AM Best's Germany Insurance Market Briefing – Cologne, Munich

3 & 4 March 2026

Mandarin Oriental, Munich
Excelsior Hotel Ernst, Cologne

Presenters

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AM Best

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AM Best

Agenda

15:30 Welcome and Introductory Comments
William Mills, Senior Director, Market Development – EMEA, AM Best

15:45 Globalisation Versus Protectionism
Konstantin Langowski, Associate Director, Credit Rating Criteria Research & Analytics

16:15 IFRS 17: Latest Observations
Andrea Porta, Senior Financial Analyst

16:45 The Global Reinsurance Market: Perspectives and Outlook
Dr. Mathilde Jakobsen, Senior Director, Analytics – Amsterdam, AM Best

17:15 Closing Comments and Networking Reception

Disclaimer

Disclaimer

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Best's Market Segment Outlook: Germany Non-Life Insurance

Revised to Stable from Negative

- **Primarily reflects:**
  - Expectations that premium rate increases will continue to keep pace with claims inflation, leading to a stabilisation in profitability
- **Also reflects:**
  - Top line growth supported by rate increases
  - Competitive pressure increasing in motor but remaining rational
  - Volatility from extreme weather events and reinsurance pricing at manageable levels

BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

February 24, 2026

Market Segment Outlook: Germany Non-Life Insurance

Positive rate adjustments are expected to continue in 2026 across most non-life segments, albeit at a more moderate pace

AM Best has revised its outlook for the German non-life insurance segment to Stable from Negative.

The revision of the outlook to Stable primarily reflects the expectations that premium rate increases will continue to keep pace with claims inflation, leading to a stabilisation in profitability.

The Stable outlook also reflects the following considerations:

- Top line growth supported by rate increases
- Competitive pressure increasing in motor but remaining rational
- Volatility from extreme weather events and reinsurance pricing at manageable levels

Top Line Growth Supported by Rate Increases

AM Best expects the German non-life segment to achieve premium growth over the next 12 months.

Economic recovery for the country is likely to be slow, leading to modest, but positive, underlying economic support for growth in the segment. In addition, rate increases should continue across the next year leading to higher revenue growth than would be suggested by the underlying growth of the economy.

Best's Market Segment Outlooks can be found here.

Best's Market Segment Outlook: Germany Life Insurance

Revised to Stable from Negative

- **Primarily reflects:**
  - Stabilisation of key trends for the segment in the current positive interest rate environment
- **Also reflects:**
  - Resilience in top line despite economic uncertainty
  - Interest rate environment provides more favourable conditions
  - Stable regulatory environment

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BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

February 25, 2026

Market Segment Outlook: Germany Life Insurance

The current positive interest rate environment allows insurers to offer competitive crediting rates to policyholders while maintaining a margin to support profitability.

AM Best has revised its outlook for the German life insurance segment to Stable from Negative.

The revision of the outlook to Stable primarily reflects the stabilisation of key trends for the segment in the current positive interest rate environment.

The Stable outlook also reflects the following considerations:

- Resilience in top line despite economic uncertainty
- Higher interest rate environment provides more favourable conditions
- Stable regulatory environment

Resilience in Top Line Despite Economic Uncertainty

Life insurance premium income is expected to remain resilient over the next 12 months, despite uncertainty and constrained economic conditions in the country.

Gross written premium for the segment has exhibited varying levels of growth and decline in the most recent five-year period, largely as a result of volatility in the level of single premium products sold in different years. However, the overall top line has been resilient and AM Best expects modest growth in premiums for 2026.

At th ame time, surrender rates are expected to remain largely stable and at a manageable level for t dustry, as has been the case over the recent period. The segment benefits from high nsumer loyalty, despite sometimes difficult economic cond

tes Provide

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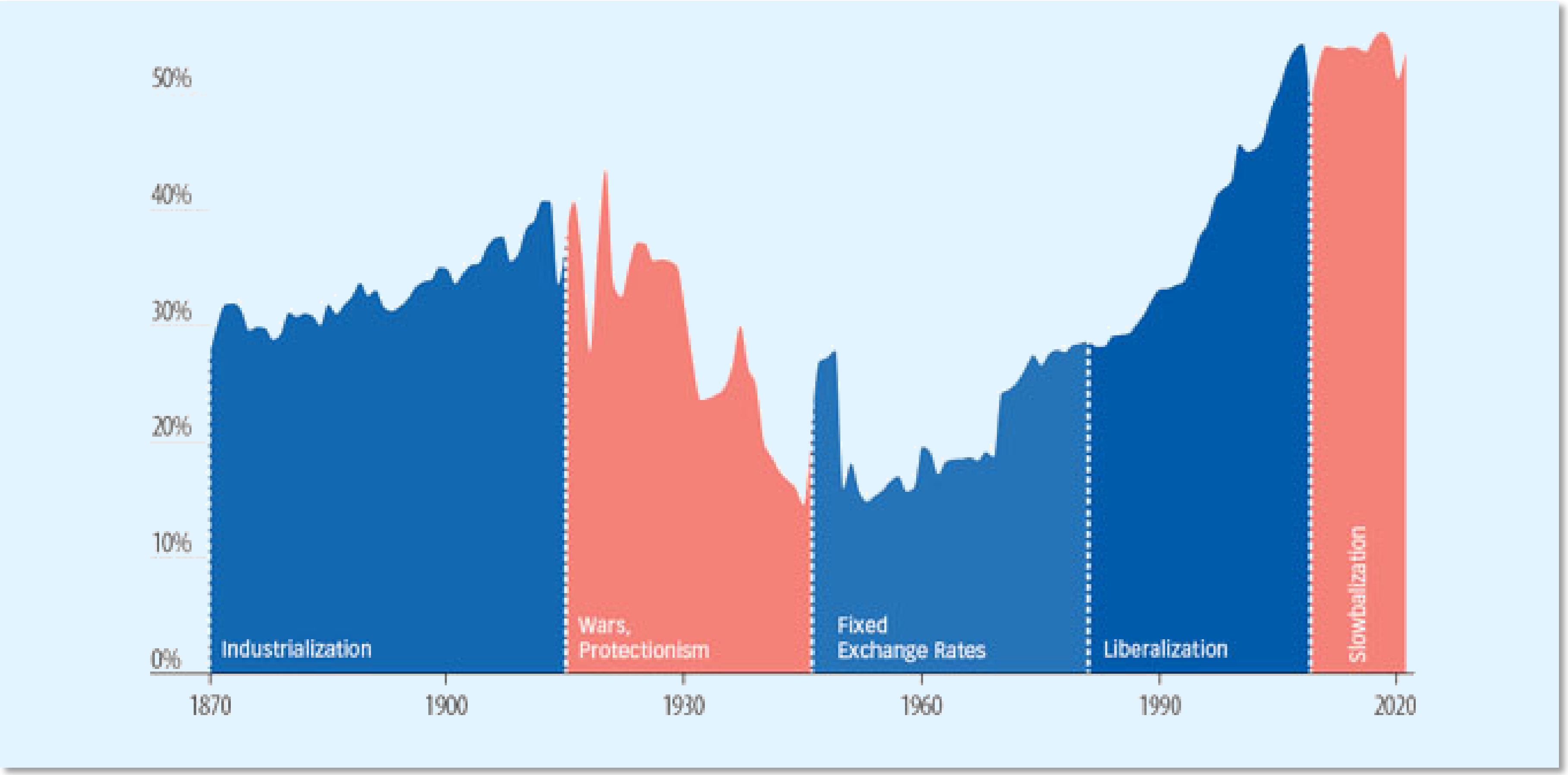
Best's Market Segment Outlooks can be found here.

Globalisation Versus Protectionism

Konstantin Langowski
Associate Director, Credit Rating Criteria Research & Analytics, AM Best

Where are we in the Global Cycle?

Sum of exports and imports as a share of GDP



Sources: Jorda-Schularick-Taylor Macrohistory Database; Penn World Data version 10.0; Peterson Institute for International Economics; World Bank; and IMF staff calculations

Trade Organisations – Foster Trade and Set Rules

World Trade Organization

International Monetary Fund

European Union

UN trade & development UNCTAD

World Bank Group

eiopa European Insurance and Occupational Pensions Authority

OECD

APEC Asia-Pacific Economic Cooperation

International Chamber of Commerce

European Commission

World Customs Organization
Organisation mondiale des douanes

G20

ESMA European Securities and Markets Authority

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Single Market Crisis – Formation of Offshore Centres

Diversification Important to Industry

Many markets were serviced by local insurers

Concentrated market profile – vulnerability of capital strength

Catastrophe events were a concern for the industry – even more so today

Fostered formation of offshore centres to assume risk

Government as a back-stop

Source: Headline from TIME Magazine cover 24 March, 1986.
Cover Credit: GUY BILLOUT

Interconnectivity of Risks 2026

Market Environment –

increasingly interconnected between risk categories, with a higher degree of contagion

Relative Influences – Edges

High
Medium
Low

Risk Influence – Nodes

High
Medium
Low

Economic
Environmental
Geopolitical
Societal
Technological

Source: World Economic Forum – The Global Risks Report 2026

Recent Events

Thousands in UK sue Johnson & Johnson over talcum powder cancer risks

UK's Jaguar Land Rover cyberattack shutdown to hit four weeks

Marks & Spencer Breach:
How A Ransomware Attack Crippled a UK Retail Giant

blackfog.com

Source: Reuters

$10 Billion PFAS Water Contamination Settlement Reached To Resolve Claims Brought by U.S. Cities

The first trial involving a Florida city has been delayed following reports of the potential PFAS water contamination settlement agreement.

June 05, 2023 By: Irvin Jackson Add Your Comments

'Just the start': The growing legal battle over PFAS in Europe

Companies in the USA that produce or use PFAS substances are losing a lot of money in court. In Europe, some major cases are already under way – and we can expect many more.

CrowdStrike IT outage affected 8.5 million Windows devices, Microsoft

Amazon apologises to customers impacted by huge AWS outage

Heathrow Power Outage Sparks Scrutiny Over Resilience and Response

Power outage in Spain and Portugal 'first known blackout caused by excessive voltage'

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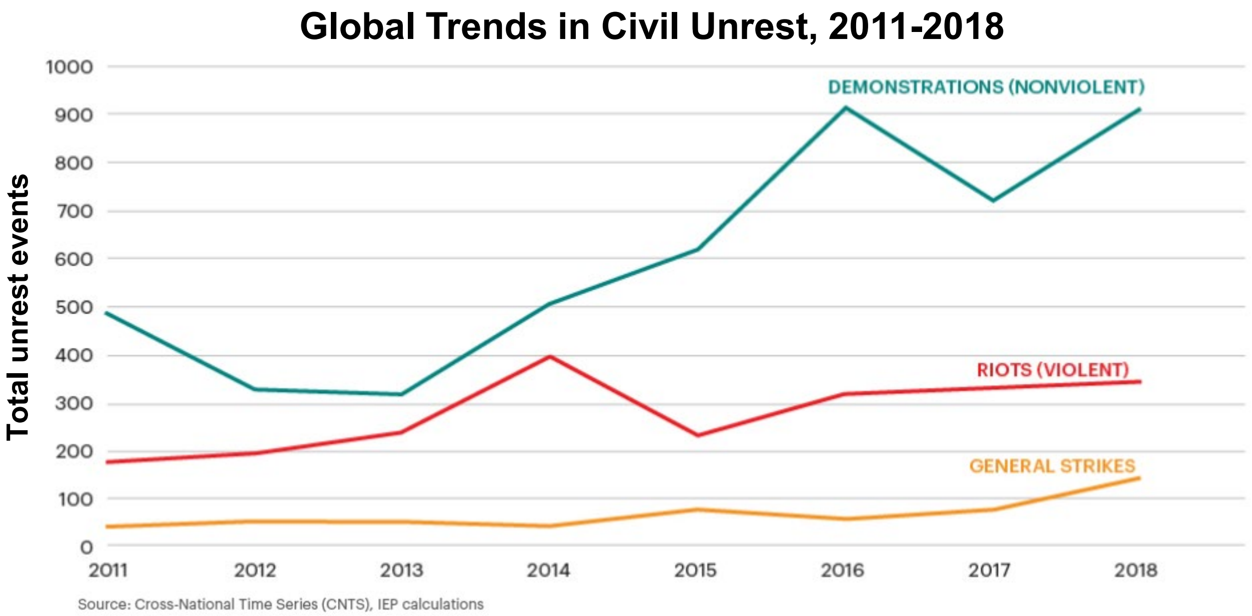
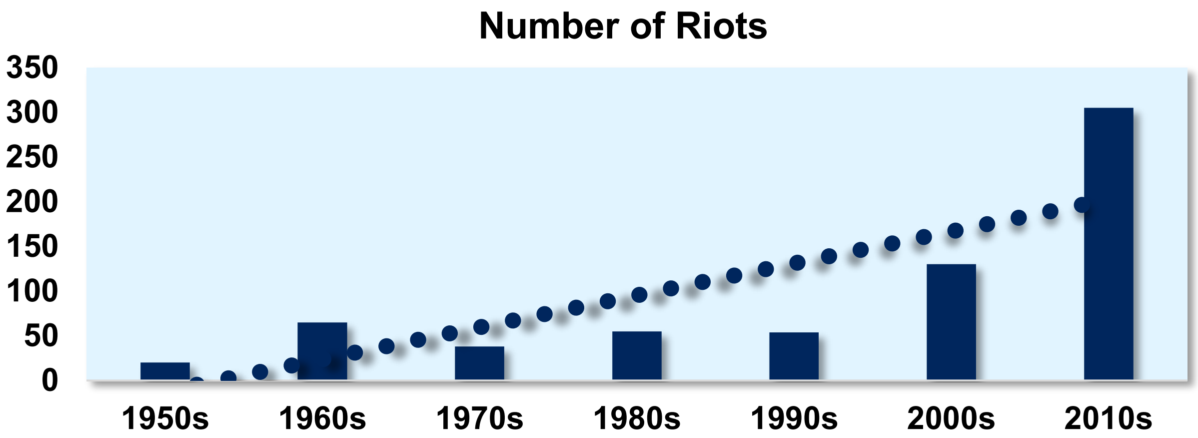
Sources: BBC, Airport Industry, Reuters, Skynews

Key Global Risks

Geopolitical Tensions





Regional Tensions – Potential to Destabilise World Economies

Regional conflict can create shocks to global financial systems

Disruption to key commodities, such as energy and food production – cost of living

Spikes in inflation; currency depreciation

Supply chain disruptions

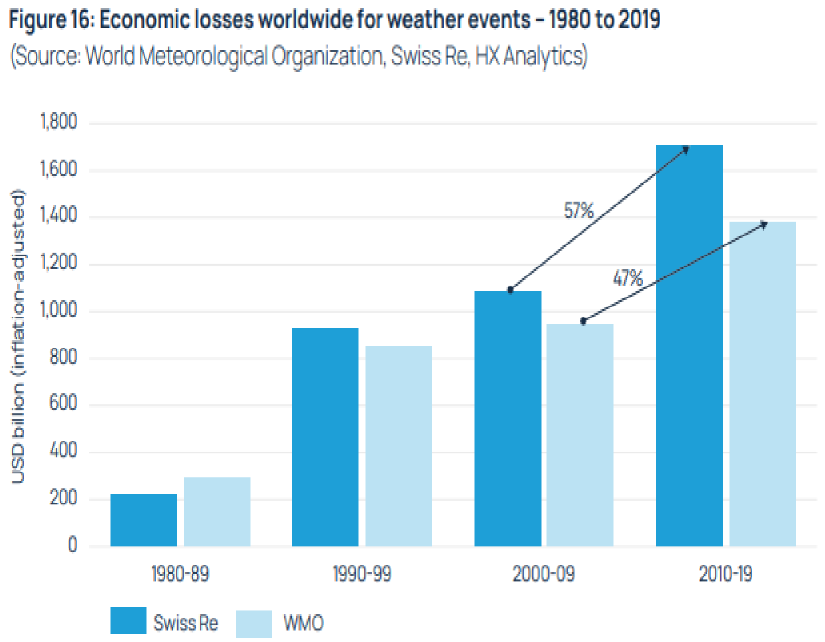
Increased cost of living

Government back-stop?

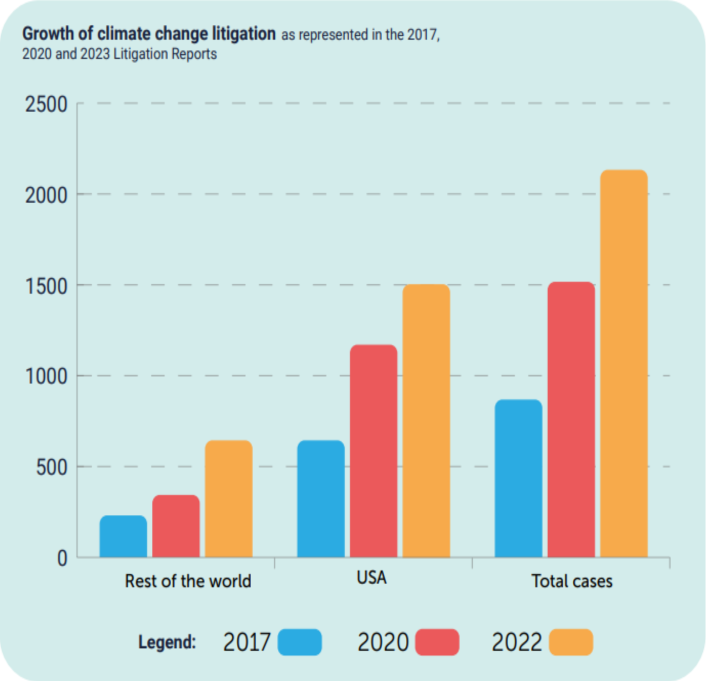
Source: Vision of Humanity, Munich Re

Climate Risk

Increased Frequency and Severity of Weather-Related Events

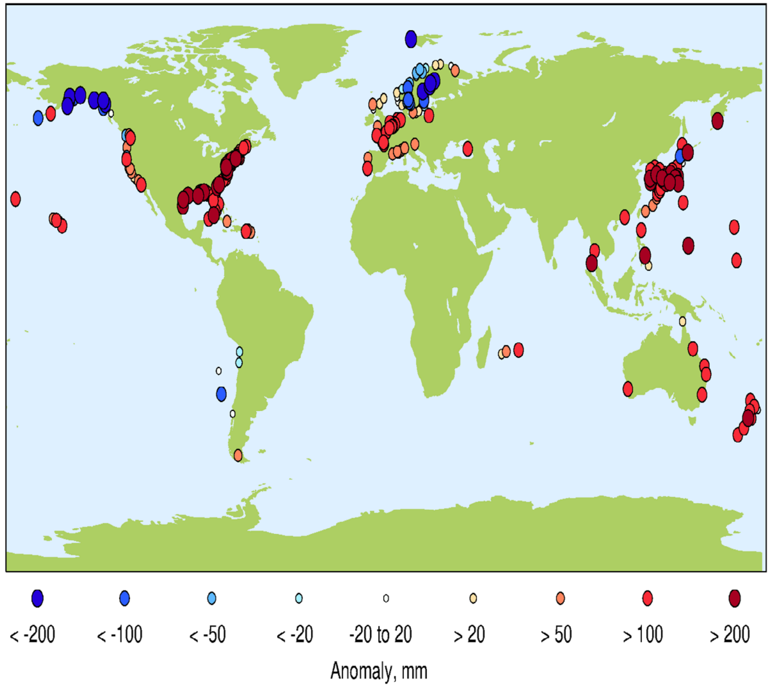


Climate Change Litigation



Changing Sea Levels – Social Migration

Level for 2021 relative to 1960-1990



Change in Regulation | **Impact on Agriculture** | **Loss of Biodiversity** | **Resistance to Infectious Disease**

Short Term ⟷ **Long Term**

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Sources: Swiss Re, World Meteorological Organization, UN Environment Programme, National Oceanography Centre

Challenges – Climate Risk and More…

Emerging Liability Risks

Social inflation themes increasing in non-US markets

PFAS case filings on the rise

Climate litigation cases also on the rise

Legal & Social Changes

Transmission of content faster within targeted groups

Focus on environmental, social and political issues

Digitalisation / AI

Changing operating landscape, bringing interconnectivity of risks

Technology creates process efficiencies, but can be used by bad actors

Energy consumption – greater risk from blackouts

Scientific Advancements

New scientific breakthroughs; longer-term impact unknown

Cyber

Increasing trend of cyber threats in a digital world

Complexity of cyber attacks far reaching; across industry, sectors and financial systems

Higher threat of blackouts, downtime and litigation

Non-standard Currencies

Digital currencies, carbon credits, tokens

Enterprise Risk Management is Key

Uncertainty Remains

Increased frequency and severity of events; higher levels of contagion and interconnectedness

Strong Balance Sheets

Shown resilience to market events, but needs absorb current and unforeseen events

Insurance Industry has Shown Resilience to Market Events

Effective and adaptable ERM remains key to manage unknown events

Uncertainty and Volatility also

Create opportunities

EMEA Market Overview
Update on Credit Rating Activity & Outlooks

Rating Actions

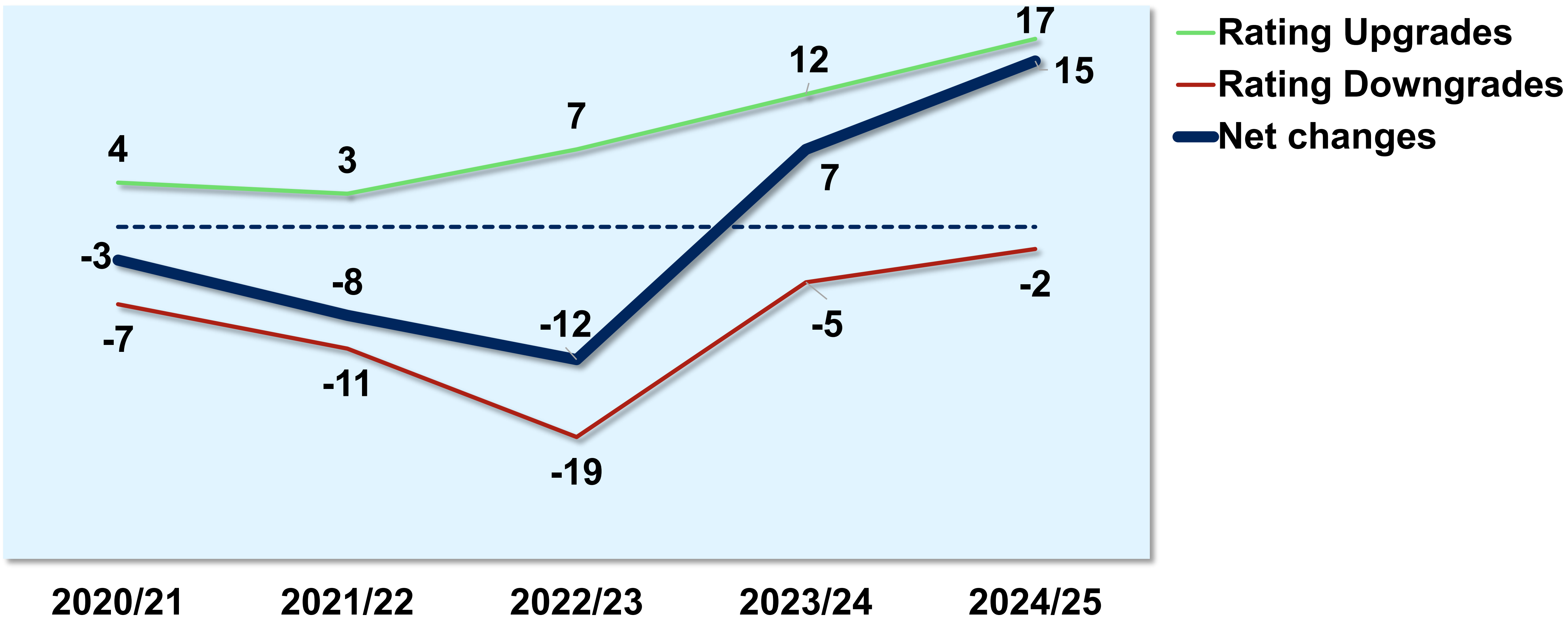
Rating Units
≈ 200

Upgrades	Downgrades
17 (12)	2 (5)

Under Review
8 (8)
Positive 1 (3)
Developing 3 (3)
Negative 4 (2)

Note: Published rating actions 1 October 2024 to 30 September 2025.
2023/24 numbers in brackets.

Trend – Rating Movements



Notes:
2020/21 etc. run 1 October to 30 September

Credit Drivers – Causes of Rating Actions 2024/25

Changes in Balance Sheet Strength
9 Upgrades, 1 Downgrade

Operating Performance
3 Upgrades, 1 Downgrade

Business Profile
N/A

Enterprise Risk Management
1 Upgrade

Changes to Lift/Drag
4 Upgrades

Outlook – Future Credit Drivers – 10th Banana Skins Survey

2025 Rank		Risk	2023 Rank	2021 Rank
1	-	Cyber Crime	1	1
2	▲	Artificial Intelligence	7	-
3	▲	Technology	4	3
4	▲	Macro-Economy	6	10
5	▼	Climate Change	3	4
6	-	Regulatory Change	-	-
7	▼	Human Talent	5	6
8	▲	Change Management	10	7
9	▲	Political Risk	11	11
10	▼	Suitability of Regulation	2	2

Source: CSFI, part of the London **Foundation** for Banking & Finance, 10th Banana Skins Survey – October 2025, 698 responses from 42 territories

EIOPA Risk Dashboard – January 2026

	Risks	Level	Trend (Past 3 Months)	Outlook (Next 12 Months)
1	Macro Risks	Medium	→	↗
2	Credit Risks	Medium	→	→
3	Market Risks	High	→	→
4	Liquidity and Funding Risks	Medium	↗	→
5	Profitability and Solvency	Medium	→	→
6	Interlinkages and Imbalances	Medium	→	→
7	Insurance (Underwriting) Risks	Medium	↓	→
8	Market Perceptions	Medium	→	→
9	ESG Related Risks	Medium	↓	→
10	Digitalisation and Cyber Risks	Medium	→	→

Source: EIOPA Risk Dashboard January 2026

Key Takeaways

AI/Cyber/Technology	Climate Change	Geopolitics
Higher (highest?) priority in the shorter term	Will continue to dominate the risk landscape longer term	Impacts on inflation and growth are current wildcards

Macro-Economic Environment –

Remains uncertain and volatile

Frequency and Severity of Events –

Likely to increase

Q&A

IFRS 17: Latest Observations

Andrea Porta
Senior Financial Analyst, AM Best

Key Observations on Reporting and Disclosures

Consequences of IFRS 17 Reporting

Combined Ratio

Loss ratio	Expense ratio
Incurred claims Changes to past services	Insurance acquisition cash flows amortisation
Onerous contracts	Non-Attributable Expenses
Directly attributable expenses	
Combined ratio	

- Attributable expenses are often reported together with incurred claims
- This makes the loss ratio and expense ratio individually less relevant

Segmental Reporting

PAA	GMM
Non-life contracts Life contracts	
Insurance contracts Reinsurance contracts	

- PAA and GMM measured business could include both non-life and life business
- Life/non-life splits are sometimes available as an optional management disclosure, though without roll-forward tables meaningful analysis is difficult
- Contract boundary mismatch

Source: Best's Credit Rating Methodology

Benefits of IFRS 17 Reporting

Disclosures

Development triangles

Roll forward tables

- In many cases, triangles show development of the undiscounted best estimate liability (BEL) only
- Provides greater insight of BEL adequacy without the noise of unallocated management margins
- Prior year development and the release of risk margins are now easily identifiable

Accounting recognition

Onerous contracts

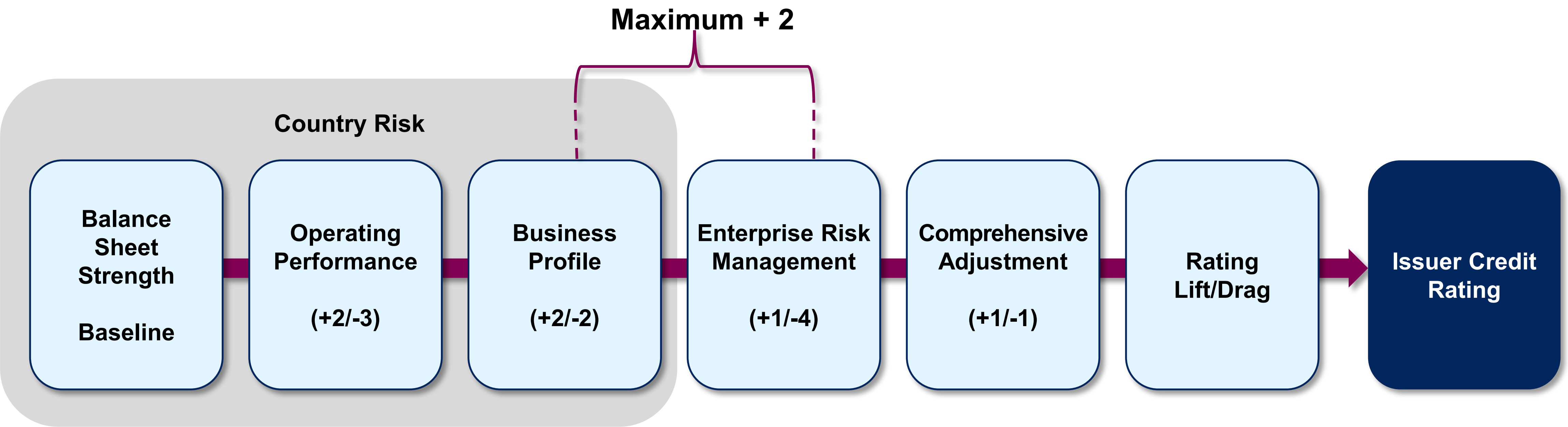
Life revenue

- Mandatory recognition of onerous contracts – loss making contracts can no longer be hidden by profitable business
- Life revenue recognition – provides a more meaningful indication of performance

Source: Best's Credit Rating Methodology

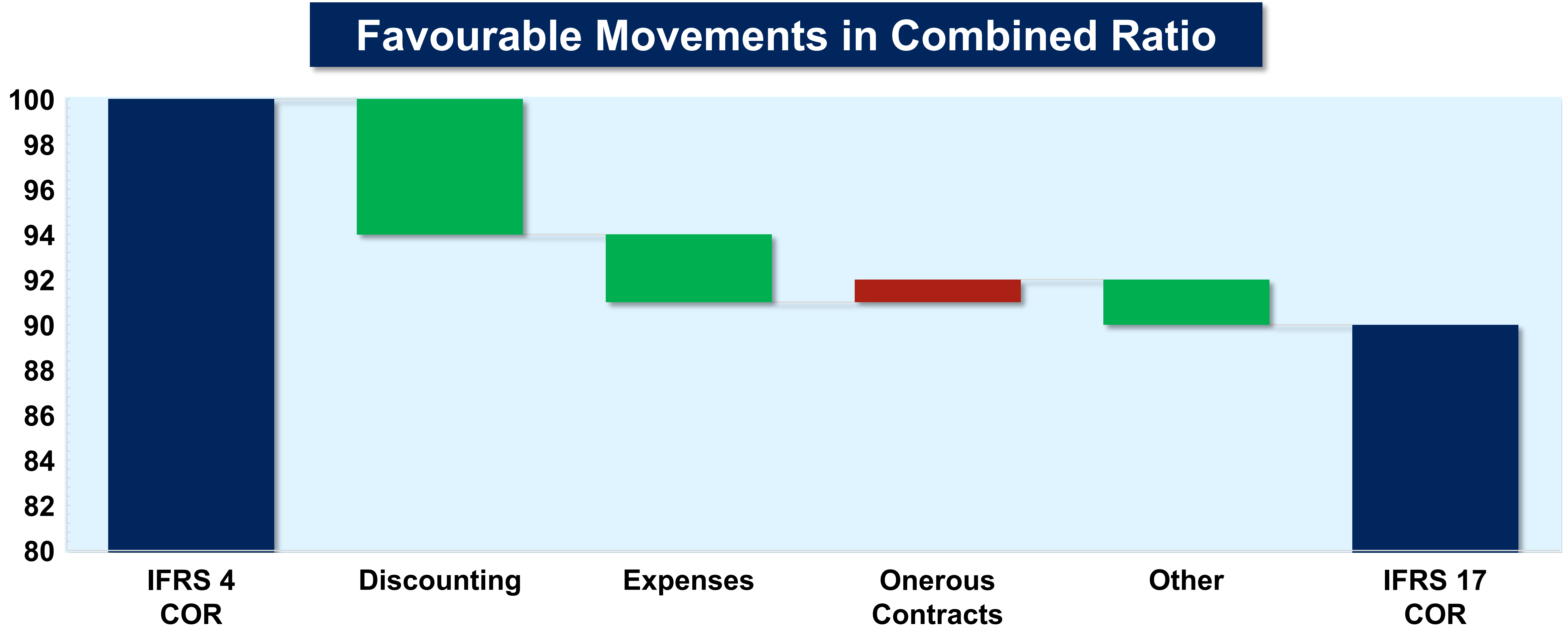
Impact on Rating Analysis

Impact on AM Best's Rating Analysis



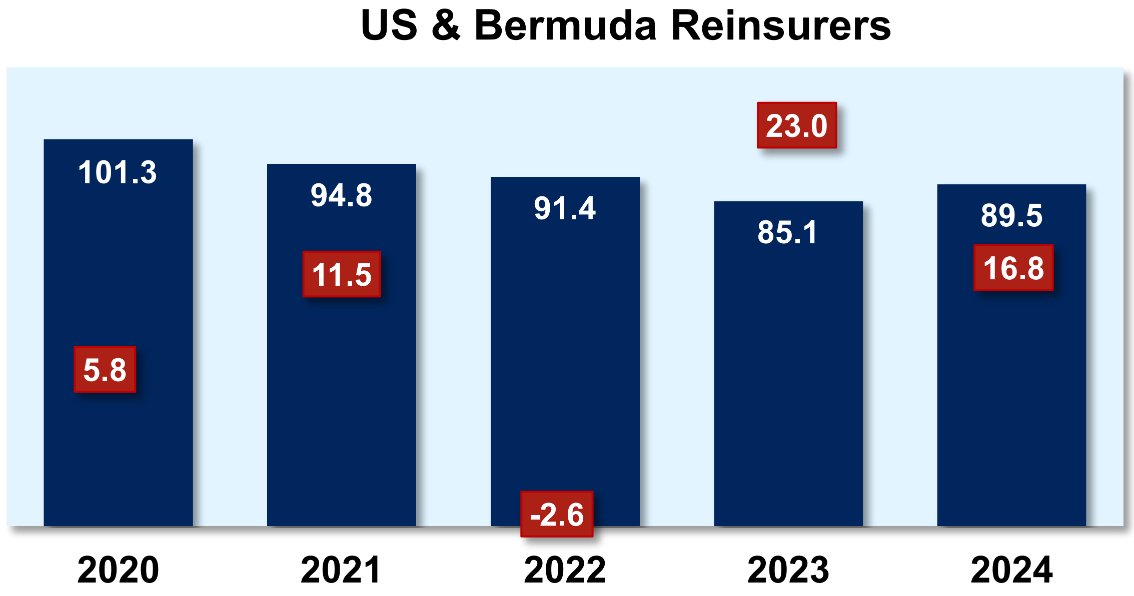
- AM Best uses a building block approach to assess a (re)insurer's financial strength
- AM Best already rates (re)insurers who report under a variety of standards and audited financial statements are a key input to the rating process
- Changes in reporting do not mean changes in financial strength. The rating process should be agnostic to accounting standards
- However, new presentation of the underlying information can lead to new insights and new challenges in financial strength analysis

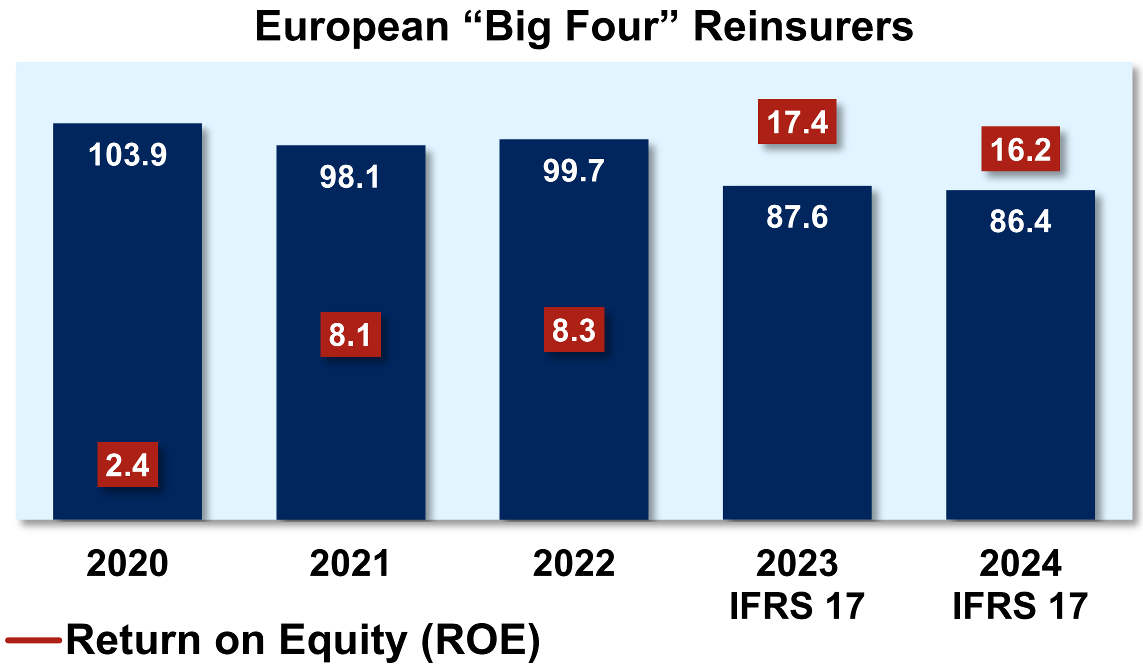
Similar But Different Performance Metrics



Spotlight on Reinsurers

Segment Comparison





Discount Effect of 6-9% Points*

Notes: US & Bermuda Reinsurers: ARCH, Gen Re, Everest, Ren Re, Transatlantic Re, Odessey Re, Partner Re. European "Big Four" Reinsurers includes: Munich Re, SCOR, Hannover Re and Swiss Re.

* As reported in investor presentations for 2024 and projected for 2025

Similar But Different Performance Metrics

Return on Equity (ROE)

- Reported IFRS equity has (typically) declined for (re)insurers with significant life books
- ROE typically better for life IFRS 17 reporters
- Life revenues are recognised through the life of the contract with future value instead recognised in the contractual service margin (CSM)

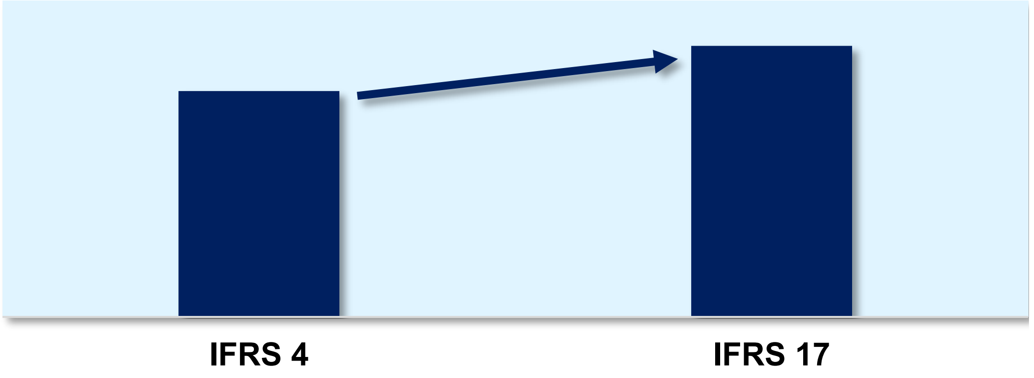
Release of margin of prudence and creation of risk adjustment (RA)

Creation of life CSM

Changes in discount rates

Accounting factors depending on book of business (e.g. guarantees)

Return on Equity (Income/IFRS Equity)



IFRS 17 Impact on Rating Analysis – Treatments in BCAR

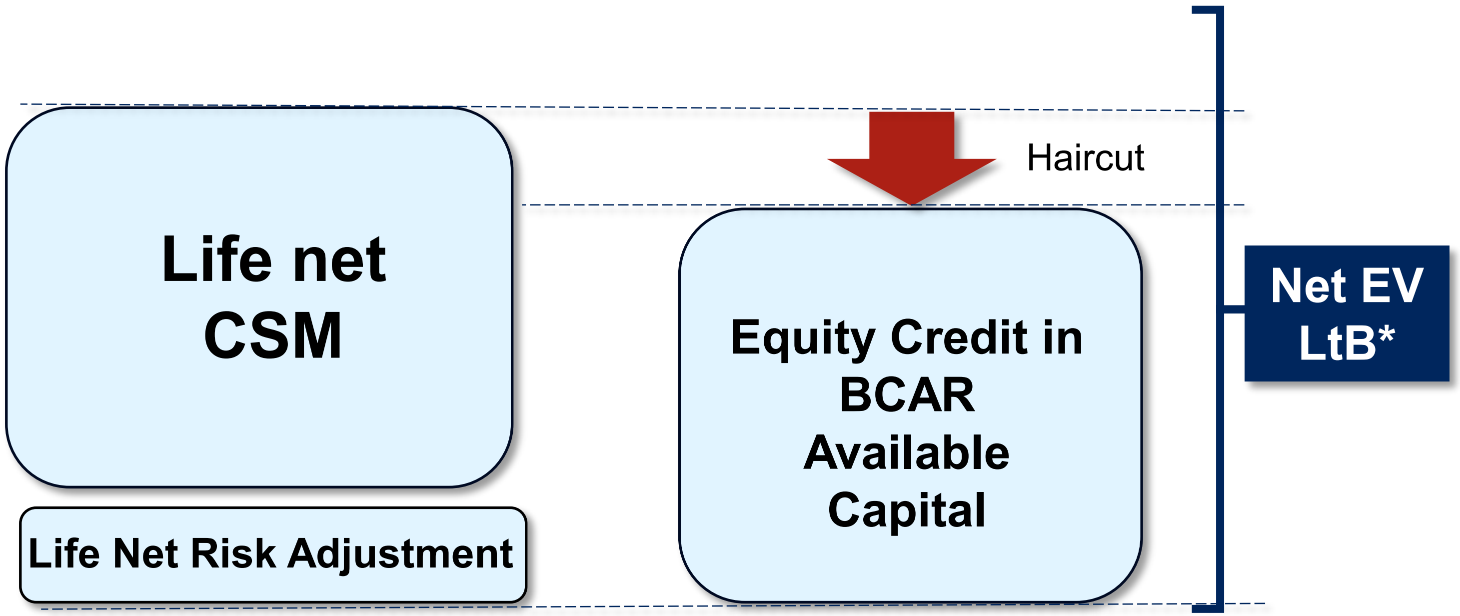
Life Contractual Service Margin (CSM)

Life Net Risk adjustment (RA)

No impact on required capital

Partial Equity credit in available capital

$$\text{BCAR} = \frac{(\text{Available Capital} - \text{Net Required Capital})}{\text{Available Capital}} \times 100$$



* Net economic value due to long-term business

IFRS 17 Impact on Rating Analysis – Treatments in BCAR

Non-life reserving

Reported reserves are discounted to their present value recognising the time value of money and adjusted for AM Best's view of any reserve deficiency

Adjustments to discount factors may be appropriate. For example, if a rating unit's payout pattern is materially different from the industry payout pattern

Other discount rates may be used when AM Best's long-term view of the risk-free rate for the jurisdiction the rating unit operates in differs materially from 4%

IFRS 17 Impact on Rating Analysis – Treatments in BCAR

Pricing risk

Net insurance services revenue (net ISR) replaces non-life net written premium (NWP) on the financial statements

Present value of cash inflows for GMM/VFA life business replaces life NWP on the financial statements

Adjustments to net ISR may be necessary to derive appropriate base for charging pricing risk. For example:

- Seasonality
- Non-contingent commissions

Q&A

The Global Reinsurance Market: Perspectives and Outlook

Dr. Mathilde Jakobsen
Senior Director, Analytics – Amsterdam, AM Best

Reinsurance Market Highlights

Reinsurance Market Highlights – Discussion Outline

Outlook – Stable –
Outlook revised to Stable in January 2026

Robust Operating Results –
Despite Heightened Cat Activity, Casualty Challenges

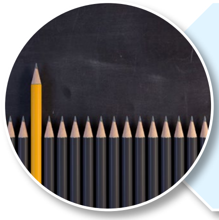
Available Capital –
Internal Capital Generation, ILS Growth Continues

Looking Ahead –
Challenges and Opportunities

Market Segment Outlook: Global Reinsurance – Revised to Stable

Global Reinsurance Outlook Stable – Tailwinds

Reinsurers' risk-adjusted capital positions remain robust, bolstered by retained earnings and prudent capital deployment



Although competitive conditions have increased in P&C covers, disciplined terms & conditions are largely intact. Property exposures are still being priced at levels that suggest technical adequacy on average

Limited new market entrants help preserve rate integrity and prevent new capacity from eroding underwriting margins

Elevated interest rates continue to amplify earnings, complementing underwriting results

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Global Reinsurance Outlook Stable – Headwinds

Accelerated softening in property reinsurance pricing, accompanied by modest relaxation of some terms and conditions

Continued elevated frequency and severity of weather-related events, underscored by six consecutive years of global insured catastrophe losses exceeding USD 100 billion

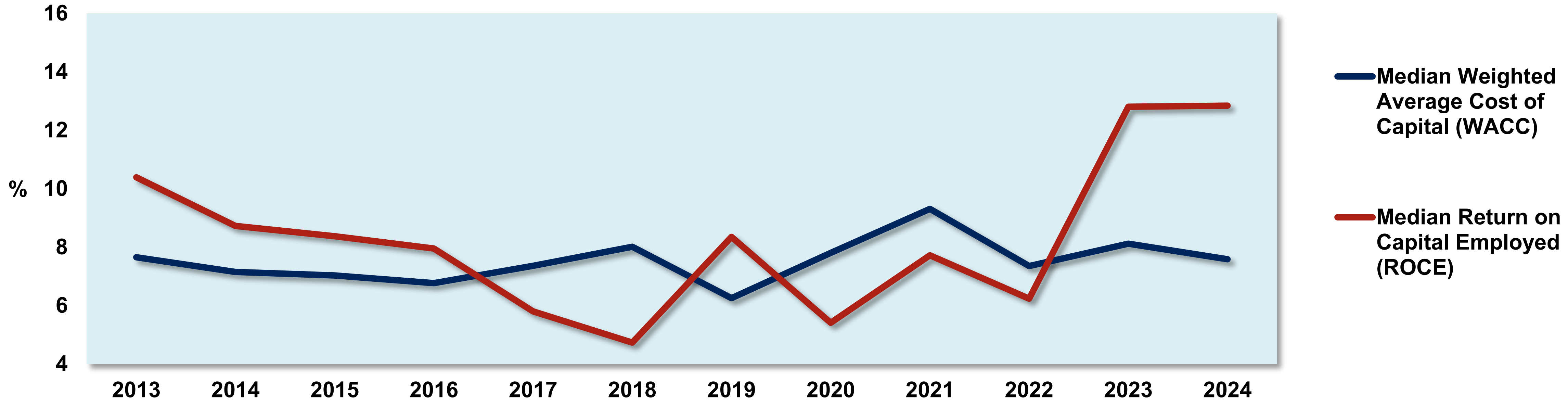
Persistent social inflation and corresponding historical reserve and pricing insufficiency in certain large subclasses of casualty lines of business

Macroeconomic uncertainty, including inflation pressures, shifting monetary policy, and potential volatility in financial markets

Market Segment Outlook: Global Reinsurance – Revised to Stable January 19, 2026.

Robust Operating Results – Despite Heightened Cat Activity, Casualty Challenges

Cost of Capital and Realignment of Risk



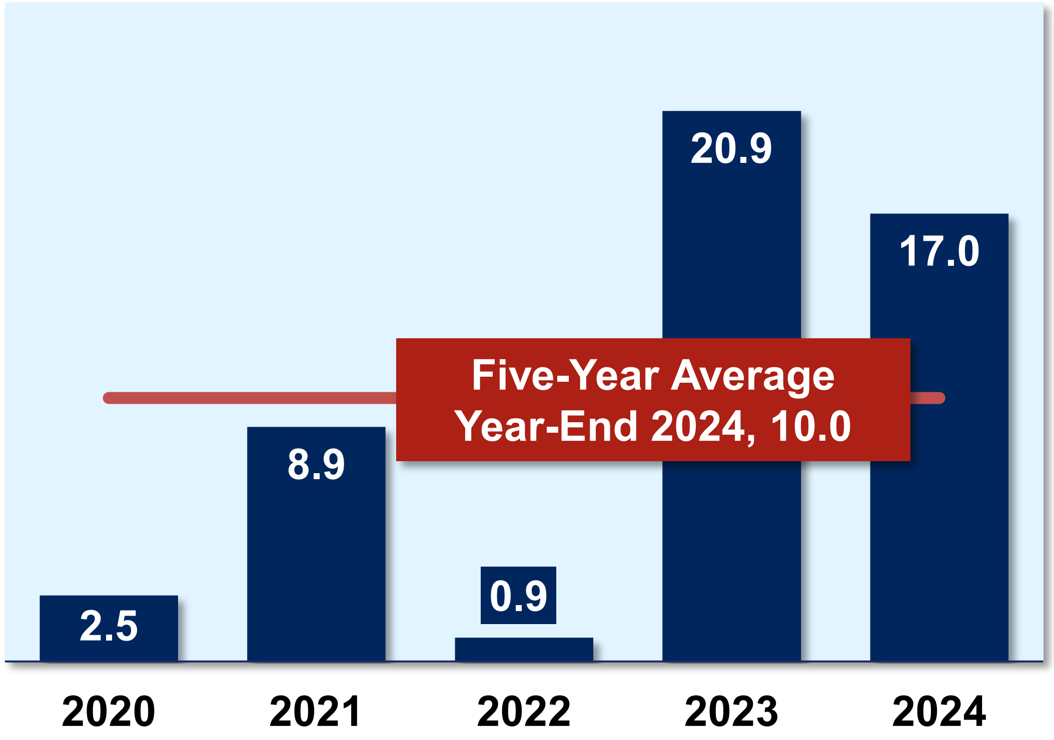
Reinsurers Meeting Cost of Capital

- **Profits** → Improved technical profitability
- **Secular factors** → Climate and geopolitical trends
- **Interest rates** → Higher for longer
- **Outlook** → Positive

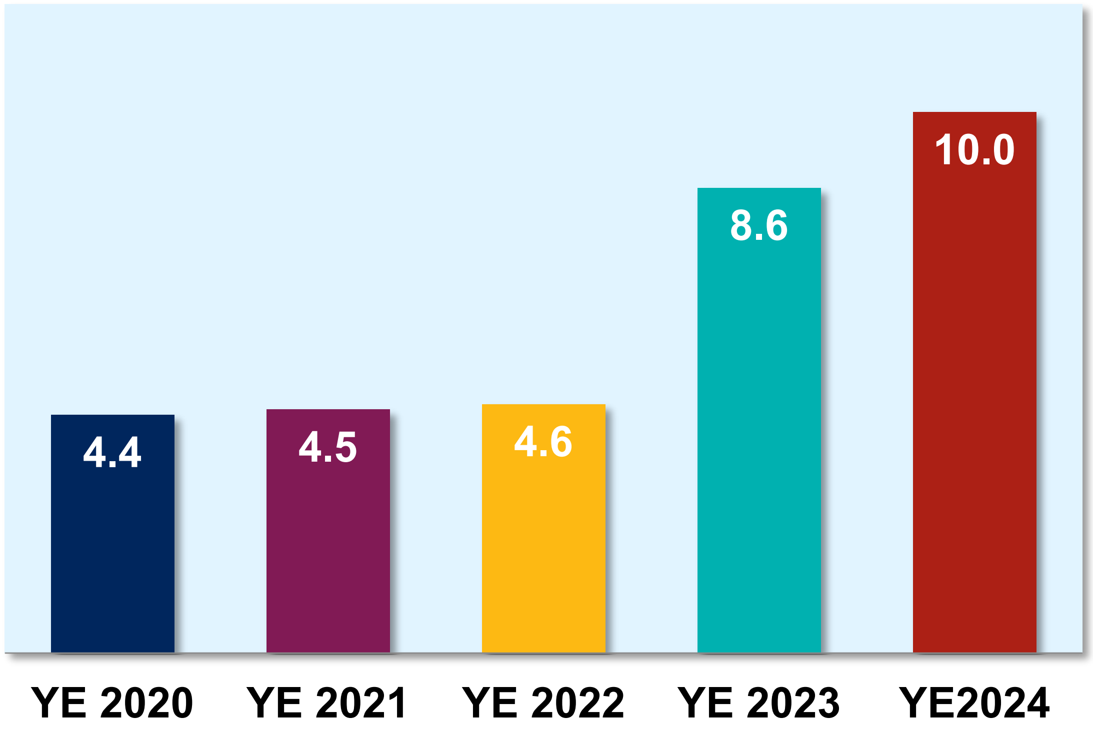
Source: Bloomberg

Global Reinsurance Market Performance

Return on Equity (%)



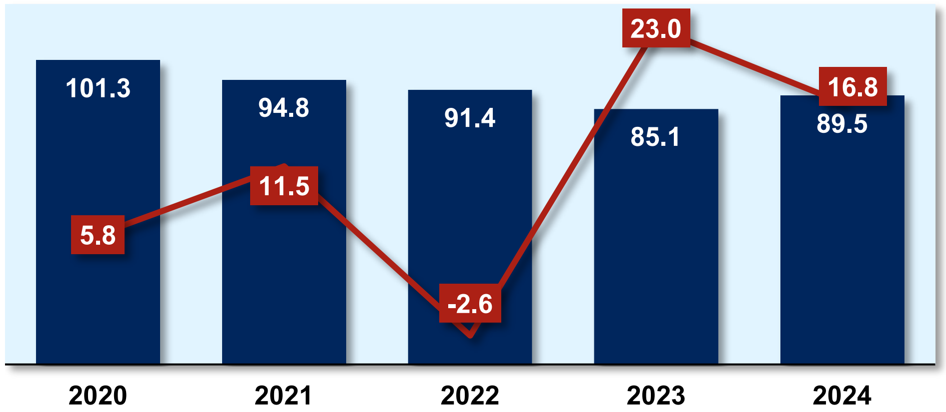
Global Reinsurance Market – Rolling Five-Year Average Return on Equity (%)



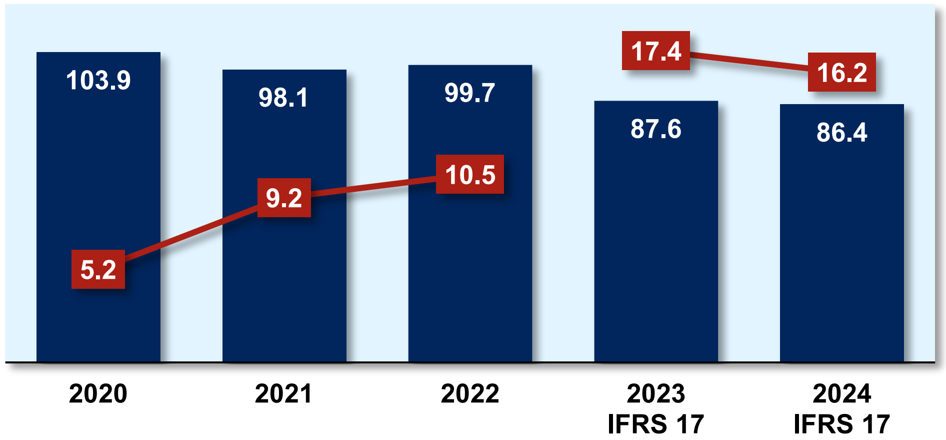
Source: AM Best data and research

Global Reinsurance Market Performance by Reinsurance Sector

US & Bermuda



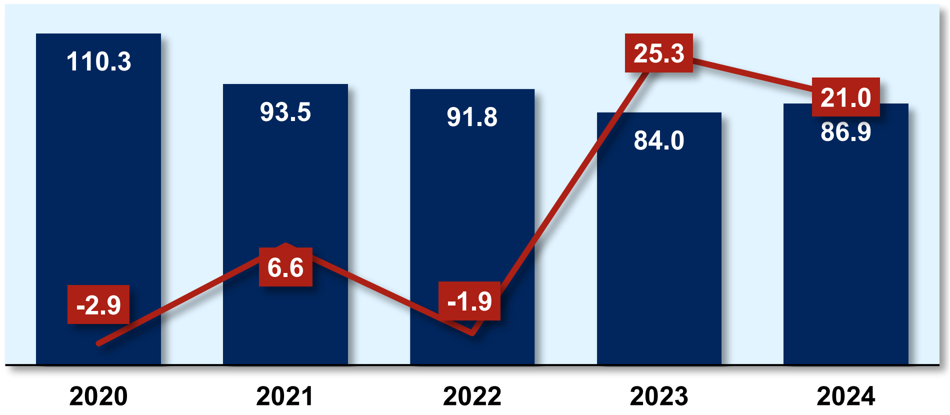
European "Big Four"



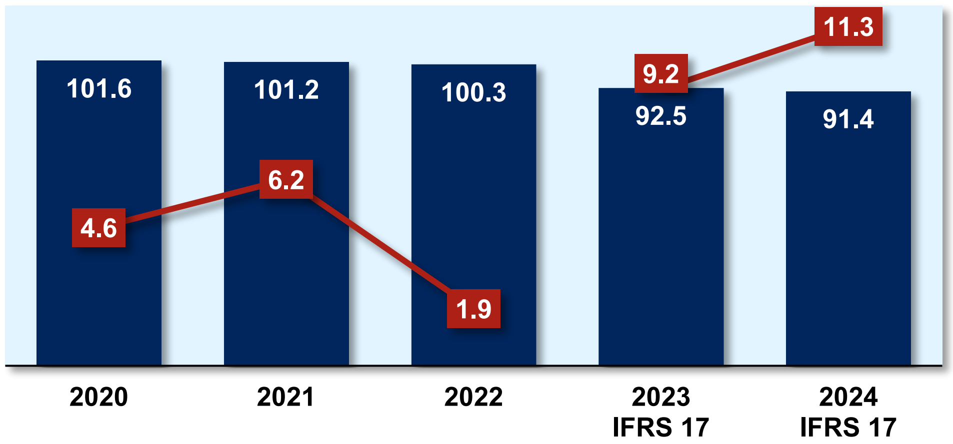
Combined Ratio

Return on Equity

Lloyd's

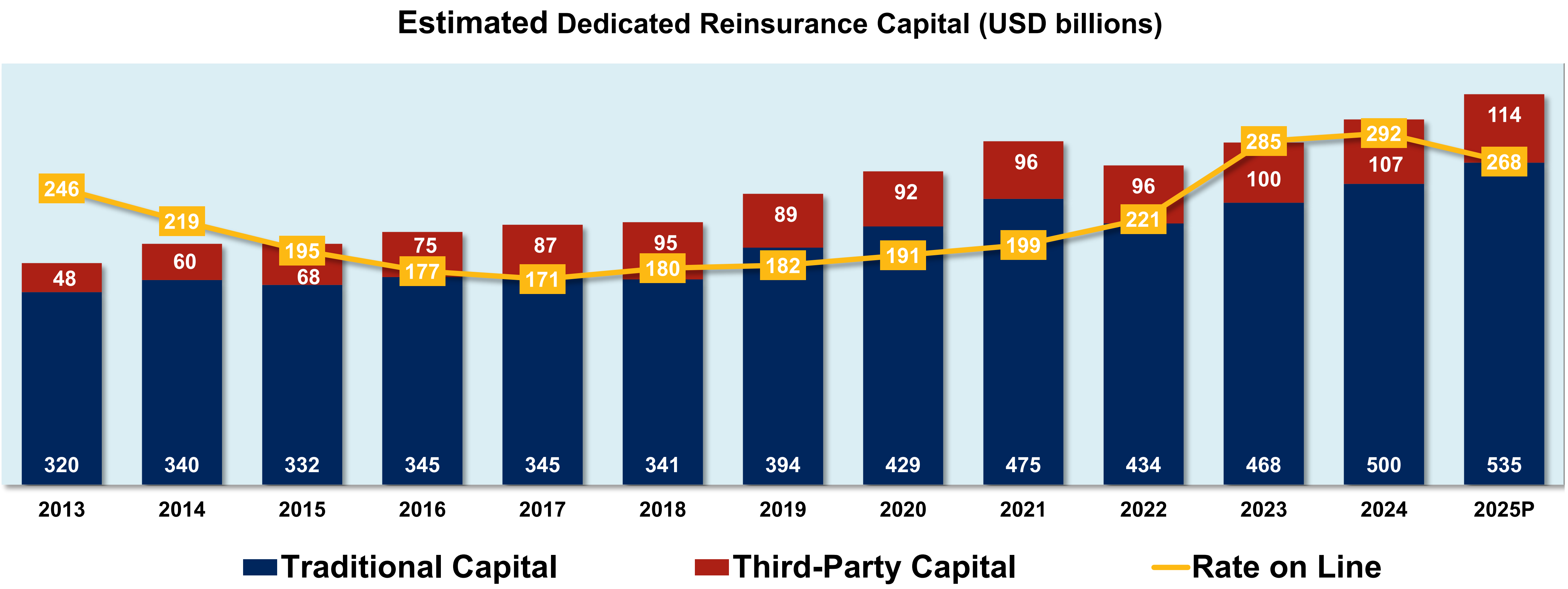


Asia Pacific



Available Capital – Internal Capital Generation, ILS Growth Continues

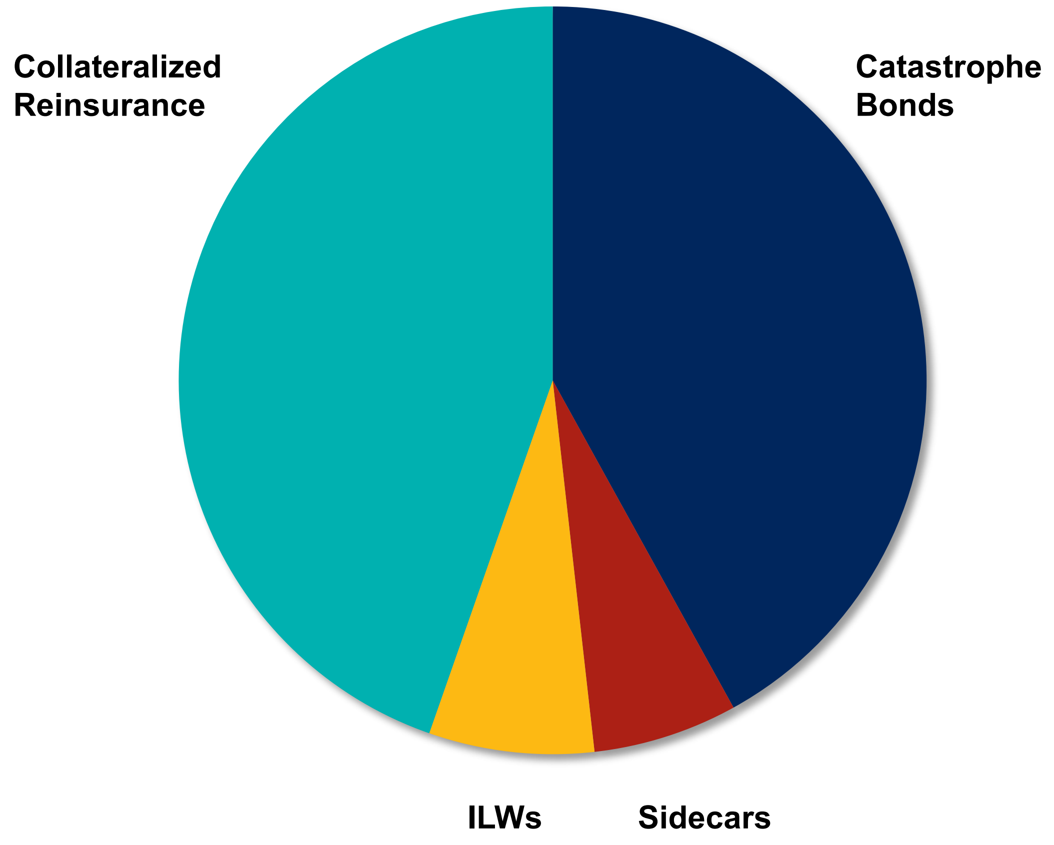
Global Reinsurance – Dedicated Capital



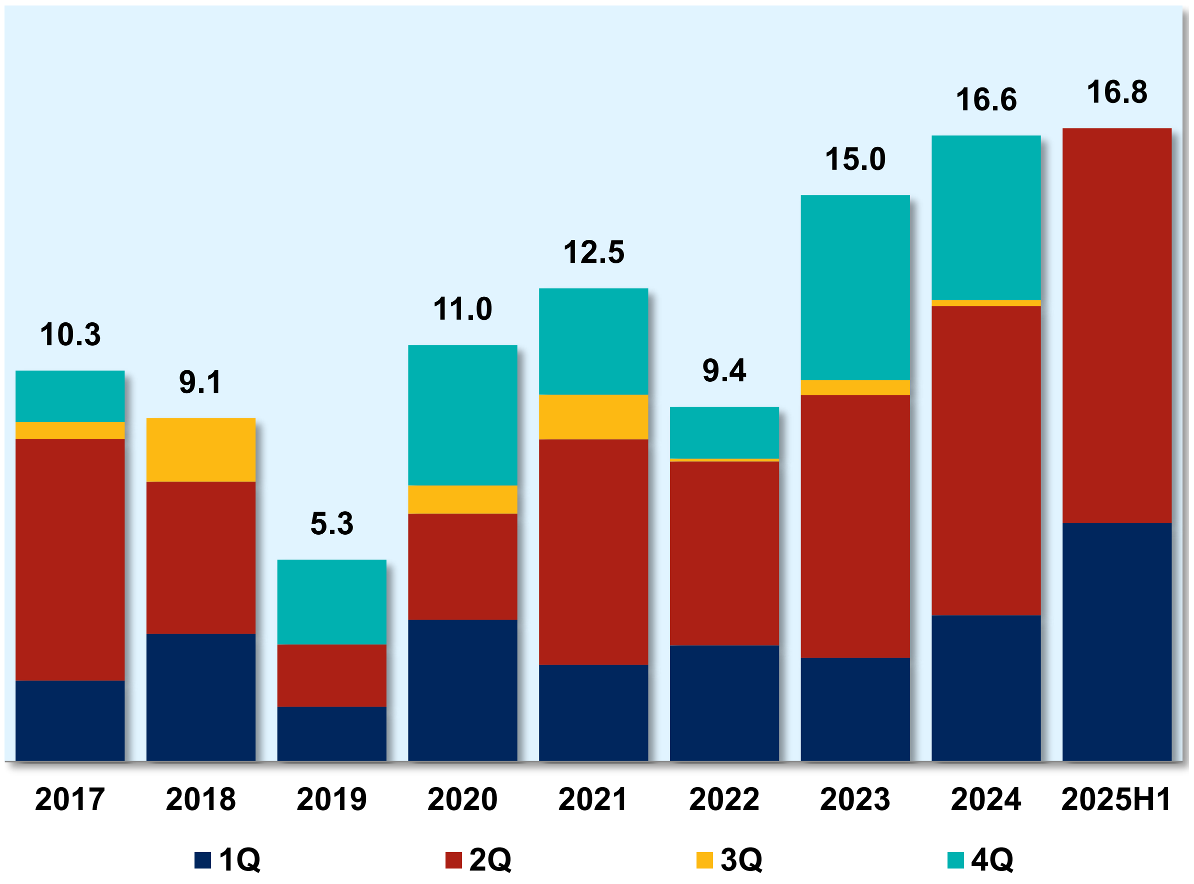
P: Projected.
Sources: AM Best data and research, Guy Carpenter

ILS Trends

ILS Composition (Approximated 2024)

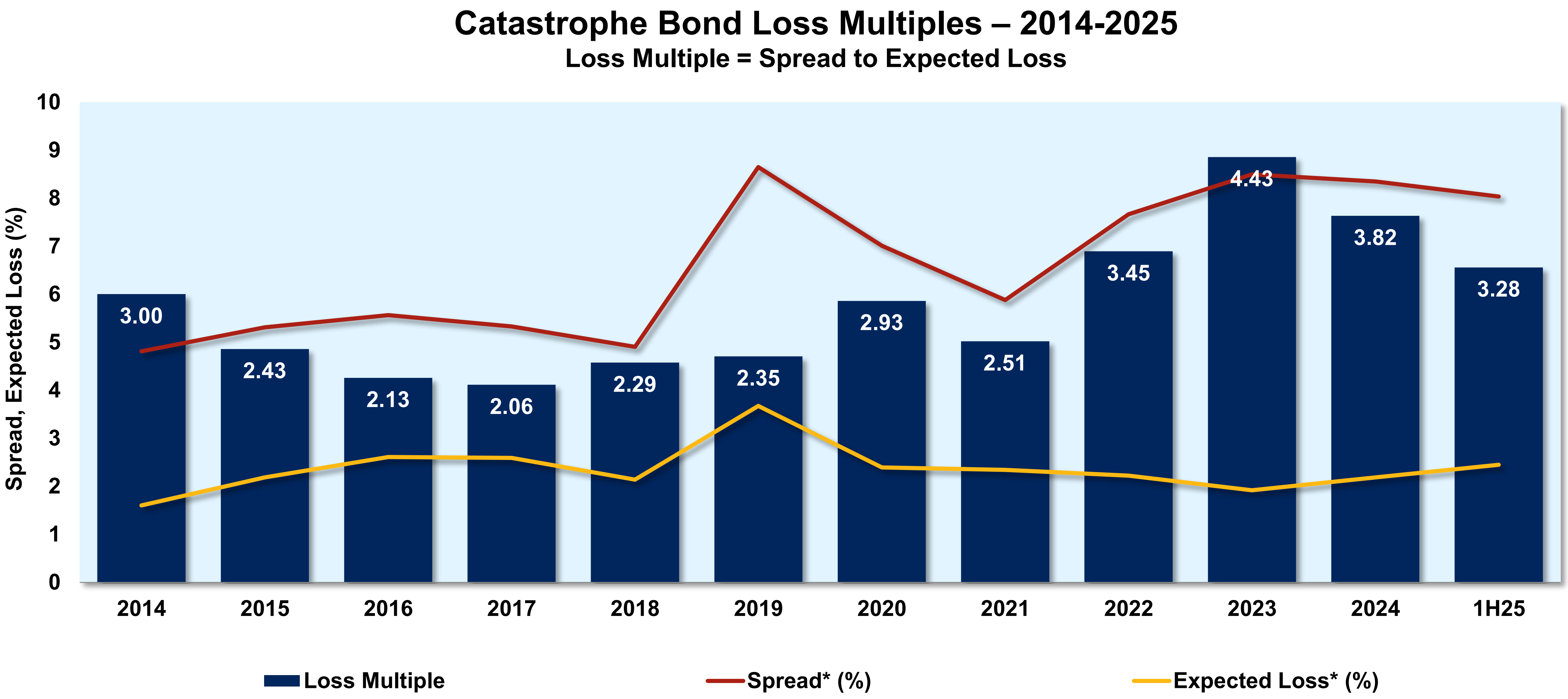


144A Property Cat Bond Issuance by Quarter – 2017-2025 H1 (USD billions)



Sources: Artemis, AM Best data and research

ILS Trends



*Note: Spread and expected loss are dollar-weighted.
Sources: Artemis, AM Best data and research

Looking Ahead –
Challenges and Opportunities

Longer Term

Challenges

- Casualty reserving
- Macroeconomic and geopolitical risks
- Climate change
- Artificial Intelligence
- Cyber risks
- Private credit

Longer Term

Opportunities

- Ongoing capital efficiency through capital markets
- Addressing the protection gap
- Changing demographics
- Technology, Artificial Intelligence
- Cyber and other ‘new’ markets

AM Best’s Market Segment Outlook – Global Reinsurance

What might change our outlook, and when?

- Broad and significant rate reductions
- Looser terms and conditions
- Lower attachment points, into ‘working layers’
- Expected RoE over cost of capital margin
- Combination of the above

AM Best’s Key Themes

Reinsurers remain disciplined

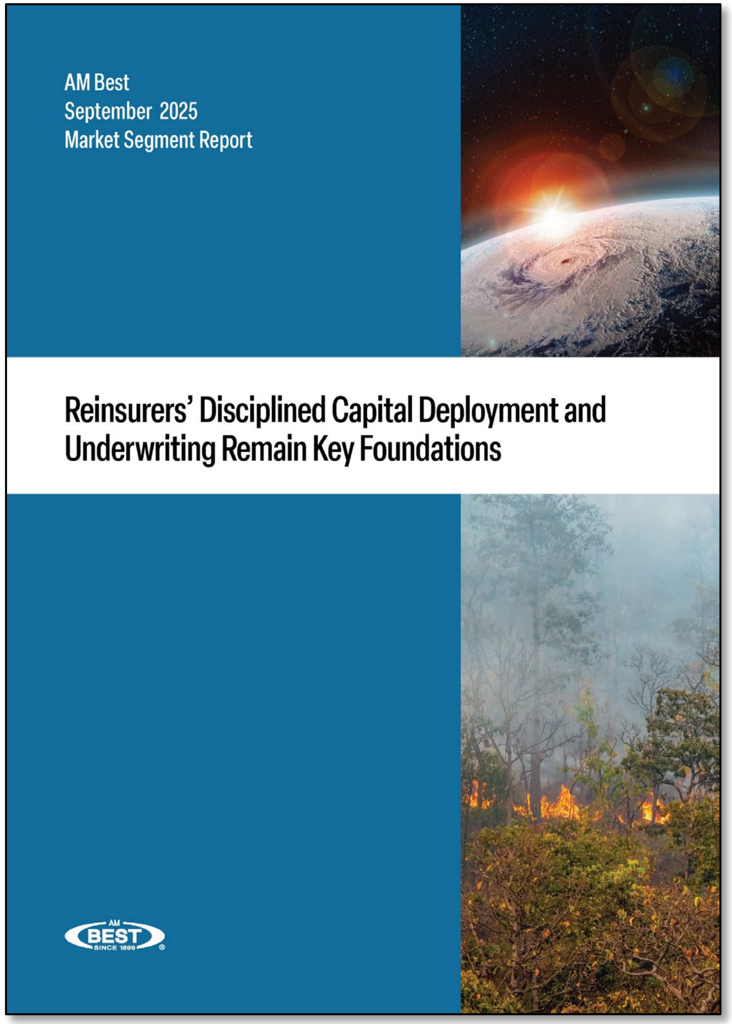
Payback to investors continues

Supply / demand equilibrium

Maintaining disciplined allocation

Stable outlook

Softening pricing but discipline for now



Q&A

AM Best's Germany Insurance Market Briefing – Cologne, Munich

3 & 4 March 2026

Mandarin Oriental, Munich
Excelsior Hotel Ernst, Cologne