BEST'S MARKET SEGMENT REPORT

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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.

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.

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 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.

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