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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.

AM Best notes that revenue growth in Germany's non-life insurance segment has historically been correlated with GDP growth, other than in years where significant price adjustments have been necessary, as was the case in the 2023-25 period.

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

Competitive Pressure Increasing in Motor but Remaining Rational

Claims inflation, in particular affecting the motor line of business, is set to continue through 2026, despite the fall in general inflation levels. Rate increases are, however, expected to be sufficient to keep pace with the increase in claims, ensuring that the hard-won underwriting profitability achieved in 2025 for the motor segment is maintained for 2026.

Underwriting profitability varies between market participants, and is largely dependent on how early and persistent they were in achieving the rate needed to offset the inflationary environment of recent years. Some larger participants managed to put through rate increases earlier than some smaller ones, who struggled to achieve pricing improvements without losing market share.

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Competitive pressure in the market is likely to mount in 2026, in particular from those participants that restored their profitability early. Nonetheless, AM Best expects the market to remain rational in 2026.

AM Best notes that the insurance regulator, BaFin, will direct its conduct focus towards non-life insurance in 2026, and in particular, to pricing differentiation in motor insurance. The focus will be on ensuring that the price-performance ratio is appropriate, and that pricing differentiation is risk-based.

For the main property/casualty lines other than motor, claims inflation has also been in evidence but indexation mechanisms in pricing structures and lower competitive pressures have made price increases easier to achieve.

Volatility From Extreme Weather Events and Reinsurance Pricing at Manageable Levels

The German property insurance market remains subject to volatility in results due to its exposure to losses from extreme weather events. While 2025 turned out to be a benign year in this respect, the potential for future severe natural catastrophe losses remains as the product risk in the property segment is dominated by exposure to severe events.

Discussions in the market regarding a state-backed system for comprehensive natural hazard insurance protection continue, but have not yet reached the agreement stage.

In 2026, insurers will benefit from the softer reinsurance conditions evident at the 1.1. 2026 reinsurance renewal. The softer reinsurance market conditions have led to significant price reductions, particularly on loss-free property accounts, which will benefit insurers' technical results.

In addition, beneficial changes have also been observed in terms and conditions, with less restrictions on coverage. Finally, aggregate protection is slowly making its way back into the segment, although the terms are less favourable than the aggregate protections that insurers benefited from pre-2021.

Economic Overview

According to the October 2025 IMF World Economic Outlook, Germany's economic growth is projected to increase from 0.2% in 2025 to 0.9% in 2026, marking a gradual recovery following two consecutive years of contraction. The economy fell into recession in 2023 as global trade disruptions weakened demand for German exports, while elevated energy costs eroded competitiveness in energy intensive manufacturing and industrial sectors.

Economic growth in 2026 is expected to be supported by a modest recovery in exports, alongside firmer private investment and household consumption, underpinned by a resilient labour market and real wage gains. Fiscal policy is also expected to remain supportive, with substantial public spending directed towards defence, infrastructure, and the energy transition, helping to reinforce medium-term growth and investment. However, downside risks remain and include weaker than expected global demand and renewed trade tensions.

Germany's inflation rate is expected to be broadly aligned with the European Central Bank's (ECB) 2.0% target over the coming year.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

A market segment outlook reflects AM Best's forward-looking assessment of the expected operating environment and conditions within a segment over the next 12 months. It is based on factors such as economic conditions, the regulatory environment, the competitive landscape, as well as performance trends and other considerations. The outlook provides context for how these factors collectively shape the segment's trajectory.

A Best's Market Segment Outlook, like a Best's Credit Rating Outlook for a company, can be Positive, Negative, or Stable.

Best's Market Segment Outlook

Positive	A Positive outlook indicates that market conditions are expected to improve or support operations and strong performance within the segment over the next 12 months.
Stable	A Stable outlook suggests that market conditions are expected to remain broadly consistent with the current environment, with no material positive or negative shifts anticipated with the segment over the next 12 months.
Negative	A Negative outlook signifies that market conditions are expected to deteriorate or present challenges to operations and performance within the segment over the next 12 months..

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