September 1, 2026

Market Segment Outlook: Global Non-Life Reinsurance

A market that remains fundamentally strong even as it moves past the peak of the hard property market

AM Best has maintained its Stable outlook on the global non-life reinsurance segment, based on the following factors:

- A pricing environment that, while clearly softening in property coverages, remains supportive of solid operating results.
- Robust nominal and risk-adjusted capital positions, reinforced by prudent capital management plans.
- Sustained underwriting performance in property catastrophe covers, despite competitive pressures, benefiting from continued overall favorable terms and conditions and higher attachment points.
- Elevated interest rates that continue to enhance investment income and provide an earnings tailwind.

Key countervailing factors include:

- Accelerated softening in property reinsurance pricing, accompanied by a modest relaxation of terms and conditions and the reappearance of aggregate covers.
- Persistent social inflation and corresponding historical reserve and pricing insufficiency in certain US casualty lines of business.
- Elevated frequency and severity of weather-related events.
- Geopolitical and macroeconomic uncertainty, including inflationary pressures, shifting monetary policy, and potential volatility in financial markets.

Regulatory Environment

Certain classes of casualty business in the US remain affected by an unfavorable legal and regulatory environment. Currently there does not appear to be a bipartisan consensus in Congress regarding federal limits on personal injury awards. Tort reform remains a state issue that has led to uneven progress, with only a few states seriously considering measurable reforms. AM Best does not expect broader reform until casualty insurance costs increase to the point that coverage becomes unaffordable to policyholders or insurers cease providing these coverages. Additionally, significant litigation financing remains available to the plaintiffs' bar in almost all states, and this continues to encourage nuclear verdicts that compound the effect of social inflation on loss reserve adequacy and pricing sufficiency seen in certain large casualty subclasses. The risks associated with systemic litigation abuse and the resulting inflationary pressures are expected to persist. These dynamics may constrain the appetite of reinsurers for maintenance and growth of casualty reinsurance underwriting portfolios.

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2026-110

Competitive Landscape

Capital positions remain exceptionally strong. AM Best projects segment capital to reach record levels for full-year 2026, approximately USD 575 billion in traditional reinsurance capital supplemented by USD 130 billion of third-party capital. The segment's strong performance since 2023 has driven robust organic capital generation, leaving the market with ample capacity either to return capital to shareholders or to deploy it in writing business. While balance sheet strength is favorable from a credit perspective, the imbalance created by abundant capacity, partially offset by growth in demand for reinsurance, has been a primary driver of pricing erosion in property and property catastrophe lines of business. To date, most reinsurers have balanced deployment of additional capacity into the market with an increasing pace of capital return.

Structurally, the recent hard market did not attract a surge of new company formations, a marked departure from prior hard market cycles. This enabled established players to emphasize sustainable profitability over aggressive market share expansion and retention. Merger and acquisition activity in the global reinsurance segment is expected to remain selective, with firms pursuing scale, diversification, and access to specialty capabilities amid evolving market conditions. Third-party capital, however, has continued to perform strongly, with catastrophe bond issuance hitting a first-half record in 2026. That momentum could sustain investor interest and add further competitive pressure to property catastrophe pricing, particularly in more remote layers of coverage.

While there has been some measured relaxation in terms and conditions, AM Best has not observed significantly lower retentions. Instead, the changes have been more focused on broadening policy wording and narrowing exclusions. These changes can have a meaningful impact to reinsurance programs. There has been an increase in available capacity for aggregate covers, which can be viewed as a possible early indication of a deteriorating market. While reinsurers' willingness to write aggregate covers has increased to an extent, these treaties are still generally being structured with higher attachment points or to provide second-event covers, as opposed to providing earnings protection to ceding companies.

In casualty, reinsurers have reduced capacity in higher volatility segments such as commercial auto, general liability, and excess liability, where social inflation, litigation trends, and reserve uncertainty continue to pressure results. Capacity remains available for well-performing portfolios, but underwriting scrutiny has intensified, particularly for US casualty business, resulting in tighter terms and higher attachment points. While pricing has been increasing, loss-cost uncertainty is expected to encourage underwriting discipline that may act to constrain capacity growth.

Specialty reinsurance markets remain more competitive, supported by strong capitalization, favorable earnings, and demand for diversified premium growth. Increased capacity has resulted in stable terms and modest pricing pressure across several classes, including marine, energy, aviation, engineering, and select financial lines. Concurrently, geopolitical tensions in the Middle East have reinforced awareness of risk accumulation across marine, aviation, energy, and political violence exposures. Despite heightened competition, reinsurers remain focused on risk-adjusted returns and underwriting discipline.

Performance Trends

The reinsurance pricing cycle is clearly past the peak of a protracted hard property market, as softening accelerated during 2026. Guy Carpenter's Global Property Catastrophe Rate-on-Line Index, down 12% at January 1, stood 16% lower for 2026 to date after the mid-year renewals. This index is still above 2022 levels. Reinsurers have largely upheld underwriting discipline, maintaining higher attachment points and tighter terms and conditions, so while projected margins have narrowed, property exposures are still being priced at levels that remain above technical adequacy in the aggregate.

Loss experience reinforced the competitive environment. Global insured catastrophe losses in the first half of 2026 were relatively modest, estimated at USD 42 billion to USD 47 billion, below the ten-year first-half average. The favorable conditions were reflected in first-half results, with many leading reinsurers reporting property/casualty combined ratios below 80% and returns on equity exceeding 20%. Assuming catastrophe activity, particularly in the North Atlantic hurricane season, remains within expectations, underwriting performance is expected to remain strong and support favorable returns that exceed the segment's cost of capital in 2026.

Investment income continues to supplement earnings despite diverging global interest rate policies. For reinsurers with diversified fixed income portfolios, new money yields remain above historical portfolio yields, sustaining a favorable reinvestment dynamic. With most portfolios carrying three-to-five-year durations, investment income should remain resilient as assets roll over, although higher long-term interest rates and foreign exchange volatility present ongoing risks.

On the casualty side, several reinsurers strengthened loss reserves in 2024, 2025, and the first half of 2026, a trend AM Best expects to continue for the foreseeable future. The industry continues to raise casualty rates in response. In some cases, adverse development from long-tail lines has been partially offset by favorable development from property, specialty, and workers' compensation reserves, although that buffer appears to be diminishing.

Other Considerations

Catastrophe activity continues to be the key variable influencing the segment's results. The benign first half masks considerable seasonal risk, with reinsurers carrying largely unused catastrophe budgets into the peak of the North Atlantic hurricane season, which could reshape full-year results. The industry has now recorded six consecutive years of global insured natural-catastrophe losses exceeding USD 100 billion through 2025, underscoring the elevated frequency and severity of weather-related events. Broader macroeconomic uncertainty adds a further layer of complexity in assessing risk.

Geopolitical and macroeconomic conditions are becoming increasingly important considerations for reinsurers. Ongoing conflicts, rising protectionism, trade restrictions, and periodic supply-chain disruptions have made geopolitical risk a more persistent feature of the operating environment. These pressures can contribute to higher claims costs across property and specialty lines, increase the potential for political violence and other man-made losses, and complicate aggregation and accumulation risk, particularly in cyber.

AM Best's Stable outlook reflects a market that remains fundamentally strong even as it moves past the peak of the hard property market. Over the next twelve months, record capital, sustained underwriting discipline, and supportive investment income should keep returns at or above the cost of capital, positioning the segment to absorb accelerating property rate softening, US casualty reserve uncertainty, and ongoing catastrophe and macroeconomic risks while sustaining profitability.

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..

Published by AM Best

BEST'S MARKET SEGMENT REPORT

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Version 011624