Global Reinsurance

Monte Carlo takeaways - No slowdown in softening

Cedents want looser T&C and a double-digit price decline in 2027 from reinsurers , whose main hope is sector discipline as returns may approach hurdle rates. Third-party capital inflows from alts was a major new theme, threatening margins and particularly market position of Tier 2/3 reinsurers.

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We hosted 24 investor meetings with underwriters, insurance brokers, rating agencies and industry experts during our annual trip to the Rendez-Vous de Septembre, the largest reinsurance industry event of the year.

We come back **incrementally more negative** from our 2026 Monte-Carlo reinsurance trip, as we see an oversupplied reinsurance market in 2026 and 2027 that would make growth and margin targets in P&C Re hard to reach for listed reinsurers, in our view. We find that management expectations on price decreases moderating in January 2027 are based on expectations of underwriting discipline for traditional reinsurers - another year of similar sized price declines (-15% to -20% prop cat, -4% to -5% on diversified book) would hit or breach internal return hurdles. However, these appear particularly at odds with cedent and insurance broker views of reinsurance industry being overcapitalised, enjoying historically high profitability but not sharing enough of the risk burden. More importantly, return hurdles appear to be lower for third-party capital sources: both the now well established cat bonds investors, as well as rapidly expanding class of alternative asset manager-backed collateralised vehicles in property and casualty reinsurance. ILS flows remain strong, and the private asset industry seems willing to write business at marginal technical profitability - ready to accept 100%+ combined ratios to access the float that could then be re-risked and leveraged up. Such PE-backed reinsurance coverage may not work for every line of business (in casualty the counterparty risk concerns may offset savings vs traditional reinsurance, in our view), but we find margin implications to be negative for traditional players. We expect European reinsurers - indeed well-capitalised but bound by strict Solvency 2/SST straightjacket - quite vulnerable to such competition.

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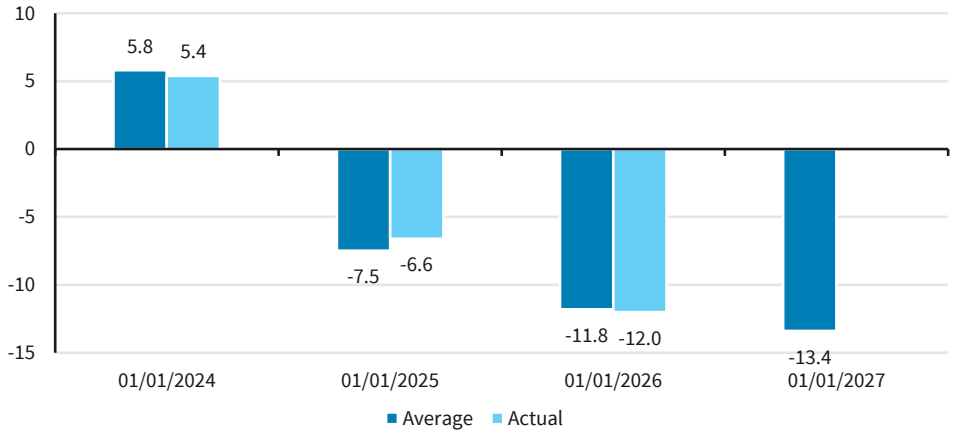
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Company highlights:

- **Munich Re** - not immune from pressure on pricing and T&Cs, softer market conditions make it more challenging to grow profit in 2027
- **Allianz** - improving T&C is more important than getting another price decline
- **Everest** - $600mn casualty re sidecar is alternative source of reinsurance with efficient cost, see strong investor demand

After 24 meeting hosted over 5-7 September with reinsurers, cedents, insurance brokers, rating and cat modelling agencies, we now believe the pace of softening is unlikely to moderate into 2027 in the absence of outsized loss events ($250-300bn insured loss years) or external shocks (interest rates, geopolitics, regulatory changes etc). A loss environment in line with budgets will likely still **bring 15-20% price declines along with likely T&C softening** (more widespread aggregate covers, wording adjustments, attachment point erosion). In contrast, the poll conducted during our trip suggested investors expect a mean 13.4% prop-cat price change for 1/1/2027.

FIGURE 1. Barclays Monte Carlo reinsurance poll - a view of Guy Carpenter prop cat rate on line index at 1/1



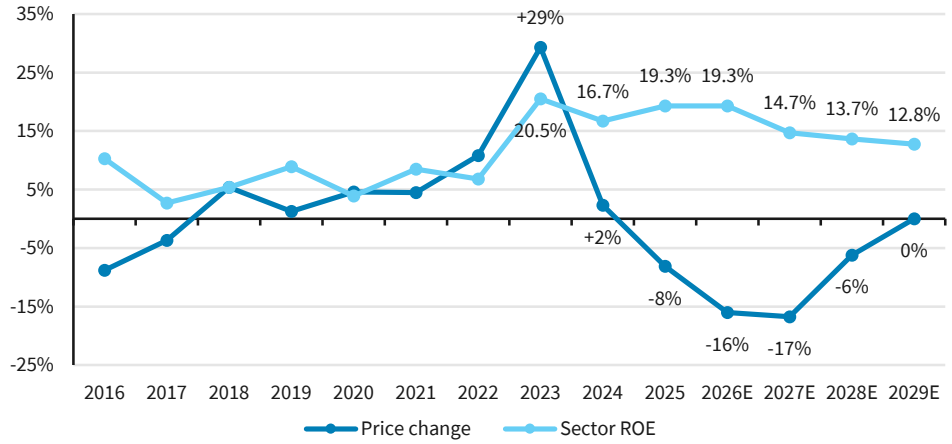
A poll of investors and market participants during annual Barclays Monte Carlo reinsurance trip. 2023 n=17, 2024 n=16, 2025 n=19, 2026 n=24
Source: Barclays Research, Guy Carpenter / artemis.bm

That does not mean 2027 industry ROE would fall below cost of equity, as profitability is underpinned by investment returns (we anticipate a 13% underlying ROE in 2027). However, the positive retained earnings generation and strong alternative capital inflows may result in this oversupply carried over into 2028 even if demand grows faster - something that failed to materialise so far in 2026, but may pick up if reinsurers agree to looser terms and conditions, according to the large cedents we've spoken to.

In our view, reduced underwriting margin (alongside normalized nat cats and continued positive reserve releases) will push reinsurer ROE to mid teens in 2027, and c. 13-14% range in 2028-29, much closer to cost of equity that we see at 9-11% for the sector.

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FIGURE 2. **Prop cat pricing and sector ROE**



Source: Gallagher Re, Barclays Research estimates

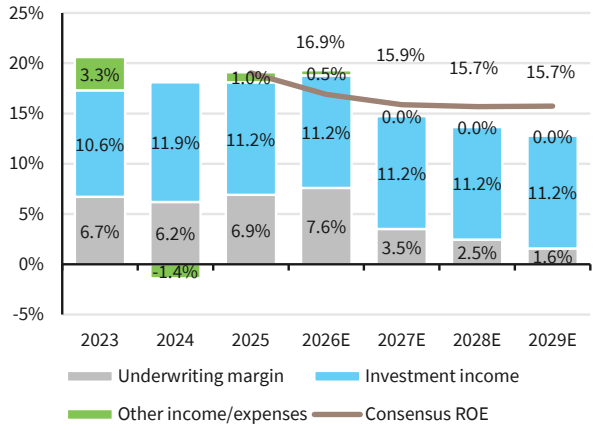
Investment return is the major component of that ROE - we expect continued support from high interest rate environment/re-risking even as underwriting margin falls further. Nevertheless, this 15% / 13% ROE outlook for 2027E/2028E may be more negative than the 16% seen by Bloomberg consensus average for listed reinsurance companies.

FIGURE 3. **Reinsurance ROE contribution**

	2023	2024	2025	2026E	2027E	2028E	2029E
Underwriting margin	2.5%	5.0%	3.3%	2.6%	1.9%	1.2%	0.6%
Investment income	10.6%	11.9%	11.2%	11.2%	11.2%	11.2%	11.2%
Other income/ expenses	2.0%	-2.4%	-1.1%	0.0%	0.0%	0.0%	0.0%
Underlying ROE	15.1%	14.5%	13.4%	13.8%	13.1%	12.4%	11.8%
Nat cat benefit	1.9%	1.1%	1.6%	3.0%	0.0%	0.0%	0.0%
Prior year releases	2.3%	0.1%	2.0%	2.0%	1.6%	1.3%	1.0%
Investment gains	0.3%	0.6%	1.6%	0.3%	0.0%	0.0%	0.0%
Discounting/ other	1.0%	0.4%	0.5%	0.2%	0.0%	0.0%	0.0%
Reported ROE	20.5%	16.7%	19.3%	19.3%	14.7%	13.7%	12.8%

Source: Gallagher Re, Barclays Research calculations

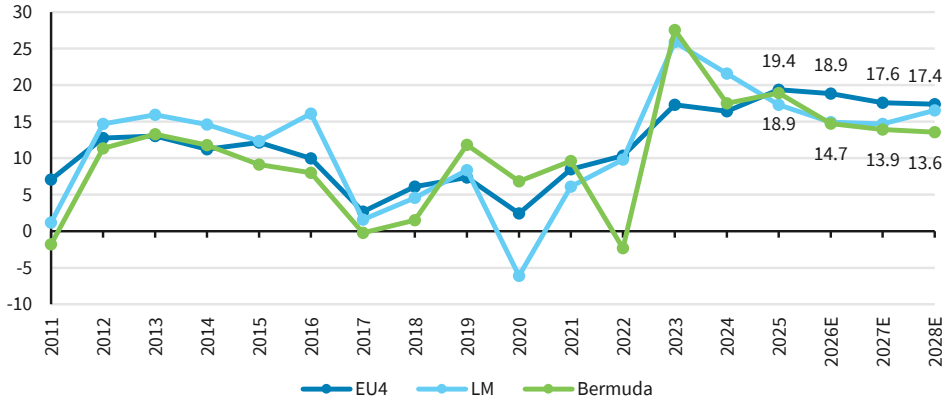
FIGURE 4. **Investment return ROE underpin**



Underwriting margin includes PYD and cat benefit
Source: Gallagher Re, Barclays Research calculations

We note Bloomberg consensus expectations for listed reinsurers match this trajectory for Bermuda reinsurers (as returns go from 19% in 2025 to c. 14% in 2027-28E), but expectations are far more optimistic for large European reinsurers that are expected to generate high teens ROE with minimal deterioration.

FIGURE 5. Reinsurer ROE - based on listed reinsurers



Equity-weighted ROE. 2026-28 constituents: 1) EU4 - MUV2, SREN, HNR1, SCR; 2) LM - HSX, LRE, CRE; 3) Bermuda - ACGL, AXS, EG, HIG, PLGO, RNR
Source: Bloomberg, Barclays Research calculations

Expectations for European reinsurers are underpinned by diversification, a larger investment income component (with tailwind from reinvestment rates still supportive), as well as expectations of stronger capital returns - but also by historical resilience of management guidance. We find that the latter component starts to surprise negatively, as evidenced by Munich Re's indications the top end of 79-83% P&C Re combined ratio may be reached or even surpassed in 2027, and earnings growth being increasingly difficult in the environment of faster than anticipated market softening. Our own Munich Re forecast only anticipates growth in reported earnings at 1% CAGR in 2025-2028E, while the 5% EPS CAGR is to a large extent driven by expectations of accelerating buybacks.

Meeting Schedule

FIGURE 6. **Sunday 6th September**

Sunday 6th September (Monte Carlo)	
08:45-10:00	Fitch Ratings Reinsurance Briefing Breakfast (not hosted by Barclays)
10:15-11:00	Gallagher Re
11:30-12:00	Howden Re
12:15-13:00	Guy Carpenter
13:00-14:15	Moody's + RMS
14:30-15:15	Hannover Re
15:15-16:00	Aeolus Capital Management
16:00-16:35	Verisk Extreme Events Solutions
16:35-17:10	S&P Ratings
17:10-17:45	MAPFRE Re
17:45-18:30	Everest

Source: Barclays Research

FIGURE 7. **Monday 7th September**

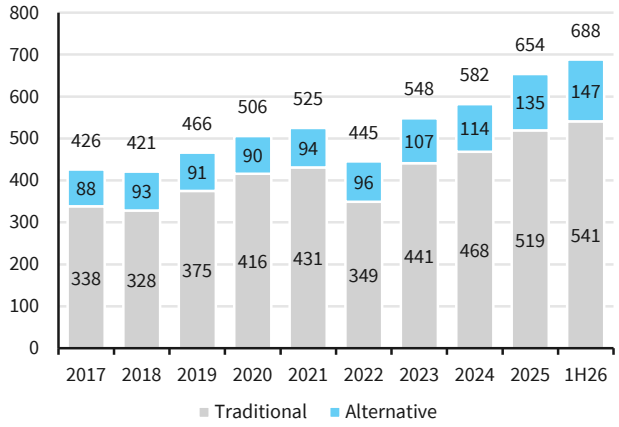
Monday 7th September (Monte Carlo)	
08:00-08:40	Conduit Re
08:45-09:25	Hiscox
09:30-10:00	SCOR
10:00-10:45	Munich Re
11:00-11:45	Swiss Re
12:00-13:15	AM Best
13:30-14:00	SCOR Investment Partners ILS
14:00-14:45	Allianz Re
15:00-15:30	Aviva
15:40-16:10	Pelagos
16:30-17:00	Hamilton

Source: Barclays Research

Growing complexity of available capital

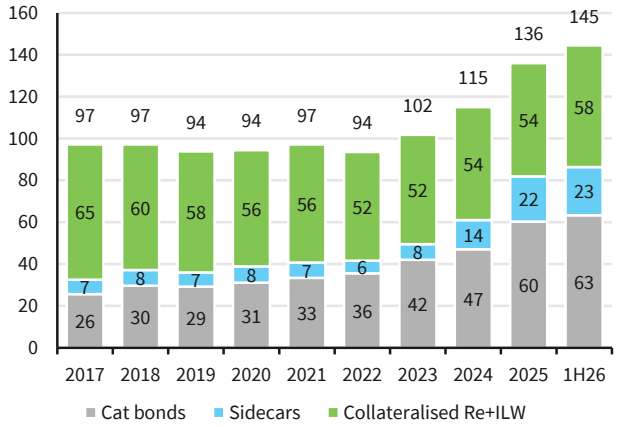
During the 2026 Monte Carlo conference we have noted a more substantial focus on size and structure of new alternative capital inflows. While in the overall market context the increase of the dedicated reinsurance capital stack was driven by strong retained earnings of traditional reinsurers (+$100bn in the past 2.5 years), alternative capital has added c. half that - most of it coming via cat bonds (+$20bn) and sidecars (+$15bn).

FIGURE 8. Dedicated reinsurance capital ($bn)



Source: Gallagher Re, Barclays Research

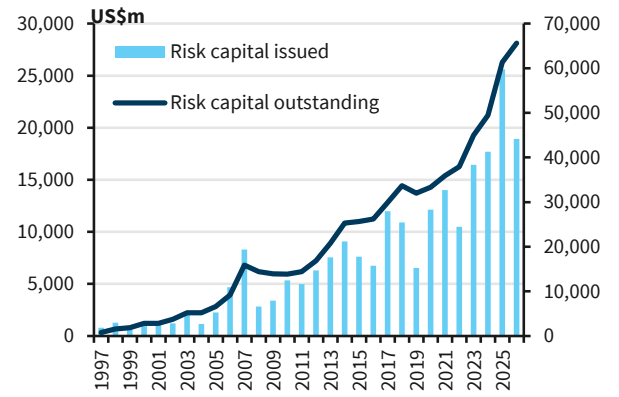
FIGURE 9. Alternative capital outstanding ($bn)



Source: Aon, Barclays Research

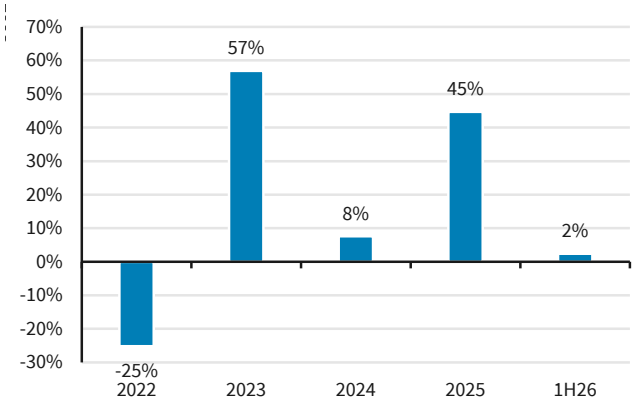
We have considered the growth in cat bonds many times prior - cat bond issuance has reached record levels several times in the past few years, but recent spread compression has led us to believe inflows would slow down. Indeed, growth in cat bond issuance over 1H26 has slowed down to just 2%YoY, after +45% increase over 2025.

FIGURE 10. Cat bonds issued/outstanding



Source: artemis.bm

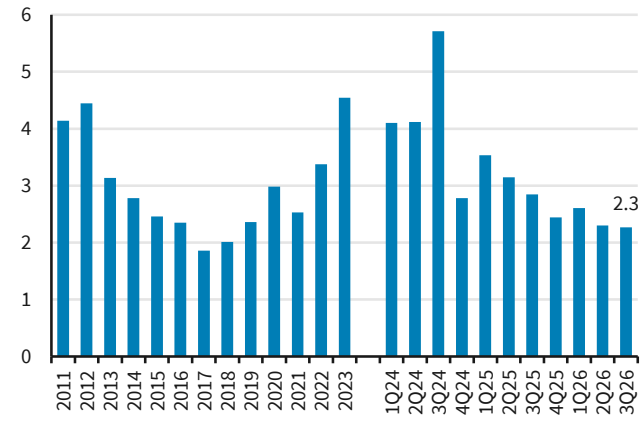
FIGURE 11. YoY change in cat bond issuance



Source: artemis.bm

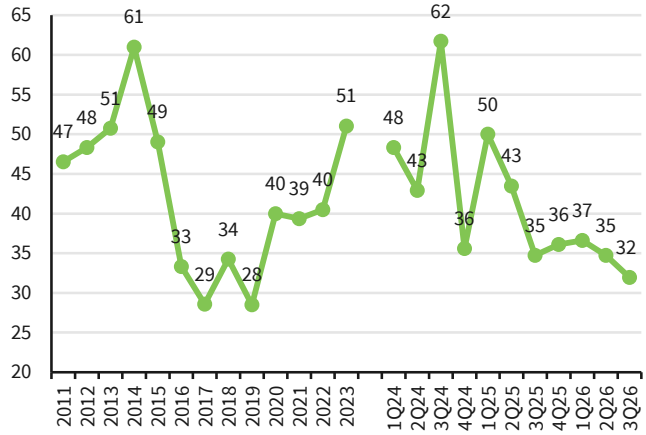
At the same time cat bonds become a more direct competitor to traditional reinsurers whose risk appetite leaves them somewhat squeezed - they are unwilling to write risk meaningfully below 1:10 years return period, while more and more cedents opt to issue cat bonds to deal with lower risk periods (lower than 1:50). In fact, average expected loss for new issuance has been steadily dropping, and in 3Q26 has reached 1:32 years - still reasonably remote, but already within traditional reinsurance structures.

FIGURE 12. Cat bond multiple (x)



Spread / expected loss
Source: artemis.bm, Barclays Research

FIGURE 13. Cat bond return period at 1:30 years



1 / expected loss
Source: artemis.bm, Barclays Research

Despite historically tight insurance risk spread, during our meetings ILS market participants suggested there is neither evidence nor good arguments for investors to pull money out of cat bonds. The asset class has successfully delivered proof of non-correlated returns, outperformed most alternatives in 2023-2026 (albeit in a period of low cat losses), and marketed total return still sits at 9-10%, above many other alternative asset classes. Even with cat bond multiple at c.2.5x (vs 5x in 2023), the room for spread compression may be higher than the 15-20% anticipated price drop on traditional prop cat coverage.

Sidecars - an segmentof the market that has increased from $8bn in 2023 to US$23bn now - has been growing the fastest. Sidecars allow third party investors to access underwriting portfolio of the issuer on a proportional basis. Historically they have been commonly used for whole account arrangements by traditional reinsurers, but increasingly re/insurers are partnering with alternative asset managers to give them access to the collateral pool that could then be leveraged up and invested more aggressively (compared to the traditional government/ investment grade debt strategy insurers employ). Long tail lines of business such as casualty provide larger volumes of float at longer duration to work with, and thus are more attractive to alternative asset managers. Everest-Stone Point $600m casualty reinsurance sidecar may be an example of such cooperation, along with the $300m Hamilton-Sixth Street casualty sidecar. Lloyd's of London has brought lots of new capital to the market through the use of its London Bridge 2 structure, allowing cedents to get coverage from AA-rated entity that would be backed by alternative asset manager funds - such as the Allianz-Oaktree "re-share" reinsurance quota share arrangement or AIG-Blackstone syndicate.

Our conversation with Lloyd's suggested the pipeline for new capital remains very significant - and Insurance Insider writes 8 such re-share vehicles are in the works (link), with premiums from the class set to increase to $6bn from $3bn.

Company takeaways

Allianz (UW)

Holger Tewes-Kampelmann, CEO Allianz Re

- **Cedents targeting broader cover, not just lower prices:** Several years of strong reinsurer profitability and continued capital inflows keep on strengthening the position of buyers ahead of 1 January renewals. Management argued the bigger win for primaries would be **10% lower pricing alongside terms and conditions moving closer to pre-2023 levels**, rather than achieving a 15% rate reduction while leaving the current risk-sharing structure unchanged .

- **Sidecar structure broadens access to long-term highly rated capital:** Allianz remains positive on its Lloyd's-based "re-share" sidecar structure (syndicate that takes a share of group's outwards reinsurance programme), viewing it as a complement to traditional reinsurance rather than a replacement. Beyond pricing benefits, the facility provides access to highly rated long-term capital and simplifies counterparty management, while Lloyd's own innovation (e.g. London Bridge 2) has helped enable third-party capital participation more broadly. Management noted such structures require objective risk allocation agreed by all parties, which is easier said than done - of five similar deals attempted in the market last year, only one was completed, suggesting scale and execution capability remain key advantages.

- **Unclear whether lower reinsurance costs drive additional demand:** Management thinks it is still too early to determine whether further softening will prompt cedents to reinvest savings into additional protection or rather retain the benefit to offset rate reduction on the primary business. Upcoming negotiations (namely around frequency) are the key swing factor, with the market likely settling somewhere in between the two outcomes.

- **Reinsurance used to improve underwriting quality, not just reduce volatility:** Management framed reinsurance (QS arrangements) as a useful tool to share intelligence and define risk appetite, thus keep the primary insurer from becoming an outlier. Alongside CoR stabilisation and opportunistic purchasing, this underwriting feedback loop has been the main contributor to rising ceded premium over the past five years, particularly in more volatile LoBs.

AM Best (Private, not covered)

Mahesh Mistry, Mathilde Jakobsen, Michael Lagomarsino, Greg Carter

- **Casualty is the industry's main strategic debate:** some reinsurers are increasing casualty exposure to capture growth and higher premium volumes, while others remain cautious given social inflation, litigation funding, large jury awards and uncertainty around reserve adequacy.

- **Capital abundance is the biggest industry challenge**: reinsurers have more capital than they need for current risk budgets, creating pressure either to return capital, pursue growth, or accept lower margins. This surplus capacity is a key driver of recent property pricing erosion.

- **AM Best remains broadly constructive on non-life reinsurance:** despite social inflation, weather-related losses and geopolitical uncertainty, strong capitalization, underwriting discipline and supportive investment income should keep sector returns at or above the cost of capital.

Aviva (EW)

Jason Storah, CEO UK&I GI; Greg Neilson, CFO UK&I GI

- **Panel philosophy centred on stability, breadth and consistency:** Aviva places 90% of its cat treaty with six key reinsurers and had no difficulty filling its slip last year, viewing stability as an important part of the tower. Management judges partners individually rather than by domicile (large EU vs Bermuda), but does want breadth across most treaties and consistency in representation. Relationships are direct but placements remain brokered, with Aviva tending to go to market early.

- **Lloyd's seen as a growth engine, with fee-generation optionality:** Since acquiring Probitas, Aviva has integrated it with dual-stamp underwriters able to leverage relationships across both the Lloyd's and company platforms, and has since launched seven new LoBs not previously written on Lloyd's paper, representing 70% of Probitas's growth (including business Aviva or Probitas would not have written on their own). It wrote its largest high-net-worth account through Lloyd's this year. Fee-generating arrangements such as Lloyd's re-share vehicles are noted with interest.

- **US expansion via a capital-light MGA structure:** Aviva has been building out its US team (currently 16 FTE, expected to double) writing business on Aviva paper through an MGA-like structure, with the US entity capitalised by the UK balance sheet rather than committing Solvency II capital directly. Management described this as a way to "walk before they can run," having deliberately selected a small number of strategic mid-market brokers, with plans to move up-market over time. The US build also includes opening up property, catastrophe and specialty E&S underwriting.

Conduit (UW)

Neil Eckert, CEO; Stephen Postlewhite, CUO

- **Property XoL shift:** Conduit expects to reach a 40% excess-of-loss (XoL) share in its Property portfolio by YE, on track to achieve the targeted 50:50 XoL-to-QS ratio by 2027. Management favours the more transparent pricing of XoL — priced off AIR/RMS expected loss multiples that have compressed from around 3x to a low of 1.5-2x through the cycle — over softening QS margins, while also having halved its whole-account retention via a new reinsurance sub-layer, reducing PMLs by 50%.

- **Price declines on early property programs moderate**: Early discussions on 1/1 renewals suggest rate declines will continue, but at a lower pace than seen in June/July renewals (-20% to -25%). Nevertheless, a benign cat season would leave the industry overcapitalised as never before in 15 years.

- **Casualty remains a float engine:** Conduit's casualty book, built in a re-rated market from 2021, is reserved to a 101% combined ratio (prudently above c. 90s expected combined ratio, implying reserve releases to come), with growth kept highly selective across 3-4 preferred client treaties. Casualty sidecars are viewed as unattractive since the 6-7pp fee income ceded does not offset the loss of float — Conduit's own c. 4.5% ROI compares with a c. 6% return captured by the sidecar manager — with that float instead fuelling a steady c.15% ROE churn.

- **Potential further loss creep inspecialty losses:** Management flagged continued loss creep potential across recent major losses — Baltimore Bridge estimated at $2.8bn against a possible $3.5bn full limit and only around 20% of an estimated $10bn Ukraine loss has

entered the market to date given ongoing litigation, pointing to a long tail of future development, (while aviation pricing has yet to respond meaningfully given ample capital still on the sidelines).

Everest (covered by Alex Scott)

Chris Downey, CUO; Craig Hanrahan, Global Distribution & Chief Commercial Officer; Gary Haase, CEO of Legacy Operations; Jason Busti, Head of North America Treaty Reinsurance; Matt Rohrmann, Head of Investor Relations

- **Specialty as the differentiated growth engine:** Management is positioning specialty — including engineering, parametric, renewable energy and surety — as its key growth area. Surety for data centre construction was highlighted as a scaling opportunity, structured as credit risk against the hyperscaler-backed SPVs financing these projects, distinct from Everest's long-standing contract surety business.
- **StonePoint partnership expands capital-light growth:** The casualty sidecar launched with StonePoint was framed as a good source of diversification with more to follow. Management described the economics as attractive for cedent and the investor despite low underwriting margin, given the ability to invest float from long-tail casualty business into leveraged credit. The cedent would then later recapture a more mature, stable book of reserves after roughly a decade.
- **Continued Property pressure, limited Casualty room:** Everest expects continued pressure on property pricing into 2027, generating good but somewhat lower returns than 2026, with limited demand step-up as cedents are not expected to fully recycle savings into higher limits. Casualty remains the line with the least room for further deterioration, requiring active portfolio management and close monitoring of adequacy and claims settlement patterns. On its legacy book, management noted growing interest from credit shops and private equity in back-book casualty transactions, alongside traditional run-off players, offering a broader set of options to clean up its legacy slate.

Fitch Ratings (private, not covered)

Manuel Arrive, Brian C. Schneider

- **Outlook maintained at "Deteriorating," but ratings largely stable:** Fitch cited abundant capital and rising claims inflation as the two structural drivers pressuring rates and margins, though it expects a controlled rather than disorderly descent, with most reinsurers able to navigate the phase. Despite the negative sector outlook, 88% of company ratings remain Stable.
- **Margin compression quantified for 2027:** Fitch expects the industry combined ratio to deteriorate from 88% in 2025/26 to 94% in 2027, with underlying/attritional COR rising from 85.9% to 86.7%, and ROE falling from 17.3% to 13.8%. Drivers are the earn-through of lower rates, loosening T&Cs adding volatility, and claims inflation, partially offset by continued cycle discipline, reserve releases and improved retro. Property cat pricing declines are expected to moderate from around -20% in 2026 to -10/-15% in 2027, while casualty pricing could turn flat in 2027 (a level Fitch views as approaching inadequacy given continuing loss-cost inflation).

- **Capital base at record levels and still growing:** Total reinsurance capital reached $800bn by 1H26 (+$15bn YTD), with traditional capital at $656bn (+$7bn in 1H) and alternative capital at c. $145bn (up from $136bn at FY25). Cat bond issuance hit a record $16bn in 1H26 (vs $15bn in 1H25), taking outstanding cat bonds to $63bn, while sidecars outstanding grew to $23bn, up 50% since end-2024. Fitch expects continued ILS growth supported by alternative asset managers, new sponsors and non-peak perils (wildfire, casualty risk), as ILS are forecasted to record double-digit returns for a fourth consecutive year despite cat bond spreads being back to 2021 levels.
- **Casualty remains the key watch item:** Fitch flagged continuing social inflation and adverse reserve development in general liability and commercial auto, with US tort reform viewed as positive but unlikely to have material near-term effect.

Hamilton (covered by Alex Scott)

Pina Albo, CEO

- **Market seen as neither best nor worst of the cycle, with an emerging floor:** Pressure is concentrated in property, where cat rates and top-line have declined but margins remain intact; discipline on T&Cs and attachment points held through the last renewal and is expected to persist into 1/1. Aggregate covers are being discussed more than actually placed, an area where Hamilton's third-party capital vehicle has appetite to participate. Casualty and specialty pricing, by contrast, is not deteriorating, with cost of capital representing an effective floor. This discipline may also explain the absence of the M&A wave typically seen in past soft markets.
- **Traditional reinsurance retains an edge over alternative capital:** Management views many alternative capital entrants as one-off participants, whereas Hamilton's ability to support clients across lines, pay losses and demonstrate longevity is seen as differentiating. With shares typically of 1-2% on slips, Hamilton believes brokers are unlikely to remove smaller, complementary participants from panels, while it should be easier for brokers to cut players with c. 10% shares to single digits.

Hannover Re (UW)

Sharon Ooi, Executive BoD Member for P&C; Karl Steinle, Head of IR

- **Growth accelerating through the year despite muted 1/1:** Volumes were up 18% in April and 12% in July, driven by both existing and new opportunities, with underwriters strictly enforcing profitability hurdles on a whole-account rather than treaty-by-treaty basis. Technical profitability is assessed against available (not just required) capital, with diversification benefits assigned more fully towards year-end.
- **Property, data centres, trade credit, cyber, advanced solutions all areas of growth**: Hannover Re focuses on engineering risk when re/insuring data centre exposure, still evaluating potential for accumulation via property contracts once these construction projects start coming on line en masse. Trade credit was always a growth area, most recently in India. Happy to write non-proportional cyber reinsurance. Financially motivated reinsurance (Advanced Solutions) continues to be in demand, despite industry's strong capitalisation.

- **T&Cs stable so far, though softening continues elsewhere:** Property cat remains the most prominent area of softening, concentrated in regions/programmes loss-free for years, while T&Cs have not eased at the 1/7 or 1/10 renewals to date. Retro shows softening on aggregate and whole-account covers (though not K-Cession), with smaller reinsurers losing panel positions turning to write retro instead.
- **Cautious on MGAs, but selective growth continues:** New MGA hit rate remains in the single digits, with existing relationships (South Africa, London Market, Australia) predating the recent MGA wave; overall exposure fell further after selling InterHannover in 2023.
- **Premium adjustments infrequent, usually 2 quarters in**: Hannover Re has a prudent approach for true-up of expected premium on quota-share contracts, originally booking c.90% of intended premium a cedent communicates, and later adjusting the volumes via both cedent information and internal tools about 2 quarters into the treaty.

Hiscox (OW)

Jo Musselle, Group CUO; Kathleen Reardon, Hiscox Re CEO; Paul Lawrence, London Market CUO; Yana O'Sullivan, Head of IR

- **Some further softening expected in 2027, but less material than 2026:** Pending the outcome of wind season, management's message is that rate decreases will continue into next year, though at a more moderate pace than this year's declines. Disciplined underwriters are expected to come off risk priced inadequately, with the market not seeing a universal hard or soft cycle across London Market's c.16 different lines.
- **Third-party capital central to the Re strategy:** Hiscox Re's two-decade-old quota share strategy allows it to deploy more gross capacity than its balance sheet alone would support, having roughly doubled its net cat retention during the 2023 hard market and now moderating that position as conditions soften. This keeps Hiscox relevant in property cat even as panels shrink, while also generating fee income.
- **AI as both underwriting opportunity and growth enabler:** Building on its "emerging professions" heritage, Hiscox is targeting new business categories analogous to past successes (e.g. an influencer product mirroring media/production risk), with the micro-business segment (now c.60% of the book, down from 70%) increasingly first-time insurance buyers. In London Market, tech investment is focused on the underserved "middle market" ($50-250m values, between delegated binder business and major D&F), seen by large brokers as a significant opportunity.

Howden (Private, not covered)

David Flandro, Head of Head of Industry Analysis and Strategic Advisory, Howden Re

- **The market is being measured incorrectly:** Howden argues the right cycle indicator is EVA spread (ROIC minus WACC) rather than combined ratio or rate-on-line, and calculates the sector (32 companies, simple average) is now roughly at breakeven on this basis, having been sharply negative in the 2010s.
- **A genuine market turn requires a confluence of shocks:** Howden's model suggests it would take a combination of factors — a c.$200bn insured cat loss year, a 100-200bps rise in interest

rates, and net adverse casualty reserve development — to meaningfully turn the cycle, noting historical turns (1992, 2001, 2022) were never driven by catastrophe losses alone.

- **Ceded share still below its historical low point:** Howden estimates reinsurers' retained share of exposure rose to c.40% in 2025 (from a low of 33% in 2023), still below the c.46% seen in 2022, and expects the ceded share to rise further into 2027 — consistent with the view that the market is only around halfway through its softening phase.
- **$800bn figure for industry capital overstates overcapitalisation:** Against widely-cited ~$800bn total capital figures, Howden puts real dedicated capital at $525-550bn, implying the market is roughly 10% overcapitalised rather than more dramatically oversupplied

Moody's (covered by Manav Patnaik)

Salman Siddiqui, Benjamin Serra, Jasper Cooper, Simon Harris, Joe Melly , Dan Flemington

- **Buyers see bigger price cuts coming.** In Moody's latest survey of 40 primary insurers, a growing share expect property price declines at January 2027 versus last year's poll, with about a quarter also anticipating lower attachment points. Casualty views are more mixed (US firmer on litigation costs, non-US softening).
- **Another issuance record for the cat bond market.** ILS outstanding hit a fresh high of ~$144.5bn at H1'26 (cat bonds ~$63.4bn, nearly double 2021; sidecars ~$23bn), with 12 first-time sponsors piling in as issuers lock in softer pricing. Cat bond spreads keep grinding lower alongside a ~16% drop in US property-cat pricing, yet the asset class still delivered 11.4% in 2025 and 4.1% in H1'26 — with little correlation to equities or credit.
-
- **Increased risk — expected loss is rising.** As low-EL deals stop paying enough, investors are moving up the risk curve into higher-EL covers and secondary perils (wildfire, flood, SCS), pushing the market's weighted-average expected loss higher. ILS is stretching beyond nat-cat: Life sidecars, MGA-backed P&C sidecars and casualty structures are all growing, with data-centre and digital-infrastructure risk shaping up as the next frontier (no dedicated cat bond yet).
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- **Pooled ILS could be next.** Moody's is seeking market feedback on rating pooled ILS — bundling ILS into tranched senior/sub debt, potentially opening the asset class to a wider investor base via rated tranches.

Mapfre (EW)

Miguel Ángel Rosa, CEO MAPFRE Re; Javier San Basilio, General Manager MAPFRE Re

- **Retro conditions back to pre-hard market levels, supporting more flexible buying:** Retro pricing and structures returned to pre-hard-market levels last year, allowing Mapfre Re to place more aggregate cover and QS than it could in prior years, contributing to more stable net combined ratios at group level.
- **Structured Re/capital solutions cited as a key growth lever:** Building on 20 years of experience, management is leaning into structured deals combining QS with capital release

components (life and non-life) as a lower-volatility way to navigate the soft market, with a dedicated team pursuing opportunities across the US, Europe, Asia and Latin America.

- **Deliberate market share gains despite softening:** Mapfre Re grew its share with brokers from c.4.5% to 6%, aided by sponsoring a US cat bond, and management does not expect larger reinsurers to squeeze it out given long-standing relationships. Premiums were up 1% YTD with PBT up 25%, and management expects 5-7% growth from 2026-written business, concentrated in non-group business; APAC (including a new India office) was framed as a further growth driver.

Munich Re (OW)

Stefan Golling, Head of Global Clients & N America, Christian Becker-Hussong, Head of IR

- **Reliability during hard-market years earns pricing goodwill now:** Munich Re is not immune to softening, but argues clients remember it as dependable capacity when others pause, framing the current renewal environment as cooperative rather than adversarial. Management would not be surprised to see some aggregate covers return, provided they are structured with sensible attachment points, but does not expect a broad return to 2022-style unquantified exposures.

- **Broker vehicles seen as pressuring price, not replacing Munich Re:** Management views these vehicles as competing with the tail of small reinsurers rather than with Munich Re directly, but acknowledges the additional capacity they bring still weighs on overall pricing.

- **Guidance turning more ambitious as COR rises faster than expected:** Management noted combined ratio is deteriorating faster than anticipated, with this year's €6.3bn result target made easier by a lack of major cats and strong non-cat performance; profit growth going forward is expected to be more challenging.

- **Selective, relationship-driven approach to LTC:** Munich Re likened its LTC appetite to its approach in US casualty — limited but client-specific, done only where the client understands the business, underwrites properly and interests are aligned, with a strong existing track record support. Management noted the added benefit of diversification is a nice side effect rather than a primary incentive to pursue these specific deals.

Pelagos (covered by Alex Scott)

Allan Decleir, CFO; Miranda Hunter, Head of IR

- **Rate change is not rate adequacy:** Despite softening in both property cat and direct property E&S (together roughly half the book), loss ratios remain very healthy (have run at c.20% in property cat over the past two years including the California wildfires), implying substantial remaining margin even after giving back some of 2023-24's hardening gains. Management noted leaders continue to secure better pricing and terms than followers, who are more exposed to being squeezed as the cycle softens.

- **T&Cs prioritised over price:** Pelagos would give up 5% on rate before giving up on terms and conditions, with attachment points and retentions holding solidly in most cases to date.

- **Data centres approached with caution:** Fidelis leads on data centre risk through a consortium structure in which Pelagos participates, though the premium involved is not disclosed. The partnership has deliberately restricted itself to construction-phase property

risk, resisting requests to extend cover to post-completion property contracts or broaden scope beyond property.

- **Middle East marine war partnership remains disciplined and profitable:** Through Fidelis, Pelagos writes marine war business (7-day marine breach policies) in the Hormuz/Indian Ocean region, with exclusions in place for US-flagged carriers and a preference for flags considered friendly to Iran. The business has been profitable overall; losses disclosed in 2Q related to contracts written before the war began, while business written since the war started has run at a 20% loss ratio. Exposure is reviewed daily/weekly, with the partnership having already stopped writing in response to deteriorating experience, while a first-mover advantage was particularly rewarding in March/April.

S&P Ratings (subsidiary of SPGI, covered by Manav Patnaik)

Simon Ashworth; Johannes Bender

- **Softening seen extending into 2027 at a similar pace, but shifting toward T&Cs:** S&P expects 2027 pressure to concentrate more on terms, conditions and attachment points, translating into a 2-4ppts deterioration in combined ratio (2027E undiscounted COR of c.94.7%), even as fundamentals — record capital levels and earnings expected to meet cost of capital for an unusually long stretch since 2023 — remain historically strong.

- **German pension reform seen as a modest net positive:** S&P's base case is that insurers will not capture the majority of the estimated €30-40bn opportunity, unlike with old Riester, but still expects a net positive contribution, with lapse/antiselection risk considered manageable through product design.

- **Sector resilience underpins the "stable" outlook despite margin erosion:** S&P believes that even a scenario where ROE falls below cost of equity would not necessarily trigger downgrades given current capital strength; 2027 metrics are expected to look similar to 2021-22 on underwriting, but stronger on ROE given a 3.5-4% investment yield tailwind.

SCOR (EW)

Thomas Fossard, Head of IR

- **Rebuilding property cat from a low base, not chasing volume:** Property cat remains just c.10% of the book (within a c.25% property allocation, alongside c.35% specialty), leaving SCOR relatively underweight and keen to signal capacity where rate adequacy is attractive; management stressed rate adequacy matters more than volume, and this year's renewals added only c.2ppts to COR despite double-digit property cat XoL price declines, reflecting the value of diversification.

- **Firm stance on T&Cs, more flexible on price:** The message to underwriters was that losses stem from eroded terms rather than pricing, and the company is not willing to concede on T&Cs, taking a client-by-client approach where cedents push for softer terms; attachment points are the priority to defend, with the view that frequency risk should sit with primaries.

- **Aggregates not ruled out, but must attach sensibly:** Management said aggregate covers are "not a bad word" and are returning to the market, but only in structured, high-attaching form rather than the working layer, "soft-market" aggregates seen in the past.

- **1-in-10 internal budget tightened further despite rising demand:** Having run a very restrictive 1-in-10 year loss budget last year, allocated selectively to key clients, SCOR is making this year's budget even more constrained, limiting how much capacity underwriters can deploy at the bottom end of programmes even as demand for such cover increases. Management said it would not follow the broader market trend toward low-attaching covers, remaining open to moving lower in the tower but not down to the lowest layers (below 1-in-10).

- **3Q accumulating losses, though not yet market-moving:** Management flagged that 3Q won't be a light quarter for cats given some accumulation already, though frequency events so far are not large enough to shift pricing — more a reminder that risk remains present. The Colombia earthquake was cited as not small, with a large share ceded to reinsurers, as in Latin America more broadly, primary companies' inability to absorb large losses on balance sheet means the usual 60/40 primary-reinsurer split "is not working" in practice — closer to a 90% reinsurance share.

SCOR Investment Partners

Sidney Rostan, Head of ILS Strategies

- **Cat bond spreads have normalised, but returns remain attractive:** Spreads have fallen from over 10% in late 2022 to around 5-5.5% (from a low of c.1.5%), broadly in line with long-term averages, yet total returns of c.9% in USD terms continue to stand out versus other asset classes like high yield, supported by demonstrated decorrelation during recent market volatility and a floating-rate inflation hedge.

- **Market has grown to c.$140bn, split roughly $65bn cat bonds and the remainder increasingly in private ILS/sidecars** (a segment SCOR ILS is less active in). Management does not view ILS as competing with traditional reinsurance capital, but as a complementary source that has grown only slightly faster than traditional capacity, remaining within its historical 15-20% share of total industry capital.

- **Some T&C softening emerging in cat bonds too:** Aggregate structures now represent 35-40% of cat bond issuance (down from over 50% prior to 2022), with modestly more secondary-peril coverage (wildfire, severe convective storm) appearing on high-attaching occurrence structures, though cascading features remain far less aggressive than during 2015-17. SCOR ILS believes another c.200bps of spread compression could be needed before investor appetite meaningfully cools, framing the cat bond market as a follower of, not a leader ahead of, the broader reinsurance market.

Swiss Re (UW)

Marcel Fuchs, Investor Relations

- **Strategy continuity after completing portfolio rebalancing:** Having already repositioned the book, Swiss Re now aims to defend its position in property cat and specialty while remaining cautious on US liability, where market share has been deliberately cut from 17% to 5%.

- **L&H Re needs more track record before recognising mortality upside:** Following a completed three-year book review, two quarters of positive experience variance have been recorded across all three units, but management wants further evidence — including on

GLP-1-related mortality improvement — before reflecting this in CSM, given the business is new and side effects remain unknown.

- **Reserve prudence has increased markedly:** Loss picks have risen YoY by 6%/13%/11%/4.1%/4.4% over the past five years (c.36% cumulative, versus roughly 3.5% annual CPI), reflecting both inflation and loss model updates, with an uncertainty allowance added on top; CorSo began this prudent approach before P&C Re followed in 2024.
- **CorSo increasingly self-sufficient and the likely M&A vehicle:** External retro cover at CorSo has grown to c.75% (from historical reliance on P&C Re), with the unit adjusting its own retro this year to retain more net premium; management continues to see CorSo as the most likely destination for any potential bolt-on M&A, unlike P&C Re.

Verisk (covered by Manav Patnaik)

Rob Newbold, President, Catastrophe and Risk Solutions, Jay Guin, Chief Research Officer, Catastrophe & Risk Solutions

- **Rising modelled risk driven mainly by exposure growth, not climate change:** Verisk attributes the increase in average annual loss (AAL) estimates to three factors — new models capturing previously unquantified risk, exposure growth (higher replacement costs, urban proliferation) as the dominant driver, and the fact that large cat years no longer require a single severe event (2025 had no hurricanes but $40bn from two wildfires alone).
- **Headline global loss estimates:** Verisk's modelled mean AAL stands at $171bn globally ($117bn in the US), with a normal year (ex-hurricanes) still implying c.$100bn of losses; the 1-in-100 global insured loss is estimated at $477bn, and a US-only event below 1-in-50 could already exceed $100bn. An extreme winter freeze event (2022's was $16-17bn) could reach $20-30bn today**.**
- **Increased Tropical Cyclone weight from new models.** While severe convective storms remains the largest single loss driver category at 40%, in it's recent update Verisk has increased the AAL from tropical cyclones on the back of higher rebuilding and construction costs, increased building stratification, also added tropical storms in North East.

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Materially Mentioned Stocks (Ticker, Date, Price)
AVIVA plc (AV.L, 07-Sep-2026, GBp 723), Equal Weight/Neutral, A/CD/D/J/K/L/M/N

Allianz SE (ALVG.DE, 07-Sep-2026, EUR 447.40), Underweight/Neutral, A/CD/D/E/J/K/L/M/N

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Hiscox Ltd. (HSX.L, 07-Sep-2026, GBp 1858), Overweight/Neutral, CD/J/K/N

Lancashire Holdings (LRE.L, 07-Sep-2026, GBp 629), Equal Weight/Neutral, J/K/M/N

Mapfre (MAP.MC, 07-Sep-2026, EUR 4.47), Equal Weight/Neutral, A/CD/D/E/J/K/L/M/N

Munich RE (MUVGn.DE, 07-Sep-2026, EUR 513.00), Overweight/Neutral, CD/D/J/K/L/M/N

SCOR (SCOR.PA, 07-Sep-2026, EUR 32.90), Equal Weight/Neutral, CD/FA/J/K/M/N

Swiss Re (SRENH.S, 07-Sep-2026, CHF 137.70), Underweight/Neutral, E/J/K/L/M/N

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