based on comprehensive analysis and consistent aggregation methods. The estimate considers allocations of capital based on business classification and adjusts for organizations that deploy capital across both primary insurance and reinsurance markets.

Traditional reinsurance capital increased from USD 500 billion at year-end 2024 to USD 540 billion at year-end 2025, representing another all-time high. Reinsurers domiciled in the US and Europe represent 73% of dedicated reinsurance capital. The biggest players include Berkshire Hathaway's National Indemnity and the European Big Four. However, the top five companies by capital, whose combined share historically exceeded 60% of the composite, have seen their share decrease for five consecutive years. These five companies accounted for 54.2% of the composite, down from 55.8% in 2024. This was their lowest combined share since 2018. This trend is expected to continue through 2026 with a projection of 53.2% and reflects the continued expansion of Bermudian reinsurers, as well as diversification in capital deployment across the segment. Bermudian reinsurers represented 16% of the global reinsurance market capital in 2025, up from 15% in the prior year **(Exhibit 2).**

Capital growth was supported primarily by strong earnings generation across the industry. Reinsurers benefited from favorable underwriting margins, disciplined terms and conditions, and investment income generated from fixed-income portfolios that continue to earn yields above those available prior to the sharp increase in interest rates beginning in 2022.

The combination of underwriting profitability and investment income generated strong operating returns across the global reinsurance market. Although profitability moderated from the exceptional results reported immediately following the January 2023 market reset, returns remained comfortably above the industry's cost of capital. These earnings allowed reinsurers to strengthen their capital bases despite dividends, share repurchases, and deployment of capital into primary and specialty insurance businesses.

Exhibit 2
Reinsurance Capital by Domicile (YE 2025)



Source: AM Best data and research

Capital growth was broadly distributed across the global reinsurance market. The continued growth in capital has occurred without a significant wave of new reinsurer formations. Unlike previous hard markets, when improving pricing conditions attracted substantial amounts of new equity capital and the formation of new companies, much of the recent expansion in traditional reinsurance capital has occurred organically through retained earnings. This dynamic has allowed established reinsurers to increase their capacity while maintaining underwriting discipline and preserving their market positions.

Third-Party Capital Continues to Attract Investors

Third-party capital also reached a record level in 2025. Guy Carpenter and AM Best estimate that ILS capital increased from USD 107 billion at year-end 2024 to USD 123 billion at year-end 2025. Growth has been supported by strong investor demand for catastrophe bonds and other insurance-linked securities. The market has benefited from attractive risk-adjusted returns and the diversification benefits associated with insurance risk.

Strong market performance has also supported the recycling of investor capital. Returns generated by the ILS market have encouraged existing investors to maintain or increase their allocations while attracting additional capital to the sector. As a result, third-party capital continues to represent an increasingly important component of global reinsurance capacity.

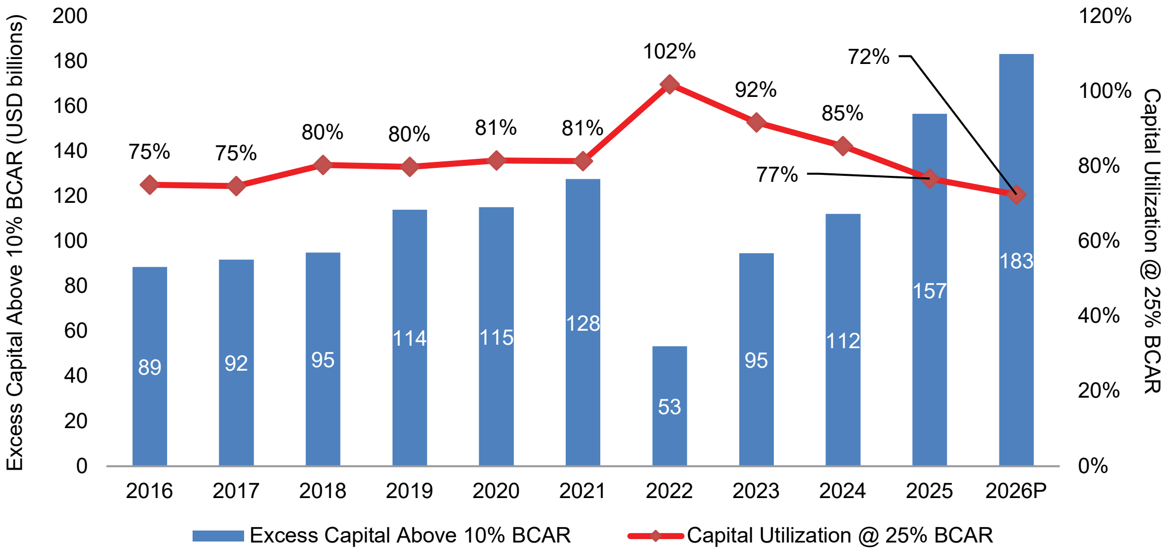
Record Capital Levels Strengthen the Market's Financial Position

The continued expansion of traditional and third-party capital has pushed total dedicated reinsurance capital to a new high. Importantly, the growth in capital has occurred while the underlying risk profile of the traditional reinsurance market has remained relatively stable.

AM Best measures the industry's risk-adjusted capitalization by comparing required capital with available capital. Capital utilization approximates how much of the market's available capital is required to maintain risk-adjusted capitalization at the Strongest BCAR assessment of 25% at a 99.6% VaR level. Capital utilization exceeding 100% indicates that risk-adjusted capitalization levels have dropped below the "Strongest" level, which we saw back in 2022 **(Exhibit 3).**

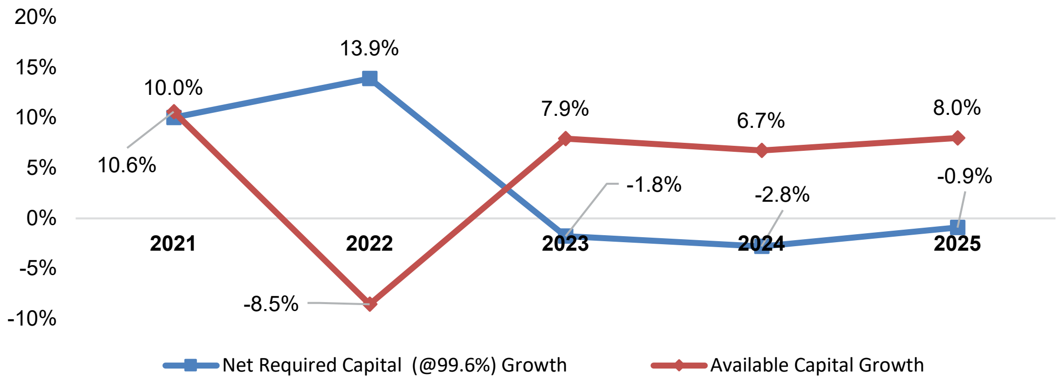
At year-end 2025, traditional reinsurers' capital utilization improved to 77%, compared with 85% in 2024 and 92% in 2023. AM Best expects capital utilization to continue to improve in 2026 to 72%, driven by a continuation of the trends realized in 2025. Improvement in capital utilization in 2025 was driven mostly by growth in available capital. Required capital remained relatively flat year over year (with the exception of modest growth in asset risks), while strong underwriting and investment earnings continued to increase the industry's available capital base. The distinction is important. The

Exhibit 3
Reinsurance Excess Capital & Capital Utilization



Source: AM Best data and research

Exhibit 4
Available vs Required Capital Growth



Source: AM Best data and research

improvement in capital utilization does not reflect a material reduction in the risks being assumed by the industry. Instead, reinsurers have accumulated capital and have broadly been conservative in deploying that new capital **(Exhibit 4)**. The result is a market with historically strong capital buffers and considerable financial flexibility.

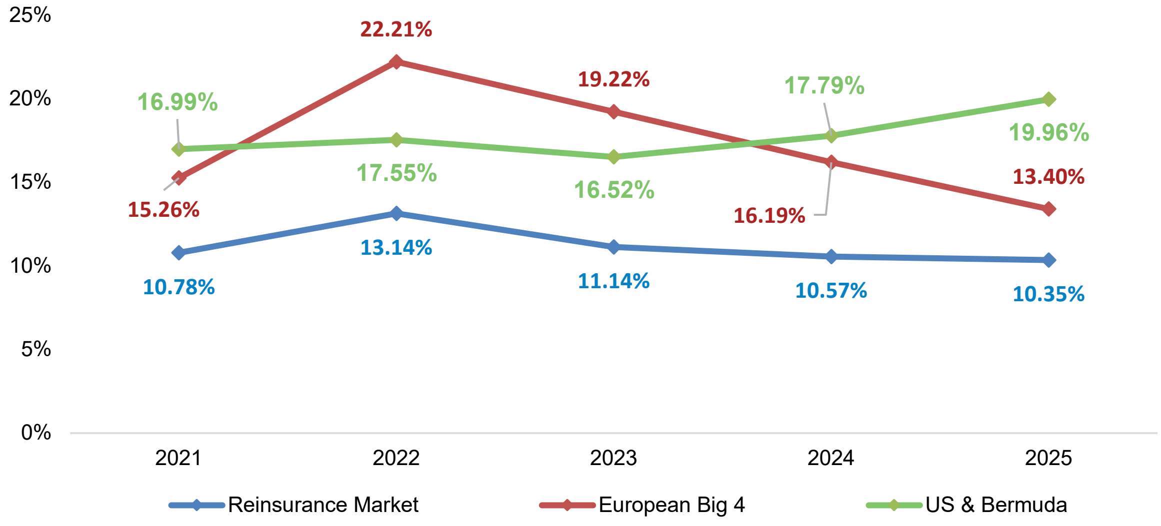
Catastrophe Risk Remains Stable as Risk Budgets Decline

The industry's catastrophe exposure provides another indication of the changing relationship between capital and risk. Catastrophe PML exposure remained broadly stable during 2025. This suggests that the industry has not materially increased its aggregate catastrophe exposure despite the continued expansion of available capital. At the same time, catastrophe risk budgets, measured as catastrophe PML exposure relative to available capital, continued to decline. This continues a multi-year trend in which capital growth has outpaced increases in catastrophe exposure.

The lower catastrophe PML-to-capital ratio indicates greater headroom to absorb large losses or support additional underwriting. The trend also highlights an important strategic question facing the global reinsurance market. As capital continues to accumulate, reinsurers must determine how to deploy an increasingly large capital base without materially weakening underwriting returns. Companies can expand their reinsurance portfolios, increase allocations to primary and specialty

Exhibit 5

CAT PML as a % of Available Capital



Source: AM Best data and research

insurance businesses, pursue acquisitions, return capital to shareholders, or maintain additional capital buffers. The appropriate balance among these options will increasingly influence the competitive dynamics of the global reinsurance market.

It is important to note as well that these trends are somewhat divergent when looking at certain markets. The European Big Four catastrophe PML risk budgets have been at an all-time low since 2016 while the US & Bermuda market has been deploying a bit more in recent years. Since 2022, the European Big Four's catastrophe PML risk budget has declined by approximately 9 percentage points, while the US & Bermuda risk budget has increased by approximately 2.5 percentage points. Therefore, there appears to be some diverging appetites among various markets **(Exhibit 5).**

A Market With More Capital Than Risk Growth

The global reinsurance market entered 2026 with record nominal capital and its highest level of excess capital in dollar terms. Traditional reinsurance capital and third-party capital have both reached record levels, while capital utilization has continued to improve. At the same time, required capital and catastrophe PML exposure have remained relatively stable. Taken together, these trends indicate that capital has accumulated faster than the underlying risks being supported by the industry.

AM Best expects similar underwriting and investment returns in 2026 as was experienced in 2025 while anticipating modest increases in share repurchases/dividends and potential volatility surrounding geopolitical and macroeconomic uncertainty. This results in a projected growth rate of roughly 6.3% in 2026, slightly lower than the prior year. This projection could be revised due to a more active hurricane season or further geopolitical developments.

The resulting capital buffers provide the global reinsurance market with substantial capacity to absorb volatility and respond to future demand from cedents. However, the continued accumulation of capital will also increase pressure on reinsurers to identify attractive opportunities for deployment. If demand for reinsurance capacity and underlying risk exposure fail to grow at a similar pace, competitive pressures could increase as companies seek to generate adequate returns on increasingly large capital bases.

The next phase of the market cycle may therefore be defined less by the availability of capital and more by how effectively reinsurers deploy it. Maintaining underwriting discipline while managing growing capital positions will be increasingly important as reinsurers balance growth opportunities, shareholder distributions, strategic diversification, and the need to maintain sufficient capital buffers against future volatility.

The industry enters this period from a position of considerable strength. Strong earnings generation, record capital levels, stable risk requirements, and declining catastrophe risk budgets have created substantial financial flexibility across the global reinsurance market. How reinsurers choose to use that flexibility may become one of the defining issues for the market over the next several years.

How We Calculate Total Dedicated Capacity

To calculate the amount of dedicated capacity, we analyze the available capital, net required capital, and resulting BCAR scores of the leading reinsurers. To adjust for organizations that provide capacity in both primary and reinsurance markets, we apply a haircut based on a split of the company's business, based on net premiums earned. The haircuts for all companies are then consolidated and grossed up by 10% to account for organizations that are not in the group. The consolidation of these figures results in AM Best's estimate of traditional reinsurance capital, which we then combine with Guy Carpenter's estimate of third-party capital, for total global reinsurance market capital.

AM Best also estimates excess capital in the market. The calculation of excess capital is similar to that of traditional reinsurance capital, the difference being that BCARs incorporate the impact of a catastrophic event at the company level. We then make the same haircut, consolidation, and gross-up adjustments to the catastrophe-stressed BCARs. The consolidated figures are then examined to determine how much available capital must decline before the market's BCAR score falls below 25%, the strongest BCAR measure in AM Best's criteria.

Reinsurers' Returns Exceed Cost of Capital Despite Softening Market

Durable program changes have raised the floor for ROE the past three years

Principal Takeaways

- Reinsurers met their cost of capital for the third year in a row, as changes to program structures have insulated them from global catastrophe loss trends.
- Higher cost of equity raised cost of capital, despite lower interest rates.
- Reinsurers that balance long-term strategies with effective tactical decisions and sound risk management can meet or exceed return expectations.

Sound risk management, strategic use of technology, and a maturing partnership with alternative capital have subdued the cyclical nature of the reinsurance market by narrowing the extremes. To meet or go above the cost of capital, reinsurers must remain flexible with regard to market conditions and balance opportunistic moves (taking advantage of market conditions and retreating when pricing is not right) over the short term with strategic long-term goals (maintaining relationships, building expertise, and being relevant and dependable over the long run).

While slightly lower interest rates in 2025 brought down the cost of debt, the cost of equity remained high. The reinsurance industry's weighted average cost of capital has been somewhat volatile over the past decade and increased to 8.23% in 2025 from 7.67% in 2024. It rose further in the first quarter of 2026, to 8.63%. For the third year in a row, reinsurers generated returns well above the cost of capital due to positive underwriting results driven by repricing and de-risking of reinsurance portfolios. Returns were even higher in the first quarter of 2026.

After years of a hard market, high levels of capital and capacity in the global reinsurance market are driving a softening trend, which accelerated in 2026. Guy Carpenter calculated a 12% decrease in Rate-On-Line (ROL) as of January 1, 2026, for global property catastrophe reinsurers and 16% after mid-year June/July renewals. This comes on the heels of a 6.6% decrease in 2025, after several years of consistent rate increases, including nearly 30% in 2023. The 16% decline in mid-year renewal pricing, driven by the profitability reinsurers have enjoyed on the property business, is the steepest in decades and greater than any from the previous soft market of the 2010s. Still, rates are up almost 40% from 2017, when the market began hardening last. Reinsurers have also implemented thorough de-risking measures, such as tightened terms and conditions and a sharp increase in attachment points, which have proven durable despite the softening market. While there have been changes to broaden policy wording and narrow exclusions in response to competitive pressure, these changes typically have a lesser impact than more substantive structural changes to reinsurance programs.

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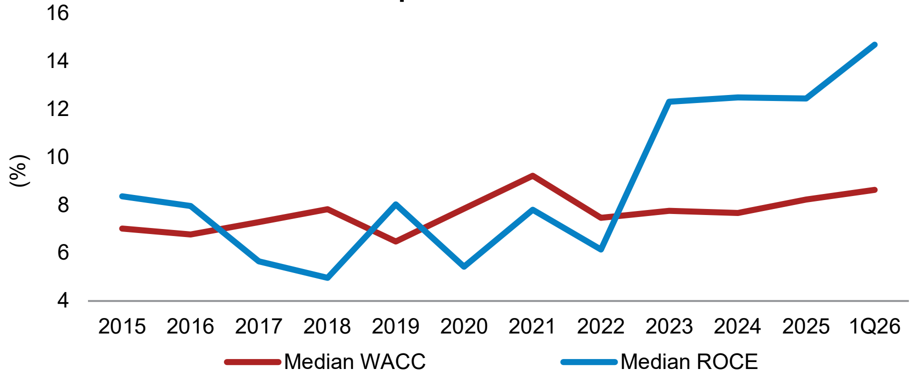
Program Changes Lead to Sustained High Returns

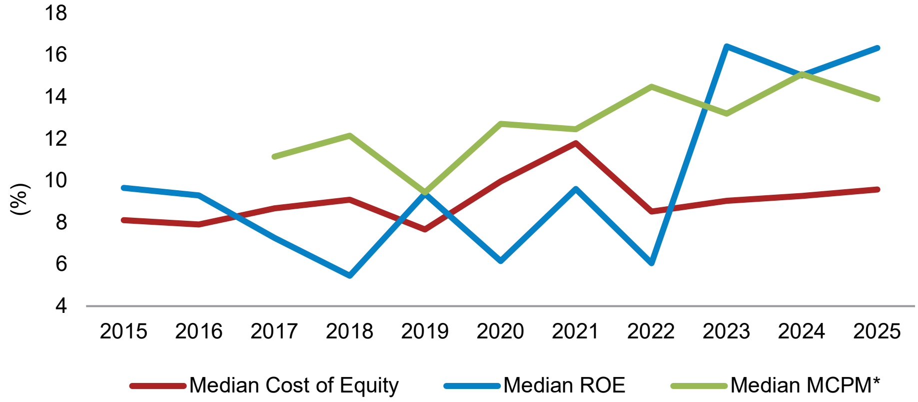
For reinsurers that take on high severity risks, meeting their cost of capital during years of severe catastrophe losses has historically been a challenge. In recent years, reinsurers have found ways to insulate themselves from the worst of ever-increasing catastrophe losses (**Exhibit 1a**), which can be seen when comparing the median return on capital employed (ROCE) and the median weighted average cost of capital (WACC). WACC measures a company's cost of both debt and equity, whereby the weights are the relative proportion of financing based in each source. ROCE measures how well a company generates profits from its capital, including both debt and equity. ROCE is calculated by dividing earnings before interest and taxes (EBIT) by capital employed, whereby capital employed is equal to total assets minus current liabilities.

Exhibit 1a
Reinsurers' Median ROCE Compared to Median WACC



Source: Bloomberg

Exhibit 1b
Reinsurers' Median ROE Compared to Median Cost of Equity



* MCPM is based on a smaller sample size and has limited years due to availability of data

Source: Bloomberg

The years when returns exceed the cost of capital are generally the ones with a lower frequency and severity of natural disasters. However, higher attachment points have allowed reinsurers to weather the increased frequency and severity of secondary perils. According to Swiss Re, global insured losses due to natural catastrophes once again exceeded USD 100 billion. Of this, severe convective storms generated more than USD 50 billion. With such a high proportion of losses due to smaller- and medium-sized events, most of the impact was retained by primary insurers.

Reinsurers met the cost of capital again in 2025, with returns continuing on a similar level as the new standard set in 2023. The median return on equity (ROE) also exceeded the cost of equity (**Exhibit 1b**). ROE is another measure of how efficiently a company generates profits. Unlike ROCE, ROE does not take debt into account—it is calculated by dividing net income by average shareholders' equity.

Most reinsurance players had exceptional returns in 2025, with a median of 16.34%—only marginally lower than the previous record-setting returns of 2023. While natural catastrophe losses have been increasing in recent years, 2025 had lower losses than expected. Reinsurers have adapted to the new status quo of higher CAT losses, and the relatively benign year allowed for very high returns that are unlikely to be repeated. However, the terms and conditions put in place after 2023 renewals are proving durable, and reinsurers are expected to maintain underwriting discipline and remain profitable in the near term.

Reinsurers have also benefited from high interest rates and continue to do so even as some central banks begin an easing cycle. Current bond yields remain above those of longer-dated bonds, and reinsurers steadily increase investment income by reinvesting as they mature. The future of interest rates is unclear, but reinsurers are positioned to earn relatively elevated levels of interest income for several more years, even if headline rates are lower.

MCPM Suggests Higher Cost of Capital

There are multiple methods used to estimate the cost of equity, the most popular of which is the Capital Asset Pricing Model (CAPM). The CAPM divides risk into systematic risk (the risk of being in the market) and unsystematic risk. Systematic risk is measured by beta, a portfolio's relationship to the overall market, and cannot be diversified. Unsystematic risk is specific to a company's fortunes and can be mitigated through appropriate diversification, making beta the more important factor in the CAPM. However, the cost of debt is simple to calculate: averaging the yield to maturity for a company's outstanding debt.

By contrast, the Market-Derived Capital Pricing Model (MCPM) uses the price of options rather than historical data to estimate future volatility. MCPM relies on the same forward-looking market expectations that are built into a company's stock price. The use of pricing data also makes the MCPM more responsive to current market conditions, making it more volatile but also potentially providing a more accurate figure for firms to use when making decisions about capital allocations.

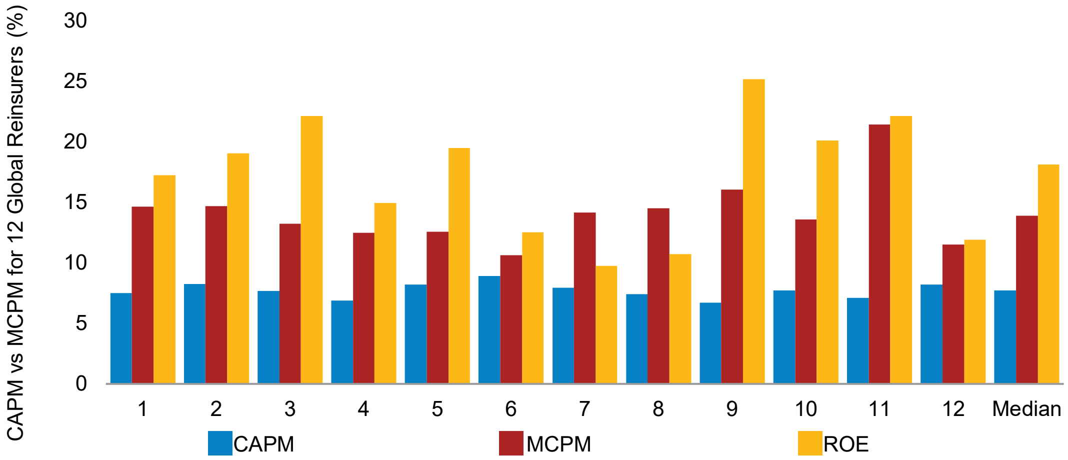
For global reinsurers for which options data was available, the MCPM cost of capital differed markedly from the CAPM derived cost of capital (**Exhibit 2**). The median cost of capital derived using CAPM for these reinsurers was 7.7%, versus the MCPM's 13.9%. The majority of these reinsurers were still able to meet their cost of capital thanks to high ROEs but with a much narrower margin.

Floor For Returns Has Risen Across the Industry

Since 2017, at the end of the last soft market, through 2022 (with the exception of 2019), the majority of reinsurers had returns below the median weighted average cost of capital (**Exhibit 3**). Generally, in years when losses were more severe, the variance in the spread of returns was wider. For example, in 2019, when insured losses were relatively low, reinsurers' returns ranged from 3% to 17%. In 2022, a year with over twice the insured losses from natural catastrophes, returns ranged from -15% to 15%. The trend changed in 2023, when reinsurers took strong action to improve returns. The year 2023

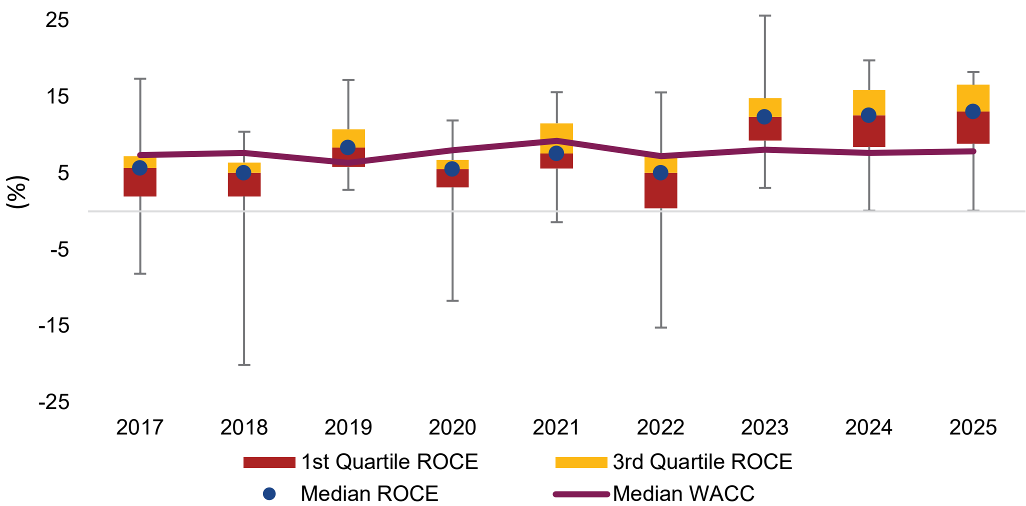
Exhibit 2

Reinsurers' YE 2025 - ROE vs. Cost of Capital Using CAPM and MCPM



Source: Bloomberg

Exhibit 3
Reinsurers – ROCE Dispersion



Source: Bloomberg

was an exception to the trend of higher variation being caused by higher losses (a significant amount of secondary perils), when the wider spread was due instead to a few exceptional returns, with the minimum being 3% and the maximum being 25%. Despite high catastrophe losses in recent years, de-risking measures and pricing increases have mitigated this dispersion and maintained a higher floor for returns—and the majority of reinsurers' returns are now above the median WACC.

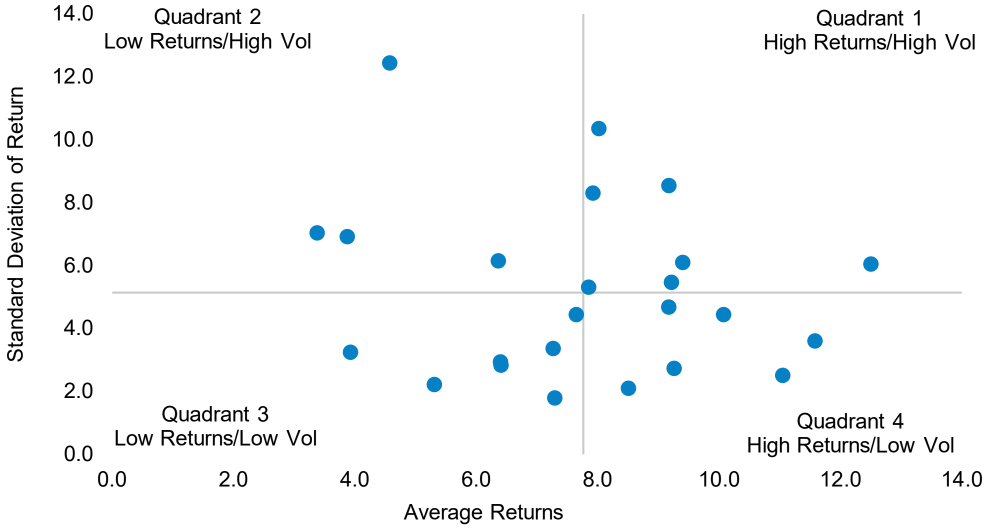
Reinsurers in the first quartile of ROCE experienced more volatility in difficult years due to less effective risk management and exposures to risk outside investors' risk appetite. In contrast, reinsurers in the third quartile tend to focus on effective risk management and diversification. They are more likely to see a narrower spread of returns, often meeting or exceeding the cost of capital. These reinsurers do a much better job of communicating their risk profiles to investors.

Managing Risk/Return Trade-Off Impacts Cost of Capital

Reinsurers look to optimize their cost of capital and maximize their returns while taking risks commensurate with their risk appetites. Significant volatility in returns can indicate inefficiencies with regard to managing risk, resulting in a higher cost of capital. **Exhibit 4** lists 24 reinsurers and their returns. Reinsurers in Quadrant 1 generate higher-than-average returns with higher-than-average volatility. Reinsurers in Quadrant 4 achieve high returns with low volatility, indicating consistent high performance. Reinsurers in Quadrant 3 generate lower-than-average returns with low volatility, and those in Quadrant 2 generate lower-than-average returns with higher volatility, resulting in an increased cost of capital.

An insurer's ability to raise capital (especially in times of stress) and the potential cost of capital are important considerations in the ratings process. When assessing operating performance, we look at an insurer's returns in comparison to its peers and vis-à-vis cost of capital, as well as its comparative returns on revenue, combined ratio, return on assets, and underwriting expenses. We also examine the absolute level of these metrics and their historic volatility.

Exhibit 4
Average Returns vs. Volatility of Returns



Source: Bloomberg

Recordbreaking Cat Bond Issuance in First Half of 2026; ILS Capacity Experiences Rate Softening at Renewals

ILS capacity continues to reach new heights, fueled by recordbreaking cat bond issuances

Principal Takeaways

- Cat bond issuance broke the record for the first six months of the calendar year.
- Total ILS market capacity remains at all-time high.
- ILS market pricing and returns reflect the downward trend observed in the broader reinsurance market.

The record cat bond issuance in the first half of 2026 exemplifies broader reinsurance market dynamics observed at the mid-year renewals. Cat bond deals, like many traditional reinsurance deals, were routinely oversubscribed. After three consecutive years of stellar ILS and reinsurance market returns, capacity providers are flush with capital, more than they can hope to prudently deploy. By underwriting and restructuring reinsurance deals at the onset of the hard market in 2023, capacity providers positioned themselves so that no cat events in the past three years have been able to dent their large buildup of retained earnings. With the first half of 2026 sustaining the lowest level of insured cat losses in five years, the traditional and ILS reinsurance capital base further expanded by mid-year.

Market participants cite the growth in the ILS market as one driver of the softer reinsurance pricing during the mid-year renewals. The growth rate of the ILS market has exceeded the growth rate of traditional reinsurance dedicated capital. But the absolute dollar value increase in the traditional market still exceeds the ILS market growth by a wide margin. Traditional reinsurers can leverage their capital base, further amplifying the impact of the additional capital in that segment, but most ILS capital needs to match risk dollar for dollar. While the abundant capacity in the ILS market contributes to the overall softening of the market, the deployment of traditional reinsurance capacity is still more impactful.

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Further Softening of Property Cat Pricing at Mid-Year Renewals

Mid-year 2026 property catastrophe renewals reflected another orderly and increasingly buyer-friendly season, supported by abundant traditional and ILS reinsurance capital. Market capacity readily met or exceeded cedents' demand for reinsurance. The supply of capital was estimated to have surpassed demand by over 25%, driving further declines in reinsurance pricing. Capacity providers find market conditions attractive and are willing to accept lower prices for the risks they are assuming. Guy Carpenter estimates a year-to-date 16% decrease in their Global Property Catastrophe Rate-on-Line Index through July 1, 2026. Property catastrophe reinsurance pricing for June 1 renewals, which centers on Florida, saw a reduction of 15%-20% in general on a risk-adjusted basis, which follows broad rate decreases experienced in 2025 renewals.

Terms and conditions (T&C) have remained generally stable as capacity providers stave off increasing pressure to soften them. Signs of initial softening of T&C include the greater availability of coverages that became very scarce with the onset of the hard market in 2023. US insurers, for example, explored and secured several new supplemental coverages, including aggregate excess-of-loss coverage and subsequent event coverage, continuing a trend that emerged during the January 1, 2026, renewals. Coverage for all natural perils has also become more available. US reinsurance placements further demonstrate greater cedent buying power because of the high degree of coverage alignment achieved over the past two renewal seasons by removing instances of non-concurrent terms.

Overall, cedents placed more coverage in the market as increasing demand met abundant supply of capacity. Larger reinsurance buyers in some cases were able to use their market power to obtain broader coverage such as aggregate cover for frequency risks. For other cedents, frequency protection remained scarce in the traditional reinsurance market and demand for parametric solutions to plug gaps rose across multiple regions.

Catastrophe loss activity in 2026 has remained relatively manageable, with attention now on the North Atlantic hurricane season. The key question heading into the January 2027 renewals is no longer whether market conditions will remain favorable for buyers, but rather the extent of further pricing adjustments, assuming catastrophe loss activity remains relatively benign throughout the rest of the year.

Lower Industry Insured Cat Losses Offer Rare Reprieve

Munich Re estimates that insured losses from natural disasters during the first six months of 2026 reached USD 44 billion. Severe convective storms (SCS) contributed USD 22 billion, which is much less than in recent years. Notably, this decline occurred even though tornado and hail activity was within expected ranges for the period, per Munich Re, suggesting the lower losses may reflect favorable event geography and severity rather than reduced storm activity.

US primary insurers stand to benefit the most from the lower SCS losses because they have borne the brunt of SCS losses in recent years since reinsurers increased attachment points. Attachment points have largely held firm, but as traditional and ILS capacity continues to build there will be more pressure to attach at lower levels. The results of the mid-year renewals suggest an uptick in willingness of capacity providers to cover more frequency risk. Primary insurers are in a stronger position than they were three years ago because of improvements in profitability and surplus growth, so their demand for reinsurance has not grown at the same rate as reinsurance capacity supply. Given that the first half of the year experienced more benign SCS losses and the peak SCS season has largely passed, the full year 2026 SCS losses might end up below historical averages. A year of lower SCS loss volume, all else being equal, will allow further primary insurer capital growth and put additional pressure on capacity demand, which may prompt reductions in attachment points.

Two large earthquakes in Venezuela were severe enough to cause thousands of fatalities and significant economic losses. But due to low insurance penetration, they only accounted for close to USD 1 billion of insured losses, as estimated by Munich Re. In general, ILS capacity providers have an appetite for peak risks like earthquakes, but an established primary market to funnel risk into the capital markets is likely required, along with sound peril modeling and quality exposure data.

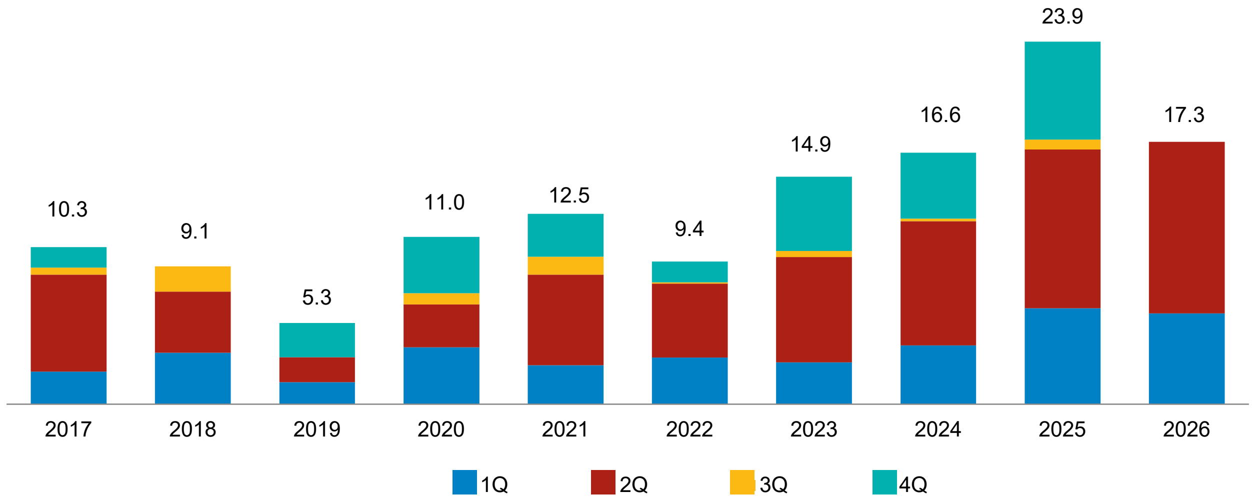
Another Recordbreaking First Half for Cat Bond Issuance

The 144A property cat bond market broke another issuance record for the first half of the year (**Exhibit 1**), with USD 17.3 billion of total issuance. High volume of maturing cat bond capital and

Exhibit 1

144A Property Cat Bond Issuance by Quarter

(USD billions)



Yearly total of issuance above column.
Sources: Artemis, AM Best data and research

retained earnings were redeployed into current year issuances, as new capital also flowed into the market, driving issuance to another first half record. Second quarter 2026 issuance of USD 11.3 billion broke the record for quarterly issuance previously set in the second quarter of 2025. For perspective, the 2Q 2026 issuance was larger than total annual issuance for most of the history of the cat bond market, which demonstrates the rapid growth the market has experienced in recent years.

Exhibit 2

Change in Size from Initial Guidance

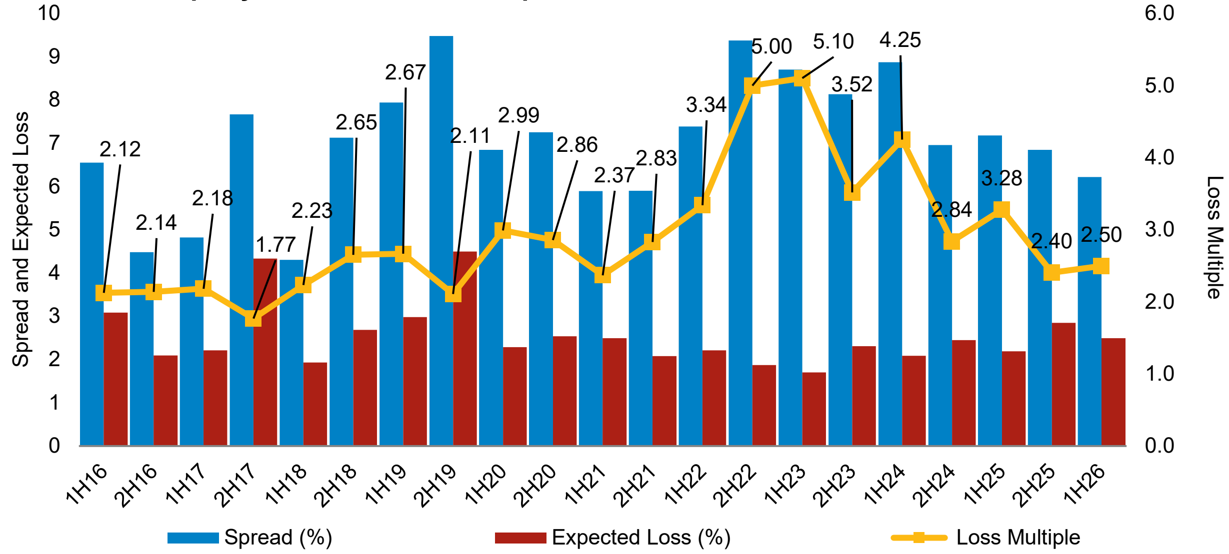
	Target Issuance (USD billions)	Final Issuance (USD billions)	Change in Size %
2022	7.9	9.3	18.2
2023	10.3	14.5	40.3
2024	11.2	15.5	38.1
2025	18.3	23.9	30.8
2026 1H	14.4	17.3	19.8

Note: For 144A cat bond tranches with available initial target size and pricing guidance; therefore, final issuance might differ from the numbers in Exhibit 1.
Sources: Artemis, AM Best data and research

Cat bonds continued to upsize during the first half of 2026 and the significant difference between the final issuance size and the target issuance size demonstrates that investors continue to have ample capital to deploy. The final issuance size closed 19.8% higher than the target issuance size (**Exhibit 2**), which is lower than the average upsizing above 30% observed from 2023 to 2025. Even though the increase is not as large as it was in prior years, sponsors have confidence in tapping the capital markets to transfer risk, and the investors believe the underlying risk covered by the bonds, as well as the pricing of the bond, are both attractive.

While most cat bond issuances are single tranche, in 2026 we observe the continuation of the upward trend in the percentage of issuances offering more than one tranche. Sponsors have increasingly used multi-tranche structures (splitting a single cat bond deal into multiple distinct risk categories) to optimize capacity. This structuring approach has allowed sponsors to benefit from downward pricing pressure to achieve strong execution at the lowest end of pricing guidance and to fill specific gaps in reinsurance towers.

Exhibit 3
ILS – 144A Property Cat Bond Loss Multiple, 1H16-1H26



Sources: Artemis, AM Best data and research

Cat Bond Loss Multiples Continue Downward Trend

The 144A property cat bond weighted average loss multiple (ratio of spread to expected loss) continued to tighten in the first half of 2026 compared to the same period in the prior two years (**Exhibit 3**). The lower loss multiple is further evidence of abundant investor capital and investor willingness to accept a lower premium for the risk. The weighted average spread fell 96 basis points as weighted average expected loss drifted higher by 30 basis points compared to the cohort of cat bonds issued in the first half of 2025. The general upward trend in the expected loss reflects growth in exposure, higher modeled losses, and attachment points that have not risen commensurately.

Sponsor Type Shifting Toward Large-Sized US Domestic Insurers

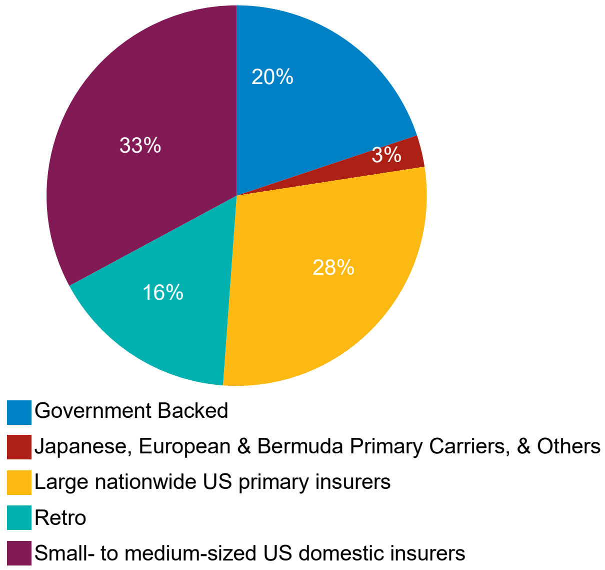
As cat bond pricing has softened, the large national carriers are issuing cat bonds to lock in pricing for multiple years. Their cat exposures have risen in recent years, generating higher demand for reinsurance capacity. US primary insurers comprised most of the issuance volume in the first half of the year, with a notable year-over-year rise in issuance by large national insurers (**Exhibit 4**) These insurers typically have the scale, diversified portfolios, and recurring cat exposures needed to support regular issuance, allowing them to complement traditional reinsurance with multiyear, fully collateralized protection. Many of the large national US insurers are perennial cat bond issuers with a long track record of issuance.

Issuance by small to mid-size US domestic carriers comprises roughly one third of the market. Like their larger counterparts, their cat exposure has also grown. Given their more limited geographic footprint, their exposures tend to be concentrated in a few states.

As an example, the Florida take-out companies have concentrated exposure for which they have been tapping the cat bond market to cover. The takeout companies have taken on more exposure resulting from the depopulation efforts of Citizens Property Insurance Corporation. Multiple takeout transactions expanded insurers' catastrophe exposures, increasing their need for cat bond protection to support capital and diversify risk transfer. Citizens' policy count shrank from above 1.4 million at its peak in September 2023 to below 300,000 in June 2026, with many policies flowing to newly formed takeout companies. Strong ILS investor appetite enabled the market to absorb this increased demand.

Lower cat bond pricing encouraged more Florida insurers participating in Citizens' takeouts to use the capital markets along with traditional reinsurance, benefiting from multiyear protection and diversified sources of capacity.

Exhibit 4
2026 1H 144A Property Cat Bonds Issuance by Sponsor Type



Sources: Artemis, AM Best data and research

Notable Deals

The record 144A property cat bond issuance of the first half of 2026 included various notable placements, including many issuances by new sponsors and some very large issuances.

Two perennial sponsors each placed more than USD 1 billion limit in the cat bond market, even if the limit was spread across a few issuance series. State Farm sponsored USD 1.5 billion of issuance from Merna RE Enterprise II Ltd. (Series 2026-1). Allstate sponsored USD 1.4 billion split across separate series issued by Sanders Re III Ltd. and Sanders Re IV Ltd.

Additionally, the cat bond market saw a significant number of new sponsors making their debut issuances. In some cases, those new sponsors even brought diversifying perils to market. First-time sponsors accounted for eleven new issuances in market during the first half of the year, up from nine first-timers in the first half of 2025.

Integral Reinsurance Ltd. placed USD 275 million with its Windrose Re Ltd. (Series 2026-1). The bond provides retrocessional cover for US named storms. This was the largest issuance by a new entrant.

Kyrgyz Republic and Tajikistan Republic offered their first cat bonds through the Asian Development Bank, with two transactions seeking protection for earthquake and extreme precipitation. Kyrgyz Republic and Tajikistan Republic each sponsored USD 80 million.

Gothaer Allgemeine Versicherungs entered the cat bond market with its EUR 100 million Yardstick Re DAC (Series 2026-1) issuance. This bond covers flood losses in Germany on an indemnity basis.

ILS Capacity Continues to Grow

ILS capacity continues to reach new heights, fueled by recordbreaking cat bond issuances. Guy Carpenter and AM Best firmed up their estimate of ILS capacity at year-end 2025 to USD 123 billion and project continued growth through 2026. In the first half of 2026, 144A property cat bond issuances reached USD 17.3 billion and exceeded the volume of maturing bonds, driving the outstanding size of that segment to approximately USD 64 billion by mid-year. Investor appetite for 144A property cat bonds remain robust and capacity has been building for several years from retained earnings. There have been no cat events large enough to materially erode the risk-remote reinsurance layers covered by cat bonds and high spreads and collateral yields generate earnings that have been reinvested in the market. The cat bond market has expanded avenues by which investors can participate, which facilitates growth in capacity. UCITS (Undertakings for Collective Investment in Transferable Securities) funds have been prominent sources of cat bond capacity in recent periods.

Precise estimation of the ILS capital in the various segments besides 144A cat bonds is difficult, so the mid-year 2026 estimates for the remaining segments are presented below as ranges. The property and casualty sidecar market is the other ILS segment that has grown prominently in the past few years. The size of the sidecar market is estimated to be between USD 17 billion and 19 billion. Historically, most sidecar capacity has been used to assume property catastrophe risk and that is still true. Property cat sidecars provided additional capacity for (re)insurers to grow into the recent hard market. There will likely be less growth in property cat sidecars in the near term as the property cat market softens and the underlying pricing weakens, reducing the return potential for ILS investors. However, more sidecars devoted to casualty risk have been coming online in recent years.

Casualty sidecars are poised for further growth. Casualty sidecars may offer an additional investment-income component because collateral is held for longer periods. Nevertheless, returns remain sensitive to underwriting pricing, reserve development, liability duration and asset-liability liquidity; higher investment yields do not eliminate the need for adequate pricing of the underlying risk.

Appetite for US casualty risk varies, with some capacity providers attracted to the insurance float and improvements in underlying pricing, while others remain wary of the challenging loss severity trends. Some ILS capacity providers fall into the former category and have been capitalizing sidecars to gain access to casualty risk, a trend that has continued in 2026. The total capital in casualty sidecars is still relatively small compared to the broader reinsurance market, but further growth in capacity is likely. As this segment grows, it may exert downward pressure on casualty reinsurance pricing at future renewals.

Collateralized reinsurance is estimated to comprise USD 37 billion to USD 41 billion. This segment has not experienced the growth that cat bonds and sidecars have experienced in recent years. ILS managers believe this market may see more growth in the future because of greater flexibility in structure, modeling, and perils. As noted elsewhere in this report, the cat bond market in particular is still dominated heavily by US wind risk, so there may be greater potential for peril diversification in the private collateralized reinsurance market.

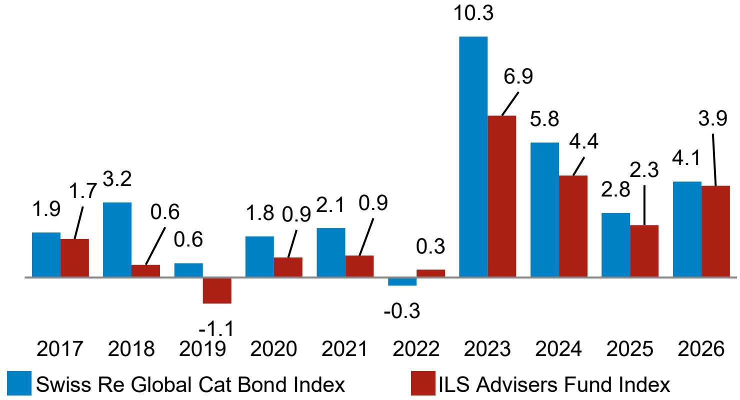
Industry loss warranty (ILW) capacity is estimated at USD 3 to 5 billion. Ultimate net loss indemnity retrocession coverage has become more available recently and, therefore, there has been less demand for ILWs.

P/C ILS capacity is rounded out by USD 2 to 3 billion from a collection of other types of deals, including private cat bonds, 144A cyber cat bonds and other smaller or one-off deals.

ILS Market Returns

2026 YTD ILS market returns as of the end of June 2026 are a bit higher than 2025 YTD ILS returns as of June 2025. The Swiss Re Global Cat Bond Index returns increased from 2.8% to 4.1%. The ILS Advisers Index returns increased from 2.3% to 3.9%. There is a lot of stability in the 2026 YTD returns as the monthly returns are very

Exhibit 5
Semi-Annual (January-June) Returns, 2017-2026 (%)



Sources: Bloomberg, ILS Advisers (reported as of July 30, 2026) similar in both referenced indices. The 2025 returns for the same time period were a bit lower due to the California wildfires (**Exhibit 5**).

In general, the reduction in the ILS market returns result from spread tightening and lower collateral yields compared to 2023 levels, rather than cat event loss impact. The record high influx of capital has led to supply exceeding demand and a softening in the market and a compression in returns.

However, expected loss numbers for 144A Cat Bonds have increased compared to prior periods, which reflects higher exposure to loss. If losses rise, returns will compress further in 2026. At that point, investors may become more judicious in how they allocate capital in the market and may be more prone to focusing on specific risk profiles that are attractive to them.

Taken together, record cat bond issuance, record ILS capacity, and softer, though still positive, YTD returns reflect the same abundant-capital dynamic that has driven mid-year pricing lower across the reinsurance market. With attachment points facing renewed pressure and expected loss levels drifting upward, the trajectory into the January 2027 renewals will depend heavily on whether the remainder of the North Atlantic hurricane season stays benign.

Casualty Sidecars Transfer the Risk, But Not Always the Tail

As casualty sidecars grow, every sponsor faces the same question: has the ceded risk truly left the balance sheet? AM Best's tail risk analysis answers it

Principal Takeaways

- Disclosed capital from casualty sidecars announced since 2024 has surpassed USD 2 billion, and casualty vehicles have driven much of the segment's recent growth.
- The impact of inflation, litigation trends, and the credit cycle on casualty business draws an investor base different from traditional property catastrophe insurance-linked securities.
- Because casualty sidecars are generally not collateralized to full limits, sponsors may remain exposed to adverse loss development beyond the vehicle's capital. AM Best refers to this residual exposure as tail risk.
- AM Best charges the sponsor with the largest capital shortfall projected over the sidecar's remaining life, based on projected annual BCARs, with required capital set at VaR levels consistent with the cedent's rating.
- Casualty's decade-plus payout tail has spawned a variety of exit mechanisms, and each one determines who ends up holding the tail.

Casualty Sidecars in the ILS Market

The insurance-linked securities (ILS) market entered 2026 at record scale. Guy Carpenter and AM Best estimate dedicated reinsurance capital at a record USD 663 billion for 2025, comprising of USD 540 billion of traditional capital and USD 123 billion of alternative capital. Total reinsurance capital is projected to reach USD 705 billion by year-end 2026, with alternative capital expected to grow about 6% to a record USD 130 billion.

Record catastrophe bond issuance drove much of the 2025 growth and lifted catastrophe bonds to nearly half of the alternative capital total. Issuance in the first half of 2026 set another record, and catastrophe bonds are expected to remain a major contributor to ILS capacity growth this year. Sidecar capacity appears to be growing as well, although it is notoriously hard to pinpoint because many placements are private and deal sizes often go undisclosed. AM Best broadly estimates the current combined property and casualty sidecar market at USD 17 billion to USD 19 billion.

The search for diversifying risks is a long-standing theme in the ILS market, one that predates the current pricing cycle and is visible in the development of cyber catastrophe bonds alongside growing interest in casualty. Softening property catastrophe pricing has contributed, but casualty was drawing capital before property prices turned.

Casualty lines remain under heightened scrutiny across the reinsurance segment after several years of adverse loss development and persistent concerns about social inflation, litigation trends, and a changing legal environment. Certain capital market participants continue to view the risk as attractive. They are drawn by the economics of casualty float. Premium collected up front is held as reserves for many years before claims are paid, earning investment income at current

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2026-107

interest rates and producing returns that compare favorably with private credit. The long payout tail also draws a largely different investor base than catastrophe risk. Private credit platforms, insurance-focused private capital, family offices, and sovereign wealth funds have backed the recent vehicles, seeking diversification from their credit books rather than from catastrophe portfolios. The arrangements also let reinsurers write more casualty business than their own capital alone would support.

The announced transactions show the size of this market. Casualty sidecars launched from 2024 through year-end 2025 carried nearly USD 1.5 billion of disclosed capital, and the completion of George Street Re in January 2026 took the running total past USD 2 billion (**Exhibit 1**). The tally excludes vehicles with undisclosed capital, capital still to be deployed, and announced commitments such as the capital Everest expects to deploy through Annapurna Re. Aon Securities has pointed to casualty and other non-catastrophe vehicles as a key driver of the sidecar market's recent growth and expects additional transactions in 2026.

Exhibit 1 shows the increasing pace of casualty sidecar launches. Starwind Specialty's Fractal Re raised USD 270 million in 2024 with an embedded exit option. In 2025, Ascot Group and Antares Capital launched the USD 500 million Wayfare Re; Ryan Specialty and Axis Capital raised approximately USD 400 million for Ryan Alternative Capital Re; and Enstar launched the USD 300 million Scaur Hill Re. The pace continued into 2026. QBE Re completed its debut casualty sidecar, George Street Re, at more than USD 550 million in January. Hamilton Insurance Group established a casualty sidecar with Sixth Street in April. Everest, with Stone Point as lead investor, announced Annapurna Re in June, expected to deploy approximately USD 600 million of third-party capital over a three-year underwriting period. In several of these structures the investors also run the asset strategy, so the collateral account becomes a second source of return alongside the underwriting result (Sixth Street, for example, provides both the capital and the asset management for Hamilton's vehicle).

The Loss Environment

US general liability and commercial auto, the very lines attracting ILS capital, carry Negative outlooks from AM Best, and the loss environment behind those outlooks persists. Commercial auto combined

Exhibit 1

Notable Casualty Sidecar Launches, 2024 to First-Half 2026

Vehicle	Sponsor / Cedent	Announced	Capital (USD)	Exit Features (Disclosed)
Fractal Re Ltd.	Starwind Specialty	2024	270 million	Enstar Forward Exit Option: novation at pre-defined pricing after a set period
Wayfare Re	Ascot Group / Antares Capital	2025	500 million	Not disclosed
Ryan Alternative Capital Re, Ltd.	Ryan Specialty / Axis Capital	2025	~400 million	Not disclosed
Scaur Hill Re Ltd.	Enstar Group	2025	300 million	Optional commutation at year 7; mandatory exit at year 10; pre-specified pricing
George Street Re	QBE Re	Jan. 2026	>550 million	Legacy specialist (Compre) embedded in investor base; forward exit mechanisms for other capital providers
Hamilton casualty sidecar	Hamilton Insurance Group	Apr. 2026	Undisclosed (~300 million expected ceded premium)	Not disclosed
Annapurna Re Ltd.	Everest Group	Jun. 2026	~600 million expected	Not disclosed; three-year underwriting period

Sources: Company announcements, Artemis, AM Best data and research ratios have exceeded 100% in every year since 2014 except 2021. According to Marathon Strategies' annual study, nuclear verdicts rose 52% in 2024 to 135, with awards exceeding USD 31 billion. Litigation funding continues to extend claim duration and severity. First-quarter 2026 results show the gap between headline profitability and accident-year adequacy: the US property/casualty industry posted a 92.0% combined ratio, but AM Best's accident-year measure was 96.6% after excluding USD 10.9 billion of favorable prior-period reserve development.

New capacity is arriving as casualty reinsurance pricing holds firmer than property. Gallagher Re reported US casualty excess-of-loss pricing broadly flat on a risk-adjusted basis at the January renewals, and Guy Carpenter described mid-year casualty outcomes as nuanced, varying with loss experience. Guy Carpenter's renewal analyses also show cumulative US casualty rate increases outpacing loss trend meaningfully since 2019, a point often cited in support of the investor thesis. Whether recent pricing holds up against social inflation is still in question, and many traditional underwriters looking at the same portfolios remain worried about claim severity. Liberty Mutual, for example, said in reporting its second-quarter results that casualty is the exception where rates continue to rise but not yet to adequate levels.

The question for AM Best and sidecar sponsors is whether the ceded risk has truly left the balance sheet.

The Exit Problem

Casualty reserves can continue to develop for a decade or more after the underwriting period closes, so the economic duration of a casualty sidecar extends well past its stated life. **Exhibit 2**, which shows the Schedule P payout patterns for select casualty lines, illustrates this point. Private passenger auto liability pays 90% of an accident year's losses within about four years, but the commercial lines being ceded to sidecars take far longer. Other liability written on an occurrence basis takes nearly thirteen years to reach the 90% mark, products liability takes eleven to thirteen years depending on the coverage trigger, and workers' compensation is still short of 90% after fifteen years. Therefore, a three-year underwriting period ceded to a casualty sidecar, for example, does not say much about how long the exposure to adverse development actually lasts.

Institutional investors, including the private capital involved in establishing these vehicles, generally require a defined path to liquidity. Transactions have started to converge on an exit term of about seven years. Culpeper Capital (one of the lead investors in George Street Re) has pointed to a degree of standardization around that time horizon, since reserves need to be reasonably seasoned before an exit valuation is credible. Enstar (developer of the Forward Exit Option described below) has noted that a pre-defined exit makes it easier for investors with seven- to ten-year horizons to commit to these structures. AM Best notes that the year-seven checkpoint arrives before most of the liability lines in Exhibit 2 have paid 90% of an accident

Exhibit 2

Approximate Years to 90% of Accident-Year Payout, Select Schedule P Casualty Lines

Schedule P Line of Business	Years to 90% Paid
Private Passenger Auto Liability/Medical	3.7
Commercial Auto/Truck Liability/Medical	5.3
Medical Professional Liability (Claims-Made)	7.1
Other Liability (Claims-Made)	8.7
Medical Professional Liability (Occurrence)	11.2
Products Liability (Claims-Made)	11.2
Products Liability (Occurrence)	12.5
Other Liability (Occurrence)	12.8
Reinsurance (Nonproportional Assumed Liability)	14.8
Workers' Compensation	15+

Cumulative net loss and defense and cost containment (DCC) expenses paid, interpolated between reporting years.
Workers' compensation shown as 15+ because the payout pattern is truncated at year 16.
Sources: Schedule P, year-end 2022; AM Best data and research

year, which is part of why the exit mechanisms described below are so important. Therefore, tail risk matters on both sides of these transactions: investors want finality, and cedents need to know what risks (if any) are commuted back to them when an exit is exercised.

Exit Mechanisms

The market has now developed a set of exit mechanisms, several of them emerging within the past 24 months. The Forward Exit Option (FEO), established by Enstar, grants investors the right, in exchange for a fee, to novate residual reserves to the legacy specialist under a pricing framework fixed at inception. On exercise, investors receive liquidity and finality, and the option provider assumes the reserve development risk and faces the cedent from that point on. The FEO made its debut in Starwind Specialty's Fractal Re sidecar, and Enstar has said it is being positioned for broader use, including in property sidecars.

Scheduled commutations build the exit into the contract from the start; Enstar's Scaur Hill Re, for example, gives investors an optional commutation at year seven and a mandatory exit at year ten, each at pre-specified pricing. After the fact, a loss portfolio transfer (LPT) moves an identified book of reserves to a legacy buyer, an adverse development cover (ADC) absorbs deterioration above a chosen attachment, and secondary sales pass investor interests to incoming investors, though volumes remain modest and pricing stays private.

QBE Re's George Street Re took a different approach. Instead of attaching an exit option to the structure, it placed legacy specialist Compre inside the investor base from inception alongside Culpeper Capital Partners and Calidris Investment Partners. Compre participates in a defined portion of the sidecar, helps shape the contractual terms and the collateral construct that will govern at exit, and is positioned to step into the other investors' positions over roughly five to seven years, with the ability to take on their future liabilities annually. Investors whose investment horizon is shorter than the sidecar's full term can participate because the exit counterparty is already in the deal.

In 2026, Enstar and Artex announced a partnership to embed prospective and retrospective exit solutions across Artex-managed ILS vehicles, an early step toward standardized exit engineering.

Although these mechanisms can provide investors with liquidity or contractual finality, they do not eliminate the underlying reserve risk exposure. Their effect depends on which party retains or assumes that exposure and when any transfer occurs. A commutation returns the booked reserves to the sponsor, so the reserves, and any future development on them, come back onto the cedent's balance sheet at a negotiated price. A novation or exercised FEO can sever the tail from investor and sponsor alike, provided the assuming legacy carrier is adequately capitalized and the pricing framework performs as designed. AM Best notes that no transaction to date has disclosed what these options cost, either the upfront fee or the pricing applied at exercise, so the economics cannot be judged from outside. A secondary sale simply replaces one investor with another; the reserves stay in the sidecar, and the sponsor's position does not change. Exit design feeds directly into AM Best's assessment of the sponsor's residual exposure (tail risk).

Why the Investor Base Differs

Traditional ILS funds generally promise their investors short-tail property risk that resets each year, putting aside the issue of trapped capital in natural catastrophe ILS transactions. A casualty commitment running seven to ten years does not fit that structure, and holding one would leave the fund less liquid than the terms it offers its own investors.

The skills needed to evaluate casualty risk are also different. Catastrophe underwriting generally runs on vendor models with quick feedback, while casualty depends on reserving judgment and legal trends that take years to reveal whether a book was priced well. Some models are now emerging for casualty exposures, but they are not mature and are not globally recognized as a way to price such risks. A young casualty book also cannot be valued reliably from quarter to quarter, which is one of the reasons for the seven-year exit convergence noted earlier. Participation in casualty risks by catastrophe ILS managers has been selective.

A casualty reserve is a promise to pay money years from now, and the final cost depends on economic and social conditions. Claims settle at future price levels, so the medical costs, wage replacement, and legal fees on a 2026 injury are paid at whatever prices hold when the claim closes, which makes every open claim reserve sensitive to inflation, and the longer the payout tail, the greater the sensitivity. For occurrence policies, some claims may not even be reported for many years, making reserves for incurred but not reported (IBNR) claims critical. Litigation activity moves with the economy as well; litigation funding grows when capital is cheap, claim frequency tends to rise in economic downturns, and securities class actions in directors and officers (D&O) liability follow falling stock prices.

The float backing these vehicles is commonly invested in credit, so one event, an inflation spike or a credit contraction, can hurt both sides of the vehicle at once, with reserves deteriorating while the collateral behind them loses value. Hurricane losses do not depend on the state of the economy, and that independence is the basis of the diversification case for traditional property ILS.

That linkage between asset values and casualty risk matters directly to AM Best's tail risk analysis because scenarios in which a sidecar's capital falls short may also be those in which credit-sensitive collateral is under pressure and the sponsor is less able to absorb the returning risk. The assessment applies stressed correlations between reserve and asset risks and treats illiquid collateral conservatively.

AM Best's Determination of Tail Risk

Defining Tail Risk

When a sponsor cedes business to a casualty sidecar, the protection provided by the transaction is limited by the sidecar's capitalization and by contractual features such as loss ratio caps. Property catastrophe sidecars are typically collateralized to remote return periods, while casualty sidecars generally are not. AM Best defines tail risk as the residual exposure borne by the sponsor when the sidecar lacks sufficient capital to absorb losses that exceed expectations. AM Best's analysis determines whether, and by how much, that contingent exposure should reduce the sponsor's Available Capital.

Applicable Criteria

AM Best treats the sidecar much as it would any other insurance company. The analysis draws on the same criteria applied to conventional carriers and structured vehicles, including: Best's Credit Rating Methodology (BCRM); Assessing the Tail Risk of Sidecars; Best's Insurance-Linked Securities & Structures Methodology (BILSM); and Understanding BCAR for US Property/Casualty Insurers. This section of the report describes the application of existing criteria and does not introduce new rating methodology.

A BCAR for Every Year

A BCAR is produced for every remaining year of the casualty sidecar's life, at least annually for as long as the vehicle exists. A casualty sidecar with a single underwriting year of exposure incepting on January 1, 2026 with reserves expected to run off through 2030, for example, is modeled at inception and at each year-end from 2026 through 2030 and beyond that horizon if material reserves persist. At inception, the analysis rests on financial projections, which the AM Best analytical team requests from the sponsor for each year of the vehicle's expected life. As time passes, actual results replace projected results and the remaining projection horizon shortens. The sponsor updates the projections each year for the remaining horizon, and the analysis rests on the updated figures.

Setting the VaR Level

For each modeled BCAR, the sidecar's Available Capital is compared with its Net Required Capital at a value-at-risk (VaR) confidence level derived from Best's Idealized Issuer Default Matrix found in Best's Insurance-Linked Securities & Structures Methodology (BILSM). The target VaR equals 100% minus the one-year default rate associated with a given Best's Issuer Credit Rating. An aa- rating, for example, carries a one-year default rate of 0.22%, implying a target VaR of 99.78% (**Exhibit 3**).

Exhibit 3

Target VaR Levels Implied by Best's Idealized Issuer Default Matrix

Issuer Credit Rating	One-Year Default Rate	Implied Target VaR
aaa	0.08%	99.92%
aa+	0.14%	99.86%
aa	0.20%	99.80%
aa-	0.22%	99.78%
a+	0.28%	99.72%
a	0.35%	99.65%
a-	0.45%	99.55%

Target VaR equals 100% minus the one-year default rate for the corresponding rating level, per Best's Idealized Issuer Default Matrix in Best's Insurance-Linked Securities & Structures Methodology (BILSM). The analyst selects the target VaR commensurate with the cedant's rating.
Source: AM Best data and research

The analyst ties the target VaR to the cedent's rating and runs the sidecar's BCAR at that level, based on the principle that risk retained by the sponsor should be measured at a confidence level consistent with the sponsor's own credit quality. The size of the tail risk charge depends on the VaR level of the analysis, which in turn depends on the cedent's rating. A more highly rated cedent is tested at a more remote point in the tail. Because BCAR risk factors are published at standard confidence levels (VaR 99, 99.5, 99.6, and 99.8), Net Required Capital at an intermediate target, such as the 99.72% implied by an a+ rating, can be derived by interpolating between the adjacent published levels.

Measuring the Annual Shortfall

For each modeled BCAR, the capital shortfall is the amount, if any, by which the sidecar's Net Required Capital at the target VaR exceeds its Available Capital. Where capital is sufficient, the shortfall for that year is zero. Several features distinguish the sidecar-level BCAR from that of a conventional carrier, starting with the way underwriting risk moves through the model. For a vehicle assuming a single underwriting year (one year of business, with policies incepting throughout that year), required capital at inception is dominated by premium risk (B6) on the full year's written premium; this is typically the largest requirement at any single point in the vehicle's life, because the entire year's premium is exposed at once before any of it has earned.

By the end of year one the requirement blends reserve risk (B5) on the earned portion with the charge on the unearned premium reserve, and from the end of year two it derives entirely from reserve risk as the underwriting year premium fully earns.

Each successive BCAR uses the premium figure appropriate to its date: projected written premium at inception, actual written premium once the year has been written, the earned and unearned split at the first year-end, and the fully earned amount thereafter. The model does not apply premium and reserve charges to the same premium at the same time; each dollar is charged according to its status, unearned or reserved, at the evaluation date. Business ceded on a quota share basis looks to the sponsor's premium and reserve risk capital factors before the cession. The sidecar's own premium and reserve amounts are smaller, and size-based factors calculated on those amounts alone would be higher.

Because a sidecar often assumes only a few underwriting years of the same underlying portfolio, the correlation between reserve risk and premium risk is likely to be higher than for a typical carrier. The correlation between B5 and B6 may be increased from 0% to as much as 100% in stress scenarios.

Where the sponsor carries a deficiency charge on its reserves, the charge will generally carry over to the sidecar, since the ceded business is a quota share of the sponsor's book. A ceded book concentrated in a problematic line of business may attract a higher deficiency factor than the sponsor's overall deficiency factor, and genuinely new business with demonstrably better expected performance may merit a lower one, with an increased factor applied as a stress. Credit for loss reserve equity may be reduced for a limited-life vehicle because standard reserve discount factors assume claim payments develop to ultimate rather than being cut off when the vehicle terminates.

Premium and investment cash flows scheduled to be swept to investors are not treated as adding to Available Capital. Credit is generally given only where a mechanism permanently traps a portion of those flows in the vehicle before adverse development emerges. Casualty sidecar collateral increasingly extends beyond cash and Treasuries into private credit and other illiquid strategies. AM Best assesses asset risk charges conservatively where the assets lack a meaningful stress history or market depth and examines liquidity. It also considers the stressed correlation between reserve risk and credit-sensitive collateral.

The Peak Shortfall

The tail risk charge is the highest annual shortfall identified across the sidecar's projected remaining lifecycle. The measure is prospective and captures the sponsor's greatest exposure to tail risk over the vehicle's entire remaining life rather than at a single evaluation date. In the hypothetical example shown in **Exhibit 4**, shortfalls of USD 0, 30, 45, 20, and 0 million across five year-ends produce a tail risk charge of USD 45 million.

Adjustments to the Sponsor's BCAR

The peak shortfall is charged directly against the sponsor's Available Capital in the sponsor's current BCAR. The sponsor's current BCAR is also adjusted to reflect the cession itself, and these adjustments are recalculated at each annual rating cycle as the sidecar's actual results replace projections. Ceded paid loss and LAE, ceded unpaid loss and LAE, and ceded unearned premium as of the evaluation date appear on the sponsor's credit risk page. Where the sponsor's equity investment is large enough for the sidecar to qualify as an affiliate, the recoverable is treated as due from an affiliated reinsurer and carries no dispute-risk charge, but the sidecar, being unrated, is slotted into the "nr" category, and no collateral offset is granted unless security is provided through a letter of credit, trust, or funds-held arrangement.

The sponsor's equity stake is removed from reported capital and from the investment risk page so that capital supporting sidecar risks is not double-counted. Premiums, unearned premium reserves, and loss and LAE reserves are reduced by the amounts ceded to the sidecar, where the sponsor's statements are not already presented net of the cessions to the sidecar.

Exhibit 4

Hypothetical Peak Shortfall for Sidecar XYZ (USD millions)

Year-End	Available Capital	Net Required Capital at Target VaR	Capital Shortfall
2026	300	265	0
2027	310	340	30
2028	**290**	**335**	**45**
2029	275	295	20
2030	260	240	0
		Peak shortfall (tail risk charge):	**45**

The 2028 peak shortfall of USD 45 million (shaded) is the tail risk charged against the sponsor's Available Capital. Figures are hypothetical and for illustration only.
Source: AM Best data and research

Tail risk is also reassessed outside the annual cycle when warranted, for instance, after a fundamental change in the sidecar's portfolio or business plan or once the portfolio is fully originated where the initial analysis relied on projections.

Structural Features and Exit Provisions

AM Best evaluates exit provisions to determine which party holds the reserve risk exposure after an exit is exercised. Scheduled commutations imply that reserves may return to the sponsor, so the analysis considers the likely maturity and adequacy of the reserve position at the commutation date. A pre-priced novation to a well-capitalized legacy carrier can genuinely limit the sponsor's exposure, with the credit given tempered by counterparty strength and the enforceability of the pricing framework.

Public disclosure of quota-share percentages, collateral guidelines, related-party investment limits, and exit pricing remains limited even as casualty sidecars grow in number and size, and descriptions of three-year underwriting periods do not always make clear that the corresponding investment exposure can continue for considerably longer. Genuine risk transfer, high-quality and liquid collateral, credible reserving, and a clearly defined exit tend to lower the tail risk charge; aggressive loss assumptions, poor-quality or illiquid collateral, and uncertain exit provisions tend to raise it.

Unaffiliated Offshore Reinsurance Deals Drive Asset-Intensive Reinsurance Market

The asset-intensive reinsurance market remains competitive as annuity growth slows at primary insurers

Principal Takeaways

- Reinsurance leverage for the L/A industry has been steadily increasing since 2019, largely driven by private equity/asset manager-owned insurers and publicly traded companies.
- Continuing its upswing, offshore reinsurance accounts for over 56% of ceded annuity reserves, including modified coinsurance (modco) reserves in 2025.
- Unaffiliated reinsurance deals outpaced affiliated deals in 2025 for the first time in three years.
- Collateral monitoring, effective and integrated enterprise risk management programs, and counterparty risk management and diversification are the most important risks to manage, related to the use of offshore reinsurance according to industry executives.

With an aging population and favorable crediting rates on annuity products compared to other banking financial products, demand for annuities has been a driver of growth over the last few years, although there was a modest slowdown in 2025 and 2026. The amount of annuity reserves ceded continued to increase in 2025 as companies manage risk-based capitalization in tandem with the notable annuity growth, which is a capital-intensive product (**Exhibit 1**). With new company formations, partnerships, and private capital continuing to enter both the primary annuity market and the asset-intensive reinsurance market (AIR) seeking these annuity liabilities as growth slows, the reinsurance market for these dollars remains competitive.

As a result, reinsurance leverage (ceded premiums/capital and surplus) for the industry has been steadily increasing since 2019, largely driven by private equity/asset manager-owned insurers (PE/AM) and publicly traded companies particularly reinsurance to offshore domiciles (**Exhibit 2**).

In an attendee poll at AM Best's annual Review & Preview conference in March, 38% of industry executives cited collateral monitoring as the most important risk to manage related to the use of offshore reinsurance. Another 31% state effective and integrated enterprise risk management (ERM) programs, and nearly 20% are focused on counterparty diversification as the most important risk to manage. Strong ERM can help protect against regulatory, balance sheet, and counterparty risks. While the use of reinsurance helps manage risk-based capitalization, reinsurance dependence, reinsurance quality, and the appropriateness of reinsurance programs can all have negative impacts to the overall balance sheet strength assessment in our ratings process (**Exhibit 3**).

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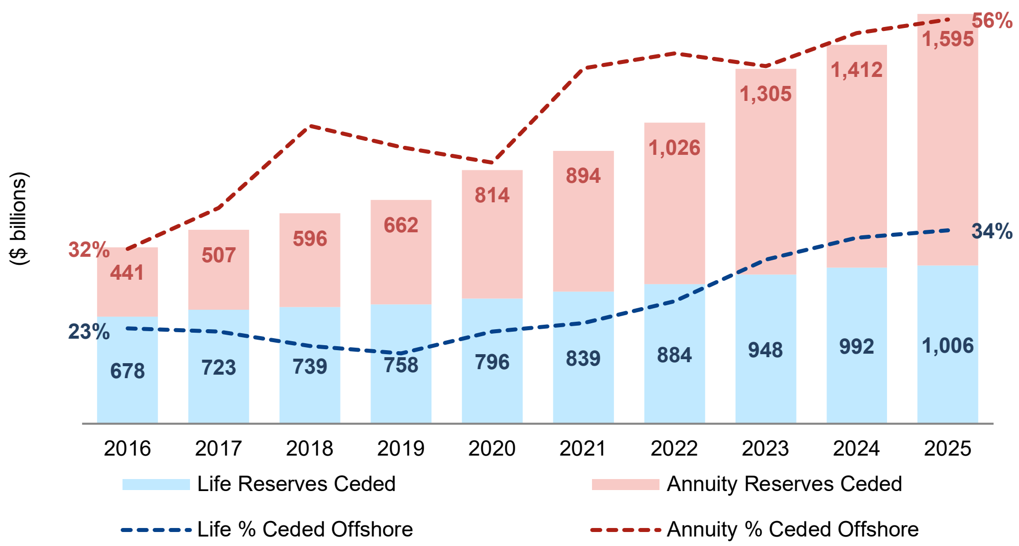
2026-096

Bermuda Sheds Some Market Share

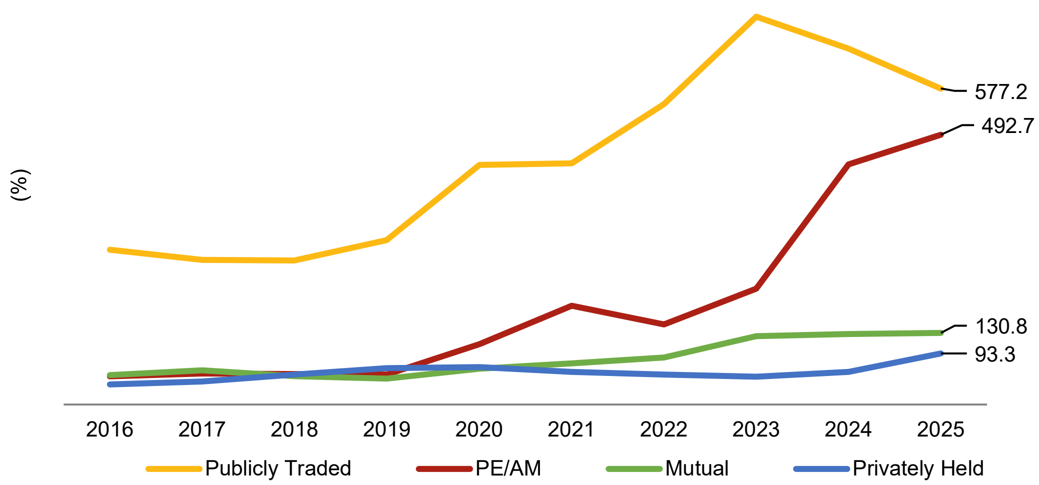
Continuing its upswing, offshore reinsurance accounts for almost 56% of ceded annuity reserves including modco reserves in 2025, and to some degree, the use of offshore reinsurance has become necessary for market competitiveness, particularly for large companies in the pension risk transfer

Exhibit 1
US Life/Annuity Insurers — Reserves Ceded



Source: AM Best data and research. Includes general and separate account cessions.

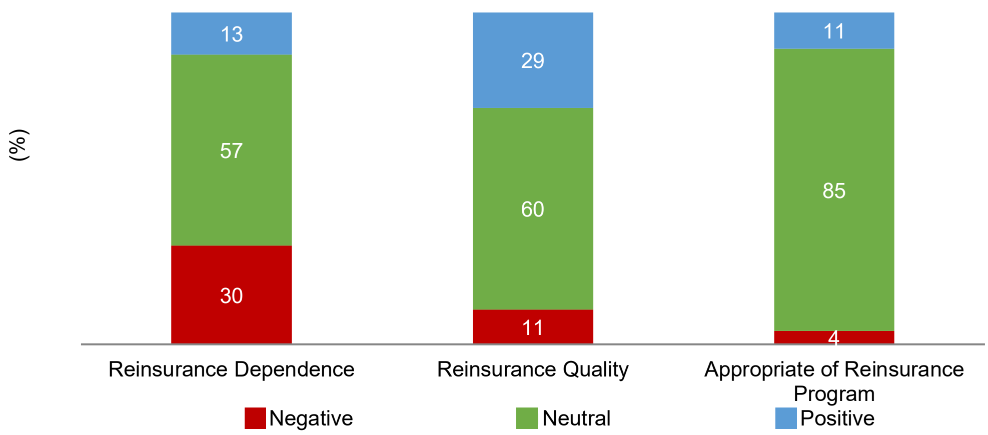
Exhibit 2
US Life/Annuity Insurers — Median Reinsurance Leverage by Organization Type



Source: AM Best data and research

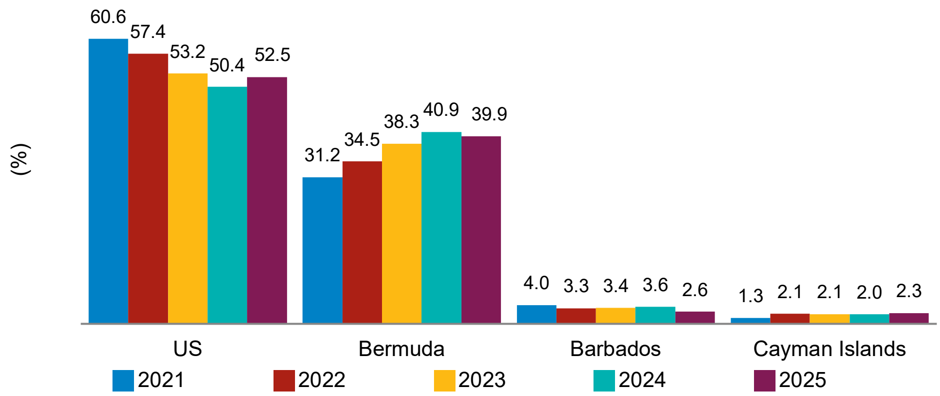
market. However, cross-border reinsurance introduces operational complexity and opacity, and could create challenges to regulatory oversight due to the use of multiple global jurisdictions. While Bermuda continues to be the dominant offshore domicile, the Cayman Islands increased their share of the market in 2025, heavily driven by a few recently established sidecars (**Exhibit 4**). Cayman also just submitted its application to receive Qualified Jurisdiction Status from the NAIC, which would allow insurers to get credit for reinsurance from a non-US domiciled company, as well as lower reinsurance collateral requirements.

Exhibit 3
US Life/Annuity Insurers Balance Sheet Strength Sub-Assessments



Source: AM Best data and research

Exhibit 4
US Life/Annuity Insurers — Distribution of In-Force Reserves Assumed by Region



Source: BESTLINK

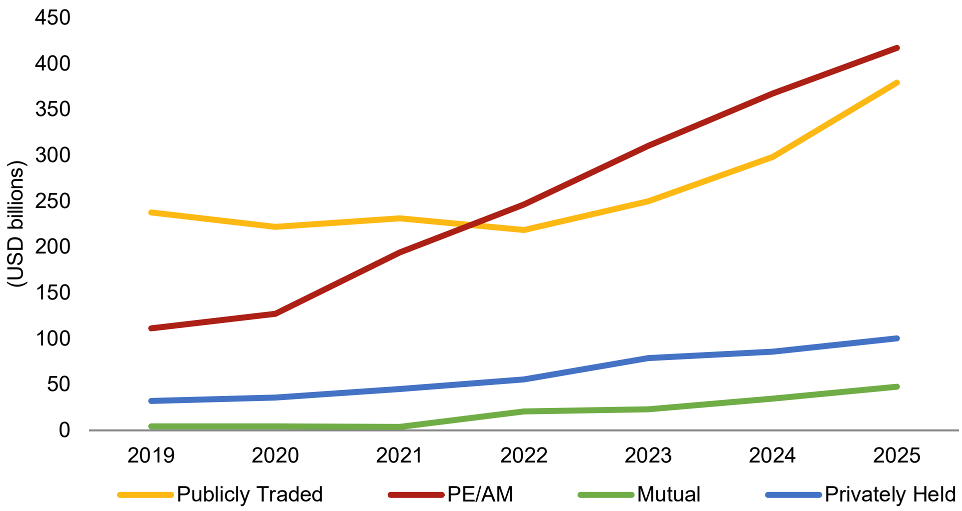
Although reinsurance deals with offshore entities often complicate accounting, AM Best captures these risks at the consolidated level by looking at the ceding and affiliated captive reinsurance company in our global Best's Capital Adequacy Ratio (BCAR) calculations. Reinsurance recapture risk is a scenario that should be stress tested, as greater shocks would occur at cedants when liabilities are suddenly recaptured.

Affiliated and Offshore Reinsurance Overlaps

The share of ceded reserves going to affiliates that are offshore has risen dramatically in the last five years, rising to over 61% in 2025 compared to 40% in 2020 and prior. PE/AM companies have been steadily growing the amount of reserves ceded to offshore affiliates since 2020, surpassing the amount ceded offshore by public companies in 2022, causing a reaction from those companies to further lean in to the strategy in attempts to remain competitive (**Exhibit 5**). Further, seven of the ten companies with more than an 80% share of ceded reserves going to offshore affiliates are PE/AM insurers (**Exhibit 6**). However, we do note that only half of the PE/AM companies use affiliated offshore reinsurance.

Offshore domiciles often use assumptions for discount rates based on actual company portfolio yields, which results in lower reserves required than the more conservative US statutory accounting. Additionally, offshore domiciles also allow for a larger asset universe to back the reserves. As annuities grew over the last few years, more US statutory reserves could be shifted to Bermuda requiring less reserves if your portfolio yield was higher than the US stat benchmark. As such, PE/AM firms or other companies that can originate and/or have the investment expertise in structured or other higher yielding assets will continue to view these domiciles as an attractive strategy to gain a competitive advantage as a result of the greater discount rate on reserves generated by these higher yielding assets.

Exhibit 5
US Life/Annuity Insurers — Reserves Ceded to Offshore Affiliates



Source: AM Best data and research

Exhibit 6
US Life/Annuity Insurers — Highest Share of In-Force Ceded Reserves to Offshore Affiliates, 2025*
(USD millions)

AMB#	Company Name	% Ceded to Offshore Affiliates	$ Ceded to Offshore Affiliates	Reinsurance Leverage (%)
062559	CL Life and Annuity Insurance Company	100.0	860	999.9
060701	Oceanview Life and Annuity Company	99.9	4,566	509.4
060007	Best Meridian Insurance Company	99.0	189	320.3
007104	Ibexis Life & Annuity Insurance Company	98.1	2,400	999.9
070635	Knighthead US Group	95.9	398	841.0
061745	PartnerRe Life Reinsurance Co of America	95.4	676	983.4
070478	Athene US Life Group	94.7	234,328	999.9
070642	Federal Life Group	90.6	1,341	999.9
069862	CNO Group	88.6	8,799	479.8
006882	Aspida Life Insurance Company	82.4	6,406	999.9

* For those with >$100 million ceded reserves, includes General and Separate Accounts, excludes US subsidiaries of global reinsurers

Source: BESTLINK

Large Transactions Drive 2025 Unaffiliated Deals

Unaffiliated reinsurance deals outpaced affiliated deals in 2025 for the first time in three years. The ten largest unaffiliated reinsurance transactions in 2025 totaled over $107 billion, easily surpassing the $35 billion in 2024 (**Exhibit 7**). These ten deals accounted for over 70% of the ceded reserves to unaffiliated reinsurers and are largely modco structures, led by two variable annuity block deals between subsidiaries of Venerable Holdings, Inc. and Corebridge Financial. Four of these top ten deals are also ceded to sidecars. For an in-depth look: Big Year of Growth for Life/Annuity Sidecar-like Activity in 2025. Two-thirds of ceded reserves to unaffiliated companies in 2025 deals were ceded to companies not rated by AM Best, with the remaining evenly split between Best's Financial Strength Category of Superior and Excellent. The largest reinsurers by in-force reserves aggregated by ultimate parent are listed in **Exhibit 8**.

With counterparty risk and diversification being focal points, collateral monitoring and recapture provisions within reinsurance contracts can help manage operational risk. For example, the contract can embed provisions addressing what happens in various scenarios, such as if there is a rating downgrade, a change in control or ownership, or a material decline in capital ratios, helping provide greater risk control. Tightening the investment guidelines that back liabilities is another avenue for risk mitigation. Additionally, NAIC introduced AG-55, which went into effect on December 31, 2025, and is designed to include asset-intensive reinsurance in the scope of asset adequacy testing.

Exhibit 7

Largest 2025 Unaffiliated Reinsurance Transactions — Ceded Reinsurance Reserves by Legal Entity
(USD billions)

AMB#	Company Name	Reinsurer Name	Jurisdiction	Type of Business Ceded	Ceded Reserves	Modco Reserves	Funds Withheld
006058	American General Life Insurance Company	Corporate Solutions Life Reinsurance Co	DE	VA	31.7	31.7	0.0
006109	American United Life Insurance Company	Voya Retirement Insurance and Annuity Co	CT	VA	18.5	18.5	0.0
006058	American General Life Insurance Company	Corporate Solutions Life Reinsurance Co	DE	VA	12.8	12.8	0.0
006341	Equitable Financial Life Insurance Co	RGA Reinsurance Company	MO	Other Life	12.7	0.0	0.0
006704	Metropolitan Life Insurance Company	Talcott Resolution Life Insurance Co	CT	VA	8.3	8.3	0.0
009165	Metropolitan Tower Life Insurance Co	Chariot Reinsurance Ltd	BM	Other A	5.5	5.5	0.0
006704	Metropolitan Life Insurance Company	Martello Re Limited	BM	FA	5.1	5.1	0.0
006830	Allianz Life Ins Co of North America	Sconset Re Ltd	BM	IA	4.6	0.0	4.6
006962	Protective Life Insurance Company	Resolution Re Ltd.	BM	AXXX Life	4.0	4.0	0.0
009165	Metropolitan Tower Life Insurance Co	Chariot Reinsurance Ltd	BM	FA	3.7	3.7	0.0
	Top 10				**106.9**	**89.6**	**4.6**

Source: BESTLINK

Exhibit 8

Reserves Assumed from US Life/Annuity Insurers by Ultimate Parent, In-Force 2025

By Ultimate Parent

Ultimate Parent Name	Reserves Assumed ($ billions)	Market Share %	Affiliated %
Athene Holding Ltd.	280.1	10.7	87.3
KKR & Co. Inc.	217.3	8.3	51.7
HDI V.a.G.	208.4	8.0	33.1
Prudential Financial, Inc.	181.7	7.0	81.0
Great-West Lifeco Inc.	118.4	4.5	30.3
VA Capital Company LLC	107.3	4.1	26.9
Reinsurance Group of America, Inc.	75.8	2.9	8.4
Brookfield Wealth Solutions Ltd.	69.0	2.6	97.6
TAO Insurance Holdings, LLC	65.1	2.5	37.8
Manulife Financial Corporation	64.7	2.5	95.8

Source: BESTLINK

Global Life/Annuity Reinsurers Remained Poised for Steady Growth

The offshore annuity channel is driving growth in the US life reinsurance market

Principal Takeaways

- Reinsurance leverage for the US life/annuity industry has increased as annuity sales have grown.
- Total individual life in force is dominated by the top five global life insurance companies.
- New capital continues to enter the market, which has bolstered competition and innovation.

The global life/annuity (L/A) industry remains well capitalized and positioned for robust growth due to increased dedicated capital for life reinsurance for traditional life business and more asset-intensive annuity business via third-party capital. Guy Carpenter estimates that third-party capital accounted for around one-third of total capacity in 2025, which has doubled since 2022. Reinsurer innovation is focused on using artificial intelligence and digitization to understand what future role they can play in managing pricing and operational benefits. The majority of growth in the US market has come through the offshore annuity channel. Offshore L/A reinsurance has averaged 31% annual growth over the last ten years. Life reinsurance is a more mature marketplace but still sees a steady growth rate of about 4% a year.

Annuity Reinsurance is Leading the Charge

AM Best has observed an increase in reinsurance leverage by US cedents, driven by strong annuity growth, higher interest rates, and different capital regimes, and continued offshore transactions (**Exhibit 1**). Bermuda and, to a lesser extent, the Cayman Islands, have gained popularity amid increased demand for retirement solutions, as well as reinsurance as a capital and risk management tool. These factors have been underpinned by a stable economic environment and regulatory landscape, as well as political stability, access to legal and financial talent, and flexible accounting regimes. In some cases, offshore reinsurers can choose the accounting system for their regulatory reporting (e.g., adjusted or modified US risk-based capital (RBC), US GAAP, IFRS 17, local statutory, or, in some cases, BCAR), which can lead to reserve credits taken by cedents not being equal to or mirroring the reserves assumed by the reinsurers. The treatment of required capital and reserves is often less stringent than for reinsurers domiciled onshore. There is increased recoverability risk in some cases due to a lack of collateralization in some jurisdictions. Additionally, AG-55 went into effect in the US on December 31, 2025, and is designed to include asset-intensive reinsurance in the scope of asset adequacy testing.

As illustrated in **Exhibit 2**, annuity cessions have been increasingly ceded to offshore reinsurers. With higher interest rates driving robust annuity growth, the amount of annuity reserves expanded at an annual growth rate of 14% in each of the last five years, and ceded life and annuity reserves more than doubled from 2018 to 2025. The notable annuity growth is likely to continue, and more companies may look to reinsurers to manage growth and capital levels.

With new company formations, partnerships, and private capital entering the market, the reinsurance market remains competitive, with a growing share of business being ceded to

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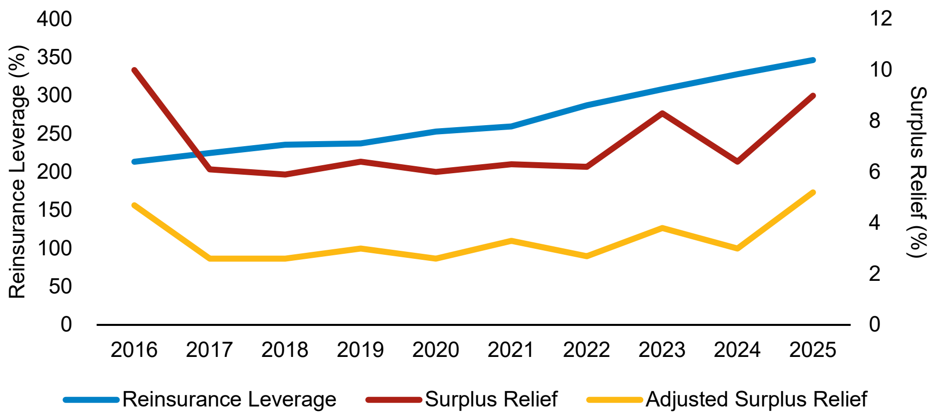
affiliates and third-party reinsurers. Many companies have placed their focus on counterparty risk. Sidecars have also gained prominence. These are reinsurance affiliated or non-affiliated entities that draw on capital from third-party limited investors and can provide incremental just-in-time capital to execute larger deals when opportunity arises and earn additional fees for the general partner.

Exhibit 1

L/A Industry – Reinsurance Leverage & Surplus Relief

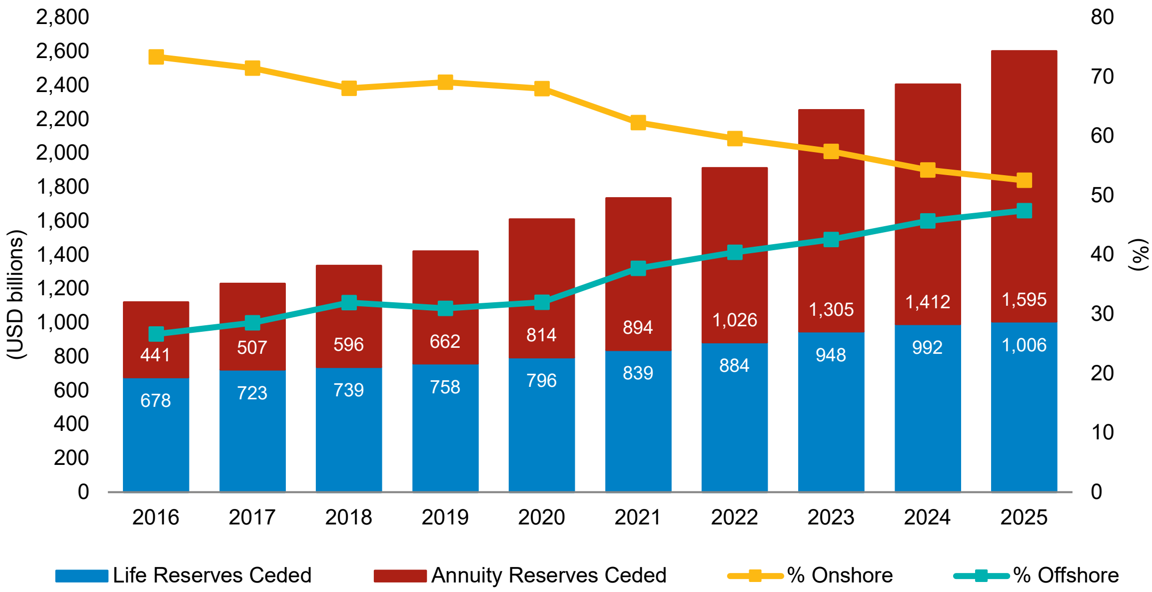


Source: BESTLINK

Several reinsurers have implemented retrocession strategies to shield risk or to protect or enhance capital. This is highlighted in **Exhibit 3**, which shows that the face amount retroceded has generally increased over time. Primary carriers would still be required to honor claims should their reinsurers fail, which underscores the importance of a carrier's ERM processes around counterparty credit risk measurement, mitigation, and monitoring.

Exhibit 2

US Life/Annuity Ceded Reserves

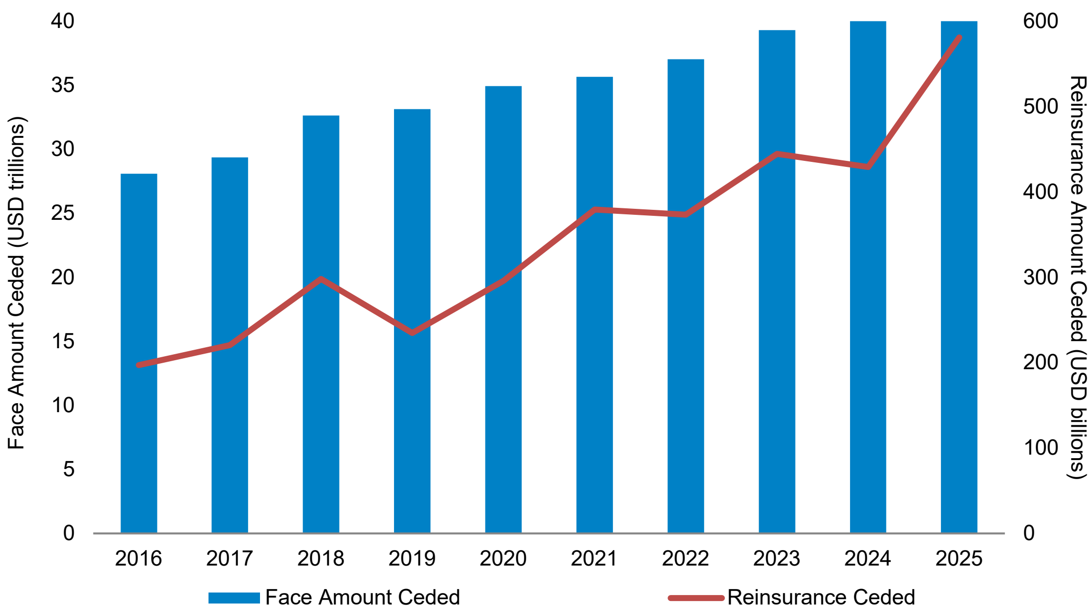


Includes general and separate account cessions.
Source: AM Best data and research.

Importance of Asset Stress Testing

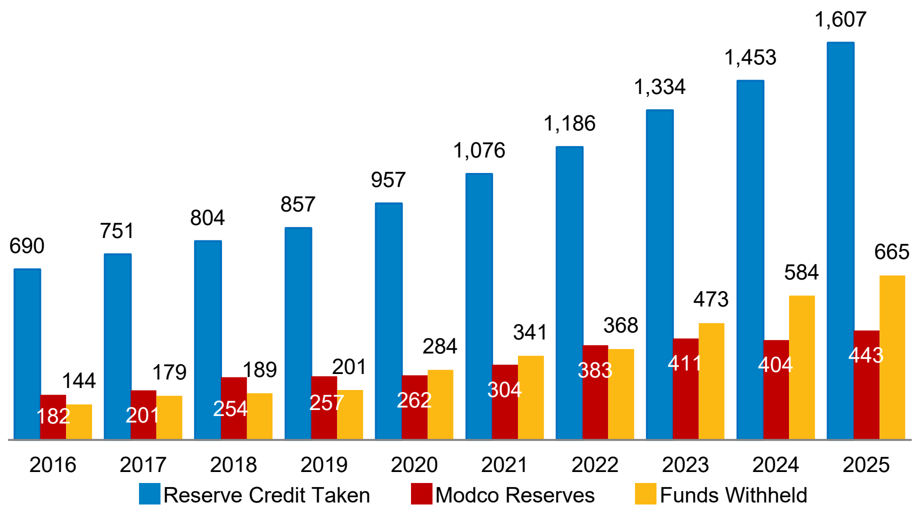
The amount of reserve credit taken and funds withheld on US cedents' balance sheets has been steadily increasing as a percentage of gross reserve credits taken (**Exhibit 4**). At year-end 2025, reserve credits taken were approximately USD 1.61 trillion; however, 41% were funds withheld that belong to reinsurers, up from about 21% at year-end 2016. AM Best regularly meets with companies regarding reinsurance trust arrangements; however, there are pockets of concern that the level of excess capitalization may be insufficient to support claims in stress scenarios. This highlights the importance of the asset risk embedded in funds withheld, modified coinsurance (ModCo), or trust accounts, which belong to the reinsurers but which also increase the cedents' reinsurance counterparty credit risk, which can depend on the asset performance in stress events.

Exhibit 3
Reinsurance Ceded



Source: BESTLINK

Exhibit 4
US Life/Annuity Ceded Reserves
General Account, (USD billions)



Source: BESTLINK

Insurers should perform strong counterparty and collateral due diligence to limit counterparty credit risk exposure, especially as more reserves get ceded offshore. With growing new company formations, partnerships, and private capital, the reinsurance market remains competitive. To gain more unaffiliated business, reinsurers backed by investment managers are offering attractive ceding commissions based on higher anticipated investment returns once the transferred assets are rolled into a wider set of investment opportunities.

Traditional Life Reinsurance Business is Steady at its Core

Traditional life reinsurers grew the total amount of in-force individual life business in 2025, as primary issuers value reinsurer services and biometric risk transfer solutions as ways to manage risks and capital. Traditional reinsurers provide access to industry best practices around management of blocks of business and underwriting risks. Traditional life reinsurers function in a steady market landscape, maintaining leading market positions based on reinsured face amounts in force. These top-tier companies account for the majority of the US individual (**Exhibit 5a**) and group life (**Exhibit 5b**) in-force reinsured. The European reinsurers see life insurance as a source of diversification against P/C earnings and risks.

Growth opportunities persist in the US for traditional life reinsurance. This includes flow business and legacy in-force blocks. As primary insurers manage capital and ERM limits, they may unload older legacy capital-intensive and reserve-sensitive blocks such as universal life liabilities. These transactions continue to occur, but for some, such as the older vintage universal life with secondary guarantees blocks, the peak reserve years may be approaching and could dampen activity in future years.

Investment Allocations Remain Steady

Increasingly strong returns within the reinsurance segment are attracting new capital, and private credit has become one of the most appealing opportunities with the greatest return for life/annuity reinsurers. The biggest advantage is higher spreads versus traditional public investment grade bonds and long-duration structures that fit annuity liabilities. With the current economic uncertainty, many reinsurers have adopted more flexible investment strategies than they previously have. Continued yield enhancement is offered by rising alternative assets within the portfolio while managing increased risk in the market.

Exhibit 5a

Top US Life Reinsurers by Individual Life Insurance in Force, 2025

(USD thousands)

AMB#	Company Name	Total Individual Amount In Force	Individual Life Reserves	Net Amount at Risk
009080	RGA Reinsurance Company	2,190,453,094	9,345,069	2,181,108,025
007283	Swiss Re Life & Health America Inc.	2,130,431,917	2,595,748	2,127,836,169
070253	SCOR Life US Group	1,592,556,550	477,337	1,592,079,213
006746	Munich American Reassurance Company	1,560,431,272	1,700,285	1,558,730,987
068031	Hannover Life Reassurance Co of America	1,096,926,847	199,581	1,096,727,266
006234	General Re Life Corporation	503,531,096	1,414,234	502,116,862
009791	Canada Life Assurance Company USB	236,354,342	1,635,913	234,718,429
061745	PartnerRe Life Reinsurance Co of America	195,085,681	60,515	195,025,166
008863	Optimum Re Insurance Company	102,749,545	191,935	102,557,610
060560	Wilton Reassurance Company	79,860,112	2,441,493	77,418,619
009096	M Life Insurance Company	78,519,048	39,072	78,479,976
007086	First Allmerica Financial Life Ins Co	32,293,363	592,966	31,700,397

Source: BESTLINK

Exhibit 5b

Top US Life Reinsurers by Group Life Insurance in Force, 2025

(USD thousands)

AMB#	Company Name	Total Group Amount in Force (USD 000s)	Group Life Reserves	Net Amount at Risk
009791	Canada Life Assurance Company USB	5,262,791,588	24,056	5,262,767,532
006746	Munich American Reassurance Company	409,529,330	2,753	409,526,577
007283	Swiss Re Life & Health America Inc.	98,987,154	0	98,987,154
009080	RGA Reinsurance Company	98,690,840	7,342	98,683,498
070253	SCOR Life US Group	58,718,461	20,842	58,697,619
006234	General Re Life Corporation	24,364,908	42,940	24,321,968
068031	Hannover Life Reassurance Co of America	1,115,022	1,776	1,113,246
007086	First Allmerica Financial Life Ins Co	449,349	2,806	446,543
006297	Union Fidelity Life Insurance Company	150,454	47,915	102,539
008491	Commonwealth Annuity and Life Ins Co	119,341	1,933	117,408
008863	Optimum Re Insurance Company	28,239	0	28,239
060006	Southern Financial Life Insurance Co	13,177	11,011	2,166

Source: BESTLINK

Asset-intensive reinsurance, along with capital relief solutions, are supported by the rising private-credit investment strategies within the market. Persistent and intensifying competition, especially from the private equity/asset manager entrants, has added to the rising pressure to grow returns. Newer entrants to the reinsurance space are seeking higher-yielding investments to offer enhanced competitive ceding commissions. Managing investment risks properly is extremely important to navigating overall long-term financial sustainability, pricing, and profitability.

The primary life insurance market has expanded beyond traditional products, creating rising investment risks associated with many of these products as diversification strategies have enormously shifted with financial market risk. Previously, most life reinsurers avoided the investment risks associated with many products on the primary life insurance side, but demand has expanded beyond the Multi-Year Guarantee Annuities (MYGAs) and fixed annuities market into other more complex products like fixed indexed annuities, registered index-linked annuities (RILAs), and universal life with secondary guarantees (ULSG), and variable annuity legacy blocks with guarantees, as well as long-term care. Life reinsurers have historically been less exposed to financial market risk than primary writers, but rising risks with expanded demand for new products have been developing recently.

With the increased engagement of private equity-backed reinsurers and asset managers, reinsurers now face a range of rising investment risks. Private equity–backed players are reshaping overall risk profiles and forcing a more vibrant, evolving approach to risk management and are more comfortable taking additional investment risks in structured products, mortgages, private credit, or other alternatives. Although these higher-risk assets are reflected in the Best's Capital Adequacy Ratio (BCAR), scores typically remain favorable.

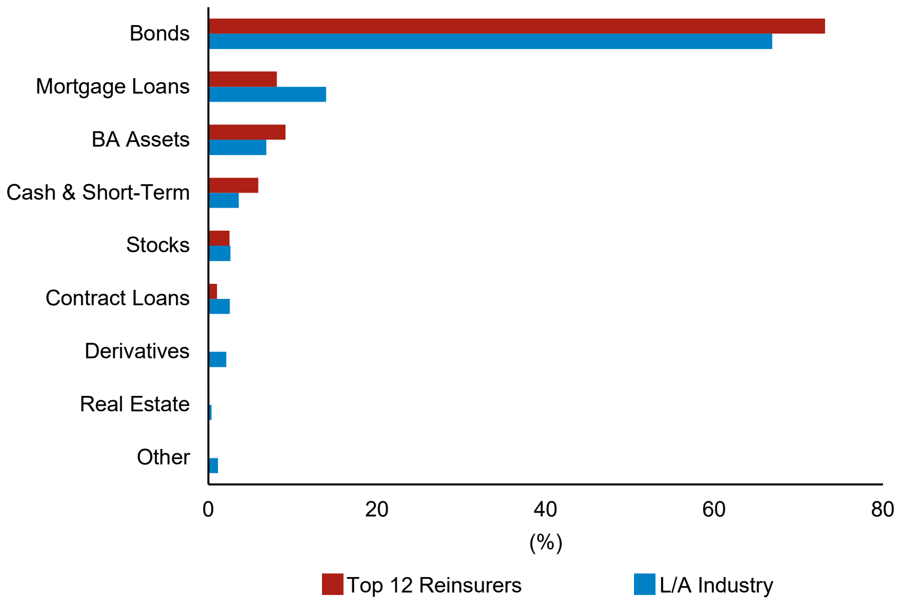
While annuities are a very capital-intensive product, asset managers have generally supported rapid growth by providing the needed capital without constraining growth with material dividends. The importance of focusing on potential liquidity is essential in volatile interest rate environments, along with the backing of a larger parent that is willing and has the means to support the operating entities. Acquisition of ongoing flow transactions has become preferable to large, closed blocks by reinsurers lately, providing additional capital deployment that is more predictable, with better diversification and much lower transaction costs.

Overall, US life and annuity insurers in 2025 remained more allocated toward bonds while also leaning into reinvestment activity with higher-yielding bonds, including private credit/asset-backed securities (ABS). The mortgage exposure remained mostly level but somewhat less favored as compared to 2024, and alternatives did not decline at the industry level. Reinsurers' higher exposure to Schedule BA assets was mainly driven by statutory reclassification of structured or nontraditional debt that moved some assets into this category, a continued shift toward private credit, and funded structured assets needed to support asset-intensive reinsurance spread business philosophy, offering additional attractive risk-adjusted yields and long-duration liabilities (**Exhibit 6**).

The credit profiles of some leading US-domiciled life reinsurers' bond portfolios have historically been more conservative and of higher quality than the overall US L/A industry. These consisted of larger allocations to investment-grade bonds and smaller allocations to below-investment-grade bonds. This philosophy has recently shifted as reinsurers have slightly increased their allocations to investment grade NAIC-2 bonds and reduced exposure in NAIC-1 bonds in 2025, while below investment grade bonds have remained stable. Lower interest rates with recent Fed actions have generally helped the value of the existing bond book but have reduced the yield available for new reinvestments, potentially making corporate bond and government agency-backed markets less attractive. Overall credit risk still remains manageable, but with a focused spotlight on illiquid assets and Level 3 bonds, as well as private structures, which could pose additional challenges during adverse market conditions (**Exhibit 7**).

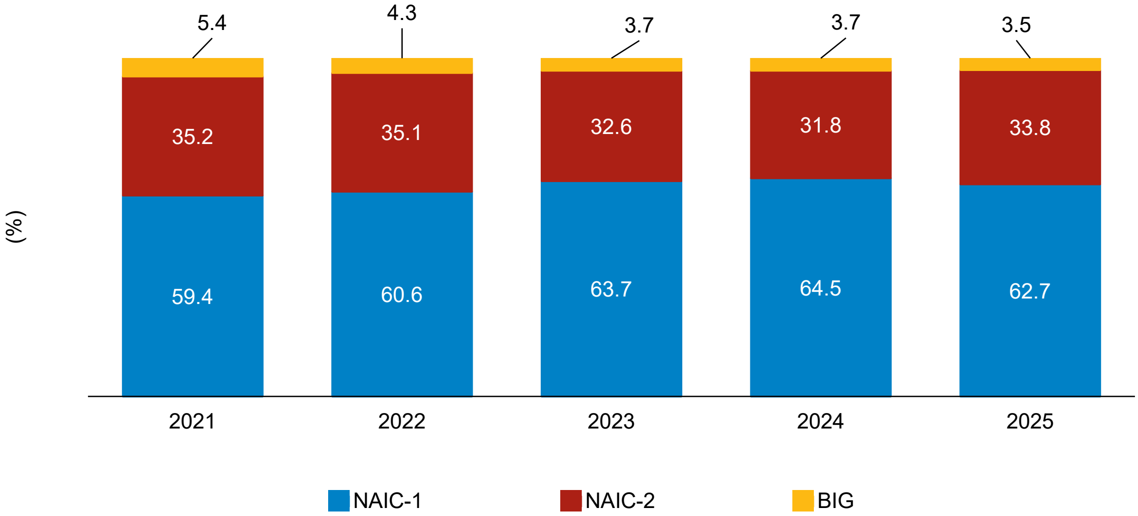
Substantial reinsurance opportunities remain, but the overall industry is facing greater regulatory involvement. AM Best is closely monitoring these transactions and has concerns over the transparency of capital adequacy, composition of investments, and maintaining financial stability while protecting policyholders and liquidity risk. Evaluating emerging reinsurance trends, with an increased focus on the structure of transactions, is a key focus for AM Best.

Exhibit 6
US Life Reinsurers - Distribution of Invested Assets, 2025



Source: BESTLINK

Exhibit 7
Bond Portfolio Quality



Source: AM Best data and research

Reinsurance Solutions Becoming More Viable for Health Insurers

Non-affiliated health premiums ceded reached nearly USD 100 billion in 2025, accounting for 47% of total health premiums ceded

Principal Takeaways

- Elevated high-cost claims, utilization, and medical cost trends are driving US health insurers to seek out external reinsurance solutions.
- Reinsurance provides support to health insurers to manage large claims exposure and improve capital efficiency.
- Ceded health premium has grown from USD 59.1 billion in 2016 to USD 202.8 billion in 2025.
- For Asia-Pacific health insurers, consumer demand, protection gaps, and regulatory changes are driving reinsurance solutions.

AM Best has seen a rise in the use of external reinsurance by US health insurers. The growing exposure to high-cost claims, along with a period of elevated utilization and rising medical cost trends, has bolstered demand for reinsurance support within the US health insurance segment. Furthermore, the health reinsurance market grew across all products in 2025, driven by primary carriers that are seeking to optimize capital, particularly when the industry is experiencing lower underwriting profitability and premium growth.

Reinsurance transactions are expected to remain a key component of health insurers' longer-term strategies as reinsurance provides an opportunity to write greater amounts of premium while lessening pressure on capitalization. Furthermore, reinsurance can be viewed as a lower cost of capital in comparison to seeking external sources of capital.

Rising Demand Drives Health Reinsurance Growth

The global health insurance marketplace expanded through 2025, driven by strong demand for morbidity risk solutions and mounting pressure on primary insurers from persistently rising healthcare costs. In addition, demographic trends, along with ongoing medical inflation and rising healthcare utilization, have strengthened the long-term growth potential for the health reinsurance sector. While health reinsurance typically represents a small portion of reinsurers' overall revenues, it can provide product diversification and opportunities for expansion. Furthermore, most US major medical products are short-tailed in nature, with most claims being paid within weeks or months, resulting in limited to no long-tailed risk exposure. AM Best notes that the exception to this would be long-term care and disability products, which are long-tailed in nature.

Major global reinsurance growth in health and morbidity reported in 2024 continued with positive momentum through 2025. This can be attributed to a combination of premium expansion, demand for risk-sharing arrangements, and health insurers looking for capital management solutions amid heightened healthcare cost pressures and volatility. Health reinsurers are playing an increasingly important role in supporting insurers' capital management and risk mitigation strategies. Underwriting margins across several US health insurance segments have

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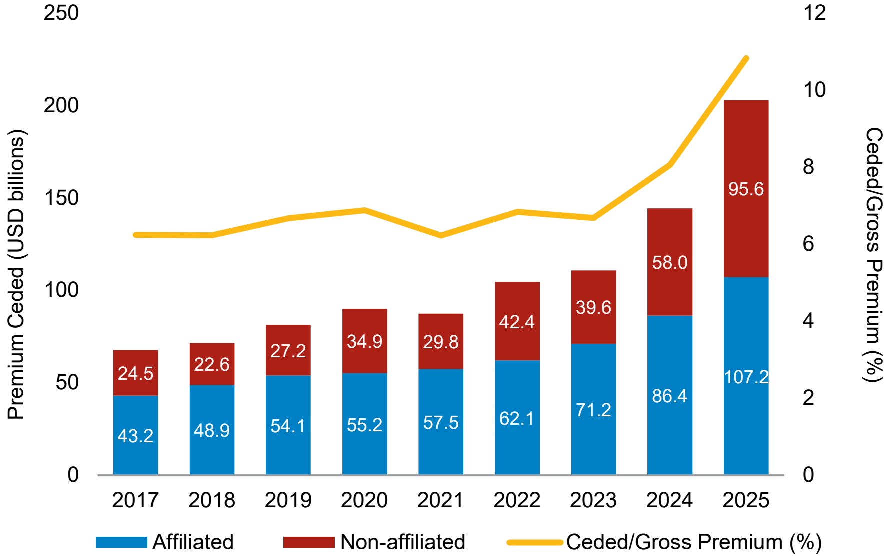
2026-090.10

been under pressure in recent years, prompting insurers to seek additional reinsurance support to manage large claims exposure and improve capital efficiency. AM Best expects that these dynamics will continue in support of traditional reinsurance solutions.

Exhibit 1

US Health Re – Health Insurance Premiums Ceded



Note: Includes A&H business from life/health filing companies.
Source: BESTLINK

AM Best expects to see continued health reinsurance utilization given medical cost inflation, healthcare utilization, demographics, and increasing demand for morbidity protection. Even if trends were to stabilize, AM Best believes that the use of reinsurance will continue as a part of insurers' capital management strategy, helping to support future premium growth. However, AM Best notes that the trends the US health insurance segment has been experiencing could potentially pressure reinsurance rates.

The annual growth rate in ceded premium has been in double digits in three of the past five years, including 2024 and 2025 when ceded premiums increased by 30% or more as insurers responded to increasing medical cost volatility, expanding government-sponsored business, and heightened demand for capital efficiency (**Exhibit 1**). In 2025, ceded premium rose over 40% after increasing 30% in 2024. In addition, ceded premium as a share of gross premium increased to 10.8% during 2025 from 8.1% in 2024. From 2017 to 2023, ceded to gross premium had been in the 6% range.

Non-affiliated Reinsurers See Double the Growth of Affiliated Reinsurers in 2025

Affiliated reinsurance agreements continue to represent a substantial share of the US health reinsurance market, as large health insurers often use these arrangements to efficiently manage internal capital and streamline business operations through multiple subsidiaries. Premium ceded to affiliates has remained steady, with year-over-year increases since 2020. In 2025, affiliated reinsurance agreements comprised over 50% of the segment, decreasing from 60% in 2024. Many insurers continue to establish new subsidiaries (reinsurers, captives) to expand their capacity for internal reinsurance.

In 2025, the percentage of ceded premiums to non-affiliated companies was 47%, which is the highest percentage in the past ten years. However, in 2025 the growth in ceded non-affiliated premium was more than double that of affiliated premiums. Furthermore, in 2025, there were 200 new non-affiliated cessions compared with a decline of 40 new affiliated cessions, indicating that more insurers are pursuing non-affiliated reinsurance.

Hannover Life Reassurance Bermuda Ltd (Hannover Life Re) and Canada Life Assurance Company USB (Canada Life) remained among the leading non-affiliated health reinsurers in 2025, representing

Exhibit 2

US Health Re – Top 10 Largest Non-affiliated Reinsurers

Based on US statutory filings

Rank	Reinsurer Name	Jurisdiction	Premium (USD billions)
1	Hannover Life Reassurance Bermuda Ltd	Bermuda	42.1
2	Canada Life Assurance Company USB	Michigan	34.5
3	Fortitude Reinsurance Company Ltd.	Bermuda	3.8
4	Commonwealth Annuity and Life Ins Co	Delaware	3.3
5	RGA Reinsurance Company	Missouri	2.7
6	Wellpoint Life and Health Insurance Co	Delaware	1.8
7	EyeMed Insurance Company	Arizona	1.5
8	Fresenius Medical Care Reins Co	Cayman Islands	1.0
9	Osteopathic Medical Protective Ins Co	Barbados	1.0
10	Munich American Reassurance Company	Georgia	0.8

Source: BESTLINK

Exhibit 3

US Health Re – Top 10 Transactions Effective in 2025

Based on US statutory filings

Rank	Company Name	Reinsurer Name	Affiliated/ Non-affiliated	Jurisdiction	Effective Date	Premium (USD billions)
1	Sierra Health and Life Ins Co, Inc.	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	7.2
2	Care Improvement Plus South Central Ins	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	4.7
3	Unum Life Insurance Company of America	Fortitude Reinsurance Company Ltd.	Non-affiliated	Bermuda	1/1/2025	3.5
4	Oscar Insurance Company of Florida	Canada Life Assurance Company USB	Non-affiliated	Michigan	1/1/2025	3.3
5	UnitedHealthcare Insurance Company	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	3.1
6	First Unum Life Insurance Company	Provident Life and Accident Insurance Co	Affiliated	Tennessee	1/1/2025	3.1
7	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	10/1/2025	2.9
8	UnitedHealthcare Insurance Company	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	2.6
9	UnitedHealthcare of Wisconsin Inc	Canada Life Assurance Company USB	Non-affiliated	Michigan	10/1/2025	2.5
10	Munich American Reassurance Company	Commonwealth Annuity and Life Ins Co	Non-affiliated	Delaware	11/1/2025	2.3

Source: BESTLINK

45% and 37% of the top 10 largest, respectively. Hannover Life Re reported USD 42 billion of assumed health premiums and Canada Life reported USD 34 billion in assumed health premium at year-end 2025 (**Exhibit 2**).

However, in 2025, several UnitedHealthcare entities entered into non-affiliated reinsurance transactions, representing five of the top ten transactions in 2025 (**Exhibit 3**) and 57% of the ceded premium for the top ten transactions. The transactions, four of which were effective July 1 and one effective October 1, 2025, were for group commercial major medical, stop-loss/excess of loss, and Medicare. Additionally, three of the UnitedHealth transactions were among the top ten transactions in-force for 2025 (**Exhibit 4**), all of which were non-affiliated transactions, and represented approximately one-third of the premium ceded for the total top ten transactions in-force.

Major Medical & Medicare Advantage Drive Premium Ceded Growth

The largest line of total ceded health premium (affiliated and non-affiliated) in 2025 was comprehensive major medical, which totaled USD 37.5 billion (**Exhibit 5**). This was closely followed by Medicare Advantage at USD 36.9 billion. The majority of premium ceded for both of these lines was non-affiliated. The amounts ceded from comprehensive major medical has been the primary source of ceded premium throughout the last decade. Growth was led primarily by non-affiliated

Exhibit 4

US Health Re – Top 10 Transactions In-Force, 2025

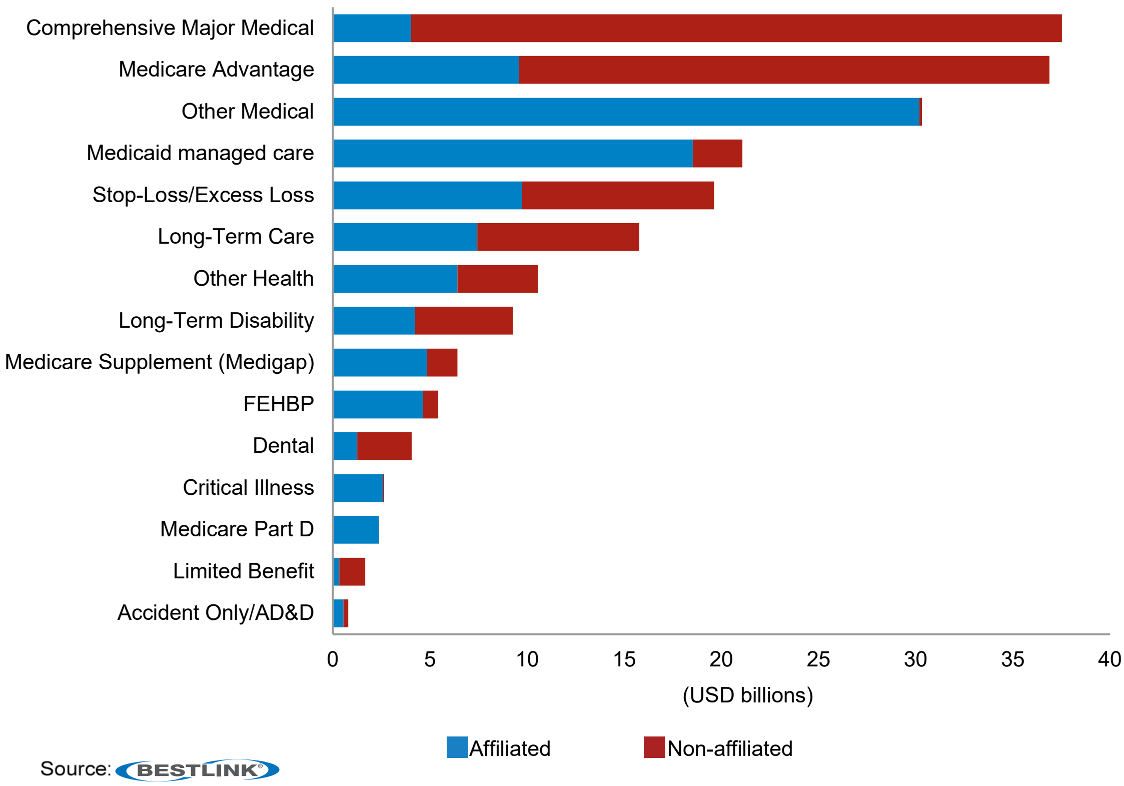
Based on US statutory filings

Rank	Company Name	Reinsurer Name	Affiliated/ Non-affiliated	Jurisdiction	Effective Date	Premium (USD billions)
1	Horizon Healthcare of New Jersey Inc	Horizon Healthcare Services, Inc.	Affiliated	New Jersey	1/1/2017	8.7
2	Sierra Health and Life Ins Co, Inc.	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	7.2
3	Horizon Healthcare Services, Inc.	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	1/1/2023	6.4
4	UnitedHealthcare Insurance Company	Canada Life Assurance Company USB	Non-affiliated	Michigan	7/1/2016	5.9
5	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	7/1/2016	5.8
6	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	1/1/2011	4.8
7	Care Improvement Plus South Central Ins	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	7/1/2025	4.7
8	Blue Cross Blue Shield of MI Mut Ins Co	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	4/1/2024	4.1
9	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	1/1/2024	3.5
10	Unum Life Insurance Company of America	Fortitude Reinsurance Company Ltd.	Non-affiliated	Bermuda	1/1/2025	3.5

Source: BESTLINK

Exhibit 5

US Health Re – Health Premium Ceded by Product



Source: BESTLINK

premium during the year, although affiliated reinsurance did show strong growth, albeit at a smaller amount. Premium from the other medical line, USD 30.3 billion, and Medicaid managed care, USD 21.1 billion, were largely ceded to affiliates.

In July 2026, Unum Group announced that Unum Life Insurance Company of America (Unum) entered into a long-term care (LTC) reinsurance transaction with Fortitude Reinsurance Company Ltd. (Fortitude Re). The transaction reinsures USD 3.8 billion of LTC statutory reserves. The transaction also covers 100% of the remaining individual LTC policies reinsured to Fairwind Insurance Company. This follows another large transaction, also with Fortitude Re, that was effective

January 1, 2025, for $3.4 billion of LTC reserves, as well as a portion of multi-life individual disability policies.

The top ten cedents for 2025 by ultimate parent (**Exhibit 6**) is represented by a mix of national/publicly traded and regional insurers. Premium is ceded to a mix of affiliated and non-affiliated companies. The top five ultimate parent companies all ceded more than USD 15 billion:

- Great-West Lifeco Inc., largely driven by its Canada Life operations, ceded USD 34.8 billion, of which the majority was to an affiliated company.
- UnitedHealth Group Inc. ceded USD 34.4 billion, of which 87% was ceded to non-affiliated companies.
- CVS Health Corporation, which includes the Aetna insurance operations as well as SilverScript Insurance Company, ceded more than USD 18 billion, of which two-thirds was to non-affiliated companies.
- Horizon Mutual Holdings, Inc., which includes the Horizon Blue Cross and Blue Shield operations, ceded USD 16.3 billion, of which approximately 61% was to affiliated companies.
- Highmark Health, which includes the Highmark and HM Life insurance companies, ceded almost USD 16 billion in 2025, of which almost three-quarters was to affiliated companies.

Medicare Advantage continued to be a challenged business segment through 2025, with lower reimbursement, higher than expected utilization, challenges from Centers for Medicare and Medicaid Services (CMS) risk adjustments, and lower overall star ratings compressing margins. As a result, several national health insurers have reduced enrollments or exited certain markets. These trends have also increased demand for reinsurance for this product line among both regional and national health insurers.

Medicaid managed care markets remained under pressure throughout 2025 as states continued the eligibility redetermination process following the expirations of eligibility requirement paused during COVID. This resulted in coverage disruptions and membership volatility which resulted in an acuity mismatch. While several states have renegotiated rates, elevated utilization and claims experience has resulted in lower margins. Furthermore, Medicaid managed care will be impacted going forward by work requirements and more frequent eligibility checks, stemming from the One Big Beautiful Bill Act, which was signed into law in 2025. However, the majority of ceded Medicaid managed care

Exhibit 6

US Health Re – Top 10 Cedents by Ultimate Parent, Affiliated vs. Non-affiliated, 2025

Based on US statutory filings

Rank	Ultimate Parent Name	Affiliated	Non-affiliated	Total Premium Ceded (USD billions)
1	Great-West Lifeco Inc.	100.0%	0.0%	34.8
2	UnitedHealth Group Incorporated	12.6%	87.4%	34.4
3	CVS Health Corporation	32.1%	67.9%	18.3
4	Horizon Mutual Holdings, Inc.	60.7%	39.3%	16.3
5	Highmark Health	73.7%	26.3%	16.0
6	Blue Cross Blue Shield of MI Mut Ins Co	2.7%	97.3%	8.9
7	Elevance Health, Inc.	98.1%	1.9%	7.9
8	Unum Group	17.6%	82.4%	5.5
9	Oscar Health, Inc.	0.0%	100.0%	5.4
10	Reinsurance Group of America, Inc.	98.7%	1.3%	5.3

Source: BESTLINK

premiums are with affiliated companies as health insurers manage capital more efficiently throughout the organization.

High-Cost Claims Continue to Influence the Industry

Rising exposure to catastrophic claims has contributed directly to increased demand for reinsurance support within the health segment. Sun Life's latest high-cost claims report, drawn from more than 70,000 high-dollar medical claims across over 3,300 self-funded employers, found that claims over USD 1 million grew 46% in frequency between 2022 and 2026. In terms of single year growth for 2025 only, high dollar claims are up nearly 5%.

Within the top 20 high-cost claim conditions, the top three were malignant neoplasm, cardiovascular, and orthopedics/musculoskeletal. In 2025, the top three medical conditions represented 40% of total reimbursement, which is the first time that this has occurred.

According to the Sun Life report, cancer claims incur the greatest medical spend and various drugs used to treat cancer represent 12 of the top 20 highest-cost injectable drugs. Keytruda, an injectable drug to treat cancer, has been ranked number one in total spend for the past two years, with total spend for Keytruda exceeding USD 90 million in 2025.

It is expected that costs across the healthcare market will continue to rise over the next several years, aided by the introduction of new high-cost specialty medications. The increased cost of labor and supplies, an aging population, combined with the impact of changes to Medicare Advantage and Medicaid managed care, will likely place added pressure on providers, making it more difficult for payers to cover more expensive treatments without some type of reinsurance arrangement.

Stop-Loss Reinsurance Growth

The demand for stop-loss reinsurance has accelerated substantially, with stop-loss/excess loss ceded premiums increasing by 50% year-over year to $19.6 billion. The strong demand is driven by the increase in high-cost claims over the last few years. At year-end 2025, approximately 50% of stop-loss/excess loss premium ceded is affiliated, which marks a small decline from 55% in 2024. Prior to the increase in high-cost claims and the deterioration of cost trends in the healthcare industry, stop-loss reinsurance products were popular with smaller insurers. Due to the above-mentioned trends, stop loss reinsurance products have become increasingly popular with large insurers and self-funded insurers.

To adequately address the elevated medical cost trend, stop-loss insurance writers have gradually increased deductible levels and premium prices. A recent article by Mercer (A Marsh Business), noted that placements for the most recent January 2026 cycle increased rates by an average of 23%, up from 18% during the previous cycle. Even many well-performing groups experienced 15% rate increases. Given the market trends, AM Best expects that pricing from reinsurers could rise and there could potentially be market exits from this line of business.

AM Best notes there has been growing interest in reinsurance on stop-loss business from insurers that specialize in this line of business:

- In 2025, UnitedHealthcare Insurance Company ceded USD 3.1 billion of stop-loss/excess of loss to Hannover Life Reassurance Company of America (Bermuda) Ltd. This was a new transaction effective July 1, 2025.
- ReliaStar Life Insurance Company ceded USD 1.2 billion to Canada Life in 2025. ReliaStar Life Insurance Company's agreement with Canada Life was effective in 2020.
- Symetra Life Insurance Company has been ceding stop-loss premium to Canada Life since 2019 and, in 2025, ceded more than USD 1 billion of premium to Canada Life.
- In 2024, HM Life Insurance Company entered into an agreement to cede 80% of certain stop-loss policies. As of year-end 2025, HM Life Insurance Company ceded USD 924 million of stop-loss premium to Canada Life.
- A number of Blue Cross Blue Shield entities continue to increase ceding stop-loss to an affiliated captive. AM best notes that five of the top ten captives are assuming stop-loss excess of loss from an affiliated Blue Cross Blue Shield company.

In addition, the US Business of The Canada Life Assurance Company ceded more than USD 4.8 billion of stop-loss/excess of loss premiums to Canada Life International Reinsurance (Barbados) Corp. and the US Branch of the Sun Life Assurance Company of Canada ceded almost USD 2.4 billion to Sun Life Financial (Bermuda) Reinsurance.

Given the steady rise in the average claim, AM Best expects the trend of ceding stop-loss to continue as companies seek to protect against high-dollar claimants, and as part of an organization's overall capital management strategies.

Use of Captives Decreases in 2025

After years of an upward trend in the use of captives across the health insurance industry, in 2025 premiums ceded to captives decreased 56% from USD 11.2 billion in 2024 to USD 4.9 billion in 2025 (**Exhibit 7**). This followed years of strong growth, where premium volume ceded to captives grew from USD 3.2 billion in 2020 to USD 11.2 billion in 2024.

In 2025, the decrease in premiums ceded to captives was driven by Health Net Life Reinsurance Company, which had been the company leading premium growth over the last few years. Health Net Life Re‘s ultimate parent is Centene Corporation.

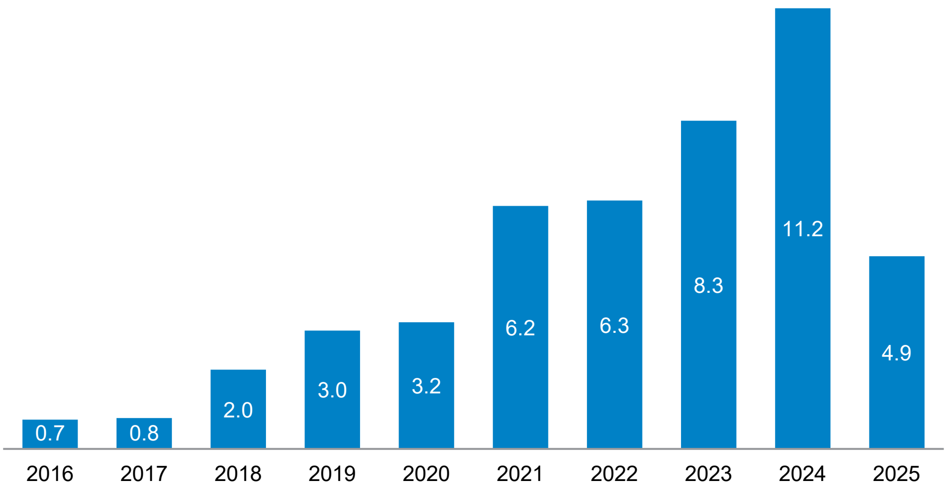
The largest health insurance captive as measured by assumed premiums in 2025 was Health Re Inc., with USD 4 billion (**Exhibit 8**). The ultimate parent is CVS Health, and it is utilized as part of an insurance-linked securities transaction for a portion of Aetna Life Insurance Company's group commercial insured business.

AM Best notes that of the ten largest health insurance captives based upon premium, the top three accounted for nearly 88% of the assumed premiums in 2025 for the top ten companies. The top three players in the health insurance captive market are Health Re Inc., WellPoint Insurance Services, Inc., and CVS Caremark indemnity Ltd. These entities have long-established experience in assuming blocks of business and play a central role in capital optimization strategies.

Exhibit 7

US Health Re – Premium Ceded to Captives (Health Filers Only)

(USD billions)



Source: BESTLINK

Exhibit 8

US Health Re – Top 10 Largest Captive Reinsurers

Based on US statutory filings

Rank	Reinsurer Name	Ultimate Parent	Jurisdiction	Assumed Premium (USD millions)
1	Health Re Inc	CVS Health Corporation	Vermont	4,000.0
2	WellPoint Insurance Services, Inc.	Elevance Health, Inc.	Hawaii	2,483.3
3	CVS Caremark Indemnity Ltd.	CVS Health Corporation	Bermuda	1,345.9
4	GranularRe, Inc.	Elevance Health, Inc.	South Carolina	492.3
5	Woodward Straits Insurance Company	Blue Cross Blue Shield of Michigan Inc.	Michigan	251.9
6	South Water Insurance Company	Health Care Svc Corp, a Mut Legal Res Co	Utah	115.8
7	Healthcare Captive Solutions, Inc.	Prosano, Inc.	Arizona	54.1
8	Cerulean Vega Captive, Inc.	Blue Cross and Blue Shield of Kansas Inc.	Kansas	43.2
9	Lokahi Assurance Ltd	Kaiser Permanente Inc.	Hawaii	43.0
10	Pacific Beacon Life Reassurance, Inc.	CSAA Insurance Exchange	Hawaii	27.8

Source: BESTLINK

CVS Health/Aetna utilizes two captives: Health Re Inc. and CVS Caremark Indemnity Ltd. CVS Caremark Indemnity primarily assumes Medicare Part D business from SilverScript Insurance Company, an affiliated company, and has moved into the third position due to a significant increase in assumed business.

WellPoint Insurance Services, Inc., the wholly owned captive subsidiary of Elevance Health, Inc. (Elevance), is domiciled in Hawaii and includes a segregated cell structure. The cell assumes premiums from an affiliated company, Anthem Insurance Companies, Inc. (AICI), for a portion of the Federal Employee Health Benefits Program (FEHBP). As part of Elevance's capital optimization strategy, AICI assumes FEHBP premiums from several other affiliated entities. AICI then cedes a portion of the gross premium written to WellPoint Insurance Services, Inc. In 2025, the FEHBP premium ceded by Anthem Insurance Companies Inc. to WellPoint Insurance Services was USD 2.5 billion. AM Best notes the use of cell structures may enable Elevance to utilize the captive in the future for additional lines of business.

Five captive reinsurers shown in Exhibit 8 are assuming stop-loss premiums:

- Granular Re, Inc. (owned by Elevance), the fourth largest captive reinsurer, assumed stop-loss/excess of loss from an affiliated insurance company.
- Woodward Straights Insurance Company assumed stop-loss/excess loss premiums from its parent, Blue Cross Blue Shield of Michigan.
- South Water Insurance Company assumed all of its premium from its parent company, Health Care Service Corp., a Mutual Legal Reserve Company. The premiums assumed were for stop-loss/excess loss.
- Healthcare Captive Solutions, Inc., owned by Prosano Inc., assumed premiums from affiliated companies, of which more than 50% was stop-loss/excess loss premiums. The greatest portion of assumed premium was from Blue Cross Blue Shield of Arizona, Inc.
- Cerulean Vega Captive, Inc., owned by Blue Cross and Blue Shield of Kansas, assumed 100% of its premiums from its parent for stop loss/excess loss.

Asia-Pacific Health Insurance Trends

South Korea's rapidly aging population continues to support demand for health-related insurance products, thereby laying a structural foundation for the domestic health reinsurance market. As primary insurers face tighter capital and balance-sheet discipline under IFRS 17 and K-ICS, demand for reinsurance solutions has shifted toward more tailored and capital-supportive structures. Coinsurance, a type of financial reinsurance, remains particularly relevant in this context, given its potential to transfer both insurance and interest-rate risks to reinsurers. More broadly, the Korean market also appears to be showing interest in a wider range of coinsurance structures, potentially including asset-intensive reinsurance, as insurers explore broader capital management options. In AM Best's view, reinsurers are likely to play a strategic role in the Korean market by helping cedents optimize capital, manage health claims volatility, and develop products that are better aligned with the evolving domestic health insurance segment.

In China, the role of commercial (re)insurance is evolving alongside enhancements to the public health insurance system, which expands coverages as standardized medical treatments. Health insurance premium growth has moderated in recent years due to intensifying competition and increasing market saturation. Previously popular "million-dollar medical insurance" products—high-deductible, high-limit medical reimbursement policies—have faced renewal challenges due to relatively low utilization rates associated with their high deductibles. In response, insurers have shifted away from standardized, commodity-like offerings toward more customized products targeting specific customer segments. These products typically feature lower deductibles and expanded coverage for out-of-pocket medical expenses not reimbursed under the public healthcare system, including high-cost drugs, advanced medical treatments, post-operative rehabilitation, and outpatient care. At the same time, insurers have introduced specialized products tailored to underserved segments, such as individuals with chronic illnesses, pre-existing conditions, and other specific demographic groups.

To support product differentiation and distribution, professional health insurers are increasingly offering value-added services. These services help policyholders manage their lifestyles and existing health conditions, access medical resources more efficiently, and obtain rehabilitation support following medical procedures.

Reinsurers continue to play a pivotal role as cedents navigate this evolving market landscape. Their contribution extends well beyond providing traditional underwriting capacity. Leveraging extensive data resources and technical expertise, reinsurers have developed partnerships that connect direct insurers, healthcare providers, third-party administrators, and digital platforms. These collaborations focus on designing customized products, enhancing risk selection capabilities, and optimizing underwriting and operational processes across multiple distribution channels.

US & Bermuda Reinsurers Maintain Strong Performance Despite Softening Market

Profitability remains robust amid continued softening, but recent strong performance will be difficult to sustain.

Principal Takeaways

- The US & Bermuda reinsurance composite's strong 2025 performance benefited from lower CAT losses and a greater impact of favorable reserve development.
- Near-term growth could be suppressed by increasing scarcity of attractive underwriting opportunities.
- Catastrophe reinsurance pricing declines are accelerating, but investment income will continue to support overall profitability.
- The market remains rational, but excess capital could erode discipline over time.

AM Best's composite of US & Bermuda reinsurers consists of seven reinsurance groups domiciled in either the US or Bermuda, for which the reinsurance business accounts for the majority of their underwriting portfolios. The seven companies in the US & Bermuda composite are Arch Capital Group Ltd.; Everest Group, Ltd. (Everest); General Re Corporation; Odyssey Group Holdings, Inc.; PartnerRe Ltd.; RenaissanceRe Holdings Ltd. (RenRe); and Transatlantic Holdings, Inc. (Transatlantic).

In 2025, the composite sustained its recent trend of favorable underwriting results, generating its fifth consecutive year of underwriting profitability, benefiting from a reduced impact from catastrophe losses and a greater contribution from favorable loss reserve development compared to 2024.

Overall profitability in 2025 matched 2024's strong performance, with an aggregate net ROE of 16.8% reported in both periods. This represents the third consecutive year that the composite posted strong underwriting results that were buttressed by higher net investment income driven by the sustained higher interest rate environment, particularly in the US.

Market Remains Disciplined Despite Price Declines

Growth moderated in 2025, with gross written premiums (GWP) rising less than 1.0% after gaining 11.7% in 2024. Changes in 2025 GWP for individual companies ranged from a 6% gain to a 4% decrease, but for the majority, GWP was flat or declined modestly. AM Best views this as an indication that reinsurers are maintaining underwriting discipline in a softening market where attractive opportunities are increasingly difficult to identify.

AM Best expects top-line growth for the composite to be similarly muted in 2026, given the acceleration of rate decreases seen in property reinsurance and a slowing of price improvement in US casualty lines after several years of strong gains. For the moment, property reinsurance

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2026-090.5

rates remain at levels that are supportive of adequate risk-adjusted returns. Given ample capital generation and strong results in each of the past three calendar years, it is nevertheless difficult to identify a catalyst for stabilization of the current downward pricing trend. More favorably, senior management teams of these companies have consistently told AM Best that reinsurance terms and conditions, while loosening on the margins, appear to have remained largely intact.

Underwriting Margins Narrow Despite Lower Catastrophe Losses, More Favorable Reserve Development

The 2025 Property Casualty (P/C) combined ratio of 90.1 represented a 1.6-point deterioration over the prior year, despite lower catastrophe losses and greater favorable loss reserve development (**Exhibit 1**). Catastrophe losses added 4.8 points to the composite's P/C combined ratio in 2025, versus 6.7 points in the prior year. The most impactful events of 2025 occurred before January was over, when the California wildfires accounted for approximately USD 40 billion, with a substantial portion of that amount borne by reinsurers. Aside from the wildfires, however, catastrophe activity for the remainder of 2025 was relatively benign. While three CAT 5 hurricanes formed in the Atlantic basin for the first time since 2005, none of these storms made landfall in the US, which significantly benefited the composite's results for the year.

The composite's underwriting income was also boosted by favorable loss reserve development that reduced the composite's P/C combined ratio by 2.3 points in 2025 versus a 0.3 point benefit in 2024. While aggregate reserve development remained favorable for the group, three of the seven companies in the composite did report net unfavorable loss reserve development in 2025. For several companies in the composite, reserve releases for short-tail and specialty lines (often reserves attributed to initial estimates of previous large loss events) either partially or completely offset unfavorable development in casualty lines. Due to the lower frequency of these large loss events in recent years and the diminishing redundancies in short tail lines for older accident years, it is fair to question the sustainability of these reserve releases going forward.

Exhibit 1

US & Bermuda — Earnings Composition

Growth	2025 YoY Growth	2024 YoY Growth	2023 YoY Growth	2022 YoY Growth	2021 YoY Growth	5-Year CAGR
Gross Premium Written	0.8%	11.7%	10.1%	8.9%	21.2%	7.8%
Net Premiums Earned - Non-Life Only	3.8%	14.0%	10.4%	20.0%	13.2%	11.9%
Reinsurance Premium Earned	2.6%	15.8%	17.3%	6.1%	10.7%	10.3%
Shareholders' Equity - excluding minority interest	11.2%	9.6%	33.7%	-11.3%	3.7%	9.6%
Capital	10.5%	10.9%	28.0%	-10.0%	4.3%	9.0%

Key Operating Ratios	2025	2024	2023	2022	2021	5-Year Weighted Avg
Loss Ratio	60.6%	61.4%	56.4%	63.9%	65.6%	61.3%
Expense Ratio	29.6%	28.1%	28.7%	27.5%	29.2%	28.6%
Combined Ratio	90.1%	89.5%	85.1%	91.4%	94.8%	89.9%
Reinsurance Combined Ratio	87.0%	85.1%	83.4%	92.8%	96.8%	88.4%
Adverse/(Favorable) Development on Loss Ratio	-2.3%	-0.3%	-3.7%	-3.0%	-10.0%	-3.4%
Net Investment Income Ratio	14.5%	14.5%	12.5%	7.7%	9.1%	12.0%
Return on Equity	16.8%	16.8%	23.0%	-2.6%	11.5%	13.7%

Key Capital Ratios	2025	2024	2023	2022	2021	5-Year Avg
Net Premium Written (Non-Life) To EOP Equity	65.5%	72.7%	70.3%	89.3%	66.5%	72.9%
Net Reserves To EOP Equity	132.6%	133.6%	130.1%	159.4%	128.9%	136.9%
BCAR at VaR 99.6%	52.8%	46.8%	50.2%	39.9%	42.9%	46.5%

Source: AM Best data and research

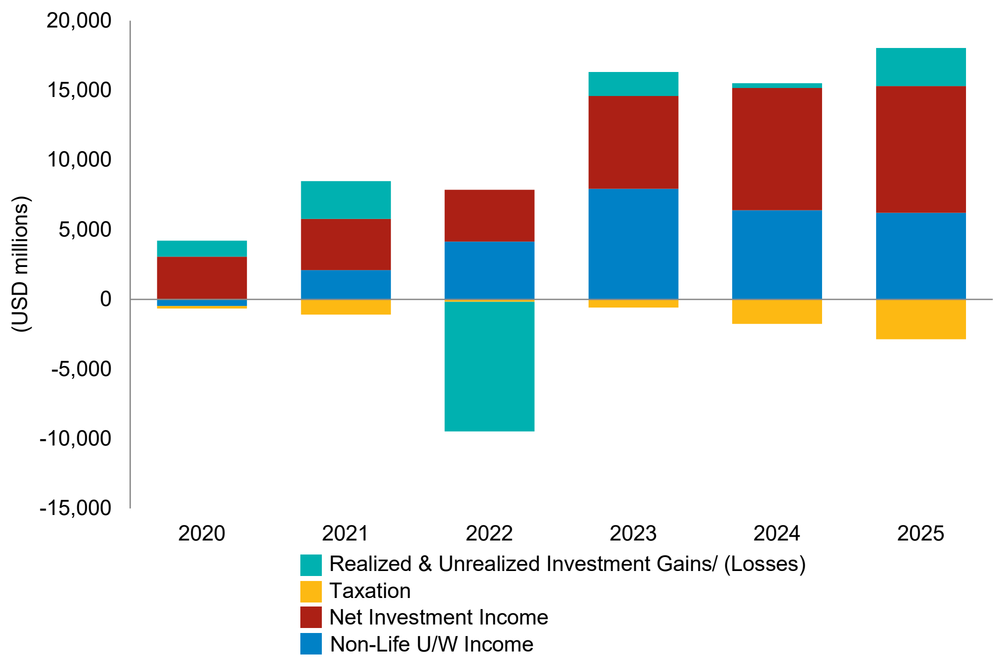
The composite's run rate P/C combined ratio (excluding CAT losses and prior-year development) rose by 4.6 points to 87.6%, which is not surprising given the rate decreases seen in property reinsurance at the key 2025 renewal periods. Given the combination of factors discussed above, it seems likely that the composite's attritional loss ratios will continue to trend higher in the near term, particularly within the context of an operating environment that also includes sustained elevated loss cost trends in US casualty lines. With that said, AM Best recognizes that the composite is well positioned to absorb some additional deterioration in underwriting margins and still post adequate risk-adjusted returns, partially due to robust investment income discussed below.

Sustained Strong Investment Performance Augments Underwriting Income

Significant realized and unrealized investment gains and higher net investment income bolstered earnings for the third straight year. The composite posted a 16.8% return on equity for the year, which matched 2024's strong result. Net investment income continues to benefit from significantly higher reinvestment rates on fixed income asset classes, increasing to $9.1 billion in 2025 from $8.8 billion in the prior year. Recurring net investment income has made a steadily increasing contribution to pre-tax operating income over the past several years and is now more than double levels reported as recently as 2022 (**Exhibit 2**). Because many companies took the opportunity to extend the durations of their fixed income portfolios when interest rates spiked in late 2022, the tailwind provided from higher investment income should be durable, even if underwriting margins shrink as expected.

Pre-tax net realized and unrealized gains, which can be volatile, were particularly strong at $3.6 billion in 2025, the third consecutive year of positive results following 2022, when this composite recorded $9.3 billion of net realized and unrealized investment losses.

Exhibit 2
US & Bermuda - Earnings Composition



Source: AM Best data and research

Capital Remains Robust Despite Increasing Shareholder Distributions

The composite's GAAP equity rose by 11.2% in 2025, exceeding increases in NPW (flat) and loss reserves (+10.3%). As a result, underwriting and reserve leverage both improved from already strong levels. The rise in equity was driven primarily by underwriting profits, net investment income, and unrealized capital gains that were partially offset by share repurchases and dividends paid.

The group continues to return more capital to shareholders, funded by strong earnings in recent years. Dividends and share repurchases totaled USD 7.8 billion in 2025, up from USD 5.8 billion in 2024 and less than USD 2.0 billion in 2023. AM Best views this trend as a prudent return of excess capital to shareholders rather than chasing a softening market. Despite the return of capital, the composite's aggregate BCAR scores at the 99.6 Value at Risk (VaR) confidence level remained well in excess of levels supportive of the strongest risk-adjusted capitalization at year-end 2025 and actually improved from year-end 2024. AM Best therefore expects that current capital levels will remain sufficient to support organic growth opportunities into 2026 and beyond.

Prospects for New Company Formation Remain Unlikely

Despite overall favorable market conditions that supported the composite's strong performance for the last three calendar years, meaningful new company formation in the US & Bermuda reinsurance market never materialized. AM Best attributes this to a combination of factors including the reinsurance sector's lackluster performance for several years prior to 2023, the emergence of attractive investment alternatives following the interest rate spike in 2022, and the fact that the market has consistently remained in an excess capital position. With the property reinsurance pricing dynamics now clearly past the peak of the recent hard market cycle and capital levels at all-time highs, opportunities for new company formations will remain limited for the foreseeable future.

Reinsurers Poised to Report Fourth Consecutive Year of Strong Profitability in 2026

The US & Bermuda Reinsurance composite appears well positioned to report its fourth consecutive year of solid operating results in 2026. The first half of 2026 was largely uneventful in terms of large loss events, so despite accelerating rate declines for reinsurance property exposures at each of the key 2026 renewal dates, the composite should produce solid underwriting income for the first six months of the year. Results for the full year will be largely dictated by the Atlantic hurricane season and the magnitude of any adverse loss reserve development in US casualty lines. While the National Oceanic and Atmospheric Administration (NOAA) predicts a below-normal hurricane season for 2026, losses from even one storm that takes an unfavorable storm track have historically proved to be sufficient to wipe out a full calendar year of earnings. If CAT activity in the second half of the year proves to be unexceptional, then AM Best expects that 2026 will be the composite's fourth consecutive year of strong performance, which will likely promote further market competition.

BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

Steering Profitability Remains Crucial for Lloyd's in a Softening Market

A number of London Bridge transactions involved the issuance of catastrophe bonds and establishing reinsurance captives, enhancing the reinsurance business proposition of the Lloyd's market.

Principal Takeaways

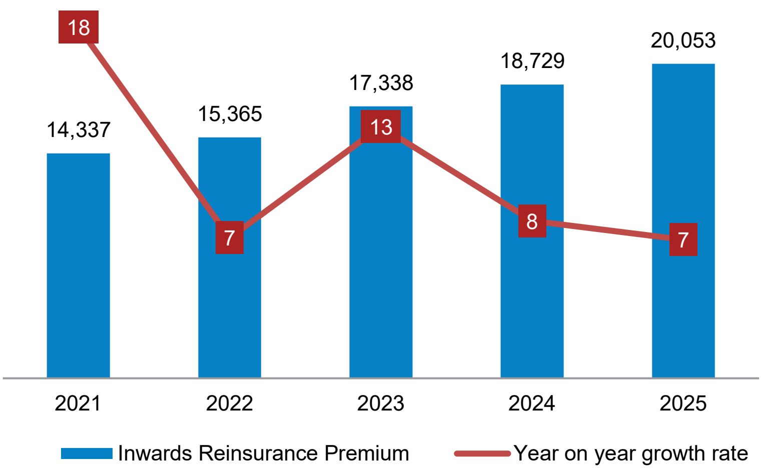
- Despite softening pressures, the pricing environment for the reinsurance segment of Lloyd's is expected to remain adequate and support positive underwriting performance in the near term.
- Performance oversight by the Corporation is expected to remain an area of importance as the market navigates the downturn in the underwriting cycle.
- The Lloyd's market remains attractive for investors, with a growing deployment of third-party capital and an influx of new syndicates.

Reinsurance is the Lloyd's market's largest segment and accounts for approximately one-third of its gross written premium (GWP), with its inwards reinsurance business well diversified between property, casualty and specialty lines. In 2025, GBP 20 billion of inwards reinsurance business was written across the Lloyd's Syndicates (see **Exhibit 1**).

Exhibit 1

Lloyd's – Reinsurance Premium by Syndicates, 2021-2025

(Premium: GBP millions. Year on year growth rate: %)



Source: AM Best data and research

BESTLINK

Lloyd's reinsurance business has grown strongly in recent years, with a five-year (2021-2025) compound average growth rate of 7% boosted by exceptional growth in 2021. Following several years of rate increases, softening pressures emerged in 2025 and have intensified in 2026.

Over the first half of 2026, most reinsurance lines of business (excluding US casualty) experienced a decline in risk-adjusted pricing. Pressure was most pronounced for property catastrophe business, particularly for US-exposed risks. It appears that there has also been pressure on terms and conditions in 2026. AM Best notes that although rates have declined, they have moderated from a very strong peak and are expected to remain adequate at least through 2026.

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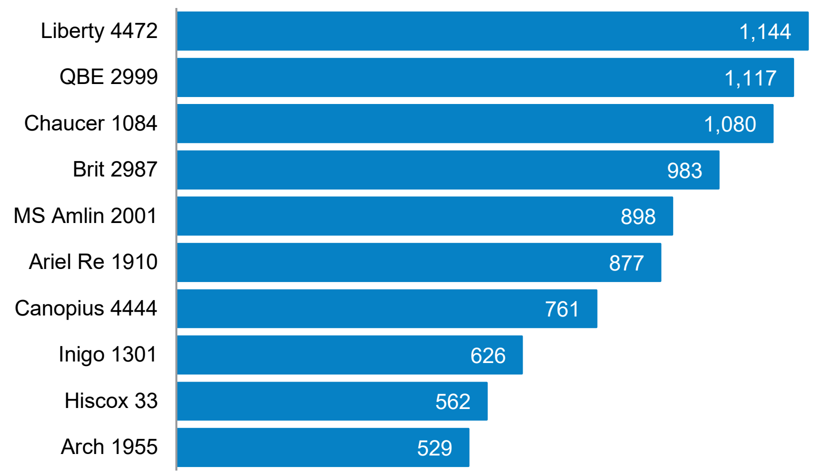
Lloyd's continues to focus on supporting its best performing operators, with an emphasis on price adequacy. Syndicate 4472 (Liberty) reported the largest volume of reinsurance premium in 2025 (see **Exhibit 2**), closely followed by Syndicate 2999 (QBE). The market's unique proposition and recent robust returns have attracted an influx of new syndicates, with several of them offering traditional and collateralised reinsurance solutions.

Exhibit 2

Lloyd's – 10 Largest Syndicates by Inwards Reinsurance Premium, 2025

(GBP million)



Source: AM Best data and research

In 2021, Lloyd's established its London Bridge platform to act as a reinsurance risk transformation vehicle to facilitate the participation of institutional investors. The platform allows the issuance of both preference and debt securities to fund reinsurance obligations. By the end of 2025, the London Bridge risk transformation platform reached a capital deployment of around USD 3 billion. A number of London Bridge transactions in 2025 and 2026 involved the issuance of catastrophe bonds and establishing reinsurance captives, enhancing the reinsurance business proposition of the Lloyd's market.

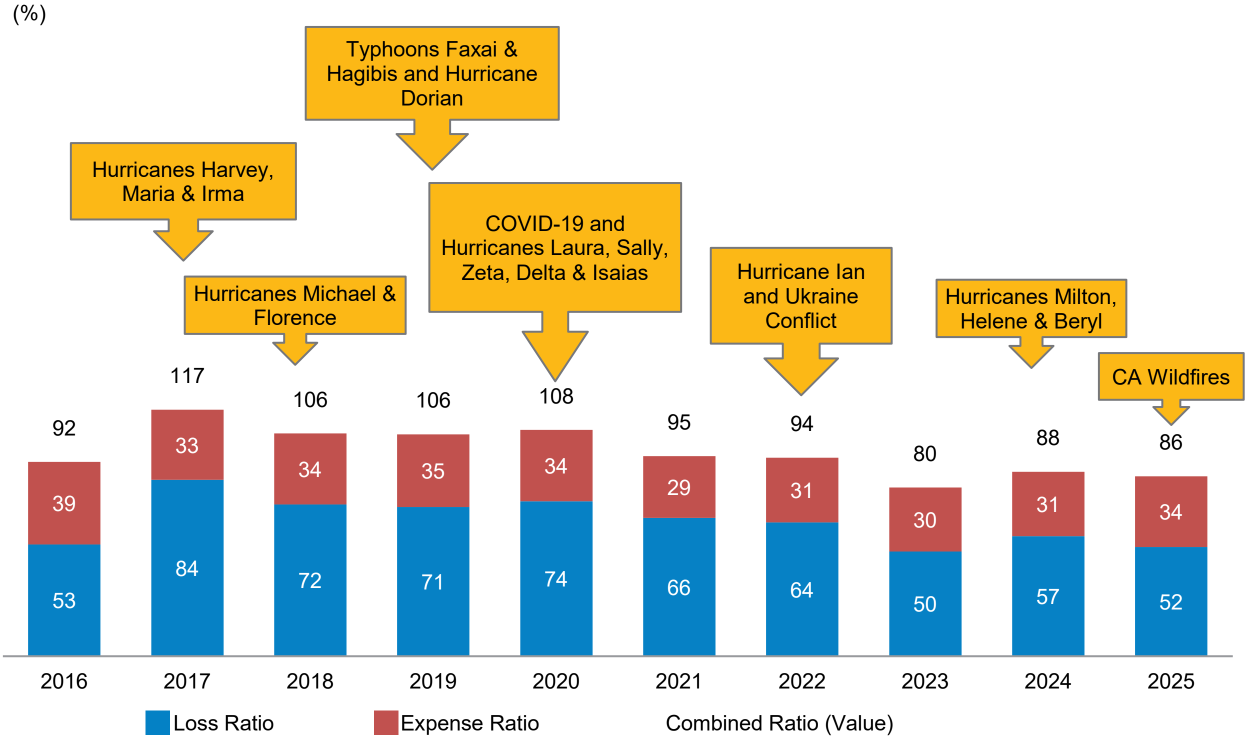
Reinsurance Performance Remains Subject to Natural Catastrophe Experience

Over the longer term, the reinsurance segment's performance has experienced significant volatility, with its net loss ratio fluctuating between 84% (2017) and 50% (2023) over the past decade. However, this is not completely unexpected, as the reinsurance segment is highly exposed to catastrophe losses through lines such as property catastrophe excess of loss.

To address a period of poor performance in 2020 and prior years, remedial work was undertaken by syndicates across the market, which was supported by oversight by the Corporation. The result of these corrective measures is reflected in the improved underwriting performance of the reinsurance segment since 2021 (see **Exhibit 3**). In addition, improved market conditions in more recent years contributed to the market's reinsurance segment reporting healthy combined ratios over the period from 2023 to 2025.

The hard pricing environment over the period between 2023 and early 2025 coincided with relatively benign natural catastrophe activity, with large claims remaining within budget for the overall Lloyd's market. In recent years, the market has reported favourable releases from several large natural catastrophe events from prior years, which has supported good results. However, some of these releases have been in part offset by reserve strengthening reported by the casualty reinsurance segment relating to business written prior to 2019. In the specialty reinsurance segment, adverse prior year development was observed for aviation business in 2024 and 2025 due to a strengthening of estimates for the Ukraine conflict following unfavourable litigation outcomes in the UK and Ireland.

Exhibit 3
Lloyd's – Reinsurance Combined Ratios and Major Events, 2016-2025
(%)



Source: AM Best data and research

A prolonged crisis in the Middle East, particularly if insured infrastructure continues to be targeted, will likely generate further losses for the Lloyd's market, which is a key reinsurer for the region and a leading reinsurer covering marine war risks. In addition, with the hurricane season still ahead, Lloyd's reinsurance segment's profitability for 2026 will be subject to its natural catastrophe experience during the rest of the year.

The distribution of Lloyd's business is dominated by insurance brokers, and by the three largest global brokers in particular. Lloyd's brokers play an active part in the placement of risks and in providing access to regional markets.

The Lloyd's distribution model is relatively expensive, with business often passing through several distribution links before arriving at the syndicates. The market's reliance on brokers also makes it vulnerable to price-based competition. Although in overall terms, Lloyd's is important to the large global brokers (as well as to the specialised London market brokers), the importance of individual syndicates is less so.

Capital at Lloyd's

Syndicates operating at Lloyd's follow a robust market-wide capital-setting regime, which incorporates a risk-based approach to setting member-level capital, as well as a 35% capital uplift. Moreover, there is a requirement for members to replenish their Funds at Lloyd's (FAL) after a loss through the "Coming into Line" process, which helps protect risk-adjusted capitalisation against volatility. In effect, this means that capital depleted following a large catastrophic loss event is typically replenished quickly during the year, making Lloyd's risk-adjusted capitalisation less volatile than that of its peers.

Member-level capital in the form of FAL and members' balances are held on a several rather than a joint basis, meaning that any member needs to only meet its share of claims. However, Lloyd's central assets are available, at the discretion of the Council of Lloyd's, to meet policyholder liabilities that any member is unable to meet in full. This link in the Chain of Security comprises the Central Fund and other central assets. These central assets can be supplemented by funds called from members of up to 5% of their overall premium limits. Currently, Lloyd's has in place insurance for the Central Fund through a multi-year cover. This provides protection to the Central Fund, and therefore the market, against severe tail events.

The European "Big Four" Reinsurers Maintain Their Profit Targets Despite a Volatile Environment

The European "Big Four" reinsurers still have an appetite for property catastrophe reinsurance despite the rate softening.

Europe's four largest reinsurers—Swiss Re, Munich Re, Hannover Re and SCOR—collectively known as the European "Big Four", benefit from their global reach, strong brands and diversified portfolios.

In 2025, they reported strong results, benefitting from good rate adequacy and continued underwriting discipline.

The European "Big Four" are also maintaining their ambitious profit targets for 2026, in spite of both a softening of rates and the increase in uncertainties tied to the geopolitical environment. In addition, the reinsurers continued their strong performance in the first half of 2026, helped by a benign catastrophe experience.

However, the global reinsurance market has entered in a new phase of the cycle, with significant softening in rates seen through the 2026 renewals, which will compress margins compared to those seen in recent years.

The European "Big Four" are composite reinsurers. Munich Re, SCOR and Swiss Re are also active in the primary insurance space, writing commercial and specialty insurance business. Munich Re also writes retail primary business via ERGO. Hannover Re writes reinsurance business exclusively, however, it is part of the HDI Group.

All four reinsurers continued to benefit from business written through the hard reinsurance market, with strong pricing, and terms and conditions, which allowed them to maintain robust performance metrics for their property and casualty (P/C) reinsurance segments.

The performance of life portfolios in 2025 was strong for the "Big Four", thanks to the reduced impact from excess mortality in the US compared to previous years.

Reporting Differences Make Comparisons Difficult

Comparison among groups reporting under IFRS 17 and with those reporting under US GAAP is made difficult by the differences in reporting standards. Discounted combined ratios under IFRS 17 are, for example, not directly comparable with the undiscounted combined ratios reported under US GAAP or IFRS 4.

In addition, comparisons between IFRS 17 reporters are also complicated by differences in disclosures, measurement models and other variabilities allowed by the standard. Nonetheless, with those caveats in mind, AM Best can make some general comparative observations. The "Big

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Four" reinsurers have on average reported a higher return on equity (ROEs) for 2025 than the US & Bermuda market composite (see **Exhibit 1**). On the other hand, this ROE is slightly below the one reported by Lloyd's.

The ROEs of the "Big Four" tend to be more stable over time than is the case for Lloyd's and the US & Bermuda players. Notwithstanding SCOR's experience in 2024, the cohort's life books have generally had a stabilising effect, and the groups are very diversified.

Exhibit 1

Global Reinsurance – European "Big Four" Market – Trend Summary

(%)

IFRS 17	2022*	2023**	2024	2025
Insurance Revenue[1]	N/A	12.1	0.6	6.9
Total Revenue[1]	N/A	13.4	-6.3	4.7
Shareholders' Equity (End of Period)[1]	N/A	13.6	3.7	14.6
Combined Ratio	90.8	87.6	88.1	83.0
Return on Equity	10.3	17.4	16.0	20.4
Return on Revenue	4.8	6.8	7.5	9.7
Insurance Revenue to Equity[2]	131	121	110	101
Net Reserves to Equity[2]	640	540	321	301
Gross Reserves to Equity[2]	667	556	341	319

1 2022 calculations not available due to changeover to IFRS 17
2 End of Period
* Does not include Swiss Re in any metrics
** Does not include Swiss Re in revenue and equity growth measurements
Results based on reported currencies converted to USD. The growth in insurance and total revenue are influenced by foreign exchange movements in 2025, in particular by the appreciation of the EUR against the USD.
Source: AM Best data and research

The average (net/net) combined ratio for the "Big Four" (83.0%) on the surface looks significantly better than the average for US & Bermuda players (90.2%), and better than Lloyd's (87.6%). However, this is not a comparison of equals as the combined ratios for the "Big Four" are discounted, while the combined ratios for the US & Bermuda, and Lloyd's are not. The effect of discounting is around ten percentage points for 2025 (around eight percentage points for 2024). Note that this impact will vary by company and year depending on the length of the tail of business written.

The discounting impact is partly offset by the risk adjustment which is a requirement under IFRS 17.

Casualty Reserve Strengthening Continues

Concerns regarding adverse development in US casualty books persist for the "Big Four" reinsurers. This is no longer limited to particular underwriting years (2014-2019).

In recent years, all four have taken the opportunity, given the strong operating performance trends, to further strengthen non-life loss reserves. It was also the case in 2025, although different approaches were taken by the companies, with some targeting strengthening for certain parts of their books or for certain cedants, while others focused on overall resiliency strengthening. AM Best notes that reserve strengthening charges have been comfortably absorbed by profit margins in other non-life lines of business.

Life Business Brings Stability to Results

Life business generally acts as a stabilizing factor for the "Big Four" reinsurers, with 2025 being overall a profitable year for the life reinsurance operations. However, assumptions reviews have been undertaken, with one-off impacts in 2024 (SCOR) and 2025 (Swiss Re, although to a lower extent). This resulted from adverse experience in specific blocks of business, but updated assumptions are expected to position their life business for a stronger and more stable future performance going forward. Munich Re and Hannover Re reported stable and healthy results from their life books over the period.

With a healthy interest rate environment, improved underwriting discipline and increased demand for longevity and biometric (such as mortality) risk protection, it is expected that life business will continue to be a source of profitability and diversification for the "Big Four".

Taking a First Look at 2026

In their first quarter results for 2026, the "Big Four" reinsurers have reported improved technical results for their non-life reinsurance segments owing to a benign start of the year in terms of natural catastrophe events.

The escalation of geopolitical tensions in the Middle East following the US/Israel conflict with Iran has given rise to uncertainties, although reinsurers' claims levels are expected to remain manageable. AM Best notes that should attempts to de-escalate the conflict prove unsuccessful, or the blockade of the Strait of Hormuz lasts several months, there may be more impacts for certain lines of business.

Risk Appetite and Diversification Strategies

The "Big Four" reinsurers still have an appetite for property catastrophe reinsurance despite the rate softening. This follows a period of right-sizing of portfolios, increases in attachment points, and a move away from aggregate covers and working layers. Prices have continued to soften in the 2026 renewals but remain overall within the "Big Four" risk appetites, although there are disparities among them.

At the same time, the "Big Four" reinsurers are also aiming for growth in both their life and non-life portfolios. While longevity products (as well as financial solutions) are seen as attractive targets for growth in the life segment, specialty segments such as cyber, marine, engineering, and other lines are seen as attractive by reinsurers for both insurance and reinsurance activities. The growth in these lines is aimed at achieving increased levels of diversification and more stable earnings.

Concerns regarding adverse development of US casualty books have persisted into 2025 for the segment, and the "Big Four" reinsurers have continued to reinforce their reserves, alongside a refinement of their strategies towards new business.

The European "Big Four" Reinsurers

Hannover Re

Hannover Re reported a net profit of EUR 2.8 billion in 2025 (2024: EUR 2.4 billion), with an ROE of 21.4% (as calculated by the company). Profits emanated from technical results, with contributions from both Hannover Re's P/C and L&H segments.

The group benefitted from good technical performance in 2025, with a non-life combined ratio net/net of 84.0% in 2025 (as calculated by the company, 2024: 86.6%). The company continued to take advantage of strong technical results to bolster its resiliency reserves over the year. Technical performance in the P/C segment was boosted by lower-than-budgeted net large losses impact during the year (net: EUR 1.7 billion).

Life technical results remained above targets in 2025, with investment income supporting technical results.

Hannover Re's insurance service revenue under IFRS 17 grew by 1.5% in 2025 (4.7% at constant foreign exchange), driven by growth in the L&H segment (principally in structured Financial Solutions) as well as P/C, however, currency effects somewhat mask growth.

IFRS 17 total equity stood at EUR 13.9 billion at year-end 2025, up from EUR 12.7 billion at year-end 2024 as a result of good capital generation tied to retained earnings.

Munich Re

In 2025, Munich Re reported a net profit of EUR 6.1 billion, with an ROE of 18.3% (as calculated by the company). The P/C reinsurance segment generated strong net profits of EUR 3.3 billion in 2025, with a net/net combined ratio of 73.5% (excluding global specialty insurance (GSI) business), with lower major losses and reflecting additional reserve prudency. The majority of P/C reinsurance lines of business reported strong combined ratios, while only liability reported a combined ratio above 100%, driven by further reserve strengthening. Life's net result in 2025 contracted to EUR 1.3 billion, compared to EUR 1.5 billion in 2024, reflecting the impact of foreign exchange on revenues and the impact of higher claim experience.

During 2025, insurance revenue from insurance contracts diminished marginally (less than 1%) to EUR 60.4 billion. Insurance revenue for the P/C reinsurance segment (excluding GSI business) stood at EUR 18 billion (-8.0%), reflecting a more restrictive risk selection. Insurance revenue for L&H reinsurance contracts increased to EUR 12.2 billion (3.5%), driven by large transactions in US and UK business and the ongoing expansion of longevity business.

Total equity increased by 1.6% to EUR 33.4 billion at year-end 2025, as a result of strong capital generation despite significant distribution to shareholders.

SCOR

SCOR reported a net profit of EUR 851 million in 2025 (2024: EUR 4 million), with an ROE of 19.1% (as calculated by the company). Profits emanated from technical results, with contributions from both SCOR's P/C and L&H segments.

SCOR's L&H segment returned to profitability in 2025, after the previous year had been negatively impacted by one-off adjustments tied to a reserve and assumptions review.

The P/C segment benefitted from strong technical results in 2025, helped by a benign experience in terms of catastrophic events. The group also benefitted from the recalibration of its exposure to natural perils (particularly in the US), which had been conducted over the last few years in order to reduce the volatility of earnings. As a result, the net/net combined ratio amounted to 82.3% in 2025 (as calculated by the company, 2024: 86.3%).

SCOR's insurance service revenue under IFRS 17 contracted by 4.6% in 2025 (-1.9% at constant foreign exchange).

IFRS 17 total equity stood at EUR 4.4 billion at year-end 2025, down from EUR 4.5 billion at year-end 2024 as a result of OCI effects (mainly foreign exchange related) and dividends distribution.

Swiss Re

Swiss Re's net income increased to USD 4.7 billion in 2025 (2024: USD 3.2 billion), with an ROE of 19.6% (as calculated by the company), supported by good underwriting margins across all segments.

Property & Casualty Reinsurance reported a net/net combined ratio of 79.4% for 2025 (as calculated by the company, 2024: 89.9%), underpinned by lower-than-expected large natural catastrophe losses that offset the impact of partial strengthening of reserves related to losses incurred in 2025 and prior years and higher-than-expected large man-made losses.

Life & Health Reinsurance reported net income of USD 1.3 billion for 2025 (2024: USD 1.5 billion). The decrease was primarily driven by a remediation in some subsegments as well as by the negative impact of assumption updates related to underperforming portfolios in Asia and Australia. The latter contributed to a reduction in the L&H's contractual service margin (CSM) of USD 0.9 billion, offset by solid margins on new business, with the total L&H CSM reducing to USD 17.0 billion in 2025 (2024: USD 17.4 billion).

Corporate Solutions reported a net/net combined ratio of 86.5% for 2025 (as calculated by the company, 2024: 89.7%), reflecting stringent portfolio steering as well as disciplined underwriting.

Overall, insurance revenue of the group decreased by 5.4% to USD 43.1 billion in 2025, driven by strategic portfolio management actions across all three main business segments.

IFRS 17 total equity stood at USD 25.7 billion at year-end 2025, up from USD 23.2 billion at year-end 2024.

Asia Focus: Resilience Through Transformation

Asia-Pacific reinsurers use softer market conditions to optimise protection and support growth

Principal Takeaways

- Japanese insurers are better positioned to manage reinsurance market volatility than in prior cycles.
- The MSI-ADI merger in 2027 could reduce overall reinsurance demand and intensify competition among reinsurers, with potential spillover effects in other markets.
- Asia's renewal in 2026 is buyer-friendly, with abundant capacity and falling rates enabling cedents to enhance protection and support growth, while retention levels largely remain stable.
- Earnings remain supportive despite elevated catastrophe claims in Southeast Asia.
- Competition is increasing, though underwriting discipline holds.
- Primary market improvements are enhancing ceded portfolio quality.
- Asia-Pacific major reinsurers delivered strong profitability and capital growth in 2025, supported by hard market pricing and higher investment income via enlarged AUM from retained earnings, hybrid capital issuance, and long-term coinsurance transactions.

Japan's Structural Transformation

Japan's reinsurance market has undergone a significant structural transformation over the past decade. While the major insurance groups are the region's largest buyers of reinsurance, ceding over USD 10 billion to the global reinsurance market due to Japan's substantial exposure to natural catastrophes, they have strengthened their ability to manage reinsurance cycles through improved capitalisation, overseas diversification, a global reinsurance negotiation approach, and stronger strategic partnerships. The disposal of strategic equity holdings, as required by the regulator, has further enhanced financial flexibility, allowing insurers to be less susceptible to abrupt changes in reinsurance pricing and capacity availability, and to respond to future hard-market disruptions.

The planned merger of Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) in April 2027 represents a potentially game-changing point, as the combined entity may require less reinsurance capacity than the two programmes separately, intensifying competition among reinsurers, brokers, and service providers to defend their positions. At the same time, improved underlying fire insurance profitability and benign catastrophe experience in recent years continue to support reinsurers deploying capacity to this market. However, Japan remains highly exposed to natural catastrophe risk, particularly major earthquake events, which could quickly reverse the current soft market conditions.

Evolution of Japan's Reinsurance Market

Japan is uniquely structured, comprising three mega non-life insurance groups— MS&AD Insurance Group Holdings, Inc. (MS&AD); Sompo Holdings, Inc. (Sompo); and Tokio Marine Holdings, Inc. (Tokio Marine) — accounting for more than 80% of industry premiums.

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Given its significant exposure to natural catastrophes, Japan's major primary insurers allocate more than 40% of their reinsurance budgets to fire (property) line reinsurance purchases. The long-term and stable capacity support, especially post-cat events, has always been a key consideration in reinsurance partner selection.

The reinsurance landscape has evolved dramatically in recent years. Following major weather-related losses in 2018 and 2019 and the global reinsurance market hardening in 2023, risk-adjusted rates for wind/flood excess of loss (XOL) treaties increased sharply. During the 2023-24 renewal cycles, Japanese insurers faced higher retentions, tighter terms and conditions, and the withdrawal of aggregate cover capacities that had historically served as earning stabilisers. Fire line ceded premiums rose by 67% over the past decade, against 43% growth in direct premiums written. These external pressures prompted insurers to reassess reinsurance strategies, strengthen underwriting discipline, and place greater emphasis on risk selection and portfolio profitability.

Enhanced Ability to Manage Reinsurance Cycles

The Japanese reinsurance market has undergone a notable structural shift following the recent hard market cycle. A key catalyst was the regulatory-driven acceleration of the industry's plan to unwind multi-trillion-yen strategic equity holdings, with major insurance groups committing to full disposal by 2030.

Enhanced Financial Flexibility

While part of the disposal proceeds will be returned to shareholders, the substantial release of capital can be redeployed toward organic and inorganic business growth and other capital initiatives. Combined with strong operating performance, the strengthened capital base provides insurers with greater capability to absorb catastrophe losses from higher retention and manage reinsurance costs.

Compared with prior hard-market cycles, Japanese insurance groups now are better positioned to retain risk and withstand reinsurance market volatility, making them less vulnerable to sudden increases in pricing or reductions in capacity.

Global Diversification and the Shift Toward Group-Wide Reinsurance Negotiation

Over the past decade, Japan's major non-life insurance groups have pursued extensive overseas expansion to offset the limitations of a mature domestic market characterised by stagnant economic growth and an aging population. As a result, international operations now account for approximately 40% to 50% of the groups' premium revenue and around half of the groups' profit —approaching two-thirds at Tokio Marine once gains from equity disposals are excluded. This transformation has materially diversified their risk profiles, reducing the relative impact of domestic natural catastrophe losses on group earnings and capital.

At the same time, insurance groups have increasingly adopted a centralised, group-wide approach to reinsurance purchasing and relationship management, leveraging overseas subsidiaries' expertise and global relationships. This has altered the dynamics between Japanese cedents and the reinsurance market, requiring reinsurers and brokers to engage at the group level and deliver coordinated global solutions. The traditional relationship-driven model has gradually evolved into a more centralized and globally coordinated negotiation process.

Strategic Acquisitions and Partnerships Strengthen Access to Stable Reinsurance Capacity

Recent acquisitions and strategic partnerships have strengthened Japanese insurance groups' abilities to navigate reinsurance cycles and secure long-term access to capital and capacity.

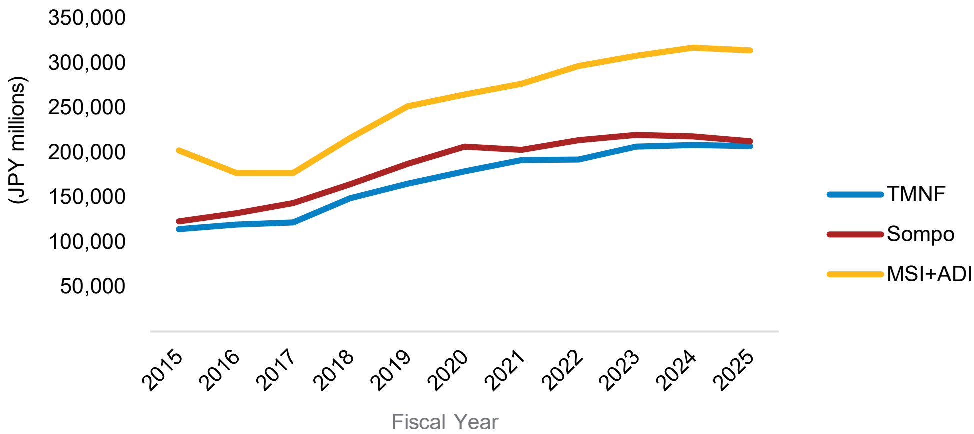
In February 2026, Sompo Holdings completed its USD 3.5 billion all-cash acquisition of Aspen Insurance Holdings Limited. The acquisition expands Sompo International's P/C footprint and reinsurance platform, particularly re-entering Lloyd's syndicate market and bolting-on the capital light, fee-based income business from Aspen Capital Markets, which could reduce earnings volatility and enhance Sompo's balance sheet flexibility. Mitsui Sumitomo Insurance took a 15% stake in W.R. Berkley, pursuing synergy in overseas business through expansion in reinsurance and specialty line collaborations. Tokio Marine entered into a strategic partnership with Berkshire Hathaway, under which a portion of Tokio Marine Holdings' insurance portfolio is ceded through a whole-account quota share arrangement.

Beyond the earnings benefits from these acquisitions, these strategic initiatives diversify sources of capital and reinsurance support, reducing reliance on traditional reinsurance markets and enhancing resilience against future hard-market disruptions.

Merger of MSI and ADI Reinsurance Programmes

The planned merger of MSI and ADI in 2027 marks the culmination of a 17-year integration process following the establishment of MS&AD Insurance Group Holdings in 2010. Beyond its implications for Japan's primary insurance market, the merger is expected to influence reinsurance market dynamics, with potential spillover effects across the Asia-Pacific reinsurance market.

Exhibit 1
Ceded Premium — Fire Line (JPY millions)



Source: AM Best data and research; company disclosures

Together, MSI and ADI currently represent the largest purchasers of fire line reinsurance among Japan's major non-life insurance groups (**Exhibit 1**). Following the merger, the two companies' reinsurance programmes are expected to be consolidated, reducing the need for capacity equivalent to the two standalone programmes. Greater diversification, stronger capitalisation, and more robust purchasing power could enable the combined entity to optimise coverage and lower overall reinsurance spending.

For reinsurers, this may lead to reduced premium volumes from one of the region's largest programmes. With market conditions already softening and increased capacity available in Japan, the resulting competition in Japan could place further downward pressure on pricing and improve terms for cedents in other markets.

The merger has also triggered heightened competition among reinsurers, brokers, and other service providers currently supporting separate MSI and ADI programmes. Given the scale of the combined programme, decisions on lead reinsurers, brokerage arrangements, and panel composition could reshape market shares and client relationships in Japan's reinsurance market for years to come.

Improving Underlying Business Quality Supports Market Attractiveness

Japan continues to be viewed as an attractive market by global reinsurers, partly due to the improving quality of the underlying insurance business. Since 2018, the fire insurance segment has undergone a multi-year structural transformation. This has included several rounds of premium rate increases, amounting to a cumulative increase of roughly 50% following revisions to the General Insurance Rating Organisation of Japan's (GIROJ) reference rates. Other measures have included stricter underwriting discipline and the reduction of the maximum policy term for homeowners' insurance from ten years to five years, allowing insurers to reprice risks more frequently.

These initiatives have contributed to a gradual improvement in fire insurance profitability from industry average combined ratio over 100% in the past years to roughly 85% in 2025. As a result, reinsurers have become increasingly willing to deploy capacity to the Japanese market, particularly for proportional treaties, where improved underlying margins have enhanced expected returns.

Risks Remain Despite Benign Experience in Recent Years

Japan's fire portfolio remains heavily exposed to natural catastrophe risk. The relatively favourable catastrophe experience of the past two years may not be indicative of future loss activity. The occurrence of a large-scale earthquake or multiple rounds of major typhoons could materially alter loss expectations, tighten reinsurance capacity, and reverse the current soft market trend.

As this report was being prepared, a strong earthquake struck Kumamoto Prefecture on July 28. Based on Verisk's estimates, insured industry losses are expected to range from USD 1.4 billion to USD 2.1 billion, before any recoveries from Japan's earthquake insurance programme. This is significantly lower than the losses from the 2016 Kumamoto earthquake, which Aon estimated at USD 7.7 billion. The final ultimate impact is yet to be determined, as potential ongoing aftershocks may lead to more extensive damage and business interruption loss uncertainties from the commercial fire line. As Kumamoto is a major semiconductor manufacturing hub, major facilities such as TSMC, Sony, and Tokyo Electron temporarily suspended their operations to conduct safety inspections.

In Japan, a government-backed reinsurance framework is well-established to absorb most residential earthquake losses, but commercial and industrial earthquake risks remain largely retained by commercial insurers and global reinsurers.

Attractive Opportunities or Weakening Discipline?

Asia renewal shares the same broad theme seen across the global reinsurance market — abundant capacity, sliding rates, and over-placement — but deductibles were largely retained in the 2026 renewal. Cedents' focus at the last renewal was to optimise rate reductions and use the saved ceded premium to expand protection at higher layers or to support other lines' growing risk appetites. Deductibles in the region were largely retained and reinsurers held onto underwriting discipline improved from prior years. Reinsurers generally remained supportive of cedents' growth ambitions, particularly where expansion was tied to attractive business opportunities or new risk classes.

Looking ahead to the 2027 renewal season, the expectation remains for continued rate easing on non-loss-impacted treaties. While retentions are expected to remain broadly stable, cedents are increasingly exploring buy-down structures and frequency protection options that are becoming more economical. At the same time, some reinsurers are selectively pursuing opportunities where retentions and attachment points were over-corrected during the hard market years. Nevertheless, experts expect a Super El Nino to drive more extreme weather patterns across Asia in 2026, including droughts, heatwaves, severe typhoons, and flooding. Typhoon Bavi (in July 2026) was one of the largest typhoons in recent decades, skirting northern Taiwan, then subsequently making landfall in eastern China and impacting Okinawa in Japan. The ultimate loss remains to be seen.

A further trend observed during the year is the emergence of non-Asian-based MGAs acting on behalf of overseas reinsurers seeking access to Asian markets without establishing a local presence. While this capacity has not materially disrupted market dynamics, early activity has been observed primarily in facultative and specialty lines.

Japan

The April 2026 renewal recorded another year of double-digit rate reduction in property XOL. Property proportional treaties also benefitted from improved terms, with ceding commissions increasing by as much as five percentage points, not only because of excess capacity but also owing to the aforementioned improved underwriting results.

Looking ahead, despite the Japanese cedents now being better positioned to manage the reinsurance cycle, they are unlikely to further materially increase retentions in the soft market environment. Instead, buyers are increasingly seeking to capitalise on favourable market conditions by enhancing earning protections. While property aggregate covers completely disappeared during the recent hard market reset, insurers have shown growing interest in frequency products as alternatives to protecting earnings volatility.

China

China represents one of the strongest growth stories for reinsurance demand in Asia. Demand is supported by ongoing economic development, as well as by the growing international footprint of Chinese enterprises. Expansion in green energy, electric vehicle supply chains, data centres, cyber risks, and overseas investments by both public and private enterprises is creating new protection needs across facultative and treaty markets.

Unlike more mature property lines where capacity is plentiful, demand in many of these emerging sectors continues to outpace available supply. As a result, reinsurers that possess specialised expertise and can help cedents navigate evolving risks are likely to be better positioned than those competing solely on pricing or capacity. The market's ongoing transformation increasingly favours reinsurers that can support product development and underwriting capabilities in emerging classes of business.

Taiwan

A major inflection point in Taiwan for 2027 renewal has been the indirect impact from IFRS 17 implementation. The industry, with regulatory support, has transferred the one-off gains from accounting standard change into contingency special reserves (a liability item), strengthening adjusted capital buffers available to absorb future catastrophe losses. As many insurers consider these reserves as part of their capital base for catastrophe risk management purposes, the adjusted capital enhancement has increased flexibility in catastrophe XOL purchasing strategies and overall reinsurance programme design.

Taiwan shares similarities with Japan in that underlying commercial fire business profitability improved during the hard market period through higher retentions, tighter terms and conditions, and significant rate increases. As retrocession and reinsurance markets soften, the industry expects the supply-demand cycle to eventually feed through to primary insurance pricing with a lag. However, primary insurers are expected to hold on to the underwriting discipline a bit longer and leverage facultative reinsurance in a soft market, in order to make a profit for recovering from COVID-19 pandemic losses.

Growth opportunities remain concentrated in engineering-related lines, supported by large-scale construction activity, offshore wind farm development, and continued investment in high-tech facilities.

South Korea

South Korea experienced another favourable renewal season for traditional property reinsurance, with double-digit cost reductions following the market softening that began in 2025. Retentions and coverage structures remained largely unchanged, while cedents focused on capturing rate savings. Looking ahead, some insurers are evaluating additional purchases of lower-layer protection or reductions in retentions to take advantage of attractive market conditions.

Despite two major commercial fire losses during 2025, renewal outcomes were largely unaffected. However, the upcoming renewals may provide a more meaningful test of market discipline, particularly in the wake of the Coupang Logistics Center fire, which is expected to generate one of the largest insurance losses in South Korean history. The extent to which abundant capacity can offset loss-driven pricing pressure on affected risk XOL programmes remains an important area to watch.

At the same time, South Korea's life and long-term non-life reinsurance segments continue to exhibit strong growth prospects, driven by IFRS 17 and K-ICS implementation. These frameworks are reshaping insurers' approaches to profitability and capital management, leading to increasing demand for coinsurance and other structured reinsurance solutions to alleviate solvency pressure.

South/Southeast Asia

Reinsurers domiciled in Singapore and across South and Southeast Asia largely reported healthy earnings in 2025, although profitability moderated from the exceptionally strong results recorded over the previous two years. Elevated catastrophe activity, including the Myanmar Earthquake on 28 March 2025 and other regional weather-related events resulted in higher claims costs. Consequently, this drove the profit erosion of the Singapore-domiciled reinsurers. Data from the Monetary Authority of Singapore (MAS) shows that these reinsurers posted SGD 455 million (USD 352 million) in underwriting profits from the Offshore Insurance Fund (OIF) business in 2025, which marked a steep decrease from around SGD 1.1 billion in 2024. In particular, insured losses for the 2025 Myanmar earthquake were estimated to be between USD 1 and 2 billion.

Apart from reinsurers with more concentrated property reinsurance exposures in Thailand, regional reinsurers operating outside Singapore, but writing Association of Southeast Asian Nations (ASEAN) and other international business, generally saw steady earnings overall.

Abundant Reinsurance Capacity

Reinsurance capacity across Southeast Asia and India remains abundant, reflecting robust appetite and confidence in the region's growth prospects. Additionally, lower retrocession costs have supported the deployment of reinsurance capacity into the region. During the 2026 reinsurance renewals, competitive pressures in the reinsurance market firmed up as reinsurers showed a greater appetite to gain market share. Regulatory initiatives, such as the continued development of India's GIFT City as an international reinsurance hub, alongside solid economic growth in many of the Southeast Asia markets, continue to attract international reinsurers. Notwithstanding, caution remains over catastrophe-exposed business given a strategic shift over time toward better accumulation management.

India's GIFT City Reshapes Competition

India's continued development of Gujarat International Finance Tec-City (GIFT City), a finance and technology hub, is gradually reshaping the competitive dynamics for the domestic market. The establishment of more than 20 International Financial Services Centre Insurance Offices (IIOs), which includes many of the world's leading global reinsurers, has significantly strengthened India's market access to reinsurance. The growing presence of foreign reinsurers not only supports risk transfer needs but also provides cedents with greater access to technical expertise and reinsurance panel diversification. Yet, at the same time, the additional local presence of these new entrants has also intensified reinsurance market competition through closer cedent engagement and responsiveness, with foreign reinsurers now becoming more active in both treaty and facultative placements. Nonetheless, General Insurance Corporation of India (GIC Re) continues to benefit from its strong market leadership and longstanding client relationships as the top domestic national reinsurer.

Competition Increasing as Underwriting Discipline Holds

Competitive pressures have increased as international reinsurers seek greater participation in Southeast Asian and Indian markets. Downward pressure on reinsurance rates remained evident during the January 2026 reinsurance renewals, continuing the rate reductions evidenced in 2025. Apart from loss-affected treaties, rates have largely declined in most of the regional markets across Southeast Asia, India, Australia, and New Zealand. However, rather than reflecting a general pricing deterioration, the competition has become increasingly differentiated.

Many reinsurers are adopting selective risk-based pricing strategies. The focus remains on profitable growth, with reinsurers offering better pricing and terms to cedents that have consistently demonstrated sound underwriting risk management, strong performance, and good data quality to support effective catastrophe risk management. Hence, despite a more competitive operating environment, the maintenance of good underwriting discipline is expected to support reinsurers' achievement of solid risk-adjusted returns.

Primary Market Adjustments Improve Ceded Portfolio Quality

Structural developments within primary insurance markets are increasingly supporting reinsurance market conditions. Following several years of elevated reinsurance pricing, many insurers have responded by strengthening underwriting discipline, improving risk selection, and raising rates to ensure premium rate adequacy. These market-driven responses by insurers have also been reinforced by regulatory reforms and other primary market developments taking place across the region.

For instance, in Vietnam, recent regulatory reforms have supported improved underlying risk profiles and technical rate adequacy of the property line. In Indonesia, higher capital requirements and enhanced governance expectations have promoted more disciplined underwriting. In the Philippines, insurers have increasingly recalibrated premium rates to incorporate catastrophe experience into pricing and portfolio management. These collective developments have improved not just the quality of the insurers' retained business, but also that of their ceded books. As a result, this enables reinsurers to differentiate more effectively between cedents to offer preferential renewal terms where underlying risk quality has demonstrated clear improvements.

Reinsurance Structures Broadly Stable

Renewal structures remained broadly stable as most cedents maintained their reinsurance programmes during the 2026 renewals. Changes to reinsurance structures or retention strategies across Southeast Asia and India were generally limited. Where changes have occurred, they are generally incremental and targeted, which reflects an optimisation of reinsurance programmes to meet protection needs under prevailing market conditions. For instance, some observations include a modest uptake of multi-year agreements among larger insurers, additional proportional capacity in selected Philippines programmes, and higher limits in Vietnam and Thailand to meet exposure growth and catastrophe protection needs.

Focus on Sustainable Reinsurance Cycle Management

As the market transitions from a hardening phase to one of greater competition, reinsurance cycle management is becoming a higher priority for cedents and reinsurers alike.

As reinsurance market conditions become more competitive, cedents are adopting a more strategic approach to reinsurance purchasing, making selective refinements to their programmes and retention strategies to target greater capital efficiency and earnings stability, while maintaining broadly stable reinsurance structures.

On the other hand, reinsurers are showing greater appetite for diversified sources of profitable growth across casualty, specialty, and other non-catastrophe lines, focusing on portfolio quality while maintaining underwriting discipline for peak catastrophe exposures, to support more balanced earnings profiles over the underwriting cycle.

Asia Reinsurance Composite

AM Best's Asia-Pacific reinsurance composite comprises leading reinsurers domiciled in the region that report under IFRS 17, with a focus on property/casualty business for comparability. The composite recorded a 4.0% increase in net insurance service revenue in 2025, reversing the decline reported in the prior year (**Exhibit 2**). Revenue growth was primarily driven by overseas business, which has a greater concentration of non-proportional treaties and, therefore, benefitted more from the favorable pricing environment that has persisted since the onset of the hard market.

Shareholders' equity increased by 14.1% in 2025, supported by retained earnings generated from strong underwriting performance and robust investment returns. The increase was also aided by Peak Re's USD 350 million hybrid capital issuance in May 2025. Asian reinsurers continue to actively explore alternative capital solutions, including debt and insurance-linked securities (ILS) markets, to

Exhibit 2

Global Reinsurance — Asia-Pacific — P/C Trend Summary

	2022	2023	2024	2025
Insurance Revenue (P/C only)[1]	N/A	11.0%	-4.1%	4.0%
Total Revenue[1]	N/A	14.3%	-6.8%	5.0%
Shareholders' Equity [2]	N/A	20.9%	3.8%	14.1%
Combined Ratio	95.8%	92.5%	91.4%	92.0%
Return on Equity	0.0%	9.2%	11.3%	11.0%
Return on Revenue	0.0%	6.5%	9.7%	9.8%
Insurance Revenue to Equity[2]	99%	91%	84%	76%
Net Reserves to Equity[2]	141%	127%	125%	122%
Gross Reserves to Equity[2]	191%	160%	156%	150%

[1] 2022 calculations not available due to changeover to IFRS17

[2] End of Period

Results based on reported currencies converted to USD

Source: AM Best data and research

diversify funding sources and enhance underwriting capacity. Nevertheless, financial leverage across the major Asian reinsurers remains at prudent and manageable levels.

The composite's weighted average return on equity (ROE) remained strong at 11.0%. All major Asian reinsurers reported higher net profit after tax in 2025 on a USD basis. However, the expansion of shareholders' equity moderated the pace of ROE improvement despite the stronger earnings performance.

From an underwriting perspective, the composite's combined ratio increased marginally to 92.0% in 2025 from 91.4% in 2024. Against a backdrop of improved rate adequacy and relatively benign catastrophe activity across Asia over the past two years, all major reinsurers except China Re reported underwriting improvements. China Re's higher retrocession spending in 2025 contributed to the slight deterioration in the composite's overall combined ratio. The broader improvement in underwriting profitability since the hard-market inflection point is generally consistent with global reinsurance trends, although the magnitude of improvement has been more moderate given the Asian composite's higher share of proportional treaty business. Nevertheless, earnings continue to be driven largely by strong performance from overseas portfolios.

On the investment side, the expansion of assets under management, supported by retained earnings, hybrid capital issuance, and coinsurance transactions, contributed to higher investment income from fixed-income portfolios, particularly in the current elevated interest-rate environment. Most reinsurers are giving consideration to diversifying investment portfolios to chase higher yields, including increasing exposure to alternative investments. However, strategic asset allocations to alternative asset classes remain relatively limited.

(On the following page, we include an Appendix of Asia-Pacific reinsurers that are rated by AM Best.)

Appendix

Asia-Pacific — AM Best Rated Reinsurers

(Ratings as of August 4, 2026)

AMB#	Company Name	Country of Domicile	Best's Financial Strength Rating (FSR)	Best's Long-Term Issuer Credit Rating (ICR)	Best's FSR Rating Action	Best's ICR Rating Action	Best's FSR Outlook	Best's ICR Outlook	Best's FSR Effective Date
85568	Asian Reinsurance Corporation	Thailand	B++	bbb	Affirmed	Affirmed	Stable	Stable	20-May-26
86496	Central Reinsurance Corporation	Taiwan	A	a	Affirmed	Affirmed	Stable	Stable	14-Aug-25
90957	China Life Reinsurance Company Ltd.	China	A	a+	Affirmed	Affirmed	Stable	Stable	21-Nov-25
88692	China P&C Reinsurance Company Ltd	China	A	a+	Affirmed	Affirmed	Stable	Stable	21-Nov-25
95028	China Reinsurance (Group) Corp (SGB)	Singapore	A	a+	Affirmed	Affirmed	Stable	Stable	21-Nov-25
90955	China Reinsurance (Group) Corporation	China	A	a+	Affirmed	Affirmed	Stable	Stable	21-Nov-25
74619	FuSure Reinsurance Company Limited	Hong Kong	A	a	Upgraded	Upgraded	Stable	Stable	2-Jun-26
93387	General Ins Corp of India Labuan Branch	Malaysia	A-	a-	Affirmed	Affirmed	Stable	Stable	9-Oct-25
86041	General Insurance Corporation of India	India	A-	a-	Affirmed	Affirmed	Stable	Stable	9-Oct-25
91811	General Re Life Australia Ltd. (NZB)	New Zealand	A++	aa+	Affirmed	Affirmed	Stable	Stable	7-Nov-25
86052	General Reinsurance Australia Ltd.	Australia	A++	aa+	Affirmed	Affirmed	Stable	Stable	7-Nov-25
77165	General Reinsurance Australia Ltd. (NZB)	New Zealand	A++	aa+	Affirmed	Affirmed	Stable	Stable	7-Nov-25
86652	General Reinsurance Life Australia Ltd.	Australia	A++	aa+	Affirmed	Affirmed	Stable	Stable	7-Nov-25
91541	Hanoi Reinsurance Joint Stock Corp	Vietnam	B++	bbb+	Affirmed	Upgraded	Stable	Stable	19-Mar-26
74846	Himalayan Reinsurance Limited	Nepal	B+	bbb-	Affirmed	Affirmed	Stable	Stable	12-Feb-26
93162	Korean Reins Co (Singapore Branch)	Singapore	A	a+	Affirmed	Affirmed	Stable	Stable	12-Dec-25
85225	Korean Reinsurance Company	South Korea	A	a+	Affirmed	Affirmed	Stable	Stable	12-Dec-25
86913	Labuan Reinsurance (L) Ltd	Malaysia	A- u	a- u	Under Review	Under Review	Developing	Developing	28-May-26
78303	Malaysian Reinsurance Berhad	Malaysia	A-	a-	Affirmed	Affirmed	Stable	Stable	22-Jan-26
86771	National Reins Corp of the Philippines	Philippines	B++	bbb	Affirmed	Affirmed	Stable	Stable	9-Oct-25
91406	Peak Reinsurance Company Limited (CS)	Hong Kong	A-	a-	Affirmed	Affirmed	Stable	Stable	4-Sep-25
95077	Qianhai Reinsurance Co., Ltd.	China	A-	a-	Affirmed	Affirmed	Stable	Stable	11-Dec-25
88873	RGA Reinsurance Co KRB	South Korea	A+	aa-	Affirmed	Affirmed	Stable	Stable	12-Feb-26
88684	SCOR Reinsurance Asia-Pacific Pte Ltd	Singapore	A	a+	Affirmed	Affirmed	Stable	Stable	13-Feb-26
93253	Singapore Re Corp Ltd (LBR)	Malaysia	A	a	Affirmed	Affirmed	Stable	Positive	19-Sep-25
85224	Singapore Reinsurance Corporation Ltd	Singapore	A	a	Affirmed	Affirmed	Stable	Positive	19-Sep-25
85830	Swiss Re Asia Pte. Ltd.	Singapore	A+	aa	Affirmed	Affirmed	Stable	Stable	1-Oct-25
94637	Taiping Reinsurance (China) Company Ltd.	China	A	a	Affirmed	Affirmed	Stable	Stable	19-Sep-25
85029	Taiping Reinsurance Company Limited (CS)	Hong Kong	A	a	Affirmed	Affirmed	Stable	Stable	19-Sep-25
85179	The Toa Reinsurance Company, Limited	Japan	A	a+	Affirmed	Affirmed	Stable	Stable	29-Aug-25
92785	Tune Protect Re Ltd.	Malaysia	B++	bbb+	Affirmed	Affirmed	Stable	Stable	11-Dec-25
91508	Vietnam National Reinsurance Corp	Vietnam	B++	bbb+	Affirmed	Affirmed	Stable	Stable	29-Apr-26

Source: BESTLINK®

Latin American Reinsurance Market Resilient With Sustained Growth Amid a Prolonged Soft Cycle

In 2025, less than 24% of USD 21 billion economic losses were insured, demonstrating the opportunities for growth in the existing protection gaps

Principal Takeaways

- Soft market continues with overall flexible conditions and discounts across the business lines.
- Solid growth in the region despite catastrophic experience.
- Significant insurance protection gaps and a slowdown in economic growth are still challenges in the region.
- Evolving risk management remains a key factor for profitability in the reinsurance market.
- Brazil's reinsurance industry shows signs of improvement amid challenging political and macroeconomic environment.

Challenging Economic Landscape

Latin American reinsurance markets have been resilient as they continue to grow, despite the challenging conditions facing the region's economies.

Commercial and geopolitical tensions, as well as the conflict in the Middle East, have created significant variations in regional and global commodity markets, particularly in the price of oil, which has demonstrated increased volatility and created uncertainty in Latin American economies. This has affected the region's growth projections for 2026. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates growth of 2.2%, below the 2.3% projection made at year-end 2025. Economic growth is expected to decelerate in 24 out of the 33 countries in the region.

For Mexico, ECLAC estimates real GDP growth will be at 1.5% in 2026, close to the World Bank's estimate of 1.3%. This estimated growth is higher than the 0.8% increase in the country's GDP recorded in 2025. The Mexican reinsurance market continues to grow, taking advantage of the improving risk appetite of reinsurers. While the market remains in a soft cycle, the potential strain on insurers derived from the new value-added tax (VAT) treatment could increase demand for reinsurance, a factor that may move the needle for prices and conditions, if capacity does not increase at the same rate.

In Central America, growth is expected to be moderate in 2026 (2.2%) compared to 2025 (2.3%), limited by the contractions expected in Cuba and Haiti. Exposure to Cuba is limited due to sanctions in various regions. Despite macroeconomic challenges in the region, international reinsurers continue to offer support to this region. The market has experienced solid levels of profitability throughout the year, supported by strengthening currencies against the US dollar, which contributed to the increase in its surplus. Inflation and high interest rates continue to put pressure on claims management and high operating expenses that could cause losses to flow into the reinsurance market as well.

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In countries such as Panama, companies have the ability to implement discounts over renewals in financial lines because it is a healthier business. Nonetheless, new policies continue to be the main trigger for growth. For the property business, the market has continued to improve due to the entry of new players into the market. Competition in the local market remains strong as reinsurance contract renewals by the largest competitors are being carried out at discounts of between 15% and 20%.

In South America, most of the subregion's economies are expected to show a slowdown in GDP growth, reflected in ECLAC's forecast of 2.4% growth for 2026, down from 2.9% in 2025. The complexity of the region that encompasses emerging economies, diverse catastrophic exposures, and a significant insurance gap creates opportunities that both regional and international reinsurers are taking up. Interest among the larger participants is still there, reflected by abundant capacity and generally flexible conditions. While the soft market is expected to continue, AM Best will monitor the catastrophic experience in the region for the second half of 2026.

In Brazil, the average inflation rate for 2025 was 4.26%, above the government's 3% target, still within the tolerance interval of +/- 1.5%, and below the 4.83% in 2024. Inflation has hit mainly housing, education, personal expenses, and health, which accounted for almost 64% of the annual rise in prices. In December 2025, transport was the main contributor to inflationary pressures, as prices saw an overall increase of 0.74%, mainly due to greater dynamism in mobile app transports coupled with higher fuel prices. Inflation is expected to reach 3.1% by the end of 2028 in spite of the estimates throughout 2026 and 2027 reflecting stronger price pressures and higher oil prices. The impacts from inflation and interest rates would not only affect underwriting but create volatility in investment income and fluctuations in asset values.

Guyana is leading economic forecasts for English and Dutch-speaking countries in the Caribbean, with expected growth for 2026 at 5.6% (5.5% in 2025). If Guyana were excluded, the expected regional average would be 1.2%, compared to 2.0% in 2025. Reinsurance has been a focus of risk management and overall regulation in the Caribbean. Global interest in the opportunities stemming from developments in Guyana can propel growth in the insurance and reinsurance markets, however, prudent underwriting and a comprehensive understanding of risk remain key factors for the profitability of the industry.

Reinsurers may face additional challenges stemming from foreign exchange (FX) headwinds, placing the spotlight on the asset liability management (ALM) capabilities of their management.

Catastrophic Exposures and Insurance Gap

Latin America is exposed to a diverse range of natural perils, across almost all territories, from Mexico to Chile. Interaction of the Nazca, South American, Cocos, and Caribbean tectonic plates translates to a high risk of earthquakes, tsunamis, volcanic eruptions, and landslides across the continent. In addition to geological catastrophic exposures, climate risk is on the rise. According to the World Meteorological Organization's State of the Climate in Latin America and the Caribbean 2025 Report, extreme heat waves, persistent droughts, devastating floods, and more intense tropical cyclones marked one of the warmest years ever recorded in Latin America and the Caribbean.

The insurance protection gap is still a challenge for the region; less than 24% of economic losses, which amounted to almost USD 21 billion, were insured, reflecting the financial vulnerability derived from a low insurance penetration (below 5% of GDP). Hurricane Melissa had a devastating impact of USD 11 billion, with less than half of it insured. Brazil suffered USD 5 billion in losses due to droughts, while floods caused USD 750 million in Mexico. The impact of the recent earthquakes in

Venezuela is calculated to potentially reach billions of USD; however, insured losses are estimated to be a small fraction.

Demand for capacity continues to grow in the region, driven by natural catastrophe experience and an evolving risk culture. Despite increasing inherent geological exposures and increasing climate-related risks, global reinsurers maintain their interest in the region. Local participants aim to continue growing while strengthening their brands, taking the available opportunities within the reinsurance structures of the cedants.

Market Conditions and Expectations

The soft cycle of the market continues; with more than sufficient capacity offered, cedants are taking advantage of the overall flexible conditions to strengthen their catastrophic protections. Proportional reinsurance is stepping into the limelight, as facultative negotiations remain fiercely competitive, still showing downward pricing, with discounts between 5% and 20%. Loss experience and enterprise risk management (ERM) capabilities remain key elements in the negotiation of reinsurance contracts.

While non-life business continues to be the largest portion of the reinsurance market, saturation in CAT lines has kindled interest for casualty businesses and specialty lines, which have been growing in the more sophisticated markets, like Chile, Mexico, and Brazil. Factors like migration and demographic changes, as well as new guidelines, risk measures, and increasing protection requirements after a global pandemic, have increased demand for life and health reinsurance.

Catastrophic experiences during the second half of 2026 could potentially move the needle towards a hard market, as the phenomenon known as “Super El Niño” officially began in the tropical Pacific, according to the World Meteorological Organization. The phenomenon shows signs of extremely rapid intensification, and its effects include prolonged droughts, torrential rains, and extreme heat waves.

Closing the insurance gap through the creation and improvement of products for a broader, often uninsured vulnerable population in Latin America remains an area of opportunity that could bring further dynamism for the insurance and reinsurance markets.

MGAs and Alternative Risk Transfer

The use of managing general agents (MGAs), either to provide capacity to the Latin American market or to take risks by regional reinsurers from abroad, continues to gain popularity and has contributed to a prolonged soft market. As global interest rates move downward, the attractiveness of the region may create more demand for delegated underwriting authority enterprises (DUAEs) focused on the region.

ERM Remains Front and Center

Highly rated reinsurers find that better risk modeling allows them to more accurately price reinsurance and manage the cost of capital. Alternative risk transfer vehicles such as parametric coverages and captives have become more popular among rated companies, although issuances have been limited.

Risk management, both at cedent and reinsurance companies, remains a key component for profitability and market stability, and it is imperative it evolves to include initiatives that contribute to a slowdown in climate change, in addition to mitigating the risks it creates.

AM Best has observed a continuation of the soft market since the second half of 2024 that continued into the renewals in June and July 2026. We continue to monitor social inflation, an ever-changing, tense political landscape, and regulatory changes with respect to the business profile of rated entities.

Brazil's Domestic Reinsurers Remain Profitable, Capital Grows

Challenging Economic Landscape

Weather plays a key role in Brazil. Adverse conditions across Brazil caused by El Niño are expected to impact agricultural production, affecting crops such as coffee, sugar, and citrus, potentially becoming main drivers for future inflationary pressures.

Dynamism of the Market

Flooding remains the only natural catastrophe exposure covered by reinsurance in Brazil. Domestic reinsurers with international catastrophe exposure are trimming their property catastrophe exposures in line with global trends. Their actions, however, must translate into meaningful underwriting profits or capacity growth.

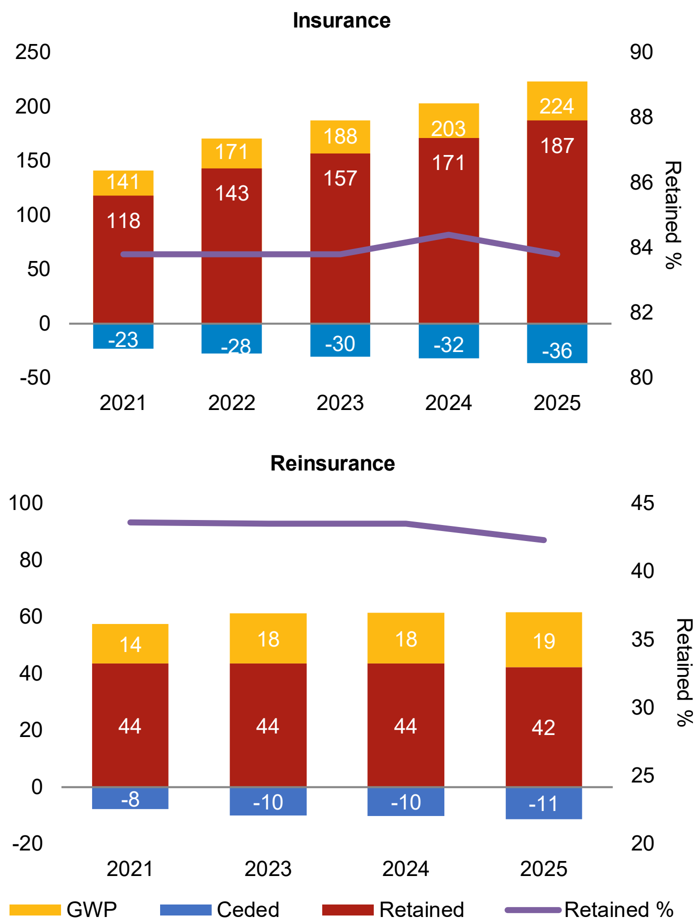
Domestic reinsurers have been focusing on specialty lines (including financial risks, auto, personal accidents, and agriculture) and property and still have room to grow given the relatively low insurance penetration in the country. Brazil's primary insurance industry is more profitable than its reinsurance industry.

Still, the most significant player in the country, which accounted for 29% of domestic gross premium written in 2025, is dedicated exclusively to reinsurance; almost all the remaining domestic reinsurance companies have a presence in the primary insurance market. As the most significant player in the country has begun to reduce its underwriting volume by carefully selecting its risks, it has provided other players in the market with an opportunity to diversify the risks among different companies.

Net premiums increased by 5.6% in 2025, with a premium retention of 42.3%, less in comparison to 2024, after a slight increase to 43.6% in 2021 and 44% in 2022 (**Exhibit 1**). The increase in share capital resulted in 13% growth in surplus in the domestic industry in 2025, in Brazilian reais. The industry presented positive underwriting results at the end of the year for the first time since 2019.

Amid its positive results, the double-digit interest rate environment (15% at YE 2025) fueled the positive bottom-line results (**Exhibit 2**). Investment income showed a decrease of 12.7% but continues to generate profit for the companies. Leveraging the underwriting losses incurred during the year, representing the third year with positive bottom-line results, as the current high interest rates stabilized, contributed to the decrease in underwriting leverage of 80.5%, from 86.2% in 2024 (**Exhibit 3**).

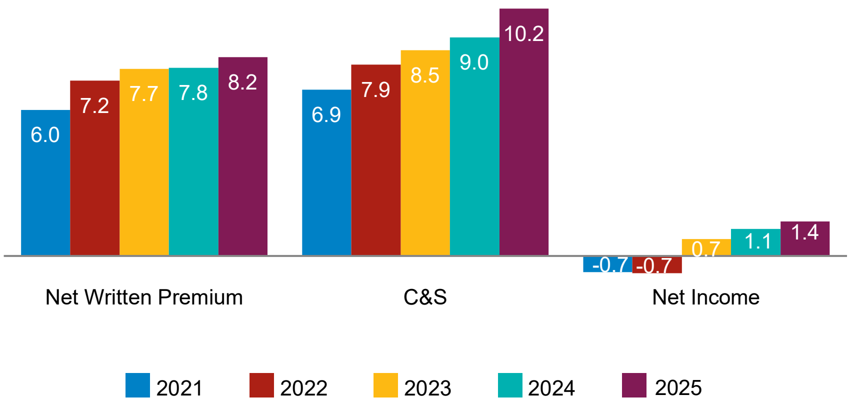
Exhibit 1
Latin America - (Re)Insurance Premium Trends
(BRL Billions)



Source: AM Best data and research

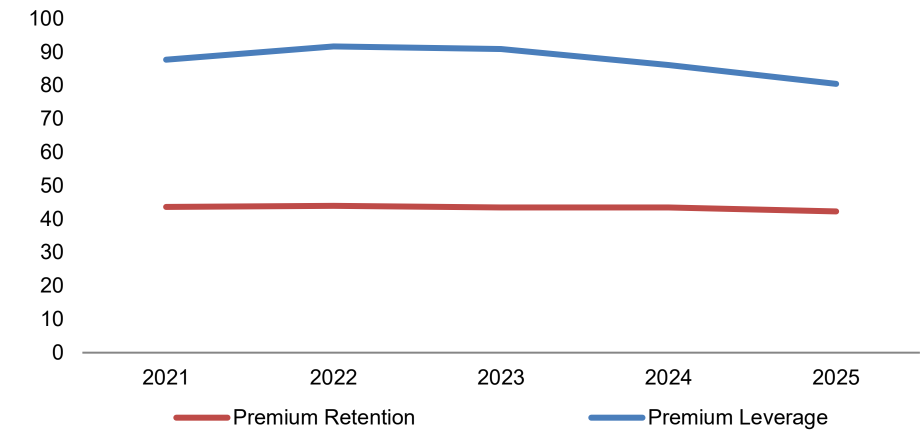
The volume of reinsurance accepted by local reinsurers from local insurers has grown significantly over the years. However, the share of local reinsurers in the total premium ceded by local insurers has decreased, indicating that local insurers are ceding significantly more to reinsurers offshore. Local reinsurers were the destination of approximately 70% of the premium ceded between 2015 and 2018. By the end of 2025, this percentage dropped to 53%. On the other hand, the amount of revenue from offshore operations has been decreasing throughout the years as local reinsurers opted to focus more on risks stemming from Brazil.

Exhibit 2
Local Brazilian Reinsurers - Key Financial Indicators
(BRL billions)



Source: AM Best research and data

Exhibit 3
Local Brazilian Reinsurers - Premium Leverage and Retention
(BRL billions)



Source: AM Best research and data

The growth in the volume of premiums ceded (4.3% for 2025) to local reinsurers, admitted and occasional, throughout the years reflects the maturation of the insurance market and the growing need for risk dilution. The number of local reinsurers was 9 in 2009, increasing to 14 in 2025. For the domestic Brazilian reinsurance industry, surplus growth and the retention of profitable business remain key, while slowly exiting from cat businesses is being considered. Pricing remains favorable, reflecting the appeal of global reinsurance market conditions, despite modest declines in risk-adjusted pricing in property catastrophe covers. The most significant lines of business contributing to annual growth in 2025 were health, property, auto, marine, and financial risk. Partially offsetting this increase, personal accidents and other business lines decreased at the end of 2025. Agricultural reinsurance can be considered natural catastrophe-like exposure, but innovative techniques are being used to monitor climate risks to which the sector is vulnerable. Despite weather events that took place throughout the year and the potential impact of "El Super Niño," the underwriting of agricultural business for reinsurance industries increased by 6.3%. Weather events offer an opportunity to create awareness and develop the industry even further.

Recent 2025 tax changes applicable to Brazilian insurers and reinsurers have pressured profitability. These changes are related to the increase in tax applied to FX transactions, with offshore players paying triple as compared to previous years. In April 2026, Brazil's VAT reform introduced the CBS (Contribuição sobre Bens e Serviços) and IBS (Imposto sobre Bens e Serviços) taxes, replacing federal, state, and municipal levies (PIS, COFINS, ICMS, ISS, and IPI) that used to complicate operational and pricing procedures. The expectation of this reform is to reduce tax cascading for companies with long supply chains while enhancing the tax burden for service providers. The pilot implementation will take place throughout 2026, which is expected to show operational gaps. AM Best will monitor the development of this new reform in the Brazilian tax rules.

The country's regulatory framework continues to evolve toward a more open and less restrictive reinsurance market, allowing occasional and admitted global participants to access the market more efficiently while maintaining strict regulatory metrics to protect policyholders.

Brazil – Types of Reinsurers

Domestic: Fully compliant with local reinsurance rules; partial right of first refusal in local primary business; a minimum mandatory percentage of business is ceded to them.
Admitted: Domiciled abroad; files local financial statements; representative office.
Occasional: Domiciled abroad (except for tax havens); recent regulatory change makes it practically equal to admit.

MENA Reinsurers are Focused on Profitable Growth Opportunities Despite Heightened Geopolitical and Economic Uncertainties

While the MENA markets remain desirable for international reinsurers, their underwriting appetite has become more selective in response to heightened geopolitical tensions.

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Principal Takeaways

- Although geopolitical tensions intensified in the region, MENA markets present good topline growth potential for reinsurers, supported by adequate reinsurance pricing and emerging business opportunities, particularly in specialised risks.
- Given reinsurers' variation in their geographic risk profiles, and the underlying economics of their key markets, the economic impact on reinsurers from the conflict is likely to diverge.
- Reinsurance capacity for the region remains plentiful and dynamic, sourced through large global reinsurers, regionally domiciled reinsurers, and carriers domiciled across Africa and Asia.
- AM Best's credit ratings can vary, in part, due to the economic, political and financial system risks that reinsurers are exposed to.

Market conditions present both challenges and opportunities for reinsurers domiciled in the Middle East and North Africa (MENA) region, with heightened geopolitical tensions being the main hurdle MENA reinsurers are currently navigating.

Geopolitical risk has escalated significantly since early 2025, with intensifying regional security tensions and the outbreak of the US/Israel conflict with Iran increasing uncertainty in the risk assessments of insurers and reinsurers.

AM Best notes that should attempts to de-escalate the US/Israel conflict with Iran prove unsuccessful, or the blockade of the Strait of Hormuz lasts several more months, then the impact on global and regional economies is likely to be significant in terms of oil and gas prices, supply chain disruptions, and inflationary pressures. These multiple points of pressure will affect both global and regional insurance companies.

Thus far, it is expected that direct losses to MENA reinsurers will be limited by war exclusions and narrowly defined policy triggers. Reinsurers remain vigilant and guard against geopolitical volatility where possible through asset and underwriting diversification, maintaining adequate liquidity buffers, and continuously reviewing their respective appetites for high-risk assets.

Despite the turbulent operating landscape, the region remains attractive for reinsurers with new capacity entering the market (start-ups such as Riyadh Re and Reinsurance Intelligence Quotient). Reinsurance opportunities remain plentiful, benefitting from growing primary insurance markets, including a higher demand for specialised insurance products, which is emerging from current geopolitical tensions.

Exhibit 1
MENA – Gross Domestic Product (GDP) Growth and Inflation, 2023-2025
(%)

Countries	GDP growth 2023	GDP growth 2024	GDP growth 2025	Inflation 2023	Inflation 2024	Inflation 2025
Türkiye	5.0	3.3	3.6	53.9	58.5	34.9
Kuwait	-1.6	-1.5	3.5	3.6	2.9	2.4
Bahrain	3.9	2.9	3.1	0.1	0.9	-0.1
Lebanon	-0.7	-7.5	4.0	221.3	45.2	14.6
Oman	1.4	1.6	2.4	1.0	0.6	1.0
Saudi Arabia	0.5	2.6	4.5	2.5	1.5	2.0
Egypt	3.8	2.4	4.4	24.4	33.3	20.4
Algeria	4.1	3.7	3.8	9.3	4.0	1.4
Morocco	3.7	3.8	4.9	6.1	0.9	0.8
Tunisia	0.2	1.6	2.5	9.3	7.0	5.3
Middle East average	-1.7	3.0	1.4	11.9	9.0	11.5
North Africa average	-4.3	3.8	2.4	17.5	20.3	12.4
Emerging markets and developing economies average	4.4	4.5	4.4	8.2	8.0	5.2

Source: International Monetary Fund (IMF) database

Pricing for certain lines of business is showing signs of softening given the abundant capacity available in markets; however, it remains adequate, reflecting the potential increases in claims inflation and recent higher frequency of both large man-made losses and weather-related events. The adequate reinsurance pricing environment, as well as strong underwriting discipline and refined risk appetites, continue to benefit market participants.

Improved Domestic Conditions Under Threat of Geopolitical and Economic Uncertainties

Regional reinsurers benefitted from improved economic conditions in 2025, compared to previous years. Economic pressures, notably in Tunisia, Egypt and Türkiye, had eased with reducing inflation, lower current account deficits, lower debt levels, and improvements in ratings on sovereign debt (see **Exhibit 1**).

With improving economic conditions, reinsurers were expected to benefit from government-led economic reforms aimed at stimulating domestic and foreign investments (particularly government spending on infrastructure megaprojects), that drive premium growth and reinsurance cessions from primary insurers.

However, the economic landscape across the MENA region remains mixed, with a material distinction between energy producers and importers. High oil prices resulting from the closure of the Strait of Hormuz are posing a threat to the sustainability of economic improvements in countries which are net energy importers. As a consequence, the International Monetary Fund (IMF) is forecasting regional inflation to rise from 12.9% in 2025 to 13.5% in 2026, and for real GDP growth to decline from 3.2% in 2025 to 1.1% growth in 2026.

The long-term economic effects of the US/Israel conflict with Iran and the ensuing disruption to the Strait of Hormuz remain uncertain. Much will depend on the certainty of safe and free navigation through the Strait as well as how quickly oil and gas facilities can be brought back online to full capacity. Also, given the differences in location, economic profile and exposure to the conflict, the economic impact across the region is expected to vary considerably, resulting in significant intra-regional divergence in both growth and inflation outcomes.

Despite uncertain times, some growth opportunities have emerged for reinsurers in the region. Demand for war, political violence and terrorism covers have notably increased in domestic markets.

Nonetheless, the underwriting of these risks is not likely to impact materially on local reinsurers' profitability and balance sheets, as they are ultimately heavily ceded to international markets.

Addressing the protection gap remains a key priority in MENA markets, which has led to the development of specialised product offerings, such as cyber insurance, parametric insurance and retakaful products. Despite their growing impact, the awareness and coverage of these risks remain relatively limited, highlighting other areas in domestic insurance markets that could drive reinsurance capacity demand over the longer term.

Reinsurance Capacity in the Region Remains Abundant with Greater Growth Opportunities Through Mandatory Cessions

The MENA region continues to attract international interest, supported by its growth prospects and relatively open market structure, resulting in a steady inflow of new capital.

Since the second half of 2025, market conditions have shown signs of softening, driven primarily by excess capacity and increased competition. This competitive trend has been particularly evident through the expansion of Managing General Agents (including those operating from the Dubai International Financial Centre), alongside the growing presence of reinsurance brokers. The MENA region's relatively open and liberal regulatory framework, characterised by limited restrictions on reinsurance provision, has facilitated this influx of participants.

The shape of the reinsurance market is highly varied with capacity available from global reinsurers, MENA reinsurers, direct domestic carriers (through inward facultative business) and reinsurers based across Africa and Asia.

AM Best notes there are greater growth opportunities for domestic reinsurers through mandatory cessions. Since January 1, 2025, insurers in Saudi Arabia are required to offer at least 30% of cessions to domestic reinsurers (this includes domestic insurers holding a reinsurance license). Mandatory cessions create a leading advantage for domestic reinsurers to capture a larger share of their local reinsurance markets. Moreover, while AM Best notes that the experience in many North African markets shows this business can be more profitable than those underwritten by the national reinsurers outside the region, the impact in Saudi Arabia remains to be quantified.

Deployment of capacity by international reinsurers is closely linked to their perception of regional stability, regional performance and broader global market trends.

While MENA markets remain desirable for them, their underwriting appetite has become more selective in response to heightened geopolitical tensions. Consequently, securing optimal terms, pricing, and coverage structure now requires greater engagement with the market, regardless of where the conflict is felt. Historically, access to such capacity was more straightforward.

In recent years, a growing number of the region's primary insurers have sought to participate in the reinsurance market on an inward facultative basis or through more formalised structures such as takaful windows or subsidiaries. It should be noted inward facultative business is intended to diversify underwriting portfolios and grow revenues, and AM Best notes that it has historically introduced underwriting losses and volatility for some insurers. This underscores the need for disciplined risk selection and technical pricing capabilities.

Reinsurers Maintain Underwriting Discipline Despite Rates Softening and Fewer Severe Catastrophe Losses

Natural catastrophe volatility remains among key risks monitored in the region, despite the relatively benign natural catastrophe activity.

Claims related to the February 2023 earthquakes in Türkiye and Syria, as well as the April 2024 pluvial flood event in the United Arab Emirates (UAE) are still developing in some reinsurers' books. These events resulted in significant industry losses and a reassessment of the region's natural catastrophe risk exposures, which for some risks like flood were previously underappreciated in arid climates. The recent recurrence of natural catastrophe events has led to higher reinsurance pricing, particularly for property, engineering, and energy lines of business that are heavily ceded to the reinsurance market.

Despite a softening in reinsurance pricing during the 2026 renewals, reinsurers have largely maintained tightened terms and conditions, including raised attachment points, reduced profit commissions and event limits, and increased retentions to higher return periods implemented during the hard market cycle. These measures reflect a strategic shift towards protecting underwriting margins against heightened catastrophe risk and inflationary loss cost pressures. Improving pricing adequacy, underwriting discipline and benign catastrophe activity have contributed to improved combined ratios and returns on equity for many reinsurers across the region (see **Exhibit 2**).

The growing frequency of natural catastrophe events has underscored the importance of enhanced pricing models and risk assessment tools for regional reinsurers. Companies are increasingly investing in their internal modelling capabilities and leveraging third-party catastrophe models to ensure appropriate risk selection and pricing adequacy. Nevertheless, their ability to compete with global reinsurers remains constrained by their limited scale, narrower access to proprietary modelling tools, and lower levels of geographic diversification.

An opportunity for MENA reinsurers includes government-backed natural catastrophe schemes which have emerged as an important mechanism to address the growing protection gap and to manage market-wide volatility in North Africa and Türkiye, in particular.

Algeria, Morocco and Türkiye have established mandatory catastrophe insurance schemes, with the latter two schemes triggered and functioning effectively in 2023 following severe events. Given the success of the existing schemes, discussions on the rollout of similar schemes in other countries continue to gain momentum, with Oman launching its mandatory natural catastrophe motor scheme in February 2026. These programmes often require mandatory cessions to local reinsurers, boosting premium volumes and helping to stabilise underwriting results by distributing catastrophe risks across a wider pool.

Overall, while the recent hard reinsurance market cycle has benefitted MENA reinsurers by allowing them to re-price business at more adequate levels, the greater awareness of potential losses in what was once thought to be a relatively catastrophe-benign region continues to pose a challenge.

Effective management of pricing adequacy, reserving, and exposure management will remain key determinants of underwriting profitability and balance sheet resilience in the near to medium term, particularly as climate risks and economic inflation evolve across the region.

MENA Reinsurers – Rating Considerations

AM Best's credit ratings of reinsurers domiciled in the region encompass Long-Term Issuer Credit Ratings (ICR) of "bbb-" through to "a". Over the past year, two companies' ICRs have been upgraded

Exhibit 2

MENA Reinsurance – Key Profitability Metrics, 2023-2025

(%)

			Combined Ratio (CoR)			Return on Equity (ROE)		
AMB#	**Company Name**	**Country**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
89190	Arab Reinsurance Co SAL[1]	Lebanon	96.0	95.9	94.7	2.7	4.7	6.1
90777	Compagnie Centrale de Réassurance	Algeria	78.1	81.5	79.6	14.9	14.7	16.3
78849	Hannover Re Takaful B.S.C. (c) [1]	Bahrain	92.7	97.5	70.3	19.6	10.8	18.8
85585	Kuwait Reinsurance Co K.S.C.P. [1]	Kuwait	93.5	90.4	88.0	14.4	16.5	19.9
85454	Milli Reasurans Turk Anonim Sirketi	Türkiye	173.1	149.7	132.2	44.1	44.9	46.3
93609	Oman Reinsurance Co SAOG[1]	Oman	93.9	96.4	92.5	8.4	8.9	12.0
90005	Saudi Reinsurance Co[1]	Saudi Arabia	85.7	90.6	90.2	11.5	34.4	7.4
84052	Atlantic Re	Morocco	90.6	62.2	77.1	6.7	25.7	16.3
83349	Société Tunisienne de Réassurance	Tunisia	95.7	97.1	82.5	8.5	9.4	11.5
43012	Arab War Risks Insurance Syndicate	Bahrain	69.5	73.9	49.6	7.8	9.3	10.9
94316	FAIR Oil & Energy Insurance Syndicate[1,2]	Bahrain	87.0	65.1	N/A	9.7	11.0	N/A

			CoR	Investment Yield	ROE
AMB#	**Company Name**	**Country**	**3yr Avg**	**3yr Avg**	**3yr Avg**
89190	Arab Reinsurance Co SAL[1]	Lebanon	95.5	2.6	4.5
90777	Compagnie Centrale de Réassurance	Algeria	79.7	5.6	15.3
78849	Hannover Re Takaful B.S.C. (c) [1]	Bahrain	86.8	4.1	16.4
85585	Kuwait Reinsurance Co K.S.C.P. [1]	Kuwait	90.6	4.9	16.9
85454	Milli Reasurans Turk Anonim Sirketi	Türkiye	151.7	38.2	45.1
93609	Oman Reinsurance Co SAOG[1]	Oman	94.3	4.4	9.8
90005	Saudi Reinsurance Co[1]	Saudi Arabia	88.8	3.7	17.8
84052	Atlantic Re	Morocco	76.6	3.6	16.3
83349	Société Tunisienne de Réassurance	Tunisia	91.7	8.4	9.8
43012	Arab War Risks Insurance Syndicate	Bahrain	64.3	5.1	9.3
94316	FAIR Oil & Energy Insurance Syndicate[1,2]	Bahrain	70.0	3.0	11.0

N/A: Year-end 2025 financial statements not yet available

1: Ratios are based on IFRS 17 data

2: Three-year average ratios were calculated based on 2022-2024 data

Sources: Best's Financial Suite - Global, AM Best data and research

(see **Exhibit 3**), and the outlooks of two others have improved from Stable to Positive. The drivers of these actions vary by company, with most reflecting improvements in balance sheet strength, while others reflect improved operating performance trends.

The wide range in ICRs is evidence of the varied nature of the MENA reinsurance markets, with diverging country risk conditions across the region having an important impact on creditworthiness.

AM Best defines country risk as the risk that country-specific factors could adversely affect an insurer's ability to meet its financial obligations. Countries are placed into one of five tiers, ranging from Country Risk Tier 1 (CRT-1), denoting a stable environment with the least amount of

Exhibit 3
MENA Reinsurers – AM Best-Rated Companies
Ratings as of August 12, 2026

AMB #	Company Name	Country	Long-Term Issuer Credit Rating (ICR)	Financial Strength Rating (FSR)	ICR & FSR Action	ICR & FSR Outlook	Rating Effective Date
89190	Arab Reinsurance Co SAL	Lebanon	bb	B	Affirmed	Positive[1]	14-Jan-26
90777	Compagnie Centrale de Réassurance	Algeria	bbb-	B+	Affirmed	Stable	16-Oct-25
85585	Kuwait Reinsurance Co K.S.C.P.	Kuwait	a	A	Affirmed	Stable	22-Jul-26
85454	Milli Reasurans Turk Anonim Sirketi	Turkiye	b	C++	Upgraded	Positive[1]	6-Aug-25
84052	Atlantic Re	Morocco	bbb	B++	Affirmed	Positive[1]	13-Feb-26
83349	Société Tunisienne de Réassurance	Tunisia	bb	B	Affirmed	Stable	10-Jul-26
43012	Arab War Risks Insurance Syndicate	Bahrain	bbb+	B++	Affirmed	Stable	11-Nov-25
94316	FAIR Oil & Energy Insurance Syndicate	Bahrain	bbb	B++	Affirmed	Stable	8-Apr-26

1: ICR: Positive FSR: Stable

Sources: Best's Financial Suite - Global, AM Best data and research

Exhibit 4
MENA Reinsurers – AM Best-Rated Companies – Keyword Assessments
As of July 6, 2026

AMB #	Company Name	Country Risk Tier	BCAR @ VaR 99.6	Balance Sheet Strength Assessment	Operating Performance Assessment	Business Profile Assessment	Enterprise Risk Management Assessment
89190	Arab Reinsurance Co SAL	CRT-5	36.6	Strong	Adequate	Limited	Marginal
90777	Compagnie Centrale de Réassurance	CRT-5	59.5	Very Strong	Strong	Neutral	Marginal
85585	Kuwait Reinsurance Co K.S.C.P.	CRT-3	70.6	Very Strong	Strong	Neutral	Appropriate
85454	Milli Reasurans Turk Anonim Sirketi	CRT-4	-19.9	Weak	Adequate	Neutral	Marginal
84052	Atlantic Re	CRT-4	40.2	Strong	Strong	Neutral	Appropriate
83349	Société Tunisienne de Réassurance	CRT-5	31.1	Strong	Adequate	Limited	Marginal
43012	Arab War Risks Insurance Syndicate	CRT-4	86.4	Very Strong	Strong	Limited	Appropriate
94316	FAIR Oil & Energy Insurance	CRT-4	62.3	Strong	Strong	Limited	Appropriate

Sources: Best's Financial Suite - Global, AM Best data and research

risks, to Country Risk Tier 5 (CRT-5) for countries that pose the most risks and, therefore, the greatest challenge to an insurer's financial stability, strength, and performance. The MENA region encompasses countries assessed between CRT-3 and CRT-5.

There is a common misconception that country risk is equivalent to sovereign risk. Sovereign risk measures an individual country's ability to service its debts, and does not address the underlying operating environment within a country. Country risk encompasses economic, political and financial system risks, which creates a more accurate analysis of the backdrop for an insurance company operating in that domicile.

AM Best-rated MENA reinsurers tend to demonstrate the strongest levels of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), which are reflective of significant capital buffers relative to their risk exposures (see **Exhibit 4**).

Overall, AM Best expects companies' rating fundamentals to remain resilient against the backdrop of challenging economic and geopolitical conditions.

Sub-Saharan Africa's Reinsurers Maintain Robust Performance Amid Moderating Market Conditions

The region's reinsurers are expected to remain resilient amid the current dynamic risk landscape, supported by good capital buffers that have grown in recent years.

Principal Takeaways

- Underwriting results have remained robust amid moderating market conditions, supported by pricing actions on loss-affected accounts and stricter risk selection.
- Asset risk remains the primary driver of capital requirements despite efforts by companies to improve diversification.
- Despite solid growth in capital in recent years, the capacity offered by Africa-domiciled reinsurers still remains insufficient to meet market demand and local players often rely on support from global reinsurers.

The sub-Saharan Africa (SSA) region represents a vast expanse of the African continent, encompassing 49 countries lying south of the Sahara.

SSA economies have contended with a series of challenges and global economic shocks since the COVID-19 pandemic, though AM Best's analysis shows that SSA reinsurers have generally been resilient amid these challenges.

During this period, the challenging economic conditions have highlighted vulnerabilities in some of the region's economies and tested the balance sheet strength and risk management capabilities of SSA reinsurers. In particular, the series of sovereign defaults witnessed since 2020 has highlighted the importance of geographical diversification and prudent investment management, while exchange rate volatility has tested the soundness of asset liability management strategies.

Given the SSA markets' long-standing ambition to retain risks domestically, many SSA reinsurance companies are typically concentrated in one or a small number of countries, making them particularly sensitive to localised issues. This includes the location of assets, which are often held domestically to match the location or currency of liabilities and to satisfy regulatory requirements. As a response to the economic challenges, many SSA reinsurers have been incrementally investing surplus assets offshore, typically in mature economies. These actions should go some way toward insulating those companies against future domestic/regional volatility.

Despite these headwinds, SSA reinsurers have reported another year of robust underwriting results in 2025, maintaining rate adequacy amid moderating market conditions since 2024. Together with the favourable interest rate environment, SSA reinsurers achieved a third consecutive year of double-digit return on equity (ROE) ratios. Furthermore, key economic indicators for many of the region's economies have shown signs of improvement during 2025, building the foundations for economic recovery over the coming years.

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Over the long run, AM Best still believes that the SSA reinsurance segment has substantial potential for continued and profitable growth. The region has considerable untapped reserves of natural resources, solid long-term economic growth prospects, and increasing insurance penetration, all of which stand to benefit its reinsurance market.

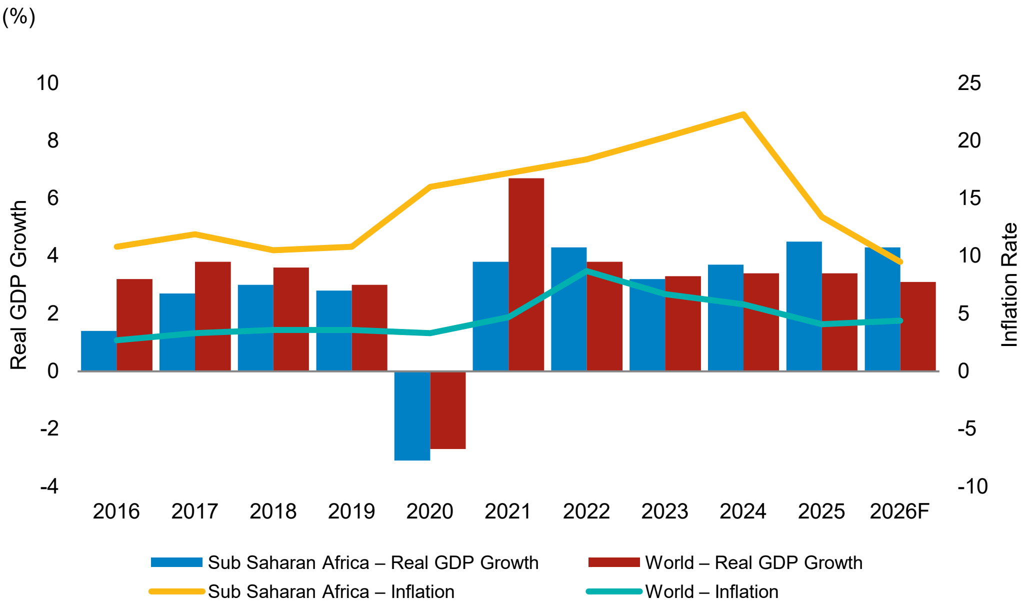
Underlying Economics Improving, But Risks Remain Tilted to the Downside

Calendar year 2025 marked a strong year on the whole for SSA economies. Many reaped the benefits of domestic economic reform policies (such as Nigeria and Ghana) and a general stabilisation of economic conditions, despite uncertainties over global trade policies.

As economic growth across many economies continued to rebound, inflation and currency pressures eased significantly following a period of tight monetary policy (see **Exhibit 1**). For reinsurers in the region, these conditions provided a period of relative respite after they had faced a series of post-pandemic operational challenges.

Exhibit 1

Sub-Saharan Africa – GDP Growth and Inflation Rates, 2016-2026



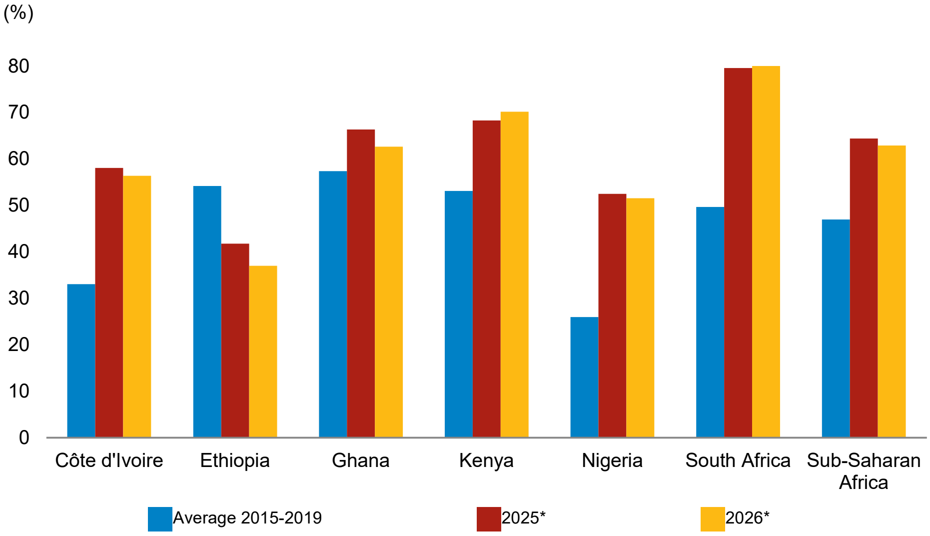
Sources: IMF, AM Best data and research

However, this positive trajectory is being clouded by another spell of global geopolitical uncertainty, specifically the ongoing conflict in the Middle East, which has interrupted supply chains and resulted in market volatility. In particular, this has driven up the cost of energy and reduced the supply of fertilisers, which is leading to a resurgence in inflationary pressures in some of the region's economies, pausing the trend of easing monetary policy and in some cases placing downward pressure on domestic currencies.

Partly as a result of the economic consequences of the conflict in the Middle East, the International Monetary Fund revised downwards their real GDP growth estimates for some SSA countries, although growth is still expected to remain buoyant. It is important to note that the impacts of the ongoing global energy shock are not homogenous, with oil-importing countries facing widening budget deficits, while oil exporters relish short-term surges in export revenue. The extent to which reinsurers feel this impact will vary depending on their geographical mix of business, with diversification being a key mitigating factor.

Exhibit 2

Sub-Saharan Africa – Government Debt as a Percentage of Gross Domestic Product



* Provisional figures.

Source: IMF

On the financial side, debt burdens remain elevated compared to pre-pandemic levels (see **Exhibit 2**), though it has stabilised in more recent years, thanks to domestic economic reform policies and fiscal consolidation. Nevertheless, financing positions remain vulnerable and a prolonged conflict in the Middle East may pressure borrowing costs further, increasing the risk of debt distress among the continent's economies.

Overall, AM Best-rated SSA reinsurers are expected to remain resilient amid this dynamic risk landscape, supported by good capital buffers that have grown in recent years through robust internal capital generation, as well as the growing geographical diversification of invested assets and revenue. Conversely, if the conflict in the Middle East shows no sign of deescalation, it would likely reignite inflationary pressures, squeezing underwriting margins, and increasing volatility in financial and currency markets.

Underwriting Results Remain Favourable Amid Moderating Market Conditions

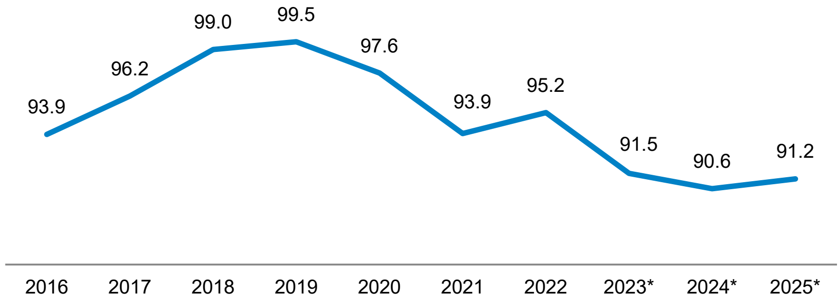
The long-standing focus on local African risks by SSA reinsurers has largely underpinned their consistently profitable underwriting results (see **Exhibit 3**). However, business tends to be concentrated in some of the largest markets on the continent, including South Africa, Nigeria and Kenya, giving rise to some concern about risk accumulation.

SSA reinsurers are often able to sustain favourable loss ratios over the cycle, largely explained by the highly protectionist regimes in certain African countries, which typically reduces competition, as well as the relatively lower catastrophe risk across large parts of the continent.

These features have historically ensured that the SSA reinsurance market cycle has been less volatile than the broader global market.

Conversely, the high cost of doing business in SSA, along with the relatively small size of locally domiciled reinsurers, tends to temper overall underwriting results. Many market participants are unable to realise the economies of scale that larger global companies can achieve.

Exhibit 3
Sub-Saharan Africa – AM Best-Rated Reinsurers, Combined Ratio (net/gross), 2016-2025**
(%)



* 2023-25 are based on IFRS 17, with the exception of CICA Re which reports under local GAAP. The data may include life business in instances where it has not been possible to segregate the segment due to limited disclosure in audited financial statements.
** Calculated as (reinsurance service expenses + net result from retrocession service held + other operating expenses) / reinsurance revenue
Sources: Best's Financial Suite – Global, AM Best data and research

Many of the cohort of AM Best-rated SSA reinsurers continue to look overseas for growth and diversification, although to date, non-African business constitutes a relatively small portion of their portfolios. Although the appetite for non-African business had moderated in the past following the unfavourable underwriting results arising from the Indian subcontinent in the years 2017 to 2020, some SSA reinsurers have resumed their gradual expansion overseas, driven by emerging opportunities in regions such as the Middle East. While this trend has continued over the past year, overseas business generally remains limited in scale relative to regional business.

Despite a moderate level of volatility in underwriting results, the market has been consistently profitable for more than a decade. In part, past volatility can be explained by negative foreign exchange (FX) movements—particularly of the Nigerian naira—given that a significant portion of premiums derived from Nigeria are priced and transacted in US dollars. For certain classes of business that operate entirely in US dollars, past accounting practices resulted in loss ratio volatility, even when the underlying economics of the risks being reinsured were stable.

Under IFRS 17, FX volatility is no longer expected to impact underwriting metrics to the same degree. Under the new standard, the revaluation effect on reinsurance contract liabilities due to FX movements is recognised within the reinsurance finance result, which sits outside of the combined ratio. This contrasts with previous practices under IFRS 4, whereby the revaluation effect of reinsurance liabilities would flow through losses incurred, thus impacting the loss ratio.

The underwriting results of AM Best-rated SSA reinsurers have on aggregate shown steady improvements since combined ratios peaked in 2019. This largely reflects stricter risk selection by reinsurers, strong pricing actions in loss-affected countries such as Kenya, and a general hardening of premium rates/terms and conditions across most of the continent's largest reinsurance markets. While regulators in the SSA reinsurance markets have set minimum rates and tightened regulations on the collection of premiums, their enforcement is not always consistent. In practice, local reinsurers and other stakeholders play a central role in ensuring local cedants' adherence to rules and regulations.

Following the hardening of rates in 2023 and 2024, pricing conditions have been stabilising since the first half of 2025, in line with global trends. Despite the moderation in market conditions, underwriting margins remained robust in 2025, with only a modest year-on-year increase in the combined ratio. 2026 renewals have seen varying rate movements across different countries and lines of business; however, generally rates have improved in Anglophone West Africa while remaining flat for most lines of business in East Africa. Rate movements in the region continue to be driven by a combination of global trends and pricing actions taken by local regulators. AM Best expects SSA reinsurers to remain focused on maintaining rate adequacy across most lines and markets, supported by growing adherence to minimum rates and pricing actions by reinsurers, particularly on catastrophe-exposed accounts.

SSA reinsurers' exposure to losses arising from the ongoing conflict in the Middle East has been limited, as most reinsurers have war exclusions in place on their policies. However, the second and third-order impacts of the conflict, such as rising energy prices, supply chain disruptions and inflationary pressures could lead to challenges for SSA reinsurers.

SSA Reinsurers Continue to Play a Key Role in Managing the Continent's Protection Gap

Outside of South Africa, SSA reinsurers' exposure to catastrophe risk is generally considered to be low relative to the global average. However, in recent years this commonly held view has been tested thanks to an uptick in natural catastrophe events across the African continent.

According to Gallagher Re, natural catastrophe events across Africa led to economic losses of USD 3 billion in 2025 (2024: USD 9 billion), considerably below the 10-year average of USD 7 billion. Outside of South Africa, major events included the earthquake in Morocco and Cyclone Freddy in 2023, Cyclone Chido in 2024 and Cyclone Garance in 2025, each leading to economic losses of over USD 1 billion. At the same time, secondary perils such as floods and droughts have contributed significantly to these numbers.

SSA reinsurers' exposure to these events has proven to be relatively muted and within appetite levels, mostly a result of the large protection gap between economic and insured losses across the continent. Nonetheless, AM Best expects SSA reinsurers to increase their accumulation risk management efforts, particularly in those areas more prone to catastrophe events.

At the same time, recent losses have highlighted the need to expand the provision of insurance protection across the continent, which could present organic growth opportunities for the region's reinsurers.

Double Digit Return on Equity Well Above Median Inflation

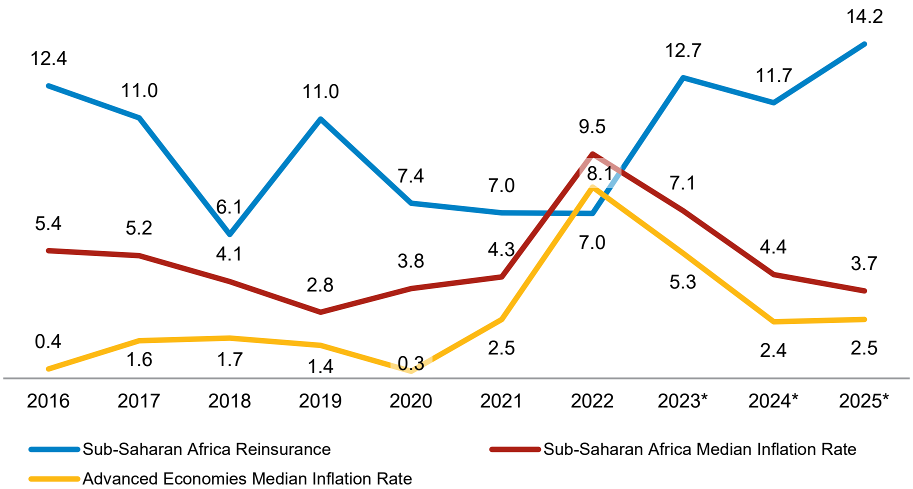
Measured by ROE, in nominal terms, AM Best-rated SSA reinsurers have returned good levels of profitability to their shareholders (see **Exhibit 4**), generating a 10-year (2016-2025) weighted average ROE of over 10%. When adjusting for median inflation, ROEs remain robust in real terms.

However, the ROE for SSA reinsurers must be considered with care. Several of the larger AM Best-rated SSA reinsurers report in US dollars and the majority of incumbents have generally high levels of risk-adjusted capitalisation (see **Exhibit 5**), as measured by Best's Capital Adequacy Ratio (BCAR), both of which temper ROE, and make comparison against local market inflation challenging.

Limited Regional Capacity

The larger reinsurers in SSA (excluding South Africa) tend to be either national or supranational entities and often benefit from compulsory cessions and/or have a mandate to develop the local (re) insurance industry. With a few exceptions, African reinsurers tend to focus on local and regional markets. Further competition comes from a relatively small group of sophisticated global reinsurers, and a handful of smaller privately-owned African companies.

Exhibit 4
Sub-Saharan Africa – AM Best-Rated Reinsurers, Return on Equity, 2016-2025
(%)



Return on equity figures are calculated on a weighted average basis for the purposes of this report.
* 2023-25 are based on IFRS 17 with the exception of CICA Re which reports under local GAAP.
Sources: Best's Financial Suite – Global, AM Best data and research

Exhibit 5
Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus

Company Name	Reporting Currency	2025 Total Capital & Surplus (USD millions)	2024 Best's Capital Adequacy Ratio (VaR 99.6%)	Assessment Effective Date
African Reinsurance Corporation	USD	1,396,315	57.2	4-Dec-25
CICA-RE*	XOF	211,307	56.7	21-Apr-26
Continental Reinsurance PLC	NGN	102,007	29.5	4-Dec-25
East Africa Reinsurance Company Limited	KES	63,567	51.9	23-Oct-25
Ethiopian Reinsurance S.C.	ETB	23,099	64.2	17-Sep-25
Ghana Reinsurance PLC	GHS	122,024	14.0	30-Jan-26
Kenya Reinsurance Corp Ltd	KES	425,516	51.6	16-Oct-25
SanlamAllianz Re Ltd**	USD	38,563	46.0	25-Mar-26
Tanzania Reinsurance Company Ltd	TZS	61,657	42.7	21-Nov-25
WAICA Reinsurance Corporation PLC	USD	197,173	44.8	8-Aug-25
ZEP-RE (PTA Reinsurance Company)	USD	387,401	70.0	19-Nov-25

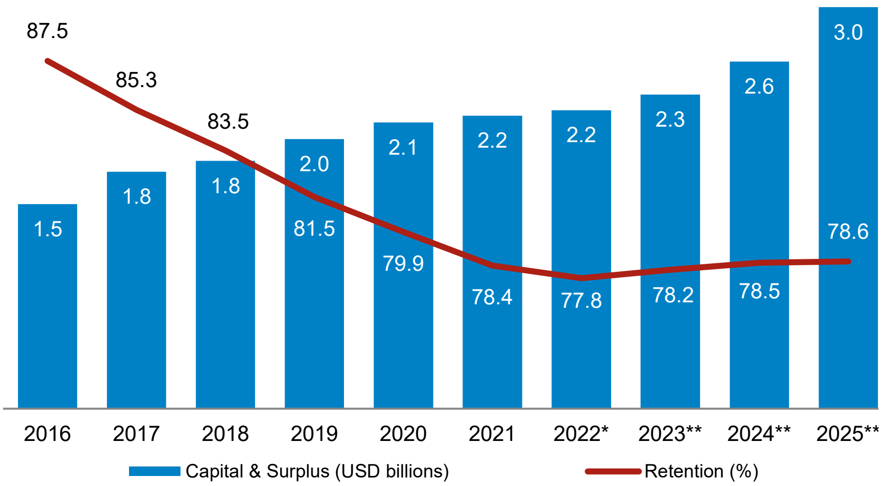
*: Based on local GAAP
**: Based on 2024 IFRS 17
Sources: Best's Financial Suite - Global, AM Best data and research

Despite solid growth in capital in recent years, the capacity offered by Africa-domiciled reinsurers remains low, and insufficient to meet the needs of local primary markets fully, particularly where major property and energy risks are concerned. As the region's economies have industrialised, their insurance needs have grown at a faster pace than the local market's capacity. This is evidenced by rising levels of premium written but declining levels of retention for SSA reinsurers who have relied on

Exhibit 6

Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus vs. Retention*, 2016-2025

(C&S: USD billions; Retention: %)



*For IFRS 17 reporters, retention ratio is calculated as (reinsurance revenue – allocation of retrocession premiums paid) / reinsurance revenue
**IFRS 17 used for all companies, with the exception of CICA Re which reports under local GAAP.
Sources: Best's Financial Suite – Global, AM Best data and research

Treatment of Ceding Commissions under IFRS 17

AM Best notes that various interpretations of IFRS 17 have led to some differences in the reporting of reinsurance revenue across the sub-Saharan African region. Under IFRS 4, ceding commissions were consistently treated as an underwriting expense, and gross written premiums were reported gross of ceding commissions. Under IFRS 17, certain types of ceding commissions for reinsurance contracts are normally treated as a reduction of the premiums payable to the reinsurer. Profit commissions and other payments contingent on claims are treated as recoveries from the reinsurer. The standard refers to reinsurance contracts held where it describes the treatment of these amounts and does not explicitly address whether these rules apply to reinsurance contracts issued (i.e. the inwards business of a reinsurer), potentially leaving this subject open to potential interpretation.

This has led to a number of SSA reinsurers opting to recognise ceding commissions payable on inward business as an expense, thus treating the contracts similarly to inwards direct business, and also mirroring the previous treatment under IFRS 4. Reinsurers that have opted to report insurance service revenue (ISR) in this way have in turn reported a higher ISR, together with greater underwriting expenses.

As a consequence of this interpretation of the standard, reported combined ratios are impacted to varying degrees. A reinsurer opting to report revenue gross of ceding commissions with a combined ratio of less than 100%, would report a less favourable ratio than a reinsurer following the standard as AM Best believes it was intended. For companies with a combined ratio above 100%, the inverse would apply.

AM Best's ratings remain agnostic to accounting standards, and appropriate adjustments are made as and when required when analysing rated companies.

Exhibit 7
Sub-Saharan Africa – AM Best-Rated Reinsurers
(Ratings as of June 20, 2026)

AMB #	Company Name	Domicile	Long-Term Issuer Credit Rating (ICR)	Financial Strength Rating (FSR)	Best's ICR & FSR Action	Best's ICR & FSR Outlook	Rating Effective Date
83411	African Reinsurance Corporation	Nigeria	a	A	Affirmed	Stable	4-Dec-25
93852	CICA-RE	Togo	bbb-	B+	Affirmed	Stable	21-Apr-26
78723	Continental Reinsurance PLC	Nigeria	bbb-	B+	Affirmed	Stable	4-Dec-25
77803	East Africa Reinsurance Co Ltd	Kenya	bb+	B	Affirmed	Stable	23-Oct-25
71489	Ethiopian Reinsurance S.C.	Ethiopia	bb	B	Affirmed	Stable	17-Sep-25
90035	Ghana Reinsurance PLC	Ghana	b+	C++	Affirmed	Stable	30-Jan-26
85416	Kenya Reinsurance Corporation Ltd	Kenya	bb+	B	Affirmed	Stable	16-Oct-25
93100	SanlamAllianz Re Ltd	Mauritius	a- u	A- u	Under Review	Negative	25-Mar-26
95201	Tanzania Reinsurance Co Ltd	Tanzania	bb+	B	Affirmed	Stable	21-Nov-25
94468	WAICA Reinsurance Corporation PLC	Sierra Leone	bb+	B	Affirmed	Positive	8-Aug-25
78388	ZEP-RE (PTA Reinsurance Co)	Kenya	bbb+	B++	Affirmed	Stable	19-Nov-25

u: Under Review
Sources: Best's Financial Suite – Global, AM Best data and research

retrocession to provide capacity (see **Exhibit 6**). As well as capacity, local players often lean on select, experienced global reinsurers for the expertise needed to underwrite complex risks.

AM Best-rated Reinsurers in the Region

AM Best rates a number of reinsurers in the region (see **Exhibit 7**). Best's Credit Rating Methodology (BCRM) provides a comprehensive explanation of AM Best's rating process. Key rating factors—including a reinsurer's balance sheet strength, operating performance, business profile, and enterprise risk management (ERM)—are qualitatively and quantitatively evaluated during the rating process. Full details of the process can be found in Best's Credit Rating Methodology (BCRM) on AM Best's website.

South Africa

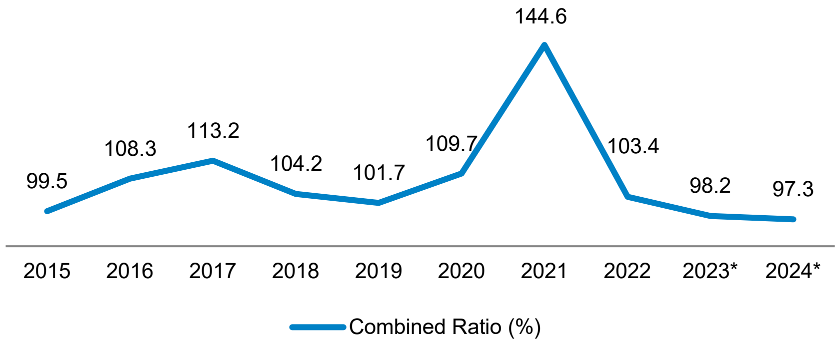
South Africa, the continent's largest reinsurance market, generated insurance service revenue (ISR) in excess of ZAR 36 billion (USD 2.2 billion) in 2024, according to AM Best's data and research.

In 2024, the South African reinsurance market reported its second consecutive year of profitable underwriting results, with the weighted average combined ratio standing at 97.3% (see **Exhibit 8**).

During 2016-2022, the performance of the market's reinsurers was significantly impacted by a period of soft pricing conditions, particularly in the pre-pandemic years, a spate of severe weather events, incidents of social unrest, and then the settlement of business interruption claims associated with COVID-19. These events tested the resilience of South Africa's (re)insurance sector, while the accumulation of increasing secondary perils pressured both performance and risk management capabilities.

While economic losses from secondary perils have persisted since 2023, the impact on reinsurers' results has been more manageable in recent years. This can be attributed in part to corrective measures implemented by the reinsurance market to address profitability challenges. In particular, these measures included substantial rate hikes and increased deductibles, which ultimately led to the primary market retaining a greater portion of losses. In addition, the primary market improved its management of catastrophe risk, supported by better risk selection and management of accumulation risk.

Exhibit 8
Sub-Saharan Africa – South Africa, Reinsurance – Combined Ratio, 2015-2024
(%)



*2023-24 are based on IFRS 17 (net/gross combined ratio); 2022 and prior are based on IFRS 4
Sources: KPMG Insurance Survey (includes life business), AM Best data and research

However, the softening pricing conditions observed since mid-2024 have accelerated during the 2026 renewals, with single to low double-digit rate reductions experienced depending on the line of business, driven by abundant capacity and the absence of a major loss event. Should this trend continue, AM Best expects underwriting margins to be pressured, particularly if accompanied by a reversion of weather-related losses to above-average levels. Selective growth and disciplined underwriting remain key to ensuring sustainable underwriting results through the cycle.

South Africa's economy entered 2026 with an improving economic trajectory as real GDP growth accelerated to 1.1% in 2025, per the IMF. Since its formation in May 2024, the government of national unity has introduced a range of ongoing structural reforms, particularly in the electricity and logistics sectors, which are key to unlocking sustained long-term economic growth.

However, pressures arising from the conflict in the Middle East are expected to partly offset this positive momentum and constrain growth in the near term. As a net oil importer, South Africa is sensitive to global energy supply disruptions, which has seen the inflation rate rise by 150 basis points since the onset of the conflict (based on May 2026 data). Ultimately, sustained inflation may place further pressure on the underwriting margins of reinsurers.

For more information about AM Best's ratings in the Africa region, please contact Dr. Edem Kuenyehia at +44 20 7397 0280 or Edem.Kuenyehia@ambest.com.

AM Best is a global credit rating agency, news publisher and data analytics provider specializing in the insurance industry. For more information, visit www.ambest.com.

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