

AM Best
September 2025
Market Segment Report



Reinsurers' Disciplined Capital Deployment and Underwriting Remain Key Foundations





BEST'S MARKET SEGMENT REPORT

Welcome to AM Best's annual report on the global reinsurance market

In November 2024, AM Best affirmed its Positive outlook for the global reinsurance segment. The market continues to garner support from structural and cyclical factors underpinning performance as well as the resilience and adaptability of the global reinsurance segment in a time of transition.

The reinsurance market continues to be buttressed by robust risk-adjusted capitalization fueled by retained earnings and disciplined capital management. Underwriting profitability remains strong, augmented by a surge in investment income owing to elevated interest rates. Further, reinsurers have made considerable advances in risk management by strategically prioritizing artificial intelligence and data-driven underwriting, which has reinforced underwriting discipline and strategic selectivity.

However, challenges abound as reinsurers face persistent headwinds. Social inflation has driven adverse casualty reserve development, particularly in the United States, while climate change has led to an increase in the frequency and severity of natural catastrophes. Growing geopolitical tensions and trade disputes have increased volatility in global financial markets, claims costs, supply chain disruptions, and risk assessments and pricing.

The most significant change among IFRS 17 reporters this year is Swiss Re's adoption of the accounting standard, after previously reporting under GAAP. With this change, Swiss Re moved from first among the non-IFRS 17 reporters to first among IFRS 17 reporters, moving Munich Re from the top spot to second.

The global reinsurance market has significantly evolved since the pronounced step change a couple of years ago, which drew sustained attention from capital providers, analysts, and other market participants. Established reinsurers have strengthened their capital bases via secondary equity offerings, as well as through disciplined retention of earnings and a surge in investor appetite for catastrophe bonds.

In the insurance-linked securities market, ILS capacity continues to grow, primarily as a result of record-breaking cat bond issuance in the first half of 2025. In mid-year 2025, reinsurance renewals pricing was the most favorable pricing for cedents in several years, indicating that competition among capacity providers has intensified.

Flourishing annuity sales, using reinsurance as a strategy, and rising competition from new market entrants continue to support activity in the life/annuity segment, which remains well capitalized and positioned for robust growth.

Europe's four largest reinsurers—Swiss Re, Munich Re, Hannover Re, and SCOR—continue to benefit from business written through the hard reinsurance market, with strong pricing and terms and conditions, which facilitate robust performance metrics for their property and casualty reinsurance segments. Lloyd's reinsurance business has grown strongly in recent years and the market remains attractive with the growing deployment of third-party capital and influx of new syndicates.

Our comprehensive global reinsurance analysis includes detailed exploration of the regional dynamics of the Asia-Pacific, Latin America, Middle East & North Africa, and Sub-Saharan Africa markets.

AM Best is committed to sharing our expertise and addressing the wide range of opportunities and challenges that reinsurers face. I hope you find our latest report to be valuable to your understanding of the issues that affect the reinsurance industry, as well as our credit ratings on segment participants.

Stefan Holzberger
Executive Vice President & Chief Operating Officer, AM Best

Table of Contents:

Reinsurers' Disciplined Capital Deployment and Underwriting Remain Key Foundations	2
World's 50 Largest Reinsurers	10
Momentum Remains for Dedicated Reinsurance Capital Beyond the Market Peak	17
Reinsurers Meet Cost of Capital for Second Consecutive Year	22
US-Bermuda Reinsurers Poised To Sustain Solid Performance Despite Pricing Pressure	27
Underwriting Cycle Management Becomes Crucial for Lloyd's Amid Softening Market Conditions	31
The European "Big Four" Reinsurers Maintain Their Risk Appetites	35
Record CAT Bond Issuance Boosts ILS Capacity and Reshapes Pricing Landscape	40
Reinsurance Market for US Mortgage Credit Risk Matures	46
Global Life/Annuity Reinsurers' Capital Management Strategies Evolve to Achieve Target Returns and Meet the Needs of Cedents	50
Evolving and Shifting Dynamics in the Health Reinsurance Space	58
Asia in Focus: A Two-Way Street for Reinsurance Diversification	68
Latin American Reinsurers Reposition as Demand Strengthens	78
Conditions are Testing, but MENA Reinsurance Capacity Remains Dynamic and Abundant	82
Sub-Saharan Africa's Reinsurers: Staying the Course Amid Economic Uncertainty	87
Global Reinsurers' ROE Decreases but Remains High	95
Casualty Reinsurance Capacity Remains Plentiful Amid Concerns	101

Analytical Contacts/Contributors

Helen Andersen, Oldwick	Antonietta Iachetta, Oldwick	Emmanuel Modu, Oldwick
Jennifer Asamoah, Oldwick	Mathilde Jakobsen, Amsterdam	Christopher Pennings, Oldwick
Igor Bass, Oldwick	Dale Kirby, London	Ricardo Rodriguez Perez, Mexico City
Naz Botea, London	Edward Kohlberg, Oldwick	Timothy Prince, London
Jessica Botelho-Young, London	Michael Lagomarsino, Oldwick	Inger Rodriguez, Mexico City
Greg Carter, Singapore	Stratos Laskarides, Oldwick	Guilherme Monteiro Simões, Oldwick
Steve Chirico, Oldwick	Ghislain Le Cam, London	Wai Tang, Oldwick
Ben Diaz-Clegg, London	Christie Lee, Hong Kong	Emily Thompson, London
Greg Dickerson, Oldwick	Chris Lim, Singapore	Kanika Thukral, London
Christopher Graham, Oldwick	Sridhar Manyem, Oldwick	Matt Tuite, Oldwick
Dan Hofmeister, Oldwick	David Mautone, Oldwick	Raj Visvanathan, Oldwick
Jon Housel, Oldwick	Mahesh Mistry, London	Angela Yeo, Amsterdam

Reinsurers' Disciplined Capital Deployment and Underwriting Remain Key Foundations

The lessons of past cycles suggest caution, but reinsurers have ensured tighter exposure management and market discipline in the current cycle

Principal Takeaways

- Risk-adjusted capitalization remains robust, reflecting both retained earnings and disciplined capital management.
- Strong underwriting profitability is being augmented by a surge in investment income amid elevated interest rates.
- Market conditions are attractive, despite modest declines in risk-adjusted pricing in property catastrophe covers.
- Reinsurers' underwriting remains disciplined in this transitioning market with terms and conditions and attachment points largely intact.
- The absence of material new global reinsurance entrants ensures structural market discipline is maintained, distinguishing the current environment from previous market cycles.

AM Best affirmed its [Positive outlook](#) for the global reinsurance segment in November 2024. The structural and cyclical factors underpinning the market continue to justify the Positive outlook, which speaks not just to performance but also to the resilience and adaptability of the global reinsurance segment in a time of transition.

The outlook is driven by several reinforcing pillars. First, risk-adjusted capitalization remains robust in terms of retained earnings and disciplined capital management. Second, underwriting profitability remains strong, augmented by a surge in investment income due to elevated interest rates. Third, market conditions continue to support favorable pricing, despite signs of localized softening. Finally, reinsurers have made considerable advances in risk management, by strategically prioritizing artificial intelligence (AI) and data-driven underwriting, which has reinforced underwriting discipline and strategic selectivity.

At the same time, reinsurers face persistent headwinds. Social inflation has significantly impacted casualty reserve development, particularly in the United States, while climate change has driven an increase in the frequency and severity of natural catastrophes. Growing geopolitical tensions and trade disputes have increased uncertainty surrounding volatility in financial markets, claims costs, supply chain disruptions, and risk assessments and pricing. These challenges underscore the importance of the market's improved structural foundations and explain why AM Best's outlook, though Positive, remains closely monitored.

A Recalibrated Market: Underwriting Discipline and Performance

Since the landmark January 2023 renewals, the global reinsurance market has undergone a significant recalibration. That renewal marked a decisive shift in how risk is priced, shared, and retained. Across property catastrophe lines in particular, reinsurers implemented meaningful

Analytical Contacts:

Dan Hofmeister, Oldwick
+1 (908) 882-1893
Dan.Hofmeister@ambest.com

Steven Chirico, Oldwick
+1 (908) 882-1694
Steven.Chirico@ambest.com

Michael Lagomarsino, Oldwick
+1 (908) 882-1893
Michael.Lagomarsino@ambest.com

Contributors:

Angela Yeo, Amsterdam
Emmanuel Modu, Oldwick
Christie Lee, Hong Kong
Greg Carter, Singapore
Mahesh Mistry, London
Mathilde Jakobsen, Amsterdam

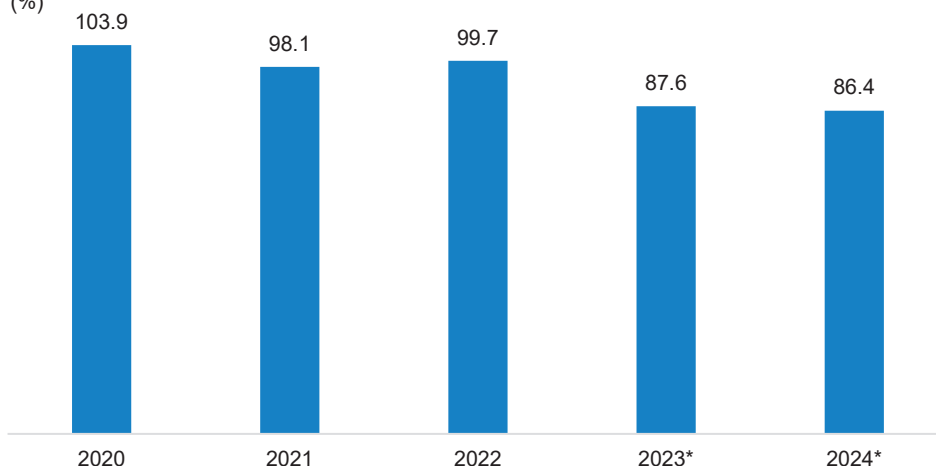
2025-105.1-081925

changes: higher attachment points, tighter terms and conditions, and across-the-board rate increases. This reset carried forward into the 2024 renewals, establishing a more durable market structure characterized by reduced earnings volatility and stronger margins.

The underwriting performance in 2024 reflects these changes. The European “Big Four” reinsurers (Swiss Re, Munich Re, Hannover Re, and SCOR) posted a discounted combined ratio of 86.4 under IFRS 17; the discounting on average lowers the combined ratio by around eight percentage points (**Exhibit 1**).

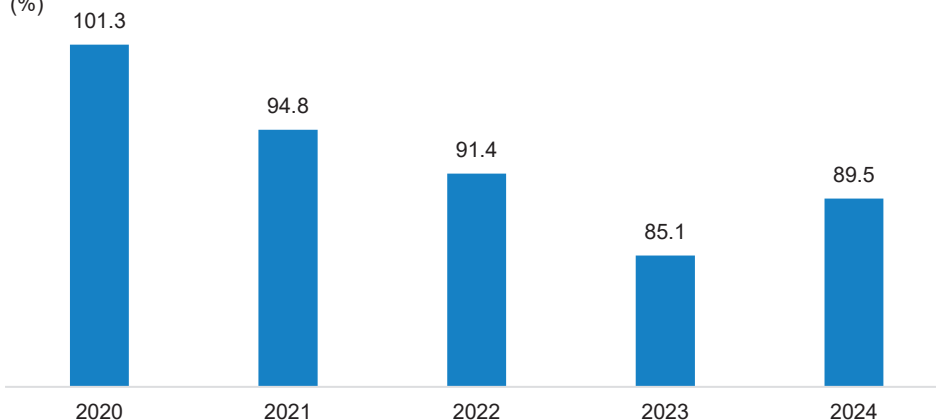
In the US & Bermuda, the composite reporting under US GAAP delivered an undiscounted combined ratio of 89.5 (**Exhibit 2**).

Exhibit 1
European “Big Four” Market Trends — Combined Ratios
(%)



* Reflects changeover to IFRS 17.
Source: AM Best data and research

Exhibit 2
US & Bermuda Market Trends — Combined Ratios
(%)



Source: AM Best data and research

These results confirm that underwriting profitability has not only rebounded but is being sustained in the current reinsurance cycle. The improvements were driven by enhanced performance in property treaty portfolios, supported by disciplined capacity deployment and a focus on exiting working layers.

Casualty reinsurance added complexity. While it provided topline growth, it also introduced greater uncertainty into the underwriting equation. Reserve releases declined notably in 2024, reflecting reduced margins in older books and the difficulty of assessing long-tail liabilities in a litigious and inflationary environment. The US & Bermuda composite reported a near-neutral prior year reserve development of -0.3% in 2024. This figure is driven by a wide range of reported development among major reinsurers in the segment, with some reporting significant strengthening while others reported robust releases. Although IFRS 17 makes it difficult to calculate aggregate figures for the

European Big Four reinsurers, we see similar trends within that composite. In some cases, reinsurers experienced adverse development from legacy treaties written under softer terms. However, these individual cases did not detract from the market's overall performance, underscoring the segment's caution around casualty accumulation.

Reinsurers proactively rebalanced their portfolios. Many have rebalanced portfolios toward higher quality cedents and reduced or withdrawn from high-risk casualty lines such as US commercial auto, general liability, excess casualty, and umbrella. Property capacity is increasingly tailored to treaties with stricter underlying terms, and reinsurers are maintaining discipline despite signs of rate moderation. The majority of global reinsurers maintained strong performance through the first half of 2025, despite global natural catastrophe-related insured losses of at least USD 100 billion, according to Aon's latest estimates. These losses are primarily driven by the California wildfires, which many reinsurers are marking in the range of USD 30-50 billion, as well as severe convective storms in the US. This marks the sixth consecutive year of natural catastrophe insured losses exceeding USD 100 billion. Assuming no further outsized catastrophe events during the second half of 2025, the combination of disciplined underwriting, rate adequacy, and robust investment income should deliver full-year operating results exceeding the cost of capital. This in turn suggests that the underwriting discipline instilled over the past two-plus years has significantly improved reinsurers' ability to navigate this transitioning market.

Capital Strength: High-Water Marks and a Shift in Deployment

The global reinsurance industry entered 2025 with record capital levels. Traditional capital reached approximately USD 500 billion by the end of 2024, buoyed by strong retained earnings and limited capital erosion from catastrophe activity. This capital growth occurred in the absence of major new reinsurance start-ups, a stark contrast to past hard markets that typically saw an influx of new entrants following capital-depleting events. Instead, established reinsurers retained earnings and optimized balance sheets, signaling greater capital stewardship.

The insurance-linked securities (ILS) market, too, reached record capital levels of USD 107 billion at the end of 2024 and is expected to further expand due to the catastrophe bond market, which reached an all-time outstanding balance of USD 52.7 billion in the first half of 2025. (We expect to release an ILS-related report in the near future.) The expansion of the ILS segment is primarily due to investor appetite for robust returns and well-defined remote risks. Overall, the ILS market has been experiencing reduced trapped capital because the higher attachment points achieved by the overall reinsurance market and tighter terms and conditions (including terms of capital release) have moved in favor of investors.

Risk-adjusted capitalization improved as well, driven not only by the increase in available capital but by reductions in required capital through more conservative underwriting and portfolio realignment. Despite an active start to 2025 in terms of weather events, reinsurers avoided large losses, aided by elevated attachment points and greater selectivity. Barring an outsized catastrophe event, AM Best expects capital levels to continue to expand, with a projected growth of 7% in dedicated reinsurance capital to reach another all-time high (**Exhibit 3**).

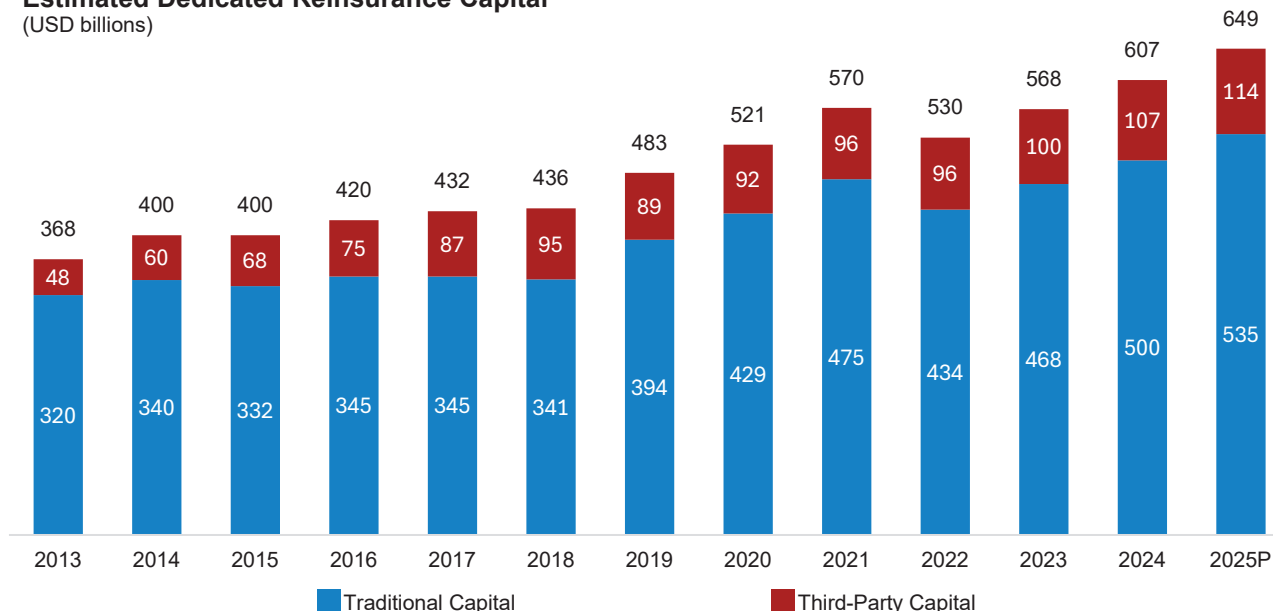
Favorable Trading Conditions with Structural Discipline

The trading environment for reinsurance remains broadly supportive, although it has become more nuanced. Demand for reinsurance continues to grow, driven by heightened natural catastrophe loss activity, increases in insurance to value, and continued economic and political unrest. Climate change has made secondary perils more frequent and severe. Inflationary pressures, both commodity-based

Exhibit 3

Estimated Dedicated Reinsurance Capital

(USD billions)



Sources: AM Best data and research, Guy Carpenter

and tariff-driven, have also increased claim costs. Additionally, social inflation continues to inflate casualty claims, driving cedents to seek greater reinsurance protection.

Supply, meanwhile, has expanded since 2022, but reinsurers have deployed capital with caution. The January 1, 2025, property catastrophe renewals exhibited a bifurcated pattern: loss-free programs saw risk-adjusted rate reductions of 5% to 15%, while loss-impacted segments experienced increases of up to 30%. Terms and attachment points largely held firm, supporting our expectation of reinsurer profitability. Unlike previous hard markets, which were prompted by capital shortfalls, the current cycle has been driven by historical operating returns that persisted below the cost of capital. This has led to more disciplined and selective deployment of capital.

The question now facing the industry is whether the improvements in terms and conditions represent a durable shift. The lessons of past cycles suggest caution, but reinsurer sentiment has ensured tighter exposure management and market discipline in the current cycle. The absence of a flood of new company formations during this hard market may also reflect an emerging structural discipline that distinguishes the current cycle from past boom-bust episodes.

Innovation and Risk Management: A Technological Leap

The global reinsurance segment has embraced technological innovation to enhance risk management and underwriting quality. Advancements in AI, machine learning, and data analytics are transforming how reinsurers evaluate exposures, monitor accumulations, and adjust pricing models. These tools will continue to evolve and become more critical in adapting to climate-related risks and social inflation, both of which are evolving rapidly and resist traditional actuarial modeling.

AI-driven platforms are now enabling reinsurers to process massive, multi-source datasets, extracting insights that would have been impossible just a few years ago. After each catastrophe season, many firms use machine learning to recalibrate models with updated claims and exposure data. In casualty, similar tools are being used to analyze litigation trends, identify nuclear verdict risks, and refine assumptions about claims severity.

Looking ahead, agentic AI systems, which are proactive and capable of reasoning and executing planned actions with many complex steps, are poised to further integrate underwriting and investment strategies, supporting scenario testing and capital allocation across increasingly complex portfolios. These innovations could also help address the lagging development of casualty ILS, which has struggled to achieve the same scale and investor confidence as property catastrophe ILS products, despite significant interest from investors. If reinsurers can better model and price long-tail risks, this segment could see renewed appetite.

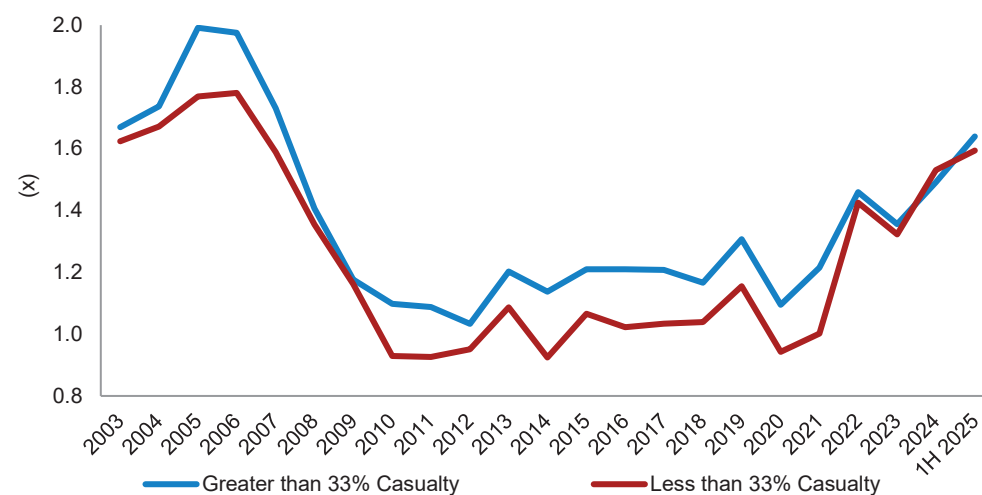
Casualty: Persistent Strains Continue

Concerns regarding adverse development in US casualty books persist for global reinsurers. While the majority of reinsurers have reported favorable prior year development over time as ongoing casualty reserve strengthening has been offset by strong favorable development on property and specialty lines of business, the industry remains challenged by unpredictable jury awards, broader interpretations of liability, and a lack of meaningful tort reform. AM Best's February 2025 special report, *Casualty Reinsurance Capacity Remains Plentiful Amid Concerns*, highlighted how legal system abuse has disrupted pricing and reserving for casualty business.

Reinsurers have responded with price increases, stricter terms, and targeted capacity reductions. Yet the structural problems remain unresolved. In many jurisdictions, capacity has not been withdrawn to the extent necessary to force political or legal reform. Consequently, volatility persists. Long-tail exposures continue to be a drag on earnings through adverse reserve development, even as reinsurers become more selective in allocating capacity. While many of the concerns around social inflation and loss reserves have focused on soft market accident years of 2015 through 2019, substantial adjustments made on more recent accident years in 2024 provide further cause for concern.

Investor interest in casualty remains strong, given its lower correlation to property catastrophe risk and the opportunity to invest float over long horizons. This is evidenced by the historically higher multiples casualty reinsurers trade in comparison to property-focused reinsurers (**Exhibit 4**). In more recent years, this trend has tightened due to expected growth among property-heavy Japanese (re)insurance groups, which has driven up their multiples materially.

Exhibit 4
Reinsurers' Stock Price to Book Value Movements



Sources: Bloomberg, AM Best data and research

If legal trends do not stabilize, casualty reinsurance could reach a tipping point where pricing no longer compensates for the volatility. Until then, reinsurers will continue navigating the line between opportunity and fragility.

Life Reinsurance: Stability Amid Selective Volatility

Reinsurance on life protection business, predominantly from the US market, has been an important component of the European Big Four reinsurers' risk profiles. Life reinsurance has generally provided reinsurers with diversification and earnings stability, with margins typically between 5% and 10%. This reduces the volatility inherent in reinsurers' earnings, providing some offset against the more volatile P/C portfolio. However, the life reinsurance portfolio can be substantial with a longer tail, and any meaningful adjustment in mortality trends can affect its profitability. While the life portfolio continues to perform well, there have been cases of higher mortality experience on back books. Generally, these adverse developments are offset by higher quality new business. Although post-COVID mortality trends were higher, there is an expectation that actual versus expected mortality will rebalance to historical norms.

Several market-leading reinsurers undertook assumption reviews, leading to reductions in their Contractual Service Margins. (Please see the section "IFRS 17 in Reinsurance: A Period of Adjustment, Adoption, and Ambiguity," included at the end of this report.) These reviews were described as one-off and necessary to align assumptions with updated experience. The broader life portfolios across major reinsurers remained profitable. With favorable interest rate conditions and rising demand for longevity and mortality coverage, life reinsurance continues to serve as a vital diversification mechanism, offering consistent returns even as volatility rises elsewhere.

Continued Macroeconomic and Geopolitical Uncertainty

The geopolitical environment remains highly uncertain. Disruptions in global trade, including tariff policies, may create inflationary pressure and increase loss costs on certain lines of business. Conflicts and trade wars threaten capital market stability and global economic growth, raising the prospect of higher inflation and supply chain disruptions. This can lead to greater capital market volatility and negative impacts on investment portfolios. Nevertheless, global reinsurers are in a good position to manage near-term volatility given their improved risk-adjusted capital positions, ample liquidity, and strong risk management processes.

A Caution on Private Credit

Enthusiasm for private credit warrants caution. Reinsurers are increasingly exploring this asset class in search of yield, but AM Best has flagged several concerns. The market is opaque, with limited liquidity and inconsistent valuation standards. Many private credit borrowers fall outside traditional banking systems due to size or credit quality, and the sector has yet to be tested through a systemic shock like the global financial crisis of 2008-2009.

Valuation opacity, the lack of clear benchmarks, and structural risks all argue for a measured approach. While private credit may offer attractive returns, it should be approached with the same discipline reinsurers now apply to underwriting—cautious, selective, and always risk-aware.

Rumblings from the Crypto Market: A Cautious Watch

Digital assets are beginning to appear on the periphery of insurance discussions. Key domiciles are creating frameworks: Bermuda approved the world's first bitcoin-only life insurer in 2024 (using a Class IILT License for innovative digital asset business models), while the Cayman Islands mandates licensing for crypto services starting April 2025. Most notably, President Trump signed the GENIUS Act on July 18, 2025, the first major federal cryptocurrency legislation in US history, establishing stablecoin regulations.

For reinsurers, the immediate considerations center on coverage questions as insureds increasingly consider holding crypto assets, potential efficiency gains in cross-border transactions, and investment implications. The GENIUS Act may provide a stabilizing effect on the stablecoin market through its reserve requirements and consumer protections, potentially making these assets more palatable for institutional investors, including reinsurers. However, the Terra UST collapse in 2022, which erased USD 45 billion in value within days, serves as a stark reminder of the risks surrounding digital assets.

While crypto assets are unlikely to feature prominently in reinsurance portfolios near-term, the infrastructure being built today suggests digital assets will increasingly intersect with traditional operations. Reinsurers are beginning to monitor developments closely, engage with regulators in key domiciles, and develop internal expertise to navigate this evolving landscape.

IFRS 17 in Reinsurance: A Period of Adjustment, Adoption, and Ambiguity

The rollout of IFRS 17 continued to influence the reinsurance landscape in 2024. Greater transparency was accompanied by complexity and, for some, confusion. Although the standard aims to unify global insurance accounting, its radical changes create a challenge of reconciling IFRS 17 outcomes with those under previously existing local GAAP accounting, especially US GAAP. For reinsurers operating across multiple accounting regimes, these differences are more than technical—they can materially affect reported profitability, key performance indicators, and capital planning strategies.

Divergence in treating contract boundaries, risk adjustments, loss components, receivables and payables, commissions, acquisition costs, attributable expenses, and the discounting of claims provisions means like-for-like numerical comparisons would require substantial adjustments and expert interpretation. It is fundamental that the underlying economics of reinsurance contracts remain unchanged, something both market participants and rating agencies such as AM Best emphasize. Nevertheless, the way results are reported can meaningfully influence both perception and behavior.

From the outset, there has been widespread concern that many management teams, with some notable exceptions, have struggled to effectively explain IFRS 17 results. The transition from legacy accounting has made it difficult for some investors, analysts, and internal stakeholders to interpret reported figures with confidence. While familiarity is expected to improve over time, many companies continue to rely on parallel or adjusted performance views to bridge the gap between IFRS 17 and traditional GAAP-based metrics, a workaround that emphasizes the evolving nature of current IFRS 17 reporting.

A particular area of focus has been the treatment of the Contractual Service Margin (CSM). This economic measure, previously unreported under legacy frameworks, introduces a level of volatility that had been visible previously only in embedded value disclosures. While this is not inherently problematic, the risk lies in stakeholders misinterpreting, or perhaps even underestimating, the volatility in decision-making or performance assessment.

Under IFRS 17, companies are required to regularly update their assumptions based on emerging experience and the latest available data. These updates can potentially lead to significant movement in the CSM, reflecting changes in the expected profitability of insurance contracts. The CSM is designed to absorb changes in estimates, and its movement reflects the evolving understanding of the underlying economics. Although some may argue that a perfect initial assessment would remain stable over time, in practice, assumption updates are a necessary and expected part of reflecting the best estimate of future performance. It is important for users of financial statements to distinguish

(Continued)

between organic drivers of CSM movement (such as new business and the release of in-force CSM) and inorganic drivers (such as changes in assumptions). Understanding these components provides clearer insight into the underlying performance and risk profile of the insurance business.

As IFRS 17 matures, regulators, accounting standards boards, and users of financial statements (including analysts and rating agencies) have begun to explore potential refinements to the framework. While amendments to the standard would not normally occur outside of the post-implementation review exercise, which may be years away, there is growing demand for more practical guidance in areas such as discount rate methodologies, onerous contract testing thresholds, aggregation levels, receivables and payables disclosures, and the amortization of the CSM by cohort. In parallel, many companies are refining internal models, stepping up investor education, and increasingly using non-GAAP metrics to offer views of business performance that users familiar with earlier reporting might find more intuitive. Some have even introduced “IFRS 17-adjusted” earnings and return metrics to better align external reporting with some management teams’ existing operational lens. In time, that lens may itself evolve to incorporate the transparency provided by IFRS 17.

In 2024, there was a second wave of IFRS 17 adoption among smaller reinsurers and insurance groups that had previously deferred implementation due to operational constraints or jurisdictional exemptions. Much like many initial adopters, these firms have relied heavily on outsourced actuarial support and vendor solutions, leading to further variation in reporting quality and presentation. While larger players are converging around more standardized disclosure formats (including multi-year CSM waterfalls, reconciliations to prior accounting bases, and embedded value supplements), smaller firms often lack the resources to reach the same level of clarity or consistency.

Ultimately, reporting under IFRS 17 continues to evolve as adoption broadens and market participants become more adept at interpreting its results. What began for many as a compliance exercise is increasingly becoming an iterative process of education, refinement, and adaptation. Investors, securities market analysts, and management teams are steadily building the frameworks and institutional expertise needed to navigate IFRS 17 more effectively. In the meantime, companies continue to enhance internal systems, improve transparency, tailor disclosures to better reflect the underlying economics of their business, and use reporting more effectively.

World's 50 Largest Reinsurers

Reinsurer rankings shift as Swiss Re implements IFRS 17

Principal Takeaways

- Swiss Re's adoption of IFRS 17 moves the group to the top of the largest IFRS 17 reporting reinsurers, followed by Munich Re and Hannover.
- Berkshire Hathaway moves to the top of the non-IFRS 17 reinsurers, followed by Lloyd's and RGA.
- Market demand remained favorable in 2024, continuing to drive premium growth.
- Exchange rate movements in 2024 gives the appearance of dampened growth.

The 2024 edition of the World's 50 Largest Reinsurers report introduced a new structure for ranking reinsurers, with two separate rankings based on (1) gross premiums written (GPW) for non-IFRS 17 reporting reinsurers and (2) reinsurance revenue for IFRS 17 reporters. The analysis evolved to provide the most relevant rankings possible, as comparison between the two standards was not deemed appropriate. The second full year of financial information reported utilizing IFRS 17 has concluded, providing AM Best with additional insights into the year-over-year performance of reinsurers ranked in the report.

Reinsurers' performance continued to be strong in 2024, after the market saw significant hardening in January 2023 in the wake of Hurricane Ian in September 2022, a sustained period of rate inadequacy, and reinsurers' inability to meet their cost of capital. The market continues to experience tailwinds, with terms and conditions holding strong through the renewal periods and rates remaining adequate overall on a net basis, accompanied by largely modest declines for some lines and even some rate strengthening for loss-affected lines. The overall market for reinsurers remained favorable in 2024, despite natural catastrophe losses for the year being severe once again. Natural catastrophe losses for 2024 exceeded USD 320 billion worldwide, with over USD 140 billion in insured losses. The most severe losses were driven by US hurricane activity, with Hurricane Helene and Hurricane Milton making landfall in the southeastern United States only weeks apart. Flooding caused by Helene resulted in widespread catastrophic damage across the eastern United States including Asheville, North Carolina, which is still recovering.

Severe US convective storm losses were elevated in 2024, causing over USD 50 billion in damage. Globally, large urban floods ravaged areas in Europe and Typhoon Yagi caused substantial economic damage across Southeast and East Asia. Canada recorded record losses from natural catastrophes, reaching USD 5.6 billion for 2024. Losses for the year were driven by hailstorms, floods, and wildfires. Even with all of this activity throughout the year, the combined overall favorable loss performance and continued higher yields on fixed income investments drove double-digit returns on equity for many market participants, exceeding their cost of capital while growing surplus to record levels.

Results for 2025 will depend upon activity during the Atlantic hurricane season. The California wildfires in January heavily impacted results for the first quarter, with many reinsurers who had

Analytical Contact:

Christopher Pennings, Oldwick
+1 (908) 882-2237
Christopher.Pennings@ambest.com

Contributors:

Dan Hofmeister, Oldwick
Michael Lagomarsino, Oldwick
Steve Chirico, Oldwick
Christie Lee, Hong Kong

2025-105.2

World's 50 Largest Reinsurers Ranking – Methodology

AM Best's ranking of leading global reinsurers has evolved over time, but the primary intention of the Top 50 exercise is to isolate a reinsurer's business profile using gross premiums written as the metric. To obtain the most accurate figures possible, we make a number of assumptions and adjustments as we navigate through different financial statements, accounting standards, and segment reporting. Capturing only third-party business and excluding affiliated or intergroup reinsurance are perhaps the most essential adjustments.

AM Best converts all reporting currencies to USD using the foreign exchange rate as of the date of companies' financial statements. Currency exchange rate fluctuations have a meaningful impact on companies' rankings.

Finally, when financial statements and supplements do not provide a proper breakdown of reinsurance premiums, AM Best obtains data directly from the reinsurer. In these instances, the data may be unaudited.

California exposure reporting their worst quarterly underwriting experience in recent years and the impact of the wildfires eroding substantial portions of budgeted catastrophe loads for the year.

As 2025 plays out, the market has witnessed pockets of rate softening. Notably, the April 1st renewals saw double-digit rate softening for catastrophe excess-of-loss covers in the Japanese reinsurance market. Some firms may choose to return this excess capital to shareholders rather than deploy it at inadequate rates in coming years. Improved casualty pricing and loss equilibrium could entice players that have been sitting on the sidelines to deploy their capital there, as the favorable stock multiples and increased diversification could positively impact performance and bolster shareholder returns. Casualty markets, however, are not without concern, as social inflation continues to burden the US market.

The US dollar ended 2024 on stronger footing, ultimately dampening premium growth for non-USD reporting reinsurers. Most impactful to our analysis, the Euro depreciated 5.6%, the Canadian dollar depreciated 7.9%, the South Korean won depreciated 11.7%, and the Brazilian real depreciated 21.7% against the US dollar year-over-year. The only currency of a Top 50 global reinsurer to appreciate against the dollar year-over-year was the Japanese yen, which appreciated 1.1%.

The US dollar depreciated against the world's most heavily traded currencies in the first half of 2025. Geopolitical and economic dynamics have driven swings in currency valuation over the last several years, and with potential looming trade wars driving higher inflation, these year-over-year changes could accelerate and drive higher ranking volatility among the largest of the top 50 reinsurers.

New entrants are notably absent from the lower rankings. In a generationally hard reinsurance market, there hasn't been a significant number of new company formations to capitalize on the underwriting opportunities available. Investment activity in the reinsurance market has not disappeared, as 144A cat bond issuance has been record-breaking. Given relatively high risk adjusted spreads, well-defined short-duration risks, and remoteness of attachment points, cat bonds remain attractive to ILS investors.

Exhibit 1

Top Reinsurance Groups Year-End 2024

(USD millions¹)

Non-IFRS 17 Rank	IFRS 17 Rank	Company Name	Life & Non-Life		Total Shareholders Funds ²	Combined Ratio ³
			Reinsurance Premiums (GPW)	Reinsurance Revenue (Gross)		
	1	Swiss Re Ltd.		36,181	23,240	89.9%
	2	Munich Reinsurance Company		32,555	34,112	77.3%
	3	Hannover Rück SE		27,480	13,218	86.6%
1		Berkshire Hathaway Inc.	26,906		651,655	82.9%
2		Lloyd's ^{4, 5}	23,537		58,879	87.7%
	4	SCOR S.E.		16,799	4,713	86.6%
3		Reinsurance Group of America Inc.	15,573		10,906	N/A
4		Everest Group, Ltd.	12,941		13,875	89.6%
5		RenaissanceRe Holdings Ltd.	11,733		10,574	83.9%
6		Arch Capital Group Ltd.	11,112		20,820	83.3%
7		PartnerRe Ltd.	9,345		9,404	85.9%
8		MS&AD Insurance Group Holdings, Inc. ^{6, 7, 10}	6,836		15,688	99.4%
	5	China Reinsurance (Group) Corporation		5,864	15,438	89.5%
9		General Insurance Corporation of India ⁶	4,905		10,381	107.1%
10		MAPFRE RE, Compañía de Reaseguros S.A. ⁸	4,454		2,544	94.6%
11		Odyssey Group Holdings, Inc.	3,815		6,395	84.5%
	6	Assicurazioni Generali SpA		3,639	34,476	106.2%
12		R+V Versicherung AG ⁹	3,549		2,497	95.5%
	7	Korean Reinsurance Company		3,493	2,348	90.9%
	8	Canada Life Re		3,430	14,544	86.6%
	9	Sompo International Holdings, Ltd.		3,253	10,718	83.7%
13		Liberty Mutual ¹¹	3,054		30,652	98.7%
	10	AXA XL		2,958	12,801	79.8%
14		Pacific LifeCorp	2,842		10,154	N/A
15		AXIS Capital Holdings Limited	2,390		6,089	91.8%
16		American Agricultural Insurance Company	2,354		766	84.0%
17		Convex Group Limited	2,333		3,672	82.3%
18		The Toa Reinsurance Company, Limited ^{6, 7}	2,302		3,172	91.1%
19		Deutsche Rückversicherung AG ¹⁰	2,172		355	92.6%
20		Allied World Assurance Company Holdings, Ltd.	2,057		6,012	88.7%
21		Aspen Insurance Holdings Limited	1,886		3,372	85.0%
22		Ascot Group Ltd.	1,747		2,446	99.6%
	11	QBE Insurance Group Limited		1,685	10,731	83.0%
23		Core Specialty Insurance Holdings, Inc.	1,581		1,195	106.8%
24		Chubb Limited	1,567		68,394	85.8%
25		Tokio Marine & Nichido Fire Insurance Co., Ltd. ^{6, 12}	1,461		20,187	96.1%
26		DEVK Gruppe	1,437		3,085	94.2%
27		Arundo Re	1,390		861	98.2%
28		SiriusPoint Ltd.	1,336		1,939	88.1%
29		Somers Re Ltd.	1,302		1,309	96.1%
30		W.R. Berkley Corporation ¹³	1,250		8,407	84.1%
	12	African Reinsurance Corporation		1,200	1,159	82.0%
31		Qianhai Reinsurance Co., Ltd.	1,189		514	96.2%
	13	Peak Reinsurance Company Ltd.		1,156	1,433	84.0%
32		Markel Corporation	1,151		16,929	100.5%
33		Hamilton Insurance Group, Ltd.	1,145		2,329	87.5%
	14	Taiping Reinsurance Co. Ltd. ⁷		1,112	1,562	91.5%
34		Ark Insurance Holdings Ltd.	1,106		1,378	102.8%
	15	Hiscox Ltd	1,028		3,690	65.7%
	16	IRB - Brasil Resseguros S.A.	978		795	79.7%

¹ All non-USD currencies converted to USD using foreign exchange rate at year-end 2024.² As reported in the group's annual statement.³ Non-Life only.⁴ Reflects total reinsurance premium written by all syndicates in the Lloyd's market. The above list includes insurance groups that write reinsurance business in the Lloyd's market. As such, reinsurance premium is included in both the insurance group's premium figure and the Lloyd's market's premium figure.⁵ Shareholders' funds includes Lloyd's members' assets and Lloyd's central reserves.⁶ Fiscal year ended March 31, 2025.⁷ Net asset value used for shareholders' funds.⁸ Premium data excludes intragroup reinsurance.⁹ Ratio is as reported and calculated on a gross basis.¹⁰ Ratio is based on the group's operations.¹¹ Ratio is based on Liberty Mutual Insurance Europe SE financial statements.¹² Ratio is based on Tokio Marine & Nichido Fiscal Year 2024 reported combined ratio¹³ Ratio includes monoline excess business in addition to reinsurance.

Source: AM Best data and research

IFRS 17 Adoption Approach

IFRS 17 officially came into effect on January 1, 2023, marking a fundamental shift in insurance accounting. The new standard aims to enhance transparency, consistency and economic relevance in financial reporting. By aligning profit recognition with the delivery of insurance services, IFRS 17 provides a more economically meaningful and transparent view of profitability.

Under IFRS 4, GPW served as the primary top-line metric. In contrast, Insurance Service Revenue (ISR) has become the new top-line measure under IFRS 17. These two metrics are not directly comparable for ranking purposes, as they reflect fundamentally different accounting models, shifting from a cash-based to a service-based accounting.

For reinsurers, the difference is particularly pronounced. ISR is conceptually closer to gross earned premiums, but it is net of some ceding commissions that are not classified as insurance revenue under IFRS 17. Additional differences arise from adjustments for financing effects, among other factors. To address these comparability challenges, AM Best has introduced two separate rankings – one based on IFRS 17 and another on non-IFRS 17 metrics.

Moreover, the net combined ratios presented in the rankings under IFRS 17 and non-IFRS 17 are not directly comparable and are generally lower under IFRS 17. This is due not only to the change in the denominator (net ISR replacing net earned premiums), but also to differences in the numerator. Key contributing factors include:

- The discounting of claims reserves, partially offset by the inclusion of risk adjustment
- Immediate recognition of losses from onerous contracts
- Exclusion of those reinsurance ceding commissions that are classified as investment components from both the numerator and denominator of the combined ratio calculation
- Changes in the definition and treatment of management expenses

Ranking Changes Among the Top 5

The list of the top 50 global reinsurers remains segregated into IFRS 17 and non-IFRS 17 reporting reinsurers. The previous edition of this report had very little to compare year-over-year with the change in the report's structure.

The most significant change among IFRS 17 reporters this year is Swiss Re's adoption of the accounting standard, after previously reporting under GAAP. With this change, Swiss Re moved from first among the non-IFRS 17 reporters to first among IFRS 17 reporters, moving Munich Re from the top spot to second, followed by Hannover, ranked third. Swiss Re reported USD 40.5 billion of GPW at year-end 2023 and USD 36.2 billion of reinsurance revenue at year-end 2024 (**Exhibit 1**).

In the year-end 2022 edition of this report, still under IFRS 4, Munich Re topped the rankings. Munich Re's revenue declined overall by 1.1% year-over-year, driven by a non-life revenue decline of 3.5%, partially offset by life revenues growing 3.5%. However, the decline is driven by the Euro's depreciation in 2024 against the US Dollar. With equalized foreign exchange rates, year-over-year, insurance revenue grew 9.3%.

This change moved the remaining top 5 reinsurers each down one ranking, with the top 5 rounding out with SCOR moving from #3 to #4 and China Re moving from #4 to #5. The top 5 IFRS 17 players had solid performance in 2024, reporting a weighted average combined ratio of 84.9. Surplus growth among the top 5 was 1.4%, with average growth of 2.9% among the top 3 players offset by

an average decline of 3.8% from SCOR and China Re. Leading in loss performance for the year was Munich Re, with a non-life reinsurance combined ratio of 77.3, compared to 85.2 for the year prior.

Among the top five non-IFRS 17 players, the most significant change is Berkshire Hathaway moving into the top position, with USD 26.9 billion of GPW, followed by Lloyd's with USD 23.5 billion. The remaining top 5 non-IFRS 17 players are Reinsurance Group of America (RGA), Everest Group, and Renaissance Re (RenRe). While the rankings of all five companies were impacted by Swiss Re moving to IFRS 17, Everest Group moved up two positions, ranking them fourth above RenRe.

Driving Everest's move to #4 from #6 was a 12.9% increase in GPW. This growth was driven by the expansion of property lines in the year, and rate improvement on casualty lines. Everest pulling ahead of RenRe comes one year after RenRe displaced them among the top 10 reinsurers a year prior.

Alternatively, RenRe's third-party premiums contracted 4.9% year-over-year. Though the premiums eligible for consideration under our methodology contracted year-over-year, RenRe's group level gross premiums rose 32.4% over the same period.

GPW among the top 5 non-IFRS 17 companies grew 3.5%, from USD 87.6 billion to USD 90.7 billion. Growth of 8.9% among Lloyd's, RGA, and Everest was offset by a decline of 2.9% for Berkshire Hathaway and Ren Re.

The underwriting performance of the top 5 non-IFRS 17 companies was also solid, with an average weighted non-life undiscounted combined ratio of 85.7.

After Rapid Hardening, a Stabilizing Market Continues to Provide Ample Opportunity

The global reinsurance market over the longer term has struggled to meet the cost of capital. Cycles of soft market conditions, inadequate pricing, and increasingly severe weather events were exacerbated by a persistent low interest rate environment. The market saw a seismic shift at January 2023 renewals, with sharp rate increases on the heels of the risk-free rates rising in 2022. Reinsurers capitalized on the new environment by largely exiting working layers and placing more business in higher layers, which experience lower loss frequency, at more appropriate rates. Further benefiting reinsurers in 2023 was a lower frequency of named storms worldwide and manageable levels of secondary perils.

Over the period from year-end 2022 to year-end 2024, the average combined ratio for the non-IFRS 17 reinsurers has steadily declined. Year-end 2022 had an average combined ratio of 100.9, 2023 finished at 93.1, and 2024 at 89.1.

These improving underwriting results, bolstered by stronger net investment income, have provided reinsurers with a growing capital base. Shareholders' equity among non-IFRS 17 reinsurers grew 19.5% in 2023 and an additional 12.9% in 2024, rising to a combined USD 1 trillion of equity. The largest percentage growth was experienced by Ark Insurance Holdings, growing 24.5% from USD 1.1 billion to USD 1.4 billion. Liberty Mutual grew 22.3%, from USD 25.1 billion to USD 30.7 billion, and Tokio Marine grew 21.4%, from USD 16.6 billion to USD 20.2 billion.

Notable Changes In Ranking

Notably, there is very little movement among the IFRS 17 reporting reinsurers. The Top 10, with the exception of Swiss Re, each moved down one notch as Swiss Re transitioned to reporting under IFRS 17. Movement among players with less gross premiums or revenue is typical every year, as modest changes in underwriting programs can have a significant impact on rankings.

Exhibit 2

Global Reinsurance - Notable Ranking Changes

Upwards	Current	Prior	Change	Standard
Core Specialty Insurance Holdings, Inc.	23	33	10	non-IFRS 17
Chubb Limited	24	30	6	non-IFRS 17
Ascot Group Ltd.	22	26	4	non-IFRS 17
American Agricultural Insurance Company	16	20	4	non-IFRS 17
Downwards	Current	Prior	Change	Standard
Qianhai Reinsurance Co. Ltd.	31	25	-6	non-IFRS 17
W.R. Berkley Corporation	30	24	-6	non-IFRS 17
IRB - Brasil Resseguros S.A.	16	11	-5	IFRS 17
Peak Reinsurance Company Ltd.	13	10	-3	IFRS 17
Tokio Marine & Nichido Fire Insurance Co., Ltd.	25	22	-3	non-IFRS 17

Source: AM Best data and research

This year, the most significant changes are African Reinsurance Corporation, moving from #14 to #12, with Peak Reinsurance Company and IRB falling in the rankings. Peak fell 3 notches from #10 to #13. Peak's reinsurance revenue fell 25.7% year-over-year. The decline reflects larger earned premiums from previous underwriting years in 2023. IRB fell from #11 to #16, heavily driven by depreciation of the Brazilian Real against the US Dollar (**Exhibit 2**). Year-over-year, the group's reinsurance revenue fell by 27.2% when converted to US dollars. However, with a consistent foreign exchange rate, the decline was more than 20 points less, to 7.1%.

Similar to the IFRS 17 reporting reinsurers, the change in rankings among the top 10 non-IFRS 17 reinsurers is driven by Swiss Re's transition to IFRS 17, with nearly all players moving up one position compared to the prior year. Two of the three largest upward ranking movements were both from two relatively recent entrants to the Top 50 Global Reinsurers. Core Specialty and Ascot Group rose 10 and 4 rankings, respectively. Core Specialty moved from #33 for year-end 2023 and to #23 this year. Driving the change was a 52.5% increase in GPW, the largest percentage increase of any non-IFRS 17 player. Core Specialty, founded in 2020, continues to grow as its operations mature. Ascot, founded in 2001, rose from #26 to #22 with a 28.3% increase in GPW. While the group has a long tenure, they were first included in the Top 50 Global Reinsurers report last year.

Chubb moved up in the ranking as well, rising six notches from #30 to #24. Driving its rise was a 36.1% increase in GPW, rising from USD 1.2 billion to USD 1.6 billion. Global reinsurance only comprises 3% of Chubb's premium distribution by product. However, Chubb's large balance sheet, agility, and long tenure operating a reinsurance arm allowed them to take advantage of the favorable market conditions in 2024. Chubb has been active in the reinsurance business for over 30 years, and is one of the pioneers of catastrophe reinsurance, the market that developed in the wake of Hurricane Andrew in 1992.

The two largest declines in rankings were Qianhai Reinsurance and W.R. Berkley, both falling 6 notches. Qianhai Reinsurance fell from #25 to #31, driven by a 10.5% decline in unadjusted premium. The total premium decline year-over-year on an FX rate-adjusted basis was 13.3%, with the decline exacerbated by the Yuan's 3.1% depreciation against the US Dollar in the first six months of 2025; this currency trend has reversed, with the Yuan now appreciating against the US Dollar.

W.R. Berkley's third-party gross reinsurance premiums fell 11.4% year-over-year, though the group reported a total of 2.1% growth in its segment "Reinsurance and Monoline Excess" in its 2024 annual report on a net basis.

AM Best expects the World's Largest Reinsurers report to continue to evolve as more large reinsurance players adopt IFRS 17. As global market dynamics change, we expect existing players to make strategic changes to find growth and profitability as the reinsurance market continues through the current cycle and navigates new and evolving perils.

Momentum Remains for Dedicated Reinsurance Capital Beyond the Market Peak

Traditional reinsurance capital increased from USD 468 billion at year-end 2023 to USD 500 billion at year-end 2024, reflecting robust net underwriting income and investment returns

Principal Takeaways

- Dedicated reinsurance capital grew to USD 500 billion at year-end 2024, supported by strong underwriting results, retained earnings, and higher investment yields.
- Bermudian reinsurers posted the strongest capital growth among all regions in 2024, despite casualty reserve development and cat losses.
- The issuance of 144A catastrophe bonds hit a record in both 2024 and 2025.
- Traditional reinsurers' capital utilization dropped to 85% in 2024, a substantial improvement from 103% in 2022.

The global reinsurance market has significantly evolved since the pronounced step change in 2023, drawing sustained attention from capital providers, analysts, and market participants. While we have not seen a wave of new start-up reinsurers entering the space, capital has returned through more measured and strategic channels. Established reinsurers have strengthened their capital bases via secondary equity offerings, as well as through disciplined retention of earnings and a surge in investor appetite for catastrophe bonds. Together, these sources of capital have enhanced the market's overall financial resilience and its capacity for growth, even during challenging times such as Hurricane Helene in September 2024 and Hurricane Milton in October, as well as the California wildfires at the beginning of 2025.

Following the impact of interest rate volatility on reinsurers' fixed income portfolios in 2022, the majority of mark-to-market losses were either recovered through appreciation or strategically realized and reinvested by 2023. Reinvestment yields through 2024 have positioned reinsurers to achieve robust investment results from higher reinvestment yields in fixed income securities, which has resulted in higher levels of retained earnings.

From a strategic standpoint, reinsurers continue to transition toward more diversified and balanced business models. This includes a growing allocation to primary and specialty insurance lines, reflecting a deliberate move away from purely relying on property catastrophe risk, which has been a long-term trend. This structural shift supports both earnings stability and more agile capital deployment across underwriting cycles, but it does impact the amount of capital deployed in the traditional reinsurance market. While several reinsurers had sizable adverse reserve development in their casualty businesses, driven by social inflation and narrowing margins, reinsurers absorbed these losses due to strong margins in the property lines and improved investment yields, and it did not deter growth in reinsurance capital.

Performance across both traditional and third-party capital reinsurance markets was notably strong in 2024 and continued into the first half of 2025, despite significant catastrophic activity.

Analytical Contacts:

Antionietta Iachetta, Oldwick
+1 (908) 882-1901
Antionietta.Iachetta@ambest.com

Dan Hofmeister, Oldwick
+1 (908) 882-1893
Dan.Hofmeister@ambest.com
2025-105.3-081925

The cat bond market has attracted increased interest from investors seeking exposure to short duration and high yield instruments that remain relatively insulated from broader market volatility.

Implementation of IFRS 17 is shaping strategic conversations across the industry. While the standard has introduced material changes in how insurance liabilities and revenues are reported, the accounting methodology has not changed or influenced the assessments of risk-adjusted capitalization or balance sheet strength, and, therefore, credit ratings also remain unaffected. No material change in traditional reinsurance capital has been realized, or is expected, as a direct result of IFRS 17.

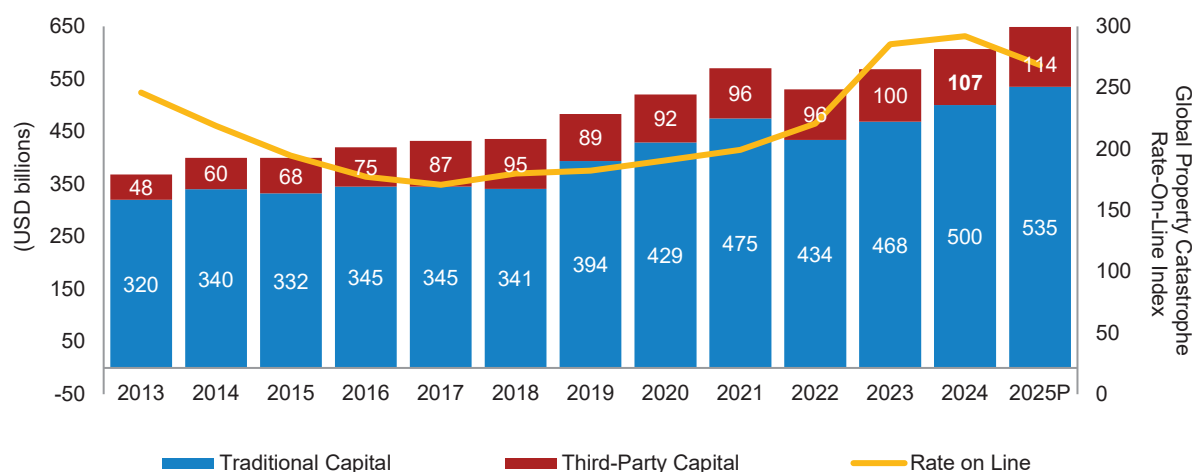
The reinsurance market enters the latter half of the decade on a stronger footing, supported by more resilient capital structures, an increasingly diversified business mix, and growing investor interest in non-traditional risk instruments. As macroeconomic volatility persists and regulatory frameworks evolve, the ability to adapt both operationally and strategically should lead to continued growth in capital levels.

Momentum Continues for Traditional Reinsurance Capital Despite Uncertainty

AM Best's estimate of dedicated reinsurance capital is based on comprehensive analysis and consistent aggregation methods. Our estimate considers allocations by business classification. Traditional reinsurance capital has been less than 60% of the consolidated shareholders' equity of the groups identifying as reinsurance writers, a trend that started in 2018. This measure was around 50% of shareholders' equity in 2024, which reflects the pivot from reinsurers expanding their primary and specialty insurance lines.

Traditional reinsurance capital increased from USD 468 billion at year-end 2023 to USD 500 billion at year-end 2024 on an absolute basis (**Exhibit 1**). Aside from Berkshire Hathaway's National Indemnity, the majority of capital is generated by the largest European reinsurance groups, which achieved an average return on equity of 16.2%, down slightly from 17.4% in the prior year, but still well above their past five-year average and above cost of capital. Despite notable catastrophe losses, they collectively reported around USD 11.6 billion in net income, which supported the increase in capital year over year. The Big 4 Europeans' share of global reinsurance capital remains solid, at 21% at year-end 2024, up from 20% in the prior year. Some reinsurers in this group, however, tend to have a more significant

Exhibit 1
Global Reinsurance – Estimated Dedicated Reinsurance Capital



P=Projected

Sources: AM Best data and research, Guy Carpenter

For more than a decade, AM Best has estimated the amount of global capital dedicated to supporting the reinsurance market. This estimate is a joint effort between AM Best and Guy Carpenter, for which AM Best provides an estimate of traditional reinsurance capital and Guy Carpenter provides an estimate of third-party capital.

share of primary insurance, which, coupled with more robust dividend and share buyback policies than their Bermudian peers, tends to moderate their contribution to traditional reinsurance capital growth.

While the overall size of the reinsurance market has grown in recent years, market concentration has gradually declined. The top five companies by capital, which historically has been over 60% of the composite's total capital, have seen their share decrease for four consecutive years. At year-end 2024, these top five accounted for 55.8% of the composite, down from 57.5% in 2023, and the lowest level since 2018. This trend reflects the expansion of medium size players, mostly Bermudian reinsurers, as well as diversification in capital deployment across the sector.

Bermudian reinsurers continue to be important capital providers, representing about 15% of the global reinsurance market. The Bermudian reinsurers reported capital growth of 16% from 2023 to 2024, which is noteworthy considering the impact of adverse reserve development in casualty lines reported through 2024, coupled with losses from Milton and Helene in the fall of 2024. Increase in capital is largely driven by robust operating returns, which while lower compared to the outperformance of 2023, yielded combined ratios well below 100 in most cases. AM Best's Bermuda reinsurers composite reported return on shareholders' equity in the mid-to-upper teens, well above the five-year average of 10.9% for the segment. Although Bermudian reinsurers on average outperformed the overall global reinsurance market, generally each region reported favorable trends.

Third-Party Capital Growth: Investors Meet Demand for Capacity

Guy Carpenter and AM Best estimated ILS capacity to have increased modestly through 2024, supported by the recycling of capital from maturing transactions, the reinvestment of a portion of strong 2023 earnings, and the addition of a modest amount of new capital to the market. In a year where capacity exceeded demand, ILS capital had another recordbreaking year, with USD 106 billion in 2024, an increase of 6% over 2023.

Guy Carpenter has estimated a slight increase of 7% in net third-party capital in 2025, to USD 114 billion. Entering 2025, the ILS market has experienced continued growth, with 144A cat bond issuances reaching record-breaking levels at USD 16.7 billion through June 30, 2025. This growth is attributable to investors entering the market during the first half of the year when there is more abundant capacity. A combination of new sponsors and larger deal amounts coming to market has been fostering this growth and demand for capacity.

2025: A Softer but Still Profitable Market

After the recalibration of the January 2023 renewals, the reinsurance market consistently produced robust operating returns, following years of subpar underwriting and not covering the cost of capital. Industry capital also grew rapidly, supported by stronger retained earnings and reduced mark-to-market investment losses. Notably, the absence of new start-up reinsurers enabled incumbents to preserve market share without resorting to softer terms. As of mid-year 2025, the property reinsurance market remains stable with signs of modest softening emerging at the highest layers of attachment. Reinsurers have remained diligent on attachment points and terms throughout the rate softening, which is believed to be the main factor driving their continued success.

AM Best expects that the reinsurance market will continue to thrive throughout 2025. While reinvestment yield might marginally decrease, the market should again be able to generate returns on equity by year-end 2025 in the low-to-mid teens. Capital growth could always be dampened by dividends, as well as a highly active hurricane season. Despite the uncertainty regarding the remainder of the 2025 hurricane season, the reinsurance market remains well positioned to absorb a reasonable level of losses and still grow capital.

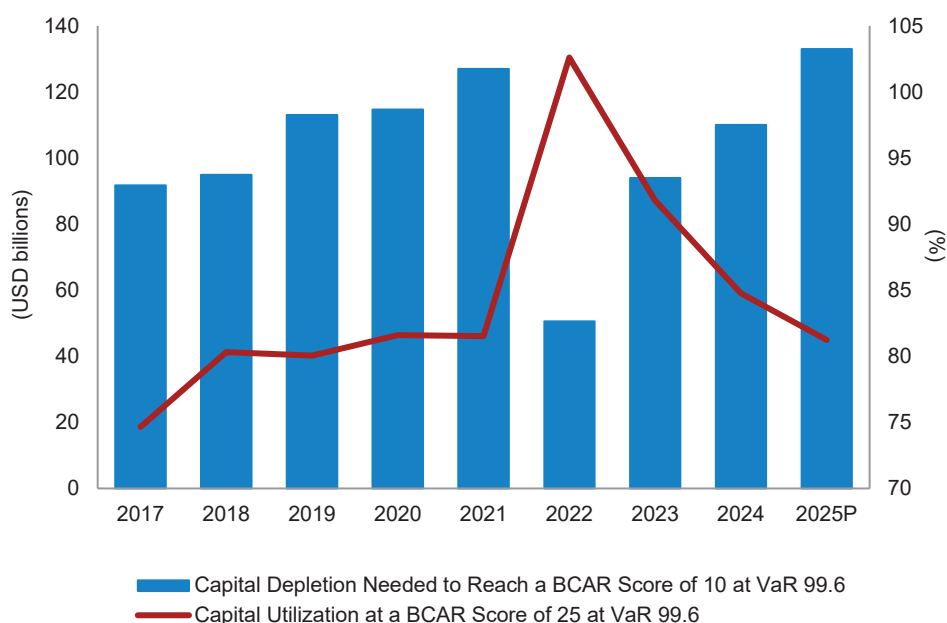
As we approach the height of the US hurricane season, which always brings the potential for outsized losses, the results may affect not just the reinsurance market, but also the insurance market as a whole. Severe convective storms and large cat events have stressed both cedents and reinsurers over the last year. The market, however, has been resilient despite the impact of the California wildfires eroding cat budgets and creating uncertainties about the loss costs. The resilience of reinsurers can be mainly attributed to the accumulation of retained earnings and strong investment yields, which have established solid capital buffers.

Capital Utilization Rebounds

Measuring dedicated reinsurance capital in a silo helps explain how nominal capital levels have evolved over time. However, given the inflationary pressures and rapidly evolving underwriting conditions of recent years, understanding how well the market is capitalized on a risk-adjusted basis is key. We examine risk-adjusted capitalization by measuring capital utilization. We determine required risk-adjusted capital levels and compare them to available capital levels. Capital utilization approximates how much of the available capital of the market is required to maintain risk-adjusted capitalization at the strongest BCAR score (Best's Capital Adequacy Ratio) of 25% at a 99.6% VaR (Value at Risk) level. Additionally, we track how much capital depletion is needed to reduce BCAR to 10% at 99.6% VaR. This measure approximates the tolerance afforded to companies in extreme stress scenarios (**Exhibit 2**).

At year-end 2024, traditional reinsurers' capital utilization improved to 85%, from 92% in 2023, but more pronounced when compared to 103% in 2022, where the increase was due to a 10.7% increase in required capital (mainly driven by rising interest rate risk), which was compounded by a decline in available capital. Capital utilization exceeding 100% indicates that risk-adjusted capitalization levels have dropped below the "Strongest" level. An 85% utilization level reflects a reversion to historical trends where, absent 2022, average capital utilization has been around 82%. During 2024, this trend

Exhibit 2
Global Reinsurance – Capital Utilization

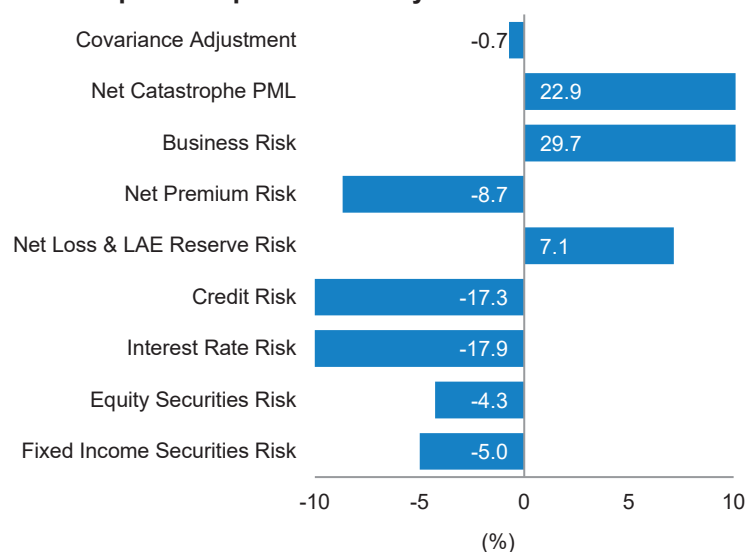


Source: AM Best data and research

was mostly driven by an increase in market capital and a decline in required capital. AM Best expects this trend to remain stable through 2025.

Required capital, as measured in BCAR at the VaR 99.6% level, can be broken down into eight separate risk factors: fixed-income securities, equity securities, interest rate, credit, net loss & loss adjustment expense (LAE) reserves, net premiums, business, and catastrophic, with an additional covariance adjustment that lowers the amount of capital required, taking into account underlying correlations (**Exhibit 3**). In 2024, the largest relative decline in risk was interest rate risk at 17.9%. This reflects the shift toward longer duration and higher yielding investments on average. Offsetting was the increase in catastrophic risk, at 22.9%, which aligns with the growing demand and higher limits among cedents, as well as rising risk from secondary perils.

Exhibit 3

2024 Required Capital Growth by Risk Factor

Source: AM Best data and research

AM Best expects industry conditions to remain steady through the remainder of 2025. Assuming a more normal level of catastrophic events, reinsurers are on pace to report upper-single-digit capital growth in 2025. This could be offset by volatility in asset risk from a growing investment base and potentially higher reserve charges from continued social inflation and adverse development in the US casualty segment. Nevertheless, reinsurers are well positioned to absorb a normal level of volatility in the market, as well as handle their relationship with their cedents by providing flexible solutions.

How We Calculate Total Dedicated Capacity

To calculate the amount of dedicated capacity, we analyze the BCARs of the top reinsurers, which quantify a company's available capital and required capital. To adjust for organizations that provide capacity in both primary and reinsurance markets, we apply a haircut based on a split of the company's business, based on net premiums earned. The haircuts for all companies are then consolidated and grossed up by 10% to account for organizations that are not in the group. The consolidation of these figures results in AM Best's estimate of traditional reinsurance capital, which we then combine with Guy Carpenter's estimate of third-party capital, for total global reinsurance market capital.

AM Best also estimates excess capital in the market. The calculation of excess capital is similar to that of traditional reinsurance capital, the difference being that BCARs incorporate the impact of a catastrophic event at the company level. We then make the same haircut, consolidation, and gross-up adjustments to the catastrophe-stressed BCARs. The consolidated figures are then examined to determine how much available capital must decline before the market's BCAR ratio falls below 25%, the strongest BCAR measure in AM Best's criteria.

Reinsurers Meet Cost of Capital for Second Consecutive Year

Median ROE in 2024 slightly lower than in 2023 but overall better than for the last decade

Principal Takeaways

- Reinsurers met their cost of capital for the second year in a row in 2024, after four years of failing to do so.
- Strong market performance drove down the cost of equity and, subsequently, the cost of capital, despite high interest rates.
- Despite catastrophes such as the California wildfires, reinsurers that balance long-term strategies with effective tactical decisions and sound risk management are firmly poised to meet market expectations in 2025.

Sound risk management, strategic use of technology, and a maturing partnership with alternative capital have subdued the cyclical nature of the reinsurance market. To meet or go above the cost of capital, reinsurers must remain flexible with regard to market conditions and balance opportunities (taking advantage of market conditions, retreating when pricing is not right) over the short term, with strategic long-term goals (maintaining relationships, building expertise, and being relevant and dependable over the long run).

High interest rates throughout 2024 kept the cost of debt high but strong market performance drove down the cost of equity. The reinsurance industry's weighted average cost of capital has been volatile over the past decade, and has dipped again to 7.66% in 2024 from 8.1% in 2023. It fell further in the first quarter of 2025, to 6.66%. For the second year in a row, reinsurers generated returns well above the cost of capital in 2024, due to positive underwriting results driven by repricing and de-risking of reinsurance portfolios. Returns were lower in the first half of 2025 because of natural catastrophe losses, but stayed well above the cost of capital.

The current hardened conditions in the reinsurance market are being driven primarily by memories of historical prolonged underperformance, compounded by the abundant capital due to the extended low interest rate environment. A confluence of catastrophes, changes in interest rates, and increases in social inflation caused rates to skyrocket, but increases are slowing. Guy Carpenter calculated a 6.2% decrease in Rate-On-Line (ROL) at January 1, 2025, for both US and European property catastrophe reinsurers, after a moderate increase of 5.4% in 2024, compared with nearly 30% in 2023. However, there was some differentiation in 2025 renewals, as some loss-affected reinsurers saw steep price increases. Even with the decrease, rates are up over 90% from 2017. Reinsurers have also implemented thorough de-risking measures, such as tightened terms and conditions and a sharp increase in attachment points, which are unlikely to be loosened. Market conditions indicate more sustainable pricing momentum, enhancing reinsurers' ability to meet their cost of capital over the medium term.

Analytical Contacts:

Helen Andersen, Oldwick
+1 (908) 882-1629
Helen.Andersen@ambest.com

Sridhar Manyem, Oldwick
+1 (908) 882-2087
Sridhar.Manyem@ambest.com

2025-105.4

Returns Remain High Despite Natural Disasters

For reinsurers that take on high severity risks, meeting their cost of capital during years of severe catastrophe losses is a challenge (**Exhibit 1a**), which is especially evident when comparing the median return on capital employed (ROCE) and the median weighted average cost of capital (WACC). WACC measures a company's cost of both debt and equity, whereby the weights are the relative proportion of financing based in each source. ROCE measures how well a company generates profits from its capital, including both debt and equity. ROCE is calculated by dividing earnings before interest and taxes (EBIT) by capital employed, with capital employed equal to total assets minus current liabilities.

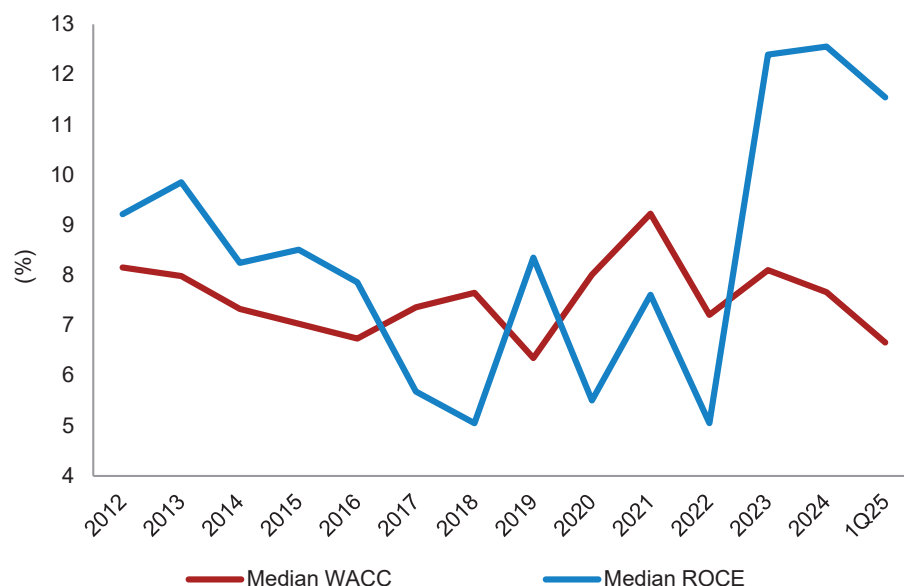
The years when returns exceed the cost of capital are generally the ones with a lower frequency and severity of natural disasters. However, higher attachment points have allowed reinsurers to weather the increased frequency and severity of secondary perils.

According to Swiss Re, 2024 marked the fifth year in a row in which global insured losses exceeded USD 100 billion. The majority of insured losses were due to numerous small- to medium-sized events and, owing to higher attachment points, most of the impact was retained by primary insurers.

Reinsurers met the cost of capital again in 2024 after a four-year streak of failing to do so ended in 2023. The median return on equity (ROE) also exceeded the cost of equity (**Exhibit 1b**). ROE is another measure of how efficiently a company generates profits. Unlike ROCE, ROE does not take debt into account. It is calculated by dividing net income by average shareholders' equity. MCPM is a measure of the cost of capital that is often more conservative than the popular CAPM model. Reinsurers' ROEs also exceeded the MCPM in 2024.

Exhibit 1a

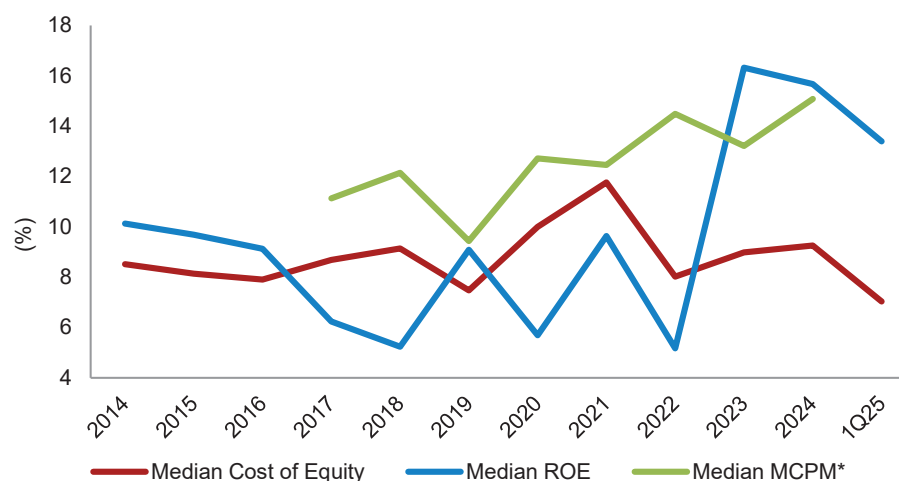
Reinsurers' Median ROCE Compared to Median WACC



Source: Bloomberg

Exhibit 1b

Reinsurers' Median ROE Compared to Median Cost of Equity



* MCPM is based on a smaller sample size and has limited years due to availability of data

Source: Bloomberg

Most reinsurance players had very strong returns on equity in 2024, if not as exceptional as 2023, with a median of 15.67%—lower than last year, but still significantly higher than any in the past decade. These returns are due to ongoing positive underwriting results, as well as recoupment of unrealized investment losses from previous years thanks to higher reinvestment rates. The exceptional ROE in 2023 is unlikely to be repeated, although reinsurers are expected to maintain underwriting discipline over the near term.

MCPM Suggests Higher Cost of Capital

There are multiple methods used to estimate the cost of equity, the most popular of which is the Capital Asset Pricing Model (CAPM). The CAPM divides risk into systematic risk (the risk of being in the market) and idiosyncratic risk. Systematic risk is measured by beta, a portfolio's relationship to the overall market, and cannot be diversified. Idiosyncratic risk is specific to a company and can be mitigated through appropriate diversification, making beta the more important factor in the CAPM. The cost of debt is simpler to calculate: averaging the yield to maturity for a company's outstanding debt.

By contrast, the Market-Derived Capital Pricing Model (MCPM) uses the price of options rather than historical data to estimate future volatility. MCPM relies on the same forward-looking market expectations that are built into a company's stock price and may provide a more accurate figure for firms to use when making decisions about capital allocations.

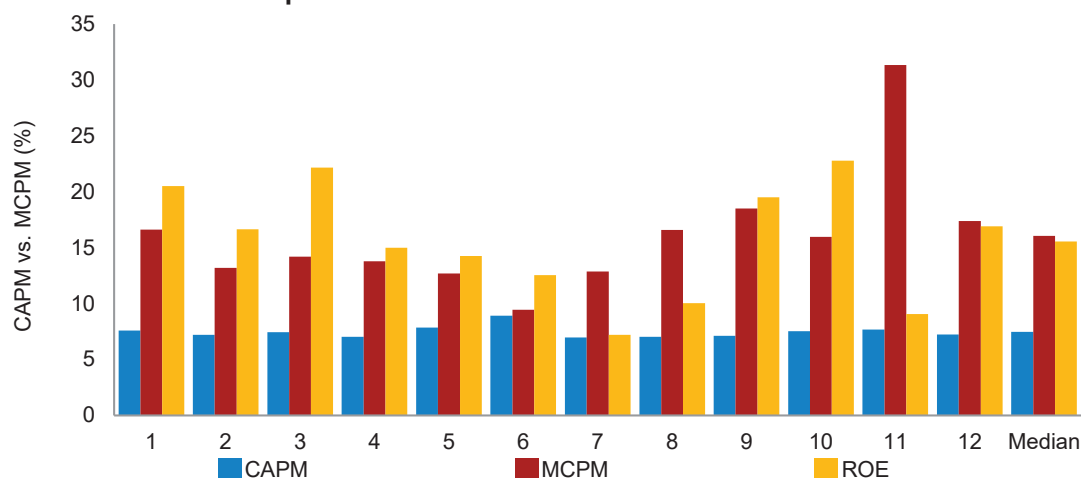
For global reinsurers for which options data was available, the MCPM cost of capital differed markedly from the CAPM cost of capital (**Exhibit 2**). The median CAPM cost of capital for these reinsurers was 7.5%, versus the MCPM's 16.0%. The majority of these reinsurers were still able to meet their cost of capital thanks to high ROEs but with a much narrower margin.

A Rising Tide Lifts All Boats

Between 2012 and 2016, the reinsurance industry's ROCE was steady, despite Superstorm Sandy in 2012. Generally, in years when losses were more severe, the variance in the spread of returns was wider (**Exhibit 3**). For example, in 2019, reinsurers' returns ranged from 2% to 21%. In 2022, a year with high catastrophe losses, returns ranged from -25% to 20%. In years such as 2014, when global insured catastrophe losses were below average (less than USD 35 billion according to various estimates), the

Exhibit 2

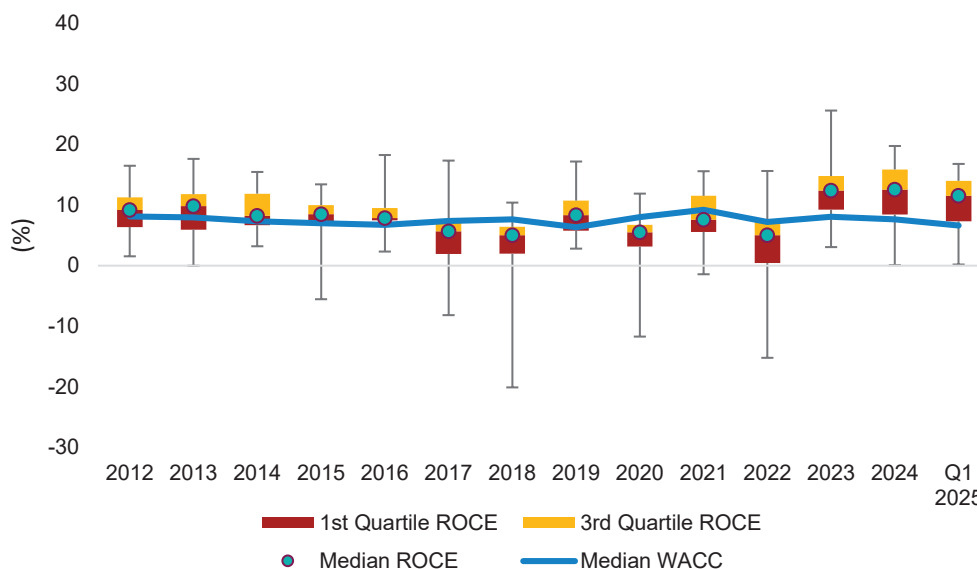
2025 YTD* Cost of Capital for 12 Global Reinsurers – CAPM vs. MCPM



*Data as of 7/10/2025

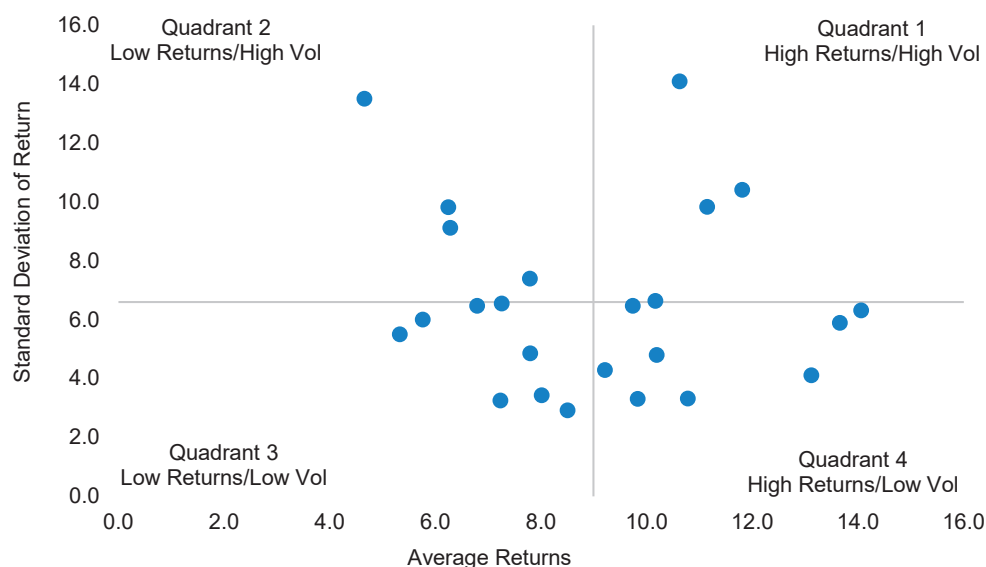
Source: AM Best data and research

Exhibit 3
Reinsurers -- ROCE Dispersion



Source: Bloomberg

Exhibit 4
Average Returns vs. Volatility of Returns



Source: Bloomberg

range of returns was between 3% and 17%, while in a year like 2017 (industry losses estimated at more than USD 150 billion), the variance was significantly wider, between -13% and 21%. The year 2023 was an exception, when the wider spread was due not to higher losses but to a few exceptional returns, with the minimum being 5% and the maximum being 37%. Despite high catastrophe losses in recent years, de-risking measures and pricing increases have mitigated this dispersion and maintained a higher floor for returns.

Reinsurers in the third quadrant experienced more volatility in these cases due to the lack of effective risk management and exposures to risk outside investors' risk appetites. In contrast, reinsurers in the first quadrant tend to focus on effective risk management, appropriate portfolio concentration, and

diversification. They are more likely to see a narrower spread of returns, often meeting or exceeding the cost of capital. These reinsurers do a much better job of communicating their risk profiles to investors. When losses occur, investors are not surprised.

Managing Risk/Return Trade-Off Impacts Cost of Capital

Reinsurers look to optimize their cost of capital and maximize their returns while taking risks commensurate with their risk appetites. Significant volatility in returns can indicate inefficiencies with regard to managing risk, resulting in a higher cost of capital. **Exhibit 4** lists 24 reinsurers and their returns. Reinsurers in Quadrant 1 generate higher-than-average returns with higher-than-average volatility. Reinsurers in Quadrant 4 achieve high returns with low volatility. Reinsurers in Quadrant 3 generate lower-than-average returns with low volatility, and those in Quadrant 2 generate lower-than-average returns with higher volatility, resulting in an increased cost of capital.

In 2022, a year with high cat losses, about a third of reinsurers were in the second quadrant, with low returns and high volatility. Since rates have increased and thorough de-risking measures have been implemented, there has been a general decrease in the volatility of earnings. Many more reinsurers are now found in the quadrants three and four.

An insurer's ability to raise capital (especially in times of stress) and the potential cost of capital are important considerations in the ratings process. When assessing operating performance, we look at an insurer's returns on equity in comparison to its peers and vis-à-vis cost of capital, as well as return on revenue, combined ratio, return on assets, and underwriting expenses. We also examine the absolute level of these metrics and their historic volatility.

US-Bermuda Reinsurers Poised To Sustain Solid Performance Despite Pricing Pressure

Favorable underwriting results despite higher CAT losses for US-Bermuda reinsurers

Principal Takeaways

- The US-Bermuda reinsurance composite reported a strong 2024 performance despite higher CAT losses and a reduced impact of favorable reserve development.
- Catastrophe pricing is softening, albeit at attractive levels.
- Robust internal organic capital generation supports strong balance sheets.
- Strong investment results grow as a contributor to earnings.
- The overall trading market remains rational and disciplined.

AM Best's composite of US & Bermuda reinsurers consists of seven reinsurance groups domiciled in either the US or Bermuda, for which the reinsurance business accounts for the majority of their underwriting portfolios. The seven companies in the US-Bermuda composite are Arch Capital Group Ltd.; Everest Group, Ltd. (Everest); General Re Corporation; Odyssey Group Holdings, Inc.; PartnerRe Ltd.; RenaissanceRe Holdings Ltd. (RenRe); and Transatlantic Holdings, Inc. (Transatlantic).

The composite continued its trend of favorable underwriting results while generating the group's fourth consecutive year of underwriting profitability. While the 2024 combined ratio of 89.5 represented a 4.4-point deterioration over the prior year (**Exhibit 1**), this underwriting margin still represents a substantial improvement over levels reported for several years preceding 2023.

Overall profitability declined in 2024 compared to stellar results posted in 2023, when the composite generated the strongest underwriting margins in years. Peak underwriting results in 2023 were further supplemented by higher net investment income, as well as significant realized and unrealized investment gains and the positive impact of the Bermuda Corporate Income Tax (CIT) Act of 2023.

The composite's total net premiums written (NPW) grew 13.2% in 2024, up from 5.3% in 2023, when aggregate NPW growth for the companies was reduced by significantly higher reinsurance cessions from Transatlantic to Berkshire Hathaway Inc. affiliates.

Property and casualty (P/C) gross written premiums for the composite climbed by 12.3% in 2024, versus 10.5% in 2023 and 10.7% in 2022. The uptick in growth year-over-year largely reflects markedly higher premiums at RenRe, driven by the renewal of business acquired in the Validus acquisition. Excluding RenRe from both periods, the composite's P/C gross written premiums growth scaled back to 9.5% in 2024 from 12.9% in 2023.

Analytical Contact:

Gregory Dickerson, Oldwick
+1 (908) 882-1737
Gregory.Dickerson@ambest.com

Contributor:

Antionietta Iachetta, Oldwick
2025-105.5

Exhibit 1

Global Reinsurance – US & Bermuda Market Financial Indicators

(%)

	2020	2021	2022	2023	2024	Five-year Average
NPW (P/C only)	6.7	18.4	19.0	5.3	13.2	12.5
Net Earned Premiums (P/C only)	8.4	13.2	20.0	10.4	14.0	13.2
Reinsurance % of NPE	77.3	78.6	82.0	82.1	84.6	80.9
Shareholders' Equity Growth (End of Period)	7.2	3.7	-11.3	33.7	9.6	8.6
Loss Ratio	72.4	65.6	63.9	56.4	61.4	63.9
Expense Ratio	29.0	29.2	27.5	28.7	28.1	28.5
Combined Ratio	101.3	94.8	91.4	85.1	89.5	92.4
Reserve Development – (Favorable)/Unfavorable (%)	-3.9	-10.0	-3.0	-3.7	-0.3	-4.2
Net Investment Ratio ¹	8.7	9.1	7.7	12.5	14.5	10.5
Operating Ratio	92.6	85.6	83.7	72.6	75.0	81.9
Return on Equity (%)	5.8	11.5	-2.6	23.0	16.8	10.9
Return on Revenue (%)	7.5	13.6	-3.3	22.9	17.5	11.6
NPW (P/C only) to Equity (End of Period)	58.0	67.0	89.0	70.0	73.0	71.0
Net Reserves to Equity (End of Period)	128.0	129.0	159.0	130.0	134.0	136.0
Gross Reserves to Equity (End of Period)	160.0	171.0	210.0	169.0	175.0	177.0

¹ Net investment ratio based on P/C NPE.

Ratios may vary slightly due to rounding.

Source: AM Best data and research

This larger trend of decelerating top-line growth reflects the diminishing pace of rate improvement in several lines of business, particularly property exposures, where pricing has eased in 2025, following very good results in 2023 and 2024. Property reinsurance pricing nevertheless remains at more attractive levels than prior to 2023, when rates rose sharply in property-exposed lines at each of the key reinsurance renewal dates. Importantly, reinsurance terms and conditions have been largely unchanged.

AM Best expects premiums for the composite will increase in 2025 at a slower pace than in 2024, reflecting the high ongoing demand for reinsurance capacity, partially offset by moderate rate softening in several business lines, notably property CAT, directors and officers, and cyber reinsurance.

Strong Underwriting Margins Despite Higher Catastrophe Losses, Less Favorable Reserve Development

In 2024, natural catastrophe activity continued at an elevated pace, with estimated global insured catastrophe losses totaling approximately USD 140 billion, the third-highest year on record in terms of insured losses, exceeding USD 100 billion for the fifth consecutive year. Catastrophe losses contributed 6.7 combined ratio points for the composite in 2024, up from 4.0 points in the prior year.

The most impactful events of 2024 occurred in the second half, when Hurricanes Helene and Milton made landfall in the southeastern US and contributed USD 25 billion and USD 16 billion of insured losses, respectively. In addition to hurricanes, severe thunderstorms (also known as severe convective storms) caused significant damage. North America reported the overall highest share of global natural catastrophe losses in 2024. Despite the high rate of natural catastrophe activity, the composite's 2024 accident year (excluding prior year reserve development) combined ratio of 89.8 was only a point higher than 88.8 in 2023 and still represents a marked improvement from the 94.4 accident year

combined ratio posted in 2022. AM Best attributes this result to continuing rate increases in many non-catastrophe lines, as well as enduring benefits of improved reinsurance terms and conditions that tightened significantly, starting from the January 1, 2023 renewal period.

Reported underwriting margins in 2024 included 0.3 points of favorable loss reserve development, compared to 3.7 points of favorable development in 2023. Five of the seven companies in the composite reported favorable net reserve development in 2024, whereas each of the seven companies reported favorable reserve development in 2023. In 2024, total net reserve development trends were impacted by Everest Group, Ltd., which reported more than USD 1.3 billion in net adverse development for the year, driven predominately by US casualty business in its primary insurance portfolio. Everest's reinsurance business also reported unfavorable reserve development in US casualty lines, albeit to a lesser degree than its primary business. Excluding Everest from both periods, the composite's combined ratio benefited from 3.3 points of favorable reserve development in 2024 versus 5.0 points of favorable development in 2023.

The California wildfires put a significant dent in many of the reinsurers 2025 CAT budgets before January was over, with total insured losses estimated to potentially exceed USD 40 billion, with a substantial portion of that expected to be borne by reinsurers. Moreover, the National Oceanic and Atmospheric Administration (NOAA) and other widely respected weather forecasters have projected another active Atlantic hurricane season in 2025. If the 2025 hurricane season is as active as predicted, the US-Bermuda reinsurance composite could struggle to duplicate its strong underwriting performance of the past two years. However, AM Best believes the composite will generate an underwriting profit in 2025, unless catastrophe activity in the second half of the year far exceeds levels seen in 2023 and 2024. If that is the case, the softening trend could pause or reverse, depending on the magnitude of insured losses.

Strong Investment Performance Augments Underwriting Income

For the second year, significant realized and unrealized investment gains and higher net investment income bolstered earnings in 2024. The composite posted a 16.8% return on equity in 2024 versus 23.0% in 2023, when substantial pre-tax realized/unrealized investment gains strongly rebounded from a negative performance in 2022.

The composite's 2023 ROE also benefited from one-time accounting gains related to the transition to a global minimum tax regime in Bermuda. The 2023 ROEs of the four Bermuda-based reinsurers in the composite improved between 5% and 8%, due to early recognition of the future tax benefits expected to be realized from operating tax loss carry-forwards (OTLCs). As a percentage of equity, deferred tax assets (DTAs) accounted for 6% to 9% for these four reinsurers as of year-end 2024. While recognizing DTAs are intangible assets that cannot be liquidated to pay claims, AM Best views DTA levels of less than 10% of total equity as manageable and expects these assets to be converted into tangible equity over time, as the OTLCs are used to offset taxes on future earnings.

Net investment income continues to benefit from significantly higher reinvestment rates on fixed income asset classes and has more than doubled in the past two years to almost USD 8.8 billion in 2024 versus USD 3.7 billion in 2022.

Underwriting and Reserve Leverage Remain at Manageable Levels

The composite's GAAP equity rose by 9.6% in 2024, slightly trailing increases in NPW and loss reserves. As a result, underwriting and reserve leverage rose slightly but remained at very manageable levels. The rise in equity in 2024 was driven primarily by underwriting profits and net investment

income, partially offset by share repurchases and dividends paid. The group returned more capital to shareholders in 2024 than in 2023. Dividends and share repurchases totaled over USD 5.8 billion in 2024, compared to less than USD 2.0 billion in 2023. AM Best views this trend as a prudent return of excess capital to shareholders following robust capital growth in 2023. AM Best expects that risk-adjusted capitalization will remain sufficient to support organic growth opportunities into 2025.

New Capital Not Entering the Market in a Meaningful Way

Despite the group's very solid performance in 2023 and 2024, new company formation in the US-Bermuda reinsurance market has remained muted. In AM Best's view, this trend reflects the abundance of capital as well as investors' continued skepticism reinsurers will be able to consistently meet or exceed their cost of capital. This hesitance among investors likely reflects ongoing challenges presented by climate risk and social inflation, as well as a higher hurdle rate for reinsurers to meet their cost of capital, given the elevated interest rate environment. AM Best expects capital flows to the reinsurance segment in the US & Bermuda market will continue to be driven by established franchises with strong track records, and opportunities for new company formations will remain limited.

Underwriting Cycle Management Becomes Crucial for Lloyd's Amid Softening Market Conditions

Lloyd's reinsurance business has grown strongly in recent years, with a five-year compound average growth rate of 9%.

Principal Takeaways

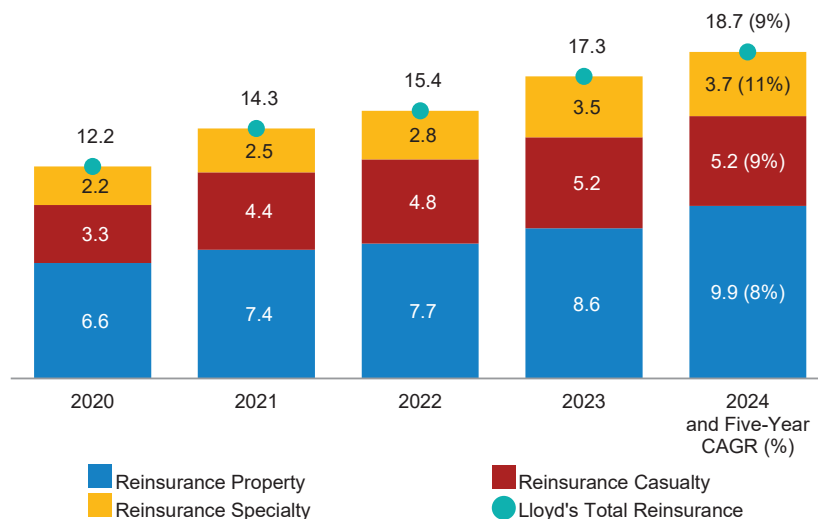
- Excellent pricing conditions for most business lines persisted through 2024, although softening pressures have increased in 2025.
- Despite the market reporting improved underwriting results in recent years, performance oversight by the Corporation is expected to remain an area of critical importance to navigate the likely downturn in the underwriting cycle.
- The market remains attractive with a growing deployment of third-party capital and influx of new syndicates.

Reinsurance is the Lloyd's market's largest segment and accounts for approximately one-third of its gross written premium (GWP). In 2024, GBP 18.7 billion of inwards reinsurance business was written across the market (see **Exhibit 1**). Reinsurance business comprises property (approximately 50% of Lloyd's reinsurance business), casualty (~30%) and specialty (~20%) (primarily marine, aviation and energy reinsurance).

Lloyd's reinsurance business has grown strongly in recent years, with a five-year compound average growth rate of 9%. Specialty reinsurance was the fastest growing line with a five-year

Exhibit 1
Lloyd's – Reinsurance Segment by Line of Business, 2020-2024

Line of business: GBP billions. Five-year compound annual growth rate: %



Source: AM Best data and research

Analytical Contacts:

Kanika Thukral, London
+44 20 7397 0327
kanika.thukral@ambest.com

Tim Prince, London
+44 20 7397 0320
timothy.prince@ambest.com

Editorial Managers:

Richard Banks, London
+44 20 7397 0322
richard.banks@ambest.com

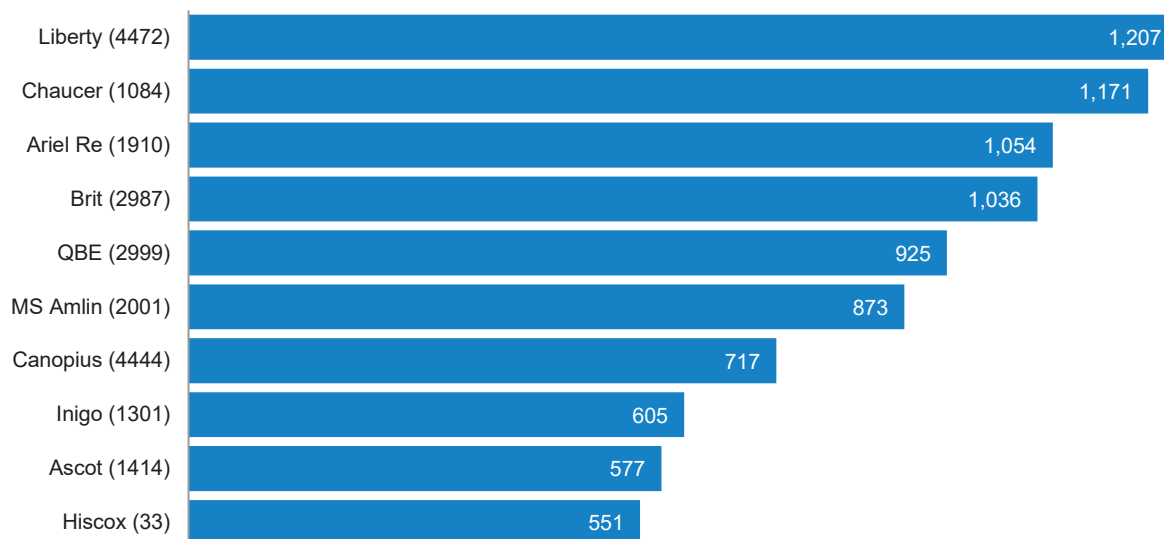
Richard Hayes, London
+44 20 7397 0326
richard.hayes@ambest.com

2025-105.6

Exhibit 2

Lloyd's – Largest 10 Syndicates, Inwards Reinsurance by Gross Written Premium, 2024

(GBP million)



Source: AM Best data and research

compound average growth rate of 11%. In 2024, the market's reinsurance premiums grew by 8%, driven by material growth in property and specialty lines, and benefitting from a positive risk-adjusted rate change along with low-single digit economic inflation. However, a minor contraction was noted for casualty reinsurance in 2024 despite pricing improvements, largely driven by performance pressures for this line. The syndicates renewed only the profitable accounts, with a strong focus on price adequacy. Syndicate 4472 (Liberty) reported the largest volume of reinsurance premium in 2024 (see **Exhibit 2**), closely followed by Syndicate 1084 (Chaucer).

The distribution of Lloyd's business is dominated by insurance brokers, and by the three largest global brokers in particular. Lloyd's brokers play an active part in the placement of risks and in providing access to regional markets.

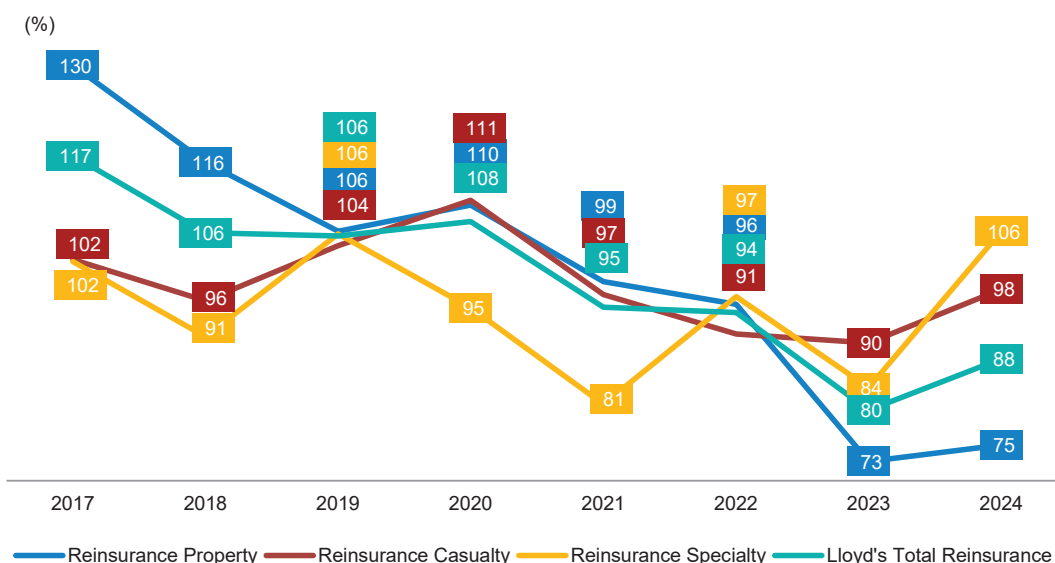
The Lloyd's distribution model is relatively expensive, with business often passing through several distribution links before arriving at the syndicates. The market's reliance on brokers also makes it vulnerable to price-based competition. Although in overall terms, Lloyd's is important to the large global brokers (as well as to the specialised London market brokers), the importance of individual syndicates is less so.

Reinsurance Performance Supported by Favourable Pricing Environment

Following a period of poor performance leading up to 2020, remedial work was undertaken by syndicates that was supported by close performance oversight by the Corporation. The result of these corrective measures is reflected by improved underwriting performance for the reinsurance segment since 2021 (see **Exhibit 3**). Significantly improved market conditions from 2023 contributed to the market's reinsurance segment reporting excellent combined ratios in the most recent two years.

The property and casualty reinsurance segments reported improved combined ratios each year from 2020 to 2023 due to increased underwriting discipline. Significant rate hardening in 2023 further accelerated the improvement. However, for 2024, the market reported an uptick in combined ratios for both segments.

Exhibit 3
Lloyd's – Reinsurance Segment's Combined Ratios by Line of Business, 2017-2024



Source: AM Best data and research

For property reinsurance, rates held up well in 2024 and performance was supported by prior year reserve releases related to catastrophe events, such as hurricanes Ian (2022) and Ida (2021), and Typhoon Jebi (2018). Natural catastrophe activity in 2024 was elevated compared with 2023 but remained comfortably within the budget. Overall, the property reinsurance segment reported an excellent combined ratio of 75% in 2024. Despite apparently good rate adequacy in the casualty reinsurance segment, the market reported a deterioration in the combined ratio to 98% for 2024 from 90% in 2023, partially due to the adverse development of business written prior to 2019.

In 2024, Specialty reinsurance experienced a slowing of rate increases as well as continued material loss activity, including the collision of the vessel Dali with the Francis Scott Key Bridge in Baltimore. In addition, this segment reported adverse prior year development, particularly in the Aviation line due to strengthening of Ukraine conflict related loss estimates. This led to the deterioration in the performance of this line, with its combined ratio increasing to 106% in 2024.

Although moderating in comparison to 2023, the overall performance of Lloyd's reinsurance segment remained strong in 2024, with the market reporting healthy underwriting profits of GBP 1.7 billion (2023: GBP 2.6 billion) and a combined ratio of 88% (2023: 80%).

The reinsurance segment's underwriting results for 2025 are expected to be impacted by the California wildfires, for which the estimated loss for the overall Lloyd's market (including insurance) is approximately GBP 1.7 billion (USD 2.3 billion) and is expected to consume a third of the total market's 2025 natural catastrophe allowance. With the hurricane season still ahead, Lloyd's reinsurance segment's profitability for 2025 will be subject to its natural catastrophe experience during the rest of the year.

Capital at Lloyd's

Syndicates operating at Lloyd's follow a robust market-wide capital-setting regime, which incorporates a risk-based approach to setting member-level capital, as well as a 35% capital uplift. Moreover,

there is a requirement for members to replenish their Funds at Lloyd's (FAL) after a loss through the "Coming into Line" process, which helps protect risk-adjusted capitalisation against volatility. In effect, this means that capital depleted following a large catastrophic loss event is typically replenished quickly during the year, making Lloyd's risk-adjusted capitalisation less volatile than that of peers.

Member-level capital in the form of FAL and members' balances are held on a several rather than a joint basis, meaning that any member needs to only meet its share of claims. However, Lloyd's central assets are available, at the discretion of the Council of Lloyd's, to meet policyholder liabilities that any member is unable to meet in full. This link in the Chain of Security comprises the Central Fund and other central assets. These central assets can be supplemented by funds called from members of up to 5% of their overall premium limits. Currently, Lloyd's has in place insurance for the Central Fund through a multi-year cover. This provides protection to the Central Fund, and therefore the market, against severe tail events.

Lloyd's good financial flexibility is enhanced by the diversity of its capital providers, which include corporate and individual investors. Traditional Lloyd's businesses remain committed to the market. In addition, Lloyd's continues to attract new investors, drawn by its capital efficient structure and global licences. As the capital to support underwriting at Lloyd's is supplied by members on an annual basis, it is important that the market is able to attract and retain the capital required for continued trading.

Since releasing the Future at Lloyd's prospectus in 2019, Lloyd's key objective has been to improve the ease of doing business and, specifically, to make it easier for capital to enter the marketplace, making it flexible to access a diverse set of insurance risks on the Lloyd's platform. These initiatives, along with Lloyd's generating robust returns in recent years, have resulted in a growing number of new syndicates being established in the market.

In 2021, Lloyd's established its London Bridge platform to act as a reinsurance risk transformation vehicle to facilitate the participation of institutional investors. The platform allows the issuance of both preference and debt securities to fund reinsurance obligations. By the end of 2024, the London Bridge risk transformation platform reached a capital deployment of approximately USD 2 billion through 19 cells.

Our Insight, Your Advantage[®]

The European “Big Four” Reinsurers Maintain Their Risk Appetites

Concerns
regarding adverse
development in
US casualty books
persist for the Big
Four European
reinsurers.

Principal Takeaways

- Europe’s four largest reinsurers—Swiss Re, Munich Re, Hannover Re and SCOR—reported strong results in 2024, benefitting from good rate adequacy and continued underwriting discipline on policy terms and attachment points.
- The European “Big Four” are maintaining their ambitious profit targets for 2025, despite the material impact of the California wildfires in Q1 and signs of rate softening.
- The cohort reported an average return on equity for 2024 in line with that of the US & Bermuda market players, despite SCOR’s breakeven result, which was driven by one off factors.

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.

Each one is a composite reinsurer, writing both life and non-life reinsurance business. 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, 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 2024 was strong for three of the “Big Four”, thanks to reduced impact from pandemic-related deaths, although excess mortality in the US, in particular, continued. The exception was SCOR, which reported a large loss for its life segment in 2024 (see section below).

Swiss Re transitioned to reporting under IFRS in 2024. This enhances comparability, as all four companies are now reporting under the same standard.

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.

Analytical Contacts:

Mathilde Jakobsen, Amsterdam
+31 20 808 3118
mathilde.jakobsen@ambest.com

Ghislain Le Cam, London
+44 20 7397 0268
ghislain.lecam@ambest.com

Angela Yeo, Amsterdam
+31 20 808 1712
angela.yeo@ambest.com

Editorial Managers:

Richard Banks, London
+44 20 7397 0322
richard.banks@ambest.com

Richard Hayes, London
+44 20 7397 0326
richard.hayes@ambest.com

2025-105.7

Nonetheless, with those caveats in mind, AM Best can make some general comparative observations. The “Big Four” reinsurers have on average reported returns on equity (ROEs) for 2024 in line with the average for the US & Bermuda market composite (see **Exhibit 1**). However, Lloyd’s ROE of 21.2% is materially higher than that of the European average.

For 2023, the “Big Four” reinsurers reported lower ROEs than the average for the US & Bermuda, and Lloyd’s.

The ROEs of the “Big Four” also tend to be more stable over time. Notwithstanding SCOR’s experience in 2024, the cohort’s life books have generally had a stabilising effect, and the groups are very diversified. In addition, unrealised gains and losses on fixed-income investments are typically reported through other comprehensive income (OCI) for the “Big Four” reinsurers, but through profit and loss for the US & Bermuda players, and Lloyd’s. This also leads to less variation on both the up and down sides in the ROEs of the European players.

The average combined ratio for the “Big Four” (86.4%) was also broadly in line with the average for US and Bermudian players (89.5%), and with Lloyd’s (86.9%). 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 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.

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).

Exhibit 1

Global Reinsurance – European “Big Four” Market – Trend Summary

(%)

IFRS 4	2020	2021	2022	IFRS 17	2022*	2023**	2024
Net Written Premium (P&C only)	12.1	1.9	6.0	Insurance Revenue ¹	N/A	12.1	0.6
Net Earned Premium (P&C only)	12.9	6.0	12.3				2.2
Total Revenue	5.6	2.9	1.1	Total Revenue ¹	N/A	13.4	N/A
Shareholders' Equity (End of Period)	3.2	-6.8	-37.8	Shareholders' Equity (End of Period) ¹	N/A	13.6	7.4
Loss Ratio	73.8	68.3	70.7				
Expense Ratio	30.2	29.8	29.0				
Combined Ratio	103.9	98.1	99.7	Combined Ratio	90.8	87.6	86.4
Net Investment Ratio ²	12.5	14.2	9.6	Net Investment Ratio ³	8.2	14.1	17.2
Operating Ratio	91.5	83.8	90.1				
Return on Equity	2.4	8.1	8.3	Return on Equity	10.3	17.4	16.2
Return on Revenue	1.2	3.9	3.1	Return on Revenue	4.8	6.8	6.9
Net Written Premium (P/C only) to Equity ⁴	97	110	198	Insurance Revenue to Equity ⁴	131	121	118
Net Reserves to Equity ⁴	474	508	793	Net Reserves to Equity ⁴	640	540	508
Gross Reserves to Equity ⁴	494	535	837	Gross Reserves to Equity ⁴	667	556	524

1 2022 calculations not available due to changeover to IFRS 17.

2 Net investment ratio based on P/C net earned premium.

3 Net investment ratio based on non-life insurance revenue.

4 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.

Source: AM Best data and research

Swiss Re

Swiss Re transitioned to the IFRS 17 reporting standard in 2024 – figures disclosed going forward are based on IFRS 17.

Swiss Re's net income remained largely flat at USD 3.2 billion in 2024 from USD 3.1 billion in 2023, equivalent to an ROE of 15.0%. The result was supported by good underwriting margins across the group's three main business segments: Property & Casualty Reinsurance (P/C Re), Life & Health Reinsurance (L&H Re) and Corporate Solutions (CorSo). Moreover, good conditions in financial markets drove a further increase in investment income.

P/C Re reported a combined ratio of 89.9% for 2024, which compares negatively with 2023 (85.0%) and with the company's target of below 87.0%. The group's new CEO, Andreas Berger, took the decision to strengthen US Casualty reserves in the third quarter of 2024 following a comprehensive review. The strengthening on US casualty was partially offset by releases on other lines of business. These actions positioned overall reserves at the higher end of the best-estimate range and added 10.2 percentage points to the combined ratio.

L&H Re reported net income of USD 1.5 billion for 2024 (up from USD 1.4 billion in 2023), benefitting from recognition of in-force margins and strong investment income, which was partially offset by adverse experience and assumption reviews. Furthermore, the assumptions review conducted in the fourth quarter of 2024 contributed to a reduction in L&H Re's contractual service margin (CSM) of USD 1.3 billion, with the total L&H Re CSM reducing to USD 17.4 billion in 2024, from USD 19.5 billion in 2023.

CorSo reported a combined ratio of 89.7% for 2024, which outperformed the prior year's combined ratio of 91.0% and a target of below 93% for 2024. The continued improvement in performance reflects stringent portfolio steering and disciplined underwriting implemented by management (helped by lower-than-expected man-made losses and strong investment results).

Overall, the group reported growth in insurance revenue of 3.9%, to reach USD 45.6 billion in 2024, with growth reported across all three main business segments. The main drivers of growth in 2024 included the favourable rate environment, coupled with targeted new business growth.

Since 2023, all four have taken the opportunity, given the strong operating performance trends, to further strengthen non-life loss reserves. Overall, reserve strengthening charges have been comfortably absorbed by profit margins in other non-life lines of business.

Life Business Remains Profitable Despite Adverse Experience in Some Portfolios

Life business remains a stabilizing factor for the "Big Four" reinsurers, notwithstanding the one-off impacts seen in 2024, resulting from adverse experience in specific blocks of business.

In 2024, both SCOR and Swiss Re undertook assumptions reviews in their life portfolios, leading to reductions in their CSM. For SCOR, this reduction was material relative to the size of its CSM, while Swiss Re's reduction was more modest.

Despite these headwinds, 2024 was overall a profitable year for the life reinsurance operations of the "Big Four" reinsurers. Most portfolios remained profitable and both SCOR and Swiss Re emphasised that the

CSM impacts were largely isolated, with updated assumptions positioning their life business for a stronger and more stable future performance. 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 2025

The “Big Four” reinsurers have continued to report strong results for their non-life reinsurance segments in 2025, despite being heavily impacted by the California wildfires during the first quarter of the year. With this exception, the overall large loss environment has remained relatively benign year-to-date. This, combined with disciplined underwriting, rate adequacy and robust investment income, has allowed the groups to maintain full-year profit targets for 2025.

Munich Re

In 2024, Munich Re reported a net profit of EUR 5.7 billion, with an ROE of 18.2% (as calculated by the company). The P/C reinsurance segment, which includes global specialty insurance (GSI) business in 2024, generated strong net profits of EUR 3.2 billion, with a net/net combined ratio of 82.4%, with major loss expenditures in line with budget. The majority of P/C reinsurance lines of business reported strong combined ratios, while only liability and accident reported combined ratios above 100%, partly driven by prudent reserve strengthening. Life performance improved over 2024, with a net result of EUR 1.7 billion, compared to EUR 1.4 billion in 2023, with positive performance in core markets.

During 2024, insurance revenue from insurance contracts grew by 5.1%, amounting to EUR 60.8 billion. Insurance revenue for the P/C segment stood at EUR 28.3 billion (+4.5%), of which approximately EUR 8.8 billion was attributed to GSI business. Insurance revenue for life and health reinsurance contracts declined to EUR 11.8 billion (9.7%), driven by large transactions in US and UK business and the ongoing expansion of longevity business. Starting in 2025 the group is reporting GSI as a separate segment.

Total equity increased by 10% to 32.7 billion at year-end 2024, as a result of strong capital generation.

Risk Appetite and Diversification Strategies

While market conditions are starting to show signs of softening in 2025, the “Big Four” reinsurers still have appetite for property catastrophe. This follows a period of right-sizing of portfolios, increases in attachment points, and a move away from aggregate covers and working layers. Although prices have softened in the 2025 renewals, discipline on attachment points and terms seem to be holding for now. Although there is no material sign yet of this discipline disappearing, the focus seems to have shifted to taking advantage of good pricing while it lasts.

At the same time, the “Big Four” reinsurers are also aiming for growth in specialty segments such as cyber, marine, engineering, and other lines in both insurance and reinsurance. The growth in these lines is aimed at achieving increased levels of diversification and more stable earnings.

Hannover Re

Hannover Re's insurance service revenue grew by 7.9% in 2024 over 2023 to EUR 26.4 billion, mainly driven by growth in the P&C segment (principally in structured reinsurance/ILS products, EMEA and Americas). The group benefitted from good technical performance in 2024, with a non-life net/net combined ratio of 86.6% in 2024, in spite of the company continuing to increase its reserve resiliency during the year (2023: 94.0%, with the company also taking advantage from strong technical results to bolster its resiliency reserves). Technical performance in the P&C segment was boosted by lower-than-budgeted net large losses impact during the year (net: EUR 1.6 billion).

Life technical results improved in 2024, driven by better mortality experience, and increased contributions from longevity products as well as financial solutions. Technical results were supported by investment income.

Overall, net income amounted to EUR 2.3 billion in 2024 (2023: EUR 1.8 billion), with an ROE of 21.2%.

Capital generation was good, with an increase in capital tied mostly to retained earnings.

SCOR

SCOR's insurance service revenue was relatively stable in 2024 compared with 2023 with a 1.3% growth over the year.

The group's overall technical performance deteriorated drastically in 2024, impacted by one off adjustments to the L&H results and reserves tied with L&H reserves assumptions review. The reserve review led to a material reduction in CSM and also had a negative P&L impact, which pushed the insurance service result for the L&H reinsurance segment to a loss for the year.

The P&C segment benefitted from strong technical results, with a net/net combined ratio of 86.3% in 2024 (2023: 85.0%, 2022: 114.9%). Over 2024, SCOR increased its reserving resiliency, booking additional reserves in order to be at the 75/80 percentile confidence level (against 70/75 percentile previously). The group benefitted from lower attritional losses during the year in the P&C segment, 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.

Net income was significantly lower than in 2023 and amounted to EUR 4 million in 2024 (2023: EUR 810 million). As a result, the group's ROE stood at 0.1%.

Capital generation was negative over the year, owing mainly to the distribution of dividends which outstripped net income.

Record CAT Bond Issuance Boosts ILS Capacity and Reshapes Pricing Landscape

ILS capacity continues to grow mainly because of record-breaking cat bond issuance

Principal Takeaways

- Issuance of 144A natural catastrophe bonds hits another record high for Q1 and Q2 of 2025. All indications point to continued growth.
- ILS capacity reaches a record high in 2025. Capacity continues to exceed demand in 2025.
- The ILS market returns fell in 2025 compared to the same periods in 2024.

Further Rate Softening at Mid-Year Renewals

Reinsurance pricing at the mid-year 2025 renewals was the most favorable pricing for cedents in a few years, indicating that competition among capacity providers has intensified. Capacity providers, particularly in segments supported by ample capital from insurance-linked securities (ILS) investors like catastrophe (cat) bonds, find market conditions attractive, and are willing to accept somewhat lower prices for the risks they are assuming. Guy Carpenter estimates a year-to-date 8.1% decrease in their Global Property Catastrophe Rate on Line Index through July 1, 2025. Property catastrophe reinsurance pricing for June 1 renewals fell by approximately 10% in general on a risk-adjusted basis, which marks a departure from the across-the-board rate increases two years ago at the June 2023 renewals. This year, even some loss-affected programs achieved flat renewal rates, which is a change from the June 1, 2024, renewals when such favorable rates were typically limited to loss-free accounts. However, other loss-affected programs, many of which had been impacted by Hurricanes Milton and Helene last year, experienced another round of substantial rate increases at this renewal.

Similar to other recent renewal periods, pricing pressure was not uniform across all layers of reinsurance towers. At the upper layers of reinsurance towers, rate reductions were closer to a high single digit on average. The softening trend at the upper layers can be attributed to strong capital inflows. For example, the cat bond market, which tends to focus on the upper layers, has continued to attract investor capital. Lower layers instead experienced flat to modest rate reductions, which reflects that supply of capacity has not risen at the same rate for lower layers as it has for upper layers relative to demand. Furthermore, the number of new startup insurers in Florida, and the continued depopulation of Citizens Property Insurance has been driving additional demand, especially at lower layers of risk.

Relative to the pricing declines, most capacity providers have thus far maintained discipline on terms and conditions, as well as high attachment points. This discipline will help with maintaining underwriting profitability even as risk-adjusted rates ease and therefore maintain solid returns while protecting against downside risk. However, amid a downward trend in pricing, there are some indications of marginal loosening of terms and conditions, as some reinsurers provide more flexible terms, which could continue at the January 2026 renewals.

Analytical Contacts:

Emmanuel Modu, Oldwick
+1 (908) 882-2128
Emmanuel.Modu@ambest.com

Wai Tang, Oldwick
+1 (908) 882-2388
Wai.Tang@ambest.com

Contributors:

Matt Tuite, Oldwick
Antionietta Iachetta, Oldwick
Raj Visvanathan, Oldwick

2025-105.8

Going into the January 2026 renewals, a further softening in rates is expected unless a major cat event occurs. If reinsurers preserve discipline on coverage terms, even lower rates could perhaps produce acceptable returns resulting in adequate profits, but not as high as the ones observed during the peak of the hard market.

Insured Losses

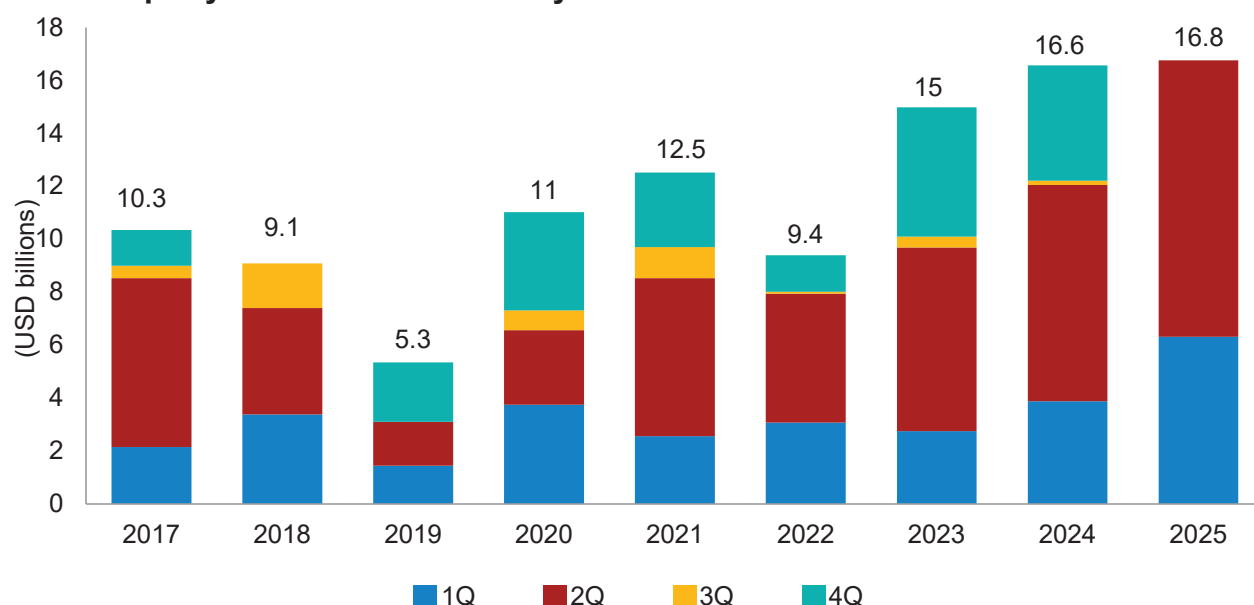
Cedents achieved relatively favorable renewal outcomes at mid-year despite heavy insured losses in the first half of the year, demonstrating that capacity providers still find the pricing levels and terms and conditions attractive. The devastating Los Angeles wildfires in January are estimated to have caused USD 40 billion in insured losses. Despite consuming a substantial portion of cat loss budgets, the wildfires did not materially alter the supply and demand dynamics of the reinsurance market at the mid-year renewals to such an extent as to reverse the momentum toward the rate softening observed earlier at the January renewals. Also, the mid-year renewals are geared toward US southeast wind risk, which means it would be harder to sell rate increases to cedents based on the wildfire losses in California.

In the last few years, severe convective storms (SCS) in the US have comprised a sizeable portion of insured cat losses, and that held true again in the first half of 2025 with an estimate from Swiss Re of approximately USD 31 billion. However, these tend to be small- to medium-sized events for which primary insurers have been bearing much of the cost. While terms and conditions and attachment points have insulated reinsurance capacity providers from these losses in recent years, there is some indication of an uptick in collateralized reinsurance capital being deployed in the middle portion of reinsurance towers, which could expose that capital to more SCS losses.

Record-Breaking Q1 and Q2 2025 Cat Bond Issuances

The 144A property cat bond market shattered issuance records for Q1 and Q2 2025 (**Exhibit 1**), with the total issuance for Q1 coming in at USD 6.3 billion (up 63% from Q1 2024, which came in at USD 3.9 billion) and for Q2 coming in at USD 10.5 billion (up 28% from Q2 2024, which came in at USD 8.2 billion).

Exhibit 1
144A Property Cat Bond Issuance by Quarter



Yearly total of issuance on top of column.

Sources: Artemis, AM Best data and research

Additionally, the 144A property cat bond market saw an increase in first-time sponsors; there were six new sponsors in Q2 2025, mostly insuring US-named storms, compared to five new sponsors across the prior two quarters. The increase in issuance is also due to sponsors renewing and upsizing their previous deals.

The final issuance volume in total for 2025 YTD settled in at 29.9% higher than the target issuance volume (**Exhibit 2**). This is down from each of the previous two years, when the average change in size was approximately 40%. Even though the increase is not as large as it was in prior years, the significant difference between the final issuance numbers and the target issuance numbers demonstrates investors continue to have ample capital to deploy. The difference indicates the sponsors have confidence in tapping the capital markets to transfer risk, and the investors believe the underlying risk covered by the bonds, as well as the pricing of the bond, are both attractive.

Sponsor Type Shifting Towards Small- to Medium-Sized US Domestic Insurers

The small- to medium-sized US domestic insurers issuance category has continually grown over the last few years. The leap from 2024 to 2025 was particularly significant as the market share increased from 21.2% to 35.2% (**Exhibit 3**). It now has a bigger share than other sponsor categories. There has been a sizeable decrease in market share from the previous years (2022 and prior) for the retro category, which perhaps reflects the greater availability of retro capacity from other sources. All other categories had minimal decreases from 2024.

Despite some pricing relief at the latest mid-year renewals, small- to medium-sized insurers still find traditional reinsurance to be expensive in some cases, which motivates them to seek out other forms of capacity. As a result, small- to medium-sized insurers are now turning to the capital markets and sponsoring cat bonds. The capital markets allow these insurers access to a broad range of investors, and the insurers, in turn, can get fully collateralized multi-year reinsurance.

Small- to Medium-Sized US Domestic Insurers Offering More Tranches in 2025

In 2025, there is a clear trend developing with many issuances offering more tranches than in previous years. The most noticeable sector is the small- to medium-sized US domestic insurers category, where multiple sponsors had two tranches, or in one case, five different tranches. There is clearly a focus to target a broad range of investors with specific risk appetites. The expectation is for this trend to continue as sponsors will group their risk classes to attract investors that target investments with specific risk profiles.

Exhibit 2

Change in Size from Initial Guidance

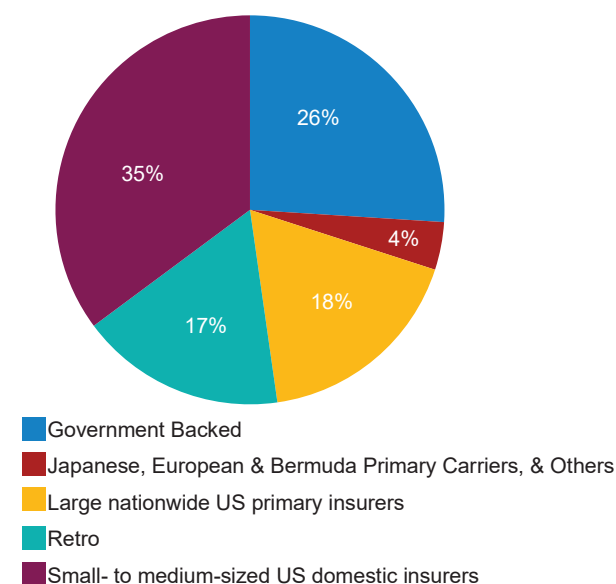
	Target Issuance (USD millions)	Final Issuance (USD millions)	Change in Size %
2021	9,737	12,496	28.3
2022	7,883	9,321	18.2
2023	10,327	14,486	40.3
2024	11,214	15,491	38.1
2025 1H	12,910	16,765	29.9

Note: For 144A cat bond tranches with available initial target size and pricing guidance

Sources: Artemis, AM Best data and research

Exhibit 3

2025 1H 144A Property Cat Bonds Issuance by Sponsor Type



Source: Artemis, AM Best data and research

Notable Deals

The record issuance of the first half of 2025 was accompanied by various notable deal issuances. This issuance period saw three sponsors who each placed USD 1 billion or more of limit in the cat bond market at one time, even if the limit was spread across a few issuance series.

- Everest Re – USD 1.0 billion split across two series issued by Kilimanjaro II Re Ltd.
- State Farm – USD 1.55 billion split across four series of notes issued by three of its Merna Re issuers
- Citizens Property Insurance – USD 1.525 billion of issuance from Everglades Re II Ltd. (Series 2025-1)

Additionally, the cat bond market saw new sponsors making their debut issuances. In some cases, those new sponsors even brought diversifying perils to market.

- Flood Re placed GBP 140 million with its London Bridge 2 PCC Limited (Vision 2039 – 2025-1) issuance. This bond covers flood losses in the UK on an indemnity basis.
- Sutton National Group placed USD 100 million with its Greengrove Re Ltd. (Series 2025-1). The successful placement covers California wildfire risk, and it came to market in the weeks following the Los Angeles wildfires.

Citizens & Florida Takeout Companies Embracing the Cat Bond Market

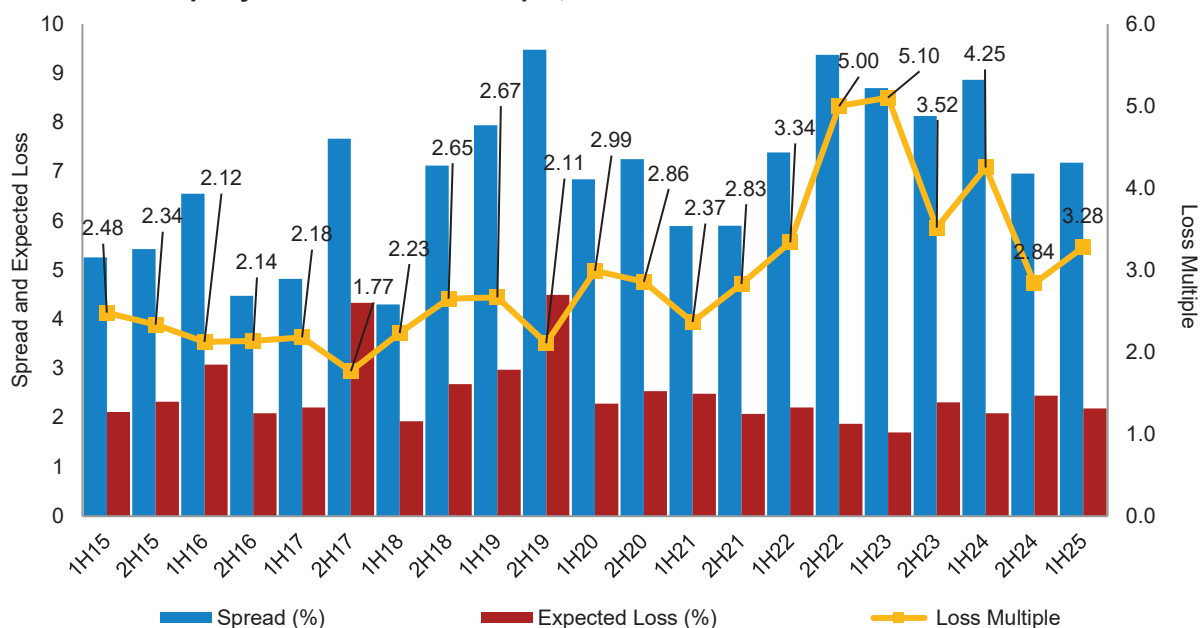
Citizens Property Insurance Corporation, the Florida insurer of last resort, has increasingly gone to the capital markets to address its reinsurance needs. In 2025, Citizens placed USD 3.125 billion of their risk transfer into the capital markets, which is up from USD 1.6 billion in 2024. Citizens is a driving force in the cat bond market and sponsored USD 1.525 billion worth of cat bonds in 2Q 2025. The total 144A property cat bond market had USD 10.5 billion worth of issuances in 2Q 2025. Citizens, by itself, represents 15% of 144A property cat bond issuances in 2Q 2025. Citizens' use of capital markets has not abated despite robust depopulation activity, by which policies leave Citizens and return to the private market. Despite exposure falling from approximately USD 618 billion as of September 2023 (the recent peak in exposure value) to USD 295 billion as of June 2025, Citizens still issued one of the largest cat bonds ever.

The takeout companies face many risks in the volatile Florida market. Weather events and the high costs of traditional reinsurance force the takeout companies to look towards the capital markets as another way to transfer risk and thus can take on additional policies and stabilize the private market for insurance. The takeout companies themselves have significant reinsurance capacity needs. The goal of the depopulation effort by takeout companies is to return policies back to the private market, and to facilitate this process, takeout insurers must have adequate reinsurance options available to them. In 2024 and 2025, there were 73 separate approvals (many companies had multiple approvals) of takeout companies by the Florida Office of Insurance and Regulation. Many of the private carriers involved in the takeout program are also turning to the capital markets to mitigate and manage low-frequency and high-severity cat risks.

Cat Bond Loss Multiples Trending Downwards

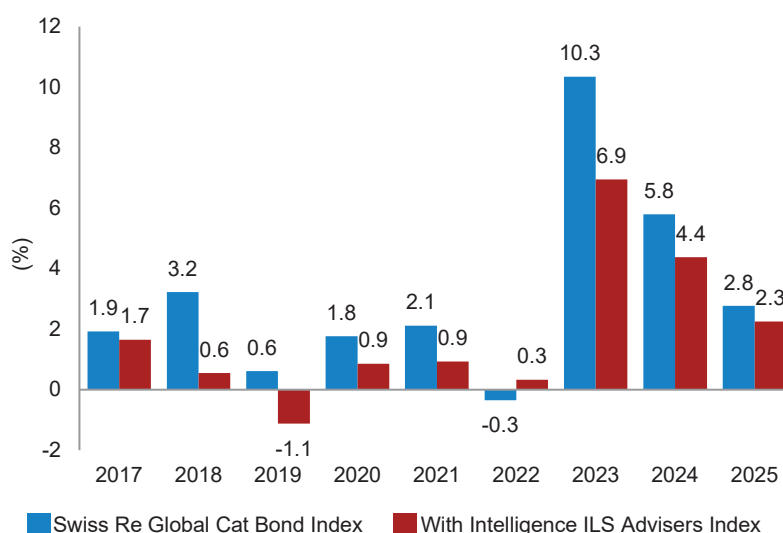
The 144A property cat bond weighted average loss multiple (spread to expected loss ratio) is slightly down in the first half of 2025 compared to the same period in the prior two years (**Exhibit 4**). The lower loss multiple indicates investors are willing to accept a lower spread for the risk they are assuming. The spread decreased by approximately 170 bps from the first half of 2024 to the first half of 2025. The expected loss, however, has been fairly stable for the last few quarters.

Exhibit 4
ILS – 144A Property Cat Bond Loss Multiple, 1H15-1H25



Sources: Artemis, AM Best data and research

Exhibit 5
Semi-Annual (January-June) Returns, 2017 - 2025



Sources: Bloomberg, With Intelligence (reported as of July 21, 2025)

The pricing in 2025 is tighter than in 2023 and in 2024. Despite the industry's large losses to cat events such as the California wildfires and Hurricanes Helene and Milton, the loss multiples continue to show year-over-year declines. Absent a US hurricane landfall in a major population center, there is momentum for the loss multiple to decrease even further due to available capacity exceeding demand.

Year-to-Date ILS Market Returns Down

Year-to-date through June 2025, the ILS market returns fell notably compared to the same period in 2024 (**Exhibit 5**). The Swiss Re Global Cat Bond Index posted a year-to-date return of 2.77% through June, which is down from the 5.79% return over the same period last year. The With Intelligence ILS

Advisers Index posted a year-to-date return of 2.25% as of July 21, 2025, down from 4.37% over the same period last year. Returns started off on a weaker footing in 2025 with negative monthly returns in January largely driven by the catastrophic Los Angeles wildfires. The Swiss Re Global Cat Bond Index posted a return of -0.85%, and the With Intelligence's ILS Index posted a -1.12%.

The full-year 2025 cat bond market returns are unlikely to match the levels observed in 2024. However, spread levels on the in-force deals and current levels of collateral yield suggest the 2025 return will be higher than the average observed from 2017 to 2022.¹ Despite the general trend of reductions in risk-adjusted spreads on new issuances since mid-2023, the weighted average spread level on cat bonds in-force as of the beginning of 2025 remained elevated and comparable to the level observed at the start of 2024. Collateral yields, such as the three-month US Treasury rate, may be lower in 2025 due to actions taken by central banks to lower short-term rates but remain elevated compared to 2021 and prior.

ILS Capital to Reach an All-Time High in 2025

Guy Carpenter and AM Best estimate that ILS capacity will grow to USD 114 billion by year-end 2025. ILS capacity continues to grow mainly because of record-breaking cat bond issuance. The 144A property cat bond issuance in the first half of 2025 reached roughly USD 16.8 billion (vs. USD 12.1 billion in the first half of 2024), surpassing the 2024 full-year issuance record. This pushed the outstanding cat bond volume to a record \$52.7B, making it the largest ILS segment. The cat bond market has expanded avenues by which investors can participate, which facilitates growth in capacity. UCITS funds have been prominent sources of cat bond capacity in recent periods. The launch of the Brookmont Catastrophic Bond ETF in April also demonstrates the attempts being made to widen the pool of potential investors by making ILS more accessible to smaller institutional, and even, retail investors.

The remaining approximately USD 60 billion of ILS capital is composed of collateralized reinsurance, sidecars, and ILWs. ILS managers have observed greater investor interest in collateralized reinsurance deals than 12 months ago. Collateralized reinsurance deals can provide investors with exposure to risk that is not widely available in the 144A cat bond market. Furthermore, as risk-adjusted spreads continue to tighten in the catastrophe bond market, the relative return potential of private ILS deals becomes more attractive.

Overall, the growth in cat bonds and collateralized reinsurance is likely to lead to a nearly 10% year-over-year increase in third-party capital at the end of 2025.

¹ The With Intelligence ILS Advisers Index posted an average full-year return from 2017 through 2022 of -1.1%. The Swiss Re Global Cat Bond Index posted an average full-year return from 2017 through 2022 of 2.7%.

The PMIs report strong execution in the traditional reinsurance market

Reinsurance Market for US Mortgage Credit Risk Matures

Principal Takeaways

- US private mortgage insurers cede a meaningful portion of their premium to reinsurance.
- Reinsurers have developed greater confidence in US mortgage credit risk, finding it attractive due to its strong performance.
- Recent changes to the Fannie Mae and Freddie Mac credit risk transfer programs have further increased reinsurers' appetite to assume risk from PMIs.

The reinsurance market for mortgage credit risk in the US has grown substantially in the last decade. Cedents, namely the US private mortgage insurers (PMIs) and Fannie Mae and Freddie Mac, the government-sponsored enterprises (GSEs), have been avid users of reinsurance in the wake of the Great Financial Crisis (GFC). Traditional reinsurers and capital markets investors have shown a robust appetite to provide capacity for mortgage credit risk.

Private Mortgage Insurers

Prior to the GFC, PMIs ceded only a limited amount of risk to unaffiliated reinsurers in the traditional reinsurance market. Instead, they employed a strategy that can be described as “buy-and-hold,” whereby they wrote mortgage insurance and kept that risk on their own balance sheets or ceded it to affiliated reinsurers. Additionally, PMIs would cede business to captive reinsurers affiliated with mortgage lenders for which they were providing primary coverage.

In response to post-GFC reforms to the US housing finance system, PMIs shifted from a traditional “buy-and-hold” model to a “buy, manage, and distribute” strategy. Under this approach, PMIs now cede a meaningful amount of their risk-in-force (RIF) to panels of well-diversified, unaffiliated reinsurers via quota share and excess of loss reinsurance agreements, as well as to capital markets investors through mortgage insurance-linked securities. The main catalyst for this strategic shift was the introduction of the Private Mortgage Insurer Eligibility Requirements (PMIERs), implemented by the GSEs in 2015.

While the usage of unaffiliated reinsurance has expanded, certain PMIs continue to cede a substantial amount of their risk to affiliated reinsurers. These PMIs view their current mortgage credit exposure as attractive, given the strong credit quality and favorable portfolio performance, as reflected in persistently low loss ratios. By ceding risk to affiliated entities, they aim to enhance capital efficiency while retaining the economic benefits of the well-performing book of business within their broader corporate structure. This capital efficiency is largely achieved through the use of affiliates domiciled in jurisdictions such as Bermuda, which are not subject to PMIERs or the contingency reserve requirements typically imposed by US state insurance regulators.

Analytical Contacts:

Wai Tang, Oldwick
+1 (908) 882-2388
Wai.Tang@ambest.com

Matt Tuite, Oldwick
+1 (908) 882-2403
Matt.Tuite@ambest.com

David Mautone, Oldwick
+1 (908) 882-2098
David.Mautone@ambest.com

2025-105.9

Traditional Reinsurance

US PMI companies wrote approximately USD 5.8 billion of gross written premium in 2024, up from approximately USD 5.6 billion in 2023 (**Exhibit 1**).

The PMIs cede a meaningful percentage of premium to reinsurance and capital markets. The cession percentages of the individual PMIs are not uniform

across the industry, reflecting differences in a company's capitalization level, the presence of affiliated reinsurers, and overall risk transfer strategies. On average, the PMIs ceded 31.5% of premium in 2024, down slightly from 32.1% in 2023. In both years, more than half of the ceded premium was transferred to unaffiliated reinsurers—16.1% in 2024 and 19.1% in 2023.

Exhibit 1

US Private Mortgage Insurers

	Gross Written Premium (USD billions)	% Ceded to Affiliates	% Ceded to Unaffiliated	Total % Ceded
2023	5.6	13.0	19.1	32.1
2024	5.8	15.4	16.1	31.5

Source: US statutory filings, AM Best data and research

The share of premium ceded to unaffiliated reinsurers has increased markedly since 2016, following the implementation of PMIERs in 2015. Prior to 2016, cessions to unaffiliated reinsurers remained in the low-to-mid single digits. The growth in unaffiliated cessions reflects the maturation of the traditional reinsurance market for mortgage risk. Reinsurers have grown increasingly comfortable with this risk due to its consistently strong performance, as demonstrated by low loss ratios in recent years, and its diversification benefits within a broader property-casualty underwriting portfolio.

Mortgage Insurance-Linked Securities

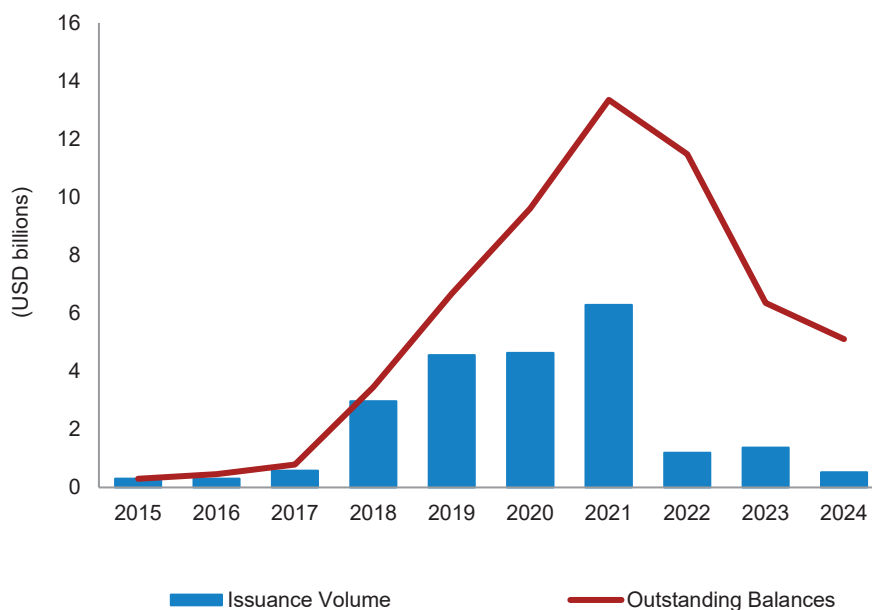
PMIs have also sourced substantial excess of loss reinsurance capacity from the capital markets through mortgage insurance-linked securities (MILS) transactions, which they have issued since 2015. Under the MILS structure, PMIs transfer a specific layer of risk to a special purpose insurer pursuant to an excess of loss reinsurance agreement.

MILS issuance reached its peak of USD 6.3 billion in 2021, with outstanding reinsurance protection totaling USD 13.3 billion by the end of that year (**Exhibit 2**). These transactions provided an effective risk transfer solution for PMIs, particularly during 2020 and 2021, when US mortgage origination volume grew notably and PMIs wrote a substantial amount of new insurance. However, starting in 2022, as mortgage rates increased, mortgage origination volume declined, leading to a corresponding reduction in new insurance written by PMIs—and consequently, a decline in MILS issuance.

In the current market environment, PMIs report strong execution in the traditional reinsurance sector, reducing the need to utilize capital markets solutions for risk transfer. Additionally, the slower pace of mortgage originations has made it more difficult to accumulate a portfolio of loans of sufficient size to support a MILS transaction. PMIs also express a preference for forward reinsurance placement in the traditional reinsurance market, which provides coverage for insurance to be written over the subsequent 12 months. This approach helps mitigate warehousing risk and offers greater capital planning certainty.

Two PMIs have continued to issue MILS transactions in recent years in order to maintain access to this risk transfer channel. AM Best anticipates that one or two MILS transactions may close before the end of 2025. MILS have proven to be an effective component of the PMIs' broader credit risk transfer strategies. Capital market investors remain attentive to changes in the macroeconomic environment that could create favorable conditions for renewed MILS issuances and increased investor participation.

Exhibit 2

Mortgage Insurance-Linked Notes

Source: 10K filings, AM Best data and research

ACIS and CIRT Programs

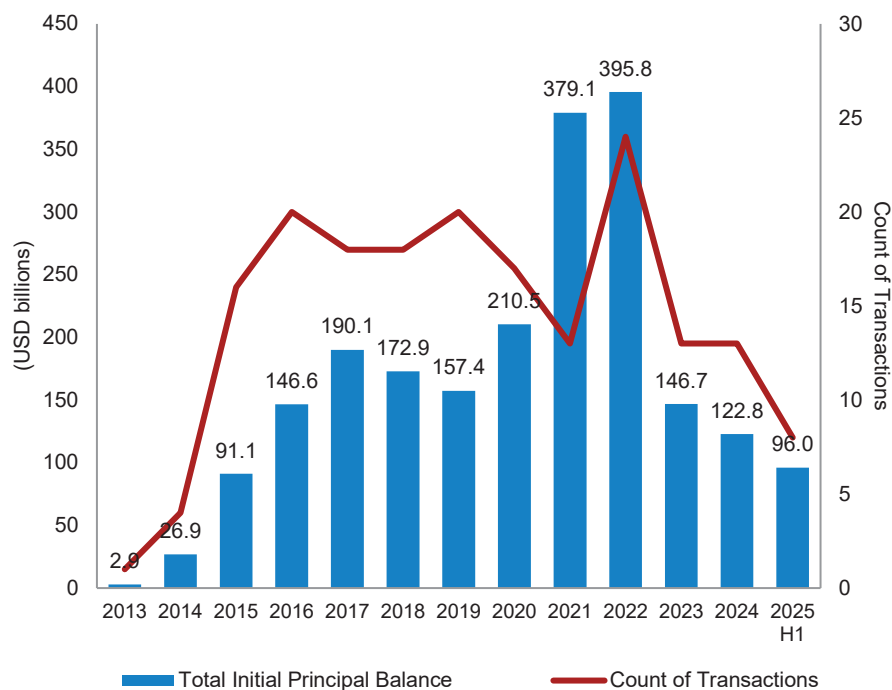
The shift in the PMIs' business models following the implementation of PMIERs created opportunities for reinsurers to assume greater volumes of mortgage insurance risk. In parallel, another channel for reinsurance exposure to mortgage risk emerged in the aftermath of the GFC: the credit risk transfer (CRT) program initiated by GSE. Freddie Mac introduced its Agency Credit Insurance Structure (ACIS) in 2013, followed by Fannie Mae's launch of its own program, Credit Insurance Risk Transfer (CIRT), in 2014. Under these structures, reinsurers enter into quota share agreements with protected cell companies, which in turn enter into excess of loss agreements with the GSEs.

As of mid-year 2025, credit risk associated with approximately USD 2.1 trillion of principal balance has been transferred to reinsurers through the GSE CRT programs since their inception. The volume of these transactions is closely tied to mortgage origination activity and, by extension, the broader macroeconomic environment. Consistent with trends observed in the MILS market, elevated origination volumes in 2020 and 2021 drove a significant increase in CRT activity in 2020 to 2022, during which approximately USD 985 billion of initial principal balance was placed.

In contrast, transaction volume declined in 2023 and 2024, and this trend has continued into the first half of 2025. The reduced mortgage origination level since 2022 means that there is less mortgage credit risk exposure to include in CRT transactions. Furthermore, the introduction of the Federal Housing Finance Agency's Enterprise Regulatory Capital Framework (ERCF) reduced regulatory capital credit for CRT transactions and thereby reduced the incentive for the GSEs to place the transactions. Nonetheless, the CRT market remains active, with eight transactions completed thus far in 2025 totaling USD 96 billion in initial principal balance (**Exhibit 3**).

The decline in transaction volume has reduced reinsurers' opportunities to participate in the GSE CRT programs. Overall, the GSEs are weighing their ongoing need for risk transfer against the cost of premium associated with the ACIS and CIRT programs, as well as the programs' impact on their

Exhibit 3

ACIS and CIRT Transactions

Source: Fannie Mae, Freddie Mac

ability to accumulate retained earnings to build up their equity. Additionally, certain features of the ERCF, such as its treatment of attachment and detachment points, incentivize the GSEs to place their CRT deals at higher layers. As a result, they have begun retaining more risk by raising the attachment points on these transactions, thereby limiting the amount of risk ceded to reinsurers.

Up until late 2022, the attachment point typically stood around 50 bps, but over the past few years, it has risen to approximately 175 bps. The CRT deals with higher attachment points will pay lower premiums to their reinsurer counterparties, making the more recent CRT deals relatively less attractive than they were in the past. Reduced access to US mortgage credit risk via the GSE CRT programs may drive greater reinsurer interest in participating in PMIs' traditional reinsurance structures because US mortgage credit risk remains attractive to reinsurers due to its strong performance and diversification benefits.

Global Life/Annuity Reinsurers' Capital Management Strategies Evolve to Achieve Target Returns and Meet the Needs of Cedents

Flourishing annuity sales, using reinsurance as a strategy, and rising competition from new market entrants continue to support activity in the segment

Principal Takeaways

- The use of reinsurance as a strategic capital management tool has continued to increase, mainly due to the growth of the annuity market in the US and risk-based management approaches.
- Reinsurers have deployed a range of structural features to meet the needs of cedents for both liability- and asset-driven reinsurance solutions.
- Life/annuity reinsurers face increased competition from newer players that are expanding their footprint.

The global life/annuity (L/A) reinsurance segment has grown steadily through the previously low- and current higher-interest rate environments, largely as a result of the expansion of the US annuity market and the need for cedents to remain competitive through efficient yield-generating investment strategies. Mortality has continued to be within limits, and elevated interest rates have been tailwinds for the segment. The industry remains well capitalized and positioned for robust growth. Reinsurers continue to evaluate underwriting practices and trends in artificial intelligence and digitization to understand what future role they can play in managing and pricing risk as well as enhancing sales to close protection gaps.

Reinsurance Leverage Continues to Increase for US Cedents

With strong annuity growth, higher interest rates, and different capital regimes, AM Best continues to observe an increase in reinsurance leverage by US cedents, which is partly driven by further offshore transactions. Bermuda, and to a lesser extent, the Cayman Islands have gained popularity amid increased demand for retirement solutions and reinsurance as a capital and risk management tool. These factors have been underpinned by the stable economic environment and regulatory landscape, as well as political stability, access to legal and financial talent, and flexible accounting regimes. In some cases, offshore reinsurers can choose the accounting system for their regulatory reporting (e.g., adjusted or modified US risk-based capital (RBC), US GAAP, IFRS 17, local statutory, or, in some cases, BCAR), which can lead to reserve credits taken by cedents not being equal to or mirroring the reserves assumed by the reinsurers.

The reinsurance leverage ratio for the US L/A industry has steadily increased over the last 10 years, a trend pointing to the growing use of third-party reinsurance by US-domiciled carriers relative to their capital and surplus (C&S) (**Exhibit 1**). The ratio was approximately 328% at year-end 2024, about seven percentage points higher than at year-end 2023, which was partly driven by the higher interest rate environment fueling annuity growth that is heavily reinsured

Analytical Contacts:

Edward Kohlberg, Oldwick
+1 (908) 882-1979
Edward.Kohlberg@ambest.com

Stratos Laskarides, Oldwick
+1 (908) 882-1995
Stratos.Laskarides@ambest.com

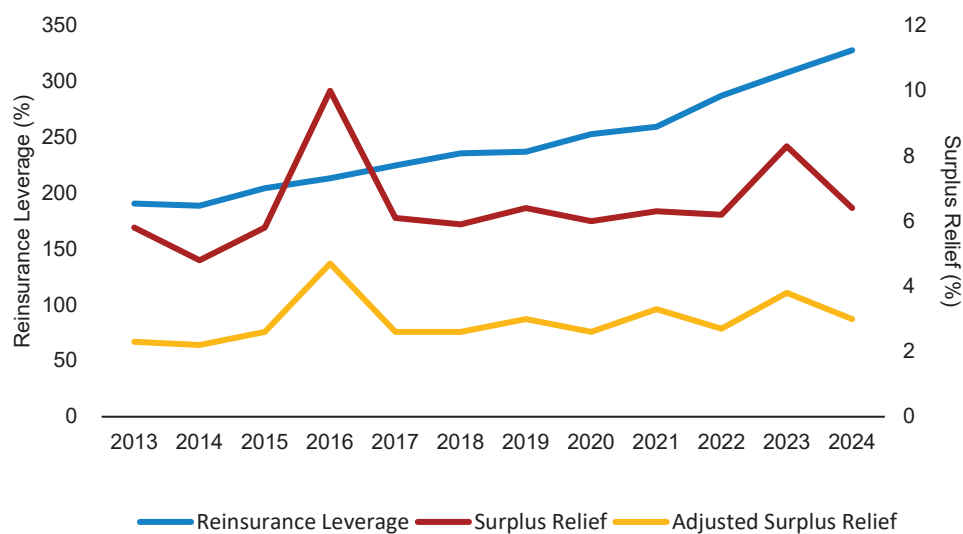
Contributor:

Igor Bass, Oldwick

2025-105.10

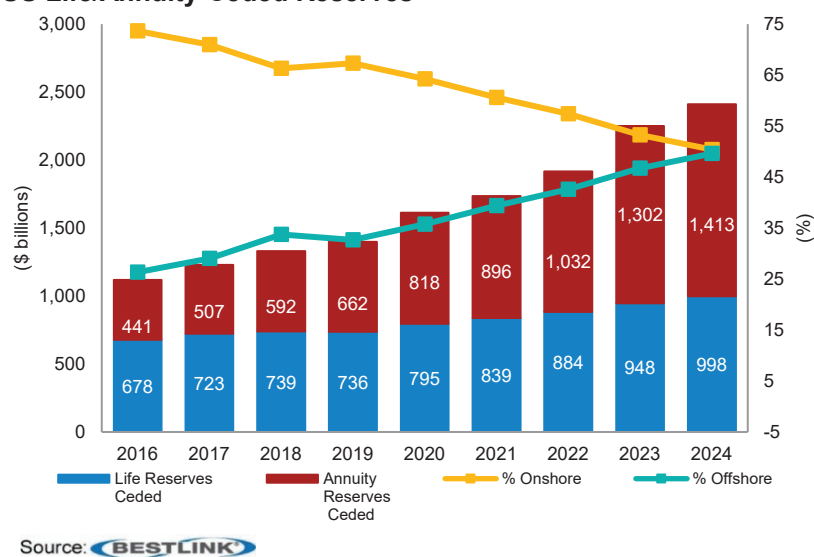
offshore. Despite the typically long lead time until reinsurance transactions close, this suggests reinsurance demand and supply remain robust in both declining and rising yield environments. This also highlights the importance of carriers' enterprise risk management (ERM) programs in managing asset liability matching (ALM) mismatch and product risks throughout the interest rate and underwriting cycles.

Exhibit 1
L/A Industry – Reinsurance Leverage & Surplus Relief
(%)



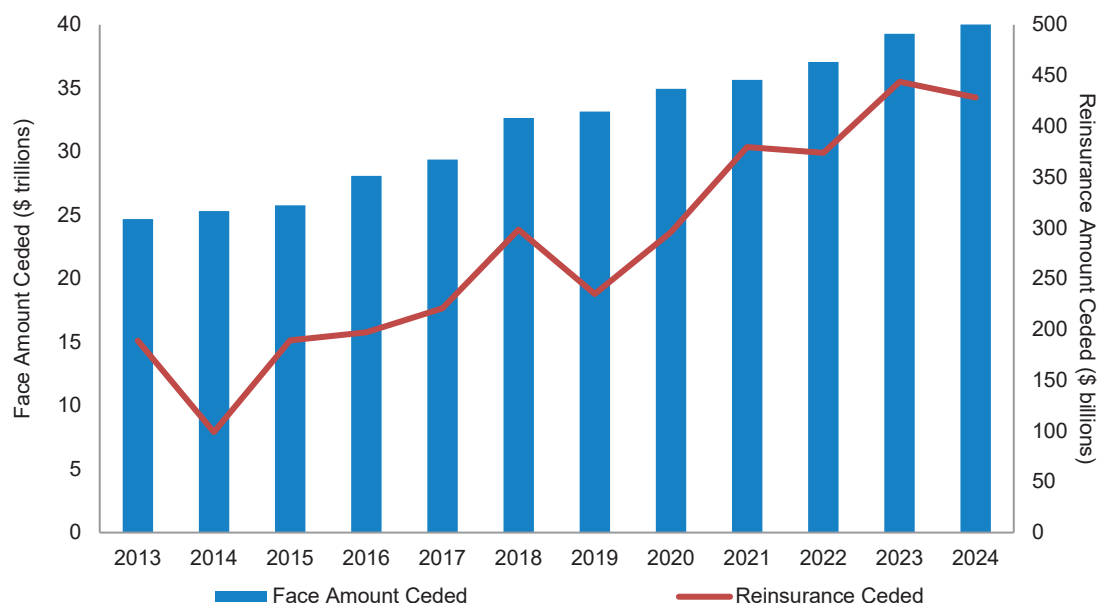
There have been high-profile insolvencies in the reinsurance space in recent years, which have led companies to emphasize their focus on counterparty risk. Concentration in certain reinsurers and incremental reinsurance leverage can somewhat diminish a company's capital quality and place pressure on the group's overall balance sheet strength assessment. Reinsurer counterparty credit risk analysis during a company's financial planning, monitoring, and stress testing processes under its ERM framework has gained even more importance, including a company's periodic credit reviews of its reinsurers, focusing on, among other things, financial capacity, stability, trends, and commitment to the reinsurance business.

Exhibit 2
US Life/Annuity Ceded Reserves



As illustrated in **Exhibit 2**, annuity cessions have been increasingly ceded to offshore reinsurers. With higher interest rates driving robust annuity growth in the past few years, the amount of annuity reserves has expanded over 10% in each of the last four years, and ceded reserves have doubled from 2016 to 2024. The notable annuity growth is likely to continue, and more companies may look to reinsurers to manage growth and capital levels.

Exhibit 3
Reinsurance Ceded



Source: BESTLINK

With new company formations, partnerships, and private capital entering the market, the reinsurance market remains competitive, and a larger share of business is being ceded to affiliates and third-party reinsurers. Sidecars, which are reinsurance affiliate or non-affiliated entities that draw on capital from third-party limited investors, and can provide incremental just-in-time capital to execute larger deals when opportunity arises and earn additional fees for the general partner, have also gained prominence.

Several reinsurers continue to implement retrocession strategies to shield risk or to protect or enhance capital. This is highlighted in **Exhibit 3**, which shows the face amount retroceded has generally increased over time. Primary carriers would still be required to honor claims should their reinsurers fail, which underscores the importance of a carrier's ERM processes around counterparty credit risk measurement, mitigation, and monitoring.

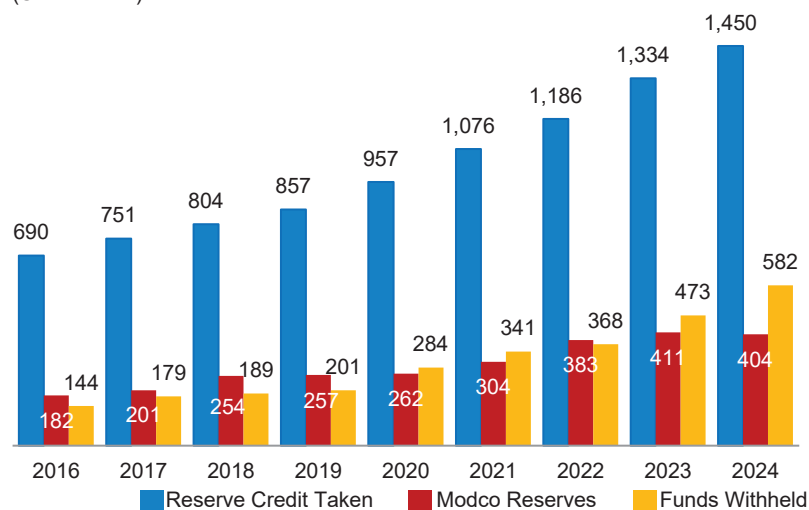
Treaties Deploying Coinsurance with Funds Withheld or Trusts to Manage Capital

The amount of reserve credit taken and funds withheld on US cedents' balance sheets has been steadily increasing as a percentage of gross reserve credits taken (**Exhibit 4**). At year-end 2024, reserve credits taken were approximately USD 1.45 trillion; however, about 40% were funds withheld that belong to reinsurers, up from about 20% at year-end 2015. AM Best regularly meets with companies regarding reinsurance trust arrangements; however, there are pockets of concern the level of excess capitalization may be insufficient to support claims in stress scenarios. This highlights the importance of the asset risk embedded in funds withheld, modified coinsurance (ModCo), or trust accounts, which belong to the reinsurers but which also increase the cedents' reinsurance counterparty credit risk that can depend on the asset performance in stress events.

AM Best will continue to monitor the aforementioned trends and assess each transaction based on its own merits. Concerns arise when a more aggressive asset strategy is taken by these offshore entities if capitalization levels and access to capital for growth for these companies become diminished.

Insurers should perform strong counterparty and collateral review due diligence efforts to limit counterparty credit risk exposure, especially as more reserves get ceded offshore. With new company formations, partnerships, and private capital entering the market, the reinsurance market remains competitive. To gain more unaffiliated business, reinsurers backed by investment managers are offering attractive ceding commissions based on higher anticipated investment returns once the transferred assets are rolled into a wider set of investment opportunities.

Exhibit 4
US Life/Annuity Ceded Reserves
(USD billions)



Source: BESTLINK

Japanese Cedents Seek to Unlock Capital

AM Best has observed an uptick in Japanese insurers ceding business directly to Bermudian reinsurers or through existing Bermudian-based affiliates, whichever is viewed as cost-effective. Some companies with a high percentage of earnings or premiums from Japan have set up their own Bermuda-based reinsurer. The Japanese market has historically been characterized by low interest rates and an aging population demographic. In addition, implementation of a new capital framework based on the International Capital Standard (ICS) motivates cedents in Japan to explore offshore asset-intensive reinsurance for capital efficiency reasons. While asset-intensive reinsurance demand in the US is driven by annuity business, Japanese cedents cede out less sophisticated products, such as in-force blocks of traditional life business, or leveraging asset-intensive reinsurance for new products' yield enhancement.

Japanese insurers have also grown their morbidity lines of business significantly in recent years, owing to high demand for critical illness products, including cancer insurance. AM Best continues to observe greater demand for mortality and morbidity reinsurance solutions in Asia in general, owing to a growing middle class.

Steady Focus for Traditional and Liability-Driven Life Reinsurance Players

In the higher interest rate environment, some traditional reinsurers are less competitive in certain lines of business (e.g., permanent life coinsurance) owing to conservative pricing frameworks, which are based on European accounting standards that typically adopt the lower, risk-free interest rate. In addition, the regulatory regimes in Europe generally have higher capital charges for certain asset classes, which steer these reinsurers away from asset-intensive business. Nonetheless, traditional reinsurers still grew the total amount in-force for individual life business in 2024, highlighting how carriers still value reinsurer services and biometric risk transfer solutions post-COVID. The traditional life reinsurers function in a steady market landscape, maintaining leading market positions based on reinsured face amounts in force. These top-tier companies account for the majority of the US individual (**Exhibit 5a**) and group life (**Exhibit 5b**) in force reinsured. The European reinsurers see life insurance as a source of diversification against P/C earnings and risks. Reinsurance Group of America, Inc. is domiciled in the US and focuses solely on L/H and annuity reinsurance, but utilizes a Bermudian reinsurer to manage capital, and has executed a series of coinsurance deals that aim to grow its assets under management under its strategic growth targets.

Exhibit 5a

Top US Life Reinsurers by Individual Life Insurance in Force, 2024

(USD thousands)

AMB#	Company Name	Total Individual Amount in Force	Individual Life Reserves	Net Amount at Risk
007283	Swiss Re Life & Health America Inc.	2,054,462,620	2,657,925	2,051,804,695
009080	RGA Reinsurance Company	1,838,791,177	8,819,632	1,829,971,545
070253	SCOR Life US Group	1,620,300,168	487,003	1,619,813,165
006746	Munich American Reassurance Company	1,490,297,578	1,703,467	1,488,594,111
068031	Hannover Life Reassurance Co of America	1,139,676,128	205,723	1,139,470,405
006234	General Re Life Corporation	439,329,595	1,410,302	437,919,293
009791	Canada Life Assurance Company USB	251,414,634	1,691,330	249,723,304
061745	PartnerRe Life Reinsurance Co of America	173,561,319	56,034	173,505,285
008863	Optimum Re Insurance Company	94,559,565	154,514	94,405,051
060560	Wilton Reassurance Company	86,256,182	2,500,081	83,756,101
009096	M Life Insurance Company	72,499,384	35,295	72,464,089
006976	Employers Reassurance Corporation	45,556,083	1,319,574	44,236,509

Source: 

Exhibit 5b

Top US Life Reinsurers by Group Life Insurance in Force, 2024

(USD thousands)

AMB#	Company Name	Total Group Amount in Force (\$000s)	Group Life Reserves	Net Amount at Risk
009791	Canada Life Assurance Company USB	5,046,059,200	28,140	5,046,031,060
006746	Munich American Reassurance Company	427,896,134	3,141	427,892,993
007283	Swiss Re Life & Health America Inc.	96,295,417	-	96,295,417
009080	RGA Reinsurance Company	93,575,213	6,851	93,568,362
070253	SCOR Life US Group	58,471,783	22,297	58,449,486
006234	General Re Life Corporation	22,359,011	42,749	22,316,262
068031	Hannover Life Reassurance Co of America	1,154,139	1,820	1,152,319
007086	First Allmerica Financial Life Ins Co	508,251	2,641	505,610
006297	Union Fidelity Life Insurance Company	165,575	51,631	113,944
008491	Commonwealth Annuity and Life Ins Co	121,519	2,070	119,449
008863	Optimum Re Insurance Company	33,208	-	33,208
060006	Southern Financial Life Insurance Co	13,313	10,994	2,319

Source: 

There continues to be growth opportunities in the US for traditional life reinsurance. This includes flow business and legacy in-force blocks. As companies look to manage capital and ERM limits, they may look to unload older legacy capital-intensive and reserve-sensitive blocks such as universal life liabilities. These transactions continue to occur, but for some, such as the older vintage universal life with secondary guarantees blocks, the peak reserve years may be approaching and could dampen activity in future years.

Investment Opportunities Continue

The strong returns for the reinsurance segment are enticing fresh capital and could lead to favorable pricing outcomes for buyers, even as underwriting firmness continues, according to some reinsurance brokers. There is economic uncertainty, which currently has insurers, including reinsurers, adopting more flexible and diversified investment strategies than in the past. Consensus is moving beyond traditional fixed income investments while considering additional alternative assets offering potential yield enhancements and assisting in managing risk.

Higher interest rates as well as some improved mortality trends have created more favorable conditions for life and annuity reinsurance companies, but with intensified growth in competition, especially from the private equity industry. Newer entrants to the reinsurance space are seeking higher-yielding investments in order to offer enhanced ceding commissions. Proper investment risks are essential to managing long-term financial sustainability, pricing, and profitability.

Most life reinsurers have traditionally avoided the investment risks associated with many products on the primary life insurance side. Primary life insurers' diversification strategies typically include the annuity and retirement business, which is perceived as a natural hedge to their mortality business but also adds financial market risk. The operating models of the major traditional global life reinsurers differ significantly, and some rely on their property and casualty (P/C) business to balance earnings. Life reinsurers have historically been less exposed to financial market risk than primary writers have.

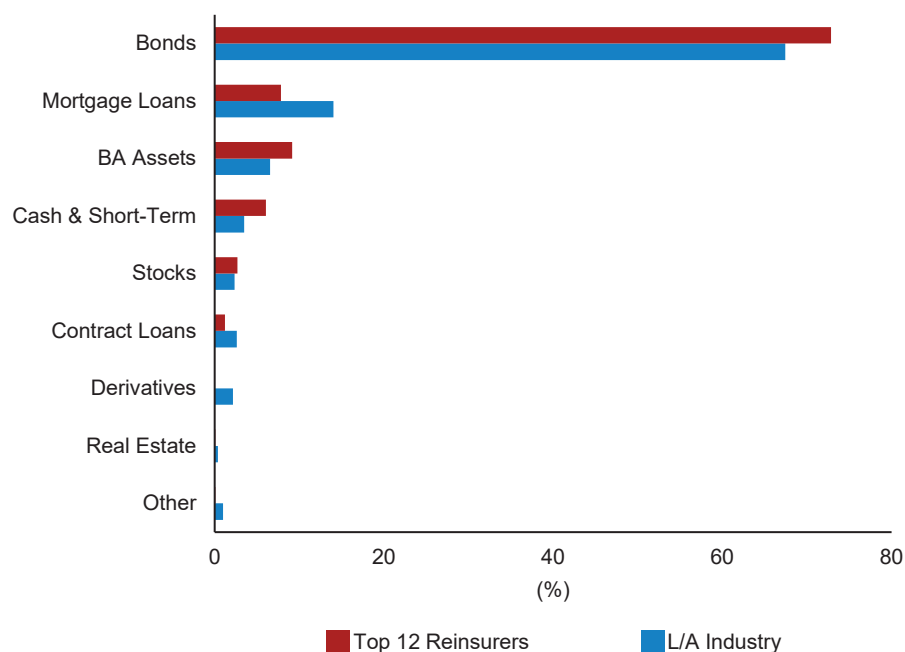
Overall, reinsurers face several investment risks, as their perception of managing these risks is always evolving, especially with increased immersion of private equity-backed reinsurers and asset managers. Reinsurers owned by asset managers are more comfortable taking on investment risks, utilizing investment experience from their parent companies in structured products, mortgages, private credit, or other alternatives. While these higher-risk assets do reflect unfavorably on Best's Capital Adequacy Ratio (BCAR) results, overall scores remain typically within the Strong to Very Strong level, slightly below scores achieved by the rest of the industry but favorable on a standalone basis. Furthermore, the importance of focusing on potential liquidity essentials is vital in volatile interest rate environments, along with the preferred backing of a large parent willing and able to support the operating entities qualitatively underpinning the overall balance sheet strength assessment of these companies. While annuities are a very capital-intensive product, asset managers have thus far supported rapid growth by providing the needed capital and not constraining growth with material dividends. In contrast, some insurers had proactively maintained higher cash allocations prior to the rise in interest rates. As a result, they are now well-positioned to benefit from the rise in short-term yields available in money market instruments without incurring the liquidity and valuation risks associated with illiquid legacy investments in alternative asset classes that have a tendency to display lower risk-adjusted returns. These insurers overall have stronger operating performance, financial flexibility, and ERM assessments.

Life reinsurers in general have had the same objective as primary writers—well-matched yields with mortgage loans (7.9%)—an asset class that AM Best views as less liquid than investment-grade bonds, although this allocation remains below direct writers in aggregate of around (14%). US life and annuity insurers have shifted toward bonds while reducing exposure to mortgages and alternatives and led by reinvestment activity into higher-yielding bonds and private credit/asset-backed securities (ABS) in 2024. Higher interest rates have led a voyage toward bonds and structured credit in US portfolios owing to favorable yields. Reinsurers increased exposure to Schedule BA assets recently as a result of several factors, including macroeconomic, regulatory, and capital efficiency, which demonstrated a strategic improvement in profit margins while offering additional attractive risk-adjusted yields and having long-duration liabilities (**Exhibit 6**).

The credit profiles of some leading US-domiciled life reinsurers' bond portfolios have historically been more conservative and of higher quality than the overall US L/A industry. These consisted of larger allocations to investment-grade bonds and smaller allocations to below-investment-grade bonds. These reinsurers slightly reduced their allocations to investment grade NAIC-2 bonds while mostly holding steady in NAIC-1 bonds in 2024. The continued higher interest rates have helped improve credit quality and made the corporate bond and government agency-backed markets more attractive. Overall credit risk remains manageable, but with a focused spotlight on illiquid assets and private structures, which could pose challenges during adverse market conditions (**Exhibit 7**).

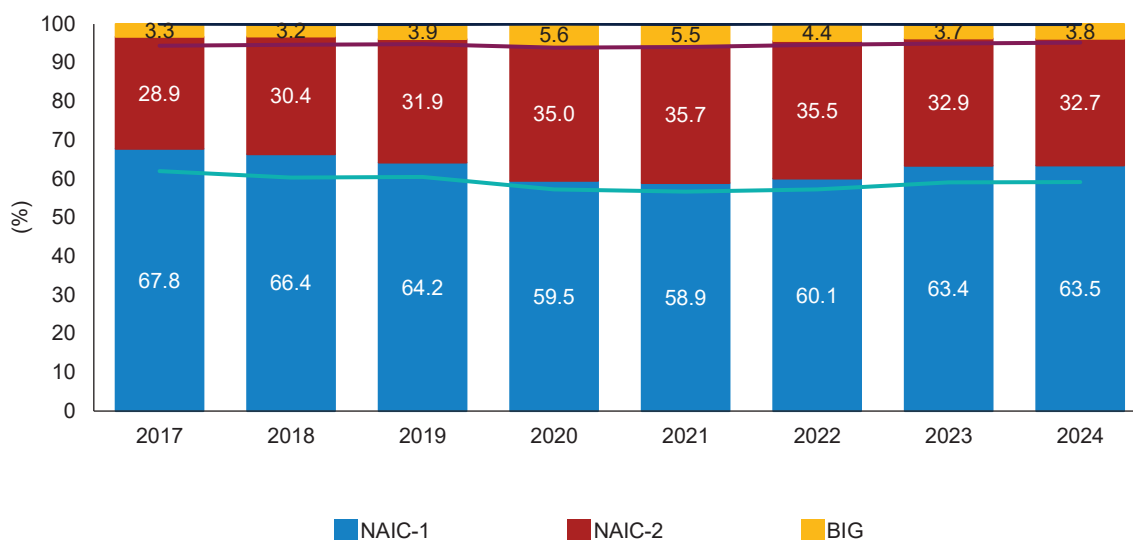
Continued asset-liability matching is an important key element of all ERM frameworks of life reinsurers, whose asset portfolios tend to be dominated by longer-duration, fixed income securities of higher credit

Exhibit 6
Distribution of Invested Assets - 2024



Source: BESTLINK

Exhibit 7
Bond Portfolio Quality



Note: Bars = Reinsurers; Lines = Industry
Source: AM Best data and research

quality. AM Best believes continued strong capital buffers will absorb any potential asset revaluations amid the volatile capital markets. After years of generally investing in securities with shorter-than-average liability durations during the prior prolonged low interest rate environment, asset-intensive reinsurers and other newer entrants have been extending their asset durations by buying higher-rated, on-the-run bonds with more attractive coupon rates.

The Path Forward Looks Familiar, but Risks Remain

Competition for capital solutions and the increased complexity of products in the use of reinsurance as a strategic capital management tool have continued to increase with the substantial growth in the US annuity market and are broadly expected to persist. The biometric life insurance market continues to be stable and a good source of favorable earnings, as many reinsurers have a long history of managing these risks. With aging citizens, many reinsurers are entering hefty longevity swap deals to meet the needs of cedents as the overall competition from newer players is expanding the segment's footprint while trying to carefully manage risk effectively. Asset-intensive transactions flow involving life insurers for capital efficiency has continued to tremendously increase and has intensified utilization for offshore reinsurance connected to mostly private equity interests, especially in the islands of Bermuda and Cayman. Private equity-backed insurers and investment managers, along with some prominent insurers, have leveraged their premium flows with offshore reinsurance structures, including the increase in sidecars activity lately for capital efficiency. Several reinsurers continue to execute retrocession tactics to safeguard risk. As the offshore reinsurance model continues to be profitable, there remain concerns due to the rapid growth and evolving regulatory scrutiny. AM Best is continuously monitoring concerns over the transparency of capital adequacy, composition of investments, and, most of all, maintaining financial stability while protecting policyholders. AM Best will continue to evaluate the emerging trend in reinsurance, with a much greater focus on how transactions will be structured.

Global health reinsurance has been supported by increasing needs for healthcare as well as an aging population

Evolving and Shifting Dynamics in the Health Reinsurance Space

Principal Takeaways

- Top global health reinsurers experienced strong growth in 2024, underpinned by rising global demand for health protection and morbidity coverage.
- Aging populations and increased healthcare needs across both developed and emerging markets have contributed to the growth of global health reinsurance in recent years.
- The US health reinsurance market experienced accelerated growth in 2024 across all products (with the exception of Medicaid) driven by primary carriers that need to optimize capital in light of lower underwriting profitability combined with premium growth.
- The growing exposure to high-cost claims has continued to bolster demand for reinsurance support within the health segment.

Although the health reinsurance market has experienced steady growth, the demand and usage tend to be lower than other segments. Health insurance claims are typically short-tailed in nature, with flexibility in pricing and minimal catastrophic exposure. However, the increased usage of health reinsurance has been driven by greater claim costs, including more high-dollar claims in the US, combined with increased utilization, particularly with a globally aging population.

In the US, the rise in health reinsurance has been driven by increased need for capital management, reduced profitability and margin compression in recent years, premium growth from both membership and rate increases and protection for high-dollar claims. In 2024, health insurers experienced margin pressure across multiple lines of business. A health insurer's usage of external reinsurance can provide risk-sharing as well as some protection, especially in times of narrowing margins. Underwriting results in Medicare Advantage, the largest line of business in terms of premium, declined significantly and were driven overall by elevated utilization trends, reduction in Star ratings, and changes to the risk-adjustment payment methodology, known as V28.

Margins and underwriting results in Medicaid managed care declined, as expected, due to redeterminations by the states following the end of the COVID-19 Public Health Emergency. Furthermore, the underwriting results in the fully insured employer group segment declined, driven by elevated utilization, and an increase in medical cost trends, both of which include a significant increase in the number of individuals usage of GLP-1s.

In Asia, insurers are developing new products to meet evolving market needs. Reinsurers have the ability to provide this support, which includes the development of products and pricing/underwriting along with aid in assisting primary insurers to offer products to meet the needs of the market.

Health Reinsurance Shows Continued Growth Amid Rising Global Demand

Global health reinsurers continued to see growth in revenue through year-end 2024 as the need for protection against morbidity risks increased. Global reinsurers have adapted to changing

Analytical Contacts:

Jennifer Asamoah, Oldwick
+1(908) 882 1637
jennifer.asamoah@ambest.com

Jon Housel, Oldwick
+1(908) 882 1898
jon.housel@ambest.com

Contributor:

Christie Lee, Hong Kong

2025-105.11

healthcare needs and are supported by long-term trends such as an aging population and a steady interest in morbidity and living benefit products. Looking ahead, rising medical costs alongside premium growth are expected to persist and may increase demand for reinsurance support.

Swiss Re's health reinsurance revenue continued to contribute meaningfully to the life and health (L/H) segment's overall revenue, growing 4.0% in 2024. The L/H reinsurance segment accounts for over 37.4% of total insurance revenue for the organization. The 2024 insurance service results for the segment increased by 15.0% over the prior year. The organization believes the health business has the potential to fuel growth in the segment, as societies continue to age, driving the need for health protection.

Hannover Re's reinsurance revenue for morbidity solutions increased by 12.7% in 2024, its largest increase in recent years. The company regained its growth trend after a 4.7% decline in the prior year. Before the 2023 decline, morbidity solutions revenue had increased for five consecutive years. Growth was driven by all geographies, especially Australia and Europe. In 2024, the Life and Health (L/H) reinsurance segment saw revenue growth in both morbidity and longevity solutions while the mortality and financial solutions experienced a decline in revenue. However, mortality solutions remain the largest portion of the L/H business and account for roughly 39.0% of revenue in the segment. The company expects a favorable environment for the L/H reinsurance segment in 2025, particularly for financial and longevity solutions, and to a lesser extent, morbidity and mortality solutions.

Munich Re's health reinsurance premium increased in 2024 after declining for two consecutive years. Health premium rose by 32.4% in 2024; however, the combined ratio deteriorated to 100.4%, compared to 90.6% in the prior year. According to the organization, the unfavorable underwriting results in 2024 were due to higher claims expenditures in Canada and the non-renewal of a small number of contracts in China. Premium income expanded in the Asian, South Asian, and Canadian markets during the year. Munich Re expects its health reinsurance business to continue growing through 2025.

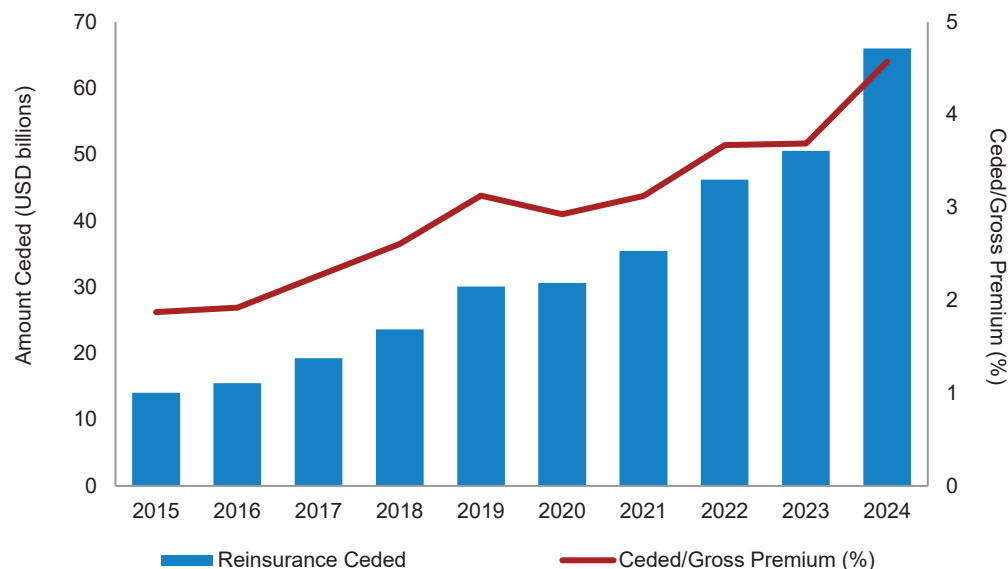
Reinsurance Group of America's (RGA) health reinsurance business continues to be driven by the US and Latin American markets, which experienced favorable individual health trends. The organization believes the US has offered a number of attractive opportunities in recent years, aided by technological innovations and in-force management actions. Additionally, the company notes the aging population in multiple regions has increased the desire for living benefit morbidity products. RGA also reported growth in traditional reinsurance products in the Canadian, Asia-Pacific, and EMEA (Europe, Middle East, and Africa) markets through year-end 2024.

Global reinsurers continue to prioritize health reinsurance as part of their environmental, social, and governance (ESG) initiatives, focusing on improving access to healthcare, supporting health innovation, and managing social risks related to aging and chronic diseases. They also acknowledge the complex risk landscape in health reinsurance and regulatory uncertainties across different regions.

US Health Reinsurance Growth Accelerates

The US health reinsurance market has grown in terms of both quota share and excess of loss reinsurance arrangements. For health statutory filers the volume of ceded health premium has grown significantly over the past 10 years, growing over 350% during that time (**Exhibit 1**). In 2024, ceded premium grew just over 30% to USD 66 billion, after growing just 9% in 2023. This was the largest single-year increase in premium over the past 10 years and the largest increase since 2022. Ceded

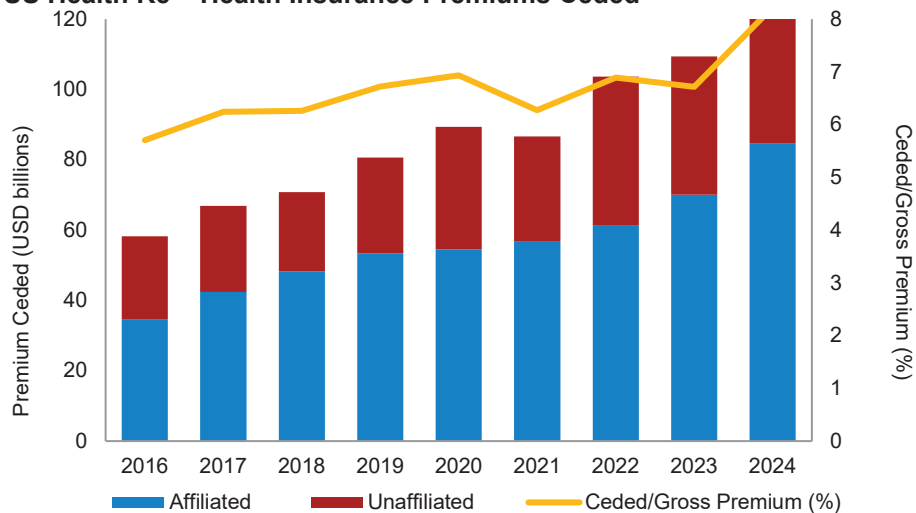
Exhibit 1

US Health Reinsurance Ceded (Health Filers Only, including DMHC*)

*DMHC = Department of Managed Health Care, a government agency in the state of California in charge of regulating health insurance plans in the state.

Source: BESTLINK

Exhibit 2

US Health Re – Health Insurance Premiums Ceded

Note: Includes A&H business from Blue Book filing companies.

Source: BESTLINK

premium as a share of gross premium increased to 4.6% during 2024 after remaining at 3.7% over the past two years.

For combined life and health statutory filers ceded premium volume was over USD 142 million (affiliated and unaffiliated) in 2024 (**Exhibit 2**), increasing 30% over the prior year. Ceded premium was as low as USD 47.5 billion in 2015, further highlighting significant growth. Ceded premium as a share of gross premium grew to just over 8% during 2024 after remaining around 7% over the prior two years.

Several health insurers reported a sizeable growth in ceded premium in 2024, with growth in premiums ceded exceeding USD 2 billion:

- The largest was Blue Cross and Blue Shield of Michigan, a Mutual Insurance Company, which entered into a quote share agreement with Hannover Life Reassurance Company of America (Bermuda) Ltd. for several blocks of business effective April 1, 2024. Additionally, the cession rates for the commercial preferred provider organization (PPO) business increased to 90% on July 1, 2024. The implementation of the new quote share agreement resulted in an increase of more than USD 5 billion of premium ceded for 2024.
- Centene Corporation's subsidiary, Celtic Insurance Company, reported an increase of more than USD 2 billion in ceded premiums in 2024. The majority of Celtic Insurance Company's ceded premiums are comprehensive major medical via an arrangement with Health Net Life Reinsurance Company, an affiliated company.
- The Highmark Health organization saw its ceded premiums increase by more than USD 2 billion as Highmark Inc. and its subsidiary, HM Life Insurance Company, each entered quota share reinsurance agreements with Canada Life Assurance Company (Canada Life) effective January 1, 2024. Highmark Inc.'s agreement cedes 40% of its direct and assumed comprehensive hospital and medical business, while HM Life Insurance Company cedes 80% of certain stop-loss policies.

It is worth noting that Blue Cross Blue Shield (BCBS) companies have become much more active utilizers of reinsurance in recent years. Historically, BCBS carriers have been very well capitalized and maintained excess capacity for growth. However, as BCBS grew their participation in the lower-margin Medicare Advantage segment, the pressure on capitalization increased. BCBS carriers have turned to reinsurance arrangements to support premium growth and compete with more large-scale and diversified public peers.

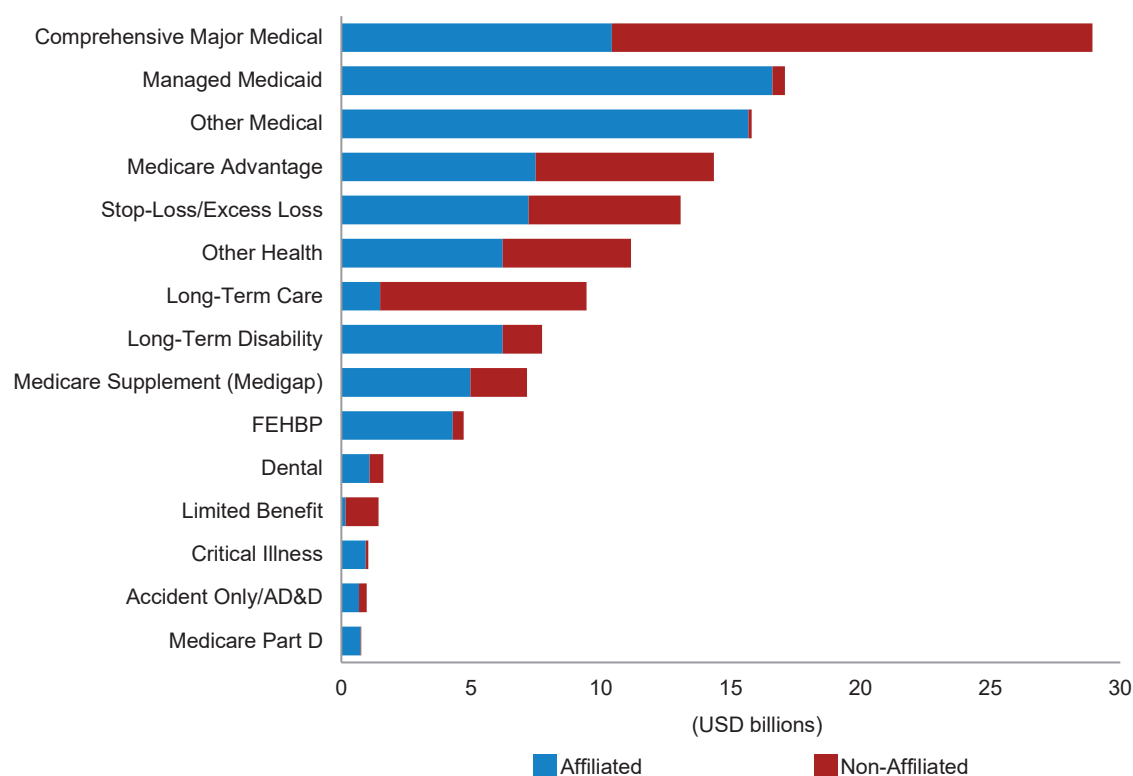
Affiliated reinsurance agreements continue to represent a substantial share of the US health reinsurance market, as large health insurers often use these arrangements to efficiently manage internal capital and streamline business operations through multiple subsidiaries. Premium ceded to affiliates has remained steady over the past 10 years, ranging from 59%-64% of ceded health insurance premium. In 2024, affiliated reinsurance agreements comprised 60% of the segment, decreasing from 64% in 2023. In 2024, the increase in unaffiliated ceded premiums of 46% outpaced the rise in affiliated ceded premiums, which was approximately 21%. We also note there has been a steady annual rise in affiliated ceded premiums for the past four years. Through 2024, many insurers continue to establish new subsidiaries (reinsurers, captives) to expand the capacity for internal reinsurance. These insurers aim to protect their level of risk-adjusted capitalization while experiencing significant growth in various lines of business.

The growth in ceded premiums to unaffiliated companies is driven by both protection against adverse claims and capital management strategies. The decline in underwriting profitability across multiple lines of business leads to lower levels of internal surplus generation. Sizeable rate increases combined with higher loss ratio results in higher risk-adjusted capitalization requirements. Health insurers that cede a portion of their premium to external parties can reduce the amount of required capital used in capital modeling as well as support additional premium growth.

The largest line of ceded health premium in 2024 was comprehensive major medical (commercial insurance, also known as employer group and individual medical), which totaled just under USD 30 billion (**Exhibit 3**). The amounts ceded during the year grew significantly. Growth was led primarily by non-affiliated premium during the year, although affiliated reinsurance did show strong growth, albeit at a smaller amount.

Exhibit 3

US Health Re – Health Premium Ceded by Product



Source: BESTLINK

Ceded premium for the Medicaid segment declined by roughly 11% through 2024, totaling USD 17.1 billion of ceded premium. Affiliated reinsurance agreements continue to grow as a share of ceded premiums in the segment, totaling 97% in 2024 compared to 87% in 2023. The reduction in premium ceded is likely attributable to Medicaid redeterminations, which has led to a reduction in enrollment and premium in 2024. Looking forward, changes to Medicaid funding and eligibility will be implemented over the next few years at the federal level, which may negatively impact enrollment, and funding may become pressured. This may result in deterioration in the acuity of the population and pressure on profitability and an increased need for external reinsurance as profitability in the segment may be pressured.

Medicare Advantage ceded premium has increased by just 25% in 2024, driven by continued premium growth in the product. Medicare Advantage premiums are split 52/48 between affiliated and non-affiliated arrangements, which was a slight shift from the prior year, when it was 55/45. In 2024, the increase in non-affiliated reinsurance for Medicare Advantage exceeded the premium ceded to affiliated companies. Margins in this segment have narrowed, resulting in an increased demand for protection. Additionally, the Medicare supplement segment increased by approximately 28% and remained heavily weighted in affiliated arrangements.

Canada Life Assurance Company USB (Canada Life) and Hannover Life Reassurance Bermuda Ltd (Hannover Life Re) remain the top two unaffiliated health reinsurers in the US (**Exhibit 4**), reporting USD 19.4 billion and USD 14.5 billion in premium at year-end 2024. Of the top 10 reinsurance transactions in 2024 among non-affiliated companies, Canada Life had two of the transactions

Exhibit 4

US Health Re – Top 10 Largest Non-Affiliated Reinsurers

Based on US statutory filings

Rank	Reinsurer Name	Jurisdiction	Premium (USD)
1	Canada Life Assurance Company USB	Michigan	19,449,493,933
2	Hannover Life Reassurance Bermuda Ltd	Bermuda	14,457,553,598
3	Commonwealth Annuity and Life Ins Co	Delaware	5,056,051,811
4	Wellpoint Life and Health Insurance Co	Delaware	1,688,526,061
5	EyeMed Insurance Company	Arizona	1,413,814,602
6	RGA Reinsurance Company	Missouri	1,343,532,386
7	Munich American Reassurance Company	Georgia	1,069,084,181
8	Fresenius Medical Care Reins Co	Cayman Islands	941,287,365
9	RGA Reinsurance Co (Barbados) Ltd	Barbados	649,831,884
10	Hannover Life Reassurance Co of America	Florida	417,680,390

Source: AM Best data and research

Exhibit 5

US Health Re – Top 10 Transactions Effective in 2024

Based on US statutory filings

Rank	Company Name	Reinsurer Name	Affiliated/ Non-affiliated	Jurisdiction	Effective Date	Premium (USD)
1	Lincoln National Life Insurance Co	Lincoln Pinehurst Reinsurance	Affiliated	Bermuda	06/30/2024	4,943,941,766
2	The Manufacturers Life Insurance Co	Global Atlantic Group	Non-affiliated	Delaware	01/01/2024	3,834,164,753
3	Blue Cross Blue Shield of MI Mut Ins Co	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	04/01/2024	2,757,697,973
4	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	01/01/2024	1,960,236,746
5	Blue Cross Blue Shield of MI Mut Ins Co	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	04/01/2024	1,655,893,159
6	Oscar Health Plan of Georgia	Canada Life Assurance Company USB	Non-affiliated	Michigan	01/01/2024	1,481,075,215
7	Highmark Inc.	Canada Life Assurance Company USB	Non-affiliated	Michigan	01/01/2024	1,387,008,918
8	The Manufacturers Life Insurance Co	Global Atlantic Group	Non-affiliated	Delaware	01/01/2024	1,063,467,184
9	Aetna Life Insurance Company	Health Re Inc	Affiliated	Vermont	01/01/2024	1,000,000,000
10	Providence Health Assurance	Providence Health Plan	Affiliated	Oregon	01/01/2024	956,781,625

Source: AM Best data and research

effective in 2024, while Hannover Life Re had the third largest reinsurance transaction in 2024 (**Exhibit 5**).

Commonwealth Annuity and Life Insurance Company, part of the Global Atlantic Financial Group, was the third largest unaffiliated reinsurer, reporting USD 5.1 billion of premium in 2024. Commonwealth was not a part of the 10 largest reinsurers in 2023, which further emphasizes the company's growth over 2024. This was driven by an increase in new reinsurance agreements, as the company had the second largest reinsurance transaction effective in 2024 for a block of long-term care business with John Hancock Life Insurance Company.

It is worth noting that of the top 10 transactions in-force in 2024, half were affiliated transactions, and the three largest were with affiliated companies.

High-Cost Claims Continue to Influence the Industry

The growing exposure to high-cost claims has continued to bolster demand for reinsurance support within the health segment. According to Sun Life's most recent high-cost claims report, claims over USD 1 million are on the rise, increasing by 29% in 2024 and up 61% over the past four years. Increased high-dollar claims were driven by rising costs across all aspects of healthcare, medical advancements, and the return to pre-pandemic utilization. The company also looks at claims above

USD 3 million dollars, which increased by almost 50% in 2024. The report states longer inpatient hospital stays and having at least one co-morbidity were the most common contributors. Complicated surgeries and high-cost drugs were also factors in the rising amount of claims over USD 3 million.

Through 2024, children under the age of two continue to comprise a large part of high-cost claims as newly developed therapies and drugs emerge for some severe genetic diseases. Children under two accounted for 24% of the total spend on claims over USD 1 million, compared to just 9% for all claims. This has remained relatively consistent over the prior year. Additionally, due to population growth and aging, the amount of orthopedic/musculoskeletal claims have been on the rise and exceeded blood cancers (leukemia/lymphoma)/disorders to become the third-highest claim condition.

Drugs used primarily for cancer treatments comprised 80% of the top 10 highest cost-injectable drugs during 2024. Cancer treatments are expected to remain at the forefront of injectable costs over the foreseeable future as the utilization of newly developed treatments continues, especially treatments involving aggressive forms of cancer.

It is expected that costs across the healthcare market will increase over the next several years. The increased cost of labor and supplies combined with the shifting cost from government programs will likely increase pressure on providers, making it more difficult for payers to cover more expensive treatments without some type of reinsurance arrangement.

Increased Demand in the Stop-Loss Segment

The demand for stop-loss reinsurance continued to accelerate in 2024 as the growth in high-cost claims increased the demand for reinsurance. Stop-loss/excess loss ceded premium increased 25% year-over-year to USD 13.1 billion at year-end 2024. Roughly 55% of premium is affiliated, in line with the prior year. Stop-loss products were originally popular with smaller insurers even before the recent increases in high-cost claims. Since cost trends worsened in almost all aspects of healthcare over the past few years, larger insurers have been purchasing coverage and accelerating growth within the segment. Furthermore, it has become popular for insurers to bundle self-funded products with stop loss as an alternative to traditional employer group coverage.

According to the Sun Life high-cost claims report, the number of employers likely to experience a stop-loss claim in any given benefit year was 88% from 2020 to 2023. To combat rising medical costs, stop-loss insurance writers have started to gradually increase the deductible level and increase premium prices. However, due to strong competition within the industry, price has become the main differentiator between plans. Insurers have been forced to choose between prioritizing growth or margin and may benefit from additional reinsurance coverage as a result. (Re)insurance products that have specific carve-outs/lasers for medical conditions or certain medications/treatments are likely to become increasingly popular over the short term.

Additionally, AM Best notes there has been growing interest in reinsurance on stop-loss business from insurers that specialize in this line of business.

- In 2024, HM Life Insurance Company entered into an agreement to cede 80% of certain stop-loss policies, which resulted in USD 701 million of stop-loss premium ceded to Canada Life.
- Symetra Life Insurance Company has been ceding stop-loss premium to Canada Life since 2019, and in 2024, ceded USD 764.7 million of premium to Canada Life.
- Reliastar Life Insurance Company ceded USD 1.3 billion to Canada Life in 2024. Reliastar Life Insurance Company's agreement with Canada Life was effective in 2020.

Exhibit 6

US Health Re – Top 10 Transactions In-Force, 2024

Based on US statutory filings

Rank	Company Name	Reinsurer Name	Affiliated/ Non-affiliated	Jurisdiction	Effective Date	Premium (USD)
1	Horizon Healthcare of New Jersey Inc	Horizon Healthcare Services, Inc.	Affiliated	New Jersey	01/01/2017	7,766,305,463
2	Celtic Insurance Company	Health Net Life Reinsurance Company	Affiliated	Cayman Islands	01/01/2018	7,579,656,112
3	Lincoln National Life Insurance Co	Lincoln Pinehurst Reinsurance	Affiliated	Bermuda	06/30/2024	4,943,941,766
4	Aetna Life Insurance Company	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	01/01/2013	4,515,246,863
5	John Hancock Life Insurance Co (U.S.A.)	Commonwealth Annuity and Life Ins Co	Non-affiliated	Delaware	01/01/2024	3,834,164,753
6	Horizon Healthcare Services, Inc.	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	01/01/2023	3,109,084,704
7	Blue Cross Blue Shield of MI Mut Ins Co	Hannover Life Reassurance Bermuda Ltd	Non-affiliated	Bermuda	04/01/2024	2,757,697,973
8	Canada Life Assurance Company USB	Canada Life International Re (BB) Corp	Affiliated	Barbados	01/01/2011	2,624,204,598
9	Aetna Life Insurance Company	Canada Life Assurance Company USB	Non-affiliated	Michigan	01/01/2011	2,275,459,281
10	Sun Life Assurance Co of Canada USB	Sun Life Financial (Bermuda) Reins Ltd	Affiliated	Bermuda	09/30/2019	2,263,381,783

Source: AM Best data and research

Furthermore, there is stop-loss business being ceded to affiliates, in 2024, the largest of which were (**Exhibit 6**):

- US Branch of Sun Life Assurance Company of Canada ceded more than USD 2 billion of stop-loss/excess of loss premiums to Sun Life Financial (Bermuda) Reinsurance Ltd., with an arrangement that began in 2019.
- US Business of The Canada Life Assurance Company ceded more than USD 2.6 billion of stop-loss/excess of loss premiums Canada Life International Reinsurance (Barbados) Corp. in an agreement that has been in place since 2011.
- A number of Blue Cross Blue Shield entities continue to increase ceding stop-loss to an affiliated captive.

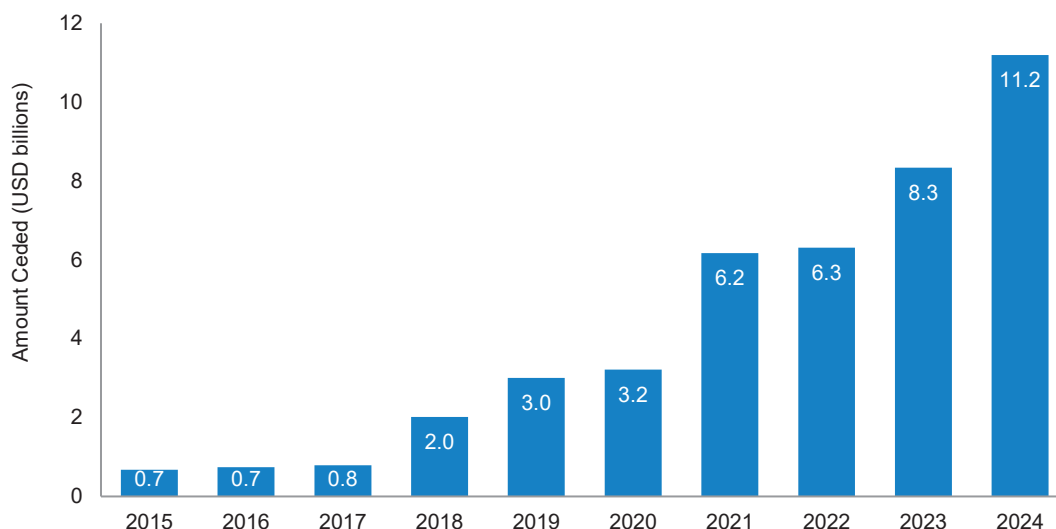
AM Best expects the trend of ceding stop-loss to continue as companies seek to protect against high-dollar claimants as well as organizations' overall capital management strategies.

Captives in the Industry on the Rise

There has been a significant uptick in the use of captives across the health insurance industry in recent years as health insurers are increasingly relying on captives as part of an organization's strategy to efficiently manage capital. The premium volume ceded to captives has grown dramatically over the past two years, with more than 30% year-over-year growth in both 2023 and 2024 (**Exhibit 7**). Ceded premiums rose from USD 3.2 billion in 2020 to USD 6.3 billion in 2022 to USD 8.3 billion in 2023 and reached USD 11.2 billion in 2024 — a 34% increase in one year.

The premium growth in the past two years has largely been driven by one captive, Health Net Life Reinsurance Company (Health Net Life Re), whose ultimate parent is Centene Corporation. Health Net Life Re was the largest health insurance captive in terms of ceded premium in 2024 at USD 7.5 billion. All the premiums ceded to Health Net Life Re are from Celtic Insurance Company (Celtic), an affiliated company within the Centene Corporation organization, for commercial major medical business. The growth in premiums ceded by Celtic is correlated to its growing individual membership and higher direct premiums written. The individual comprehensive premium at Celtic has grown from USD 6.6 billion in 2022 to USD 10.1 billion in 2023 and increased further to USD 15.1 billion in 2024.

Exhibit 7
US Health Re – Premium Ceded to Captives (Health Filers Only)



Source: **BESTLINK**

Exhibit 8
US Health Re – Top 10 Largest Captive Reinsurers

Based on US statutory filings

Rank	Reinsurer Name	Ultimate Parent	Jurisdiction	Ceded Premium (USD)
1	Health Net Life Reinsurance Company	Centene Corporation	Cayman Islands	7,579,656,112
2	Health Re Inc	CVS Health Corporation	Vermont	4,000,000,000
3	WellPoint Insurance Services, Inc.	Elevance Health, Inc.	Hawaii	2,243,599,481
4	Fairwind Insurance Company	Unum Group	Vermont	572,609,100
5	GranularRe, Inc.*	Elevance Health, Inc.	South Carolina	467,891,929
6	CVS Caremark Indemnity Ltd.	CVS Health Corporation	Bermuda	406,552,045
7	Woodward Straits Insurance Company	Blue Cross Blue Shield of MI Mut Ins Co	Michigan	254,166,071
8	Stancap Insurance Co	Meiji Yasuda Life Insurance Company	Oregon	106,443,313
9	South Water Insurance Company	Health Care Svc Corp, a Mut Legal Res Co	Utah	105,929,431
10	Healthcare Captive Solutions, Inc.	Prosano, Inc.	Arizona	43,790,684

*GranularRe, Inc. ultimate parent was Verily Life Sciences, LLC at December 31, 2024.

Source: AM Best data and research

AM Best notes that of the 10 largest health insurance captives based upon premium (**Exhibit 8**) the top three accounted for nearly 88% of ceded premiums in 2024. The top three players in the health insurance captive market are Health Net Life Reinsurance Company, Health Re Inc., and WellPoint Insurance Services, Inc. These entities have long-established experience in assuming blocks of business and play a central role in capital optimization strategies.

CVSHealth/Aetna utilizes two captives: Health Re Inc. and CVS Caremark Indemnity Ltd. Health Re remains the second largest in terms of ceded premium through 2024. Health Re is utilized as part of an insurance-linked securities' transactions for a portion of Aetna Life Insurance Company's group commercial insured business. CVS Caremark Indemnity assumes Medicare Part D business from SilverScript Insurance Company, an affiliated company.

WellPoint Insurance Services, Inc., the wholly owned captive subsidiary of Elevance Health, Inc. (Elevance), is domiciled in Hawaii and includes a segregated cell structure. The cell assumes premiums from an affiliated company, Anthem Insurance Companies, Inc. (AICI), for a portion of the Federal Employee Health Benefits Program (FEHBP). As part of Elevance's capital optimization strategy, AICI assumes FEHBP premiums from several other affiliated entities. AICI then cedes a portion of the gross premium written to WellPoint Insurance Services, Inc. In 2024, the FEHBP premium ceded by Anthem Insurance Companies Inc. to WellPoint Insurance Services was USD 2.2 billion. AM Best notes the use of cell structures may enable Elevance to utilize the captive in the future for additional lines of business.

Asian Market

Globally, insurers utilize health reinsurance to support premium growth and provide expertise to local insurers, particularly for newer products. The Asian markets have experienced growth, with a changing demographic/product environment driving demand for reinsurance.

Mainland China continues to advance its medical payment reform agenda in response to rising healthcare costs, high out-of-pocket expenses, and inefficiencies associated with the fee-for-service (FFS) model. Since 2018, the government has implemented a number of rounds of bulk drug procurement and expanded medical service price reforms to enhance the sustainability of insurance funds amid an aging population. On the inpatient side, alternative payment models such as diagnosis-related groups (DRGs) and diagnosis-intervention packet (DIP) systems have been progressively rolled out and scaled nationally by the National Healthcare Security Administration (NHSA) since 2019. These reforms helped reduce inpatient medical expenses, particularly for those covered under the public health insurance scheme, thereby easing claim burdens for commercial insurers. As public insurance increasingly covers standardized, cost-controlled services, commercial insurers are shifting their focus to supplementary products—such as high-end drug coverage, outpatient care, and services not fully reimbursed by basic social insurance. Notably, in 2024, indemnity-based medical insurance premiums surpassed those from critical illness products for the first time. Insurers are also expanding into underserved segments, including individuals with chronic conditions, pre-existing illnesses, and specific demographic groups. Reinsurers play a critical role in this evolving landscape, supporting risk diversification and co-developing new products—particularly those targeting populations with pre-existing conditions—by leveraging broader datasets and technical expertise to enhance pricing and underwriting practices. Notably, demand for health reinsurance is significantly higher among foreign property and casualty companies compared to their domestic peers.

South Korea is on the cusp of becoming a super-aged society in 2025, with individuals aged 65 and above projected to comprise over 20% of the population—an unprecedented demographic shift globally. This rapid aging has heightened the importance of commercial insurers in supporting the country's evolving healthcare needs. In response, insurers have been actively developing innovative health products, including long-term care and simplified issue offerings. However, the expanding health insurance market, coupled with intensifying competition, has placed growing financial strain on primary insurers. This has led to a rising demand for specialized reinsurance solutions to manage the increasing risk exposure associated with health products. Notably, the market has seen an increasing demand in large-scale coinsurance arrangements—a type of financial reinsurance that enables primary insurers to transfer both insurance and interest rate risks to reinsurers—highlighting a strategic shift in capital practices.

**Asian-Pacific
reinsurers gaining
traction abroad
while global players
similarly take root in
the region**

Asia in Focus: A Two-Way Street for Reinsurance Diversification

Principal Takeaways:

- Asian reinsurers are actively expanding to mature overseas markets in support of efforts to diversify and to be agile in cycle management, which is seen as credit positive.
- A majority of the reinsurers in the Asia Reinsurance Composite recorded higher net income in 2024, with Chinese reinsurers seeing the most notable gains.
- 2024 earnings were strong but broadly flat year-on-year for Singapore-based reinsurers and throughout South/Southeast Asia, albeit still near historic highs.
- Reinsurance capacity rebuilds occurred amid pricing adequacy, leading to increased competition and treaty oversubscription.
- In Japan, April renewal revenue was reduced owing to increased retention and rate reductions; this may further fuel Asia-Pacific 2026 January renewal softening.
- Reinsurers adopted a strategic shift toward greater climate-resilient portfolio management.
- Regulatory reforms have attracted growing foreign reinsurance capacity in India.

Diversification Strategies of Asian Reinsurers: Expanding Beyond Domestic Borders

Over the past decade, the major European reinsurers have identified the Asia-Pacific region as a key source for diversification and growth. With local offices established across the region, Asia-Pacific has consistently accounted for 10-20% of their gross premiums written (GPW), supported by Asian countries' strong economic growth, expanding insurance penetration, a rising middle class, and infrastructure development.

Asia-Pacific reinsurers are following a similar strategy, significantly expanding abroad. With economic momentum slowing in China, and mature markets like Japan and South Korea facing demographic and economic headwinds, North Asian major reinsurers have increasingly turned to international markets to sustain growth and diversify risk. Notably, both China Re and Taiping Re have more than doubled their P&C GPW over the past ten years.

Non-Life Portfolio Diversification and Geographic Expansion

Asian reinsurers have significantly expanded their P&C portfolios beyond their home markets. The average overseas premium contribution among major North Asian reinsurers rose from 22% in 2010 to 42% in 2024 (**Exhibit 1**). Initial expansion focused on neighbouring Asia-Pacific markets, followed by entry into mature markets, particularly the United States and Europe.

The US is the preferred destination for reinsurers due to its market depth and diversification potential, especially for the casualty lines. A decade ago, apart from Toa Re having a US subsidiary that generated a stable stream of casualty premium from the US market, the rest of its Asian regional peers had a very limited footprint in the world's largest reinsurance market.

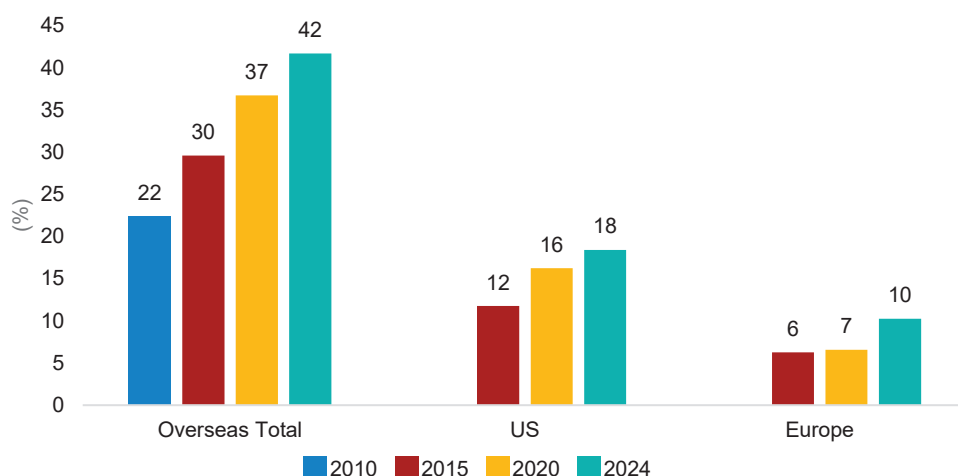
Analytical Contacts:

Christie Lee, Hong Kong
+852 2827 3413
Christie.Lee@ambest.com

Chris Lim, Singapore
+65 6503 5018
Chris.Lim@ambest.com

2025-105.12

Exhibit 1
Asia-Pacific Reinsurers' P&C Premium from Overseas Markets
 (Simple Average)



Today, US GPW represents 18% of the major Asian reinsurers' portfolios, with China Re and Peak Re showing the most notable growth. European market GPW contribution also increased, to 10% in 2024 from 6% in 2015.

Strategic and Capital Efficiency Benefits

Global expansion offers more than just growth for reinsurers. It also supports capital efficiency from risk diversification, increased investment return from extending liability duration, and, most importantly, capability building for long-term growth.

As internal capital models mature and RBC2/ICS frameworks are implemented, in-house capital management experts and actuaries are actively reshaping corporate optimization strategy through geographic and product diversification.

Home markets are heavily exposed to catastrophe-prone property risks. Taking additional catastrophe risks is not really within their risk appetite. Overseas expansion, particularly into US casualty lines, helps balance portfolios and extend liability durations. This enables higher returns from matching long-term fixed income investments in the current elevated interest rate environment. Peak Re recently established a Bermudian-based subsidiary, Peak Reinsurance North America Ltd., to mainly underwrite US motor and casualty reinsurance business. While social inflation remains a structural concern in the US casualty market, Asian reinsurers have adopted a cautious and selective approach in casualty segments less impacted by inflation, benefitting from the absence of a legacy book of business.

Primary insurance product offerings in Asia are quite traditional, with less of a focus on innovative products. Insurance penetration in many segments is relatively low compared to other mature markets. Exposure to advanced markets enhances reinsurers' underwriting expertise in emerging areas such as cyber and specialty lines. For example, China Re acquired Chaucer in 2018 in part for its political risk expertise and capabilities, aligning it with China Re's strategic role in offering insurance protection to Chinese enterprises expanding overseas under Belt and Road initiatives.

Japanese and Korean Insurance Groups See Reinsurance as a Strategic Growth Pillar

Japanese and Korean insurance groups are expanding their reinsurance footprints in overseas markets. MS&AD's acquisition of Amlin in 2016 and Sompo's acquisition of Endurance in 2017, followed by the establishment of Sompo International, were major enhancements. Since then, the two mega groups' overseas reinsurance contribution to the groups' P&C net premiums written (NPW) increased from minimal a decade ago to 14% for MS&AD and 15% for Sompo.

Samsung Fire & Marine Insurance also recently more than doubled its stake in Canopus, from 19% to 40%, and activated Samsung Re in Singapore to write open market treaty business.

Global Expansion as Credit Positive

As major Asian reinsurers' risk-adjusted capitalization remains robust, AM Best views controlled and well-managed global expansion as credit positive. It enhances business profile diversification, improves capital efficiency, and provides an additional source of profit. By acquiring global talent and adopting international best practices, Asian reinsurers could also benefit from stronger enterprise risk management and, most importantly, be more agile in managing underwriting cycles by building long-term resilience.

Combined Ratio Declines for Asia Reinsurance Composite

AM Best's Asia-Pacific reinsurance composite includes leading reinsurers domiciled in the region that report under IFRS 17 accounting standards, with a focus on P&C performance for comparability. The composite recorded a 4.1% decline in net insurance service revenue, reflecting the lagging nature of earned revenue recognition (**Exhibit 2**). This was driven by some reinsurers within the composite rebalancing their portfolios in 2023, resulting in reduced gross premiums written through the re-underwriting of unprofitable business. The reduced premium is partially earned and reflected in 2024 insurance service revenue.

Exhibit 2

Global Reinsurance — Asia-Pacific — P&C Trend Summary

(%)

IFRS 4	2020	2021	2022	IFRS 17	2022	2023	2024
Net Written Premium	14.3	7.3	7.8	Insurance Revenue ¹	N/A	11.0	-4.1
Net Earned Premium (P&C only)	15.4	5.6	8.4			0.0	0.0
Total Revenue	13.5	7.1	4.4	Total Revenue ¹	N/A	14.3	-6.8
Shareholders' Equity (End of Period)	18.0	-0.4	-9.6	Shareholders' Equity (End of Period) ¹	N/A	20.9	3.8
Loss Ratio	74.2	74.6	75.0				
Expense Ratio	27.4	26.6	25.4				
Combined Ratio	101.6	101.2	100.3	Combined Ratio	95.8	92.5	91.4
Net Investment Ratio ²	7.2	7.3	5.6	Net Investment Ratio ³	4.7	8.3	15.1
Operating Ratio	94.5	93.9	94.8				
Return on Equity	4.6	6.2	1.9	Return on Equity	0.0	9.2	11.3
Return on Revenue	2.6	3.6	1.0	Return on Revenue	0.0	6.5	9.7
NPW (P&C only) to Equity ⁴	156.0	168.0	200.4	Insurance Revenue to Equity ⁴	98.7	90.6	83.7
Net Reserves to Equity ⁴	197.7	229.9	280.2	Net Reserves to Equity ⁴	140.9	126.8	125.1
Gross Reserves to Equity ⁴	259.7	291.6	350.9	Gross Reserves to Equity ⁴	190.7	160.4	156.2

¹ 2022 calculations not available due to changeover to IFRS 17.

² Net investment ratio based on P&C net earned premium.

³ Net investment ratio based on P&C insurance revenue.

⁴ End of Period

Results based on reported currencies converted to USD.

Source: AM Best data and research

Shareholders' equity remains robust, growing modestly by 3.8% in 2024, following a strong 20.9% increase in 2023, driven by hybrid debt issuance and retained earnings. Despite stable capital levels in 2024, reinsurers are actively exploring alternative capital solutions to enhance capacity. Taiping Re issued a USD 35 million three-year catastrophe bond (Silk Road Re) in January 2025, making it Asia's first dual-peril, dual-trigger cat bond, covering US named storms and Mainland China earthquakes. Peak Re followed with its second cat bond (Black Kite Re 2025-1) in April 2025 (for USD 50 million), expanding risk transfer capabilities across both developed and emerging Asian markets. This issuance included Japan earthquake and typhoon perils, and earthquakes in China and India.

The composite's weighted average return on equity (ROE) improved to 11.3% for 2024, supported by stronger underwriting results and higher investment income, thus extending the improving trend from 2023. A majority of the reinsurers in the composite recorded higher net income, with Chinese reinsurers achieving the most significant gains.

A high interest rate environment (generally across the Asia-Pacific market except for China and Japan) benefits the reinsurers running yield in general. Despite a downward trend in Chinese rates, Chinese reinsurance groups increased USD fixed income exposure via their overseas subsidiaries, as well as by utilizing Qualified Domestic Institutional Investor (QDII) quotas¹. This helps diversify its concentrated domestic credit profile by enhancing yield and extending bond portfolio duration. The domestic Chinese equity market also was favourable to Chinese (re)insurers in 2024. The CSI 300 Index appreciated by approximately 15% during 2024, marked by a strong rebound after a few challenging years of Chinese equities from improved investment sentiment and supportive policy measures.

On the underwriting side, the composite's combined ratio improved to 91.4 in 2024, down from 92.5 in 2023 and 95.8 in 2022. Nearly all reinsurers in the composite reported improved combined ratios, supported by benign catastrophe activity in home markets, as well as easing retrocession costs. While this reflects continued improvement, it remains approximately 5 percentage points higher than the European Big 4 composite under IFRS 17. The differential is largely due to greater exposure to the domestic proportional treaty portfolio, which benefitted less from the recent hard market, as well as a more property-focused book with shorter liability duration, resulting in less combined ratio reduction from the discounting effect under IFRS 17 in the combined ratio. Nevertheless, profitability improvement is largely attributed to good results in overseas portfolios.

The increase in retrocession capacity and quotation markets (retrocessionaires that are willing to provide pricing quotations) are favourable to Asian reinsurers. The regional reinsurers see stronger willingness from retrocessionaires to ease terms and conditions tightened from prior hard-market correction.

Japan - Cedents Increase Retention; Rate Reduction May Further Fuel Asia-Pacific Renewal Softening

Japan's April 2024 renewals included some of the world's largest property catastrophe programmes and marked a turning point, with signs of softening rates after several years of increases driven by wind and flood losses. This trend continued into April 2025 with abundant capacity both from new entrants and existing players, signalling the end of the hard market cycle across the Asia-Pacific region. According to Howden Re, Japanese property catastrophe excess-of-loss (CAT XL) programmes saw risk-adjusted rate reductions of 10–15% and improved terms in 2025.

¹ QDII is a regulatory program in China that allows approved domestic financial institutions to invest in offshore securities, including bonds, under a quota system.

The large Japanese insurance groups' strengthened capital positions—bolstered by solid operating performance and continued de-risking of domestic strategic equity holdings—have also enabled them to increase retentions. Combined with rate reductions, this premium decline has led to a contraction in the overall size of the property-catastrophe premium pool in Japan. This contraction comes as reinsurers seek growth in the Asia-Pacific region, potentially accelerating softening market conditions into the January 2026 renewals, barring major catastrophe events.

Looking ahead, the planned merger of Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) by 2027 is expected to reshape the Japan reinsurance market. Consolidation of reinsurance programmes is likely to follow, with competition expected to be fierce in order to secure participation in the future combined reinsurance programmes.

On the proportional side, reinsurers are increasingly targeting property pro-rata treaties as fundamentals improve. Since 2017, Japan's Reference Loss Cost Rates for fire insurance have been raised four times, prompting primary insurers to adjust pricing. In parallel, insurers have also tightened terms—shortening maximum policy periods from ten to five years, raising deductibles, and lowering limits of liability—leading to strong premium income and healthier loss ratios.

In the insurance-linked securities (ILS) space, Japanese cedents continue to access capital markets for catastrophe risk transfer. In 2025, Sompo Japan's latest Sakura Re transaction secured USD 150 million in Japanese typhoon and flood coverage over a four-year term, on an indemnity trigger and per-occurrence basis. Meanwhile, Zenkyoren launched Nakama Re, a USD 100 million cat bond covering Japanese earthquake risk on a three-year aggregate, indemnity-triggered basis. These deals underscore the strategic role of cat bonds as a complement to traditional reinsurance.

South Korea – Regulatory Reform Creates New Reinsurance Demands

South Korea's reinsurance market has undergone more pronounced changes than other Asian markets, largely due to the implementation of IFRS 17 and the Korean Insurance Capital Standards (K-ICS) in 2023. These frameworks introduced a more risk-sensitive solvency regime and new concepts like the Contractual Service Margin (CSM), fundamentally altering how insurers assess financial soundness.

As a result of K-ICS implementation and ongoing regulatory guidance on IFRS 17-related assumptions, primary insurers experienced solvency pressure and actively sourced for capital solutions to optimize capital efficiency. Reinsurers responded swiftly, developing capital relief structures tailored to the new solvency requirements.

A notable development under K-ICS is the inclusion of lapse risk, which has spurred demand for mass lapse reinsurance, a product designed to mitigate capital strain from large-scale policy surrenders during market volatility.

In parallel, South Korean insurers are increasingly turning to the capital markets, issuing subordinated and hybrid debts to bolster solvency. As an alternative capital solution, coinsurance has also gained traction as a strategic capital management tool, particularly for life and non-life long-term products. Although the regulatory framework was established in 2020, deal activity has accelerated only recently.

Several high-profile transactions underscore this trend. In October 2023, Korean Re entered into a KRW 700 billion (USD 534 million) coinsurance agreement with Samsung Life, following a similar coinsurance agreement with Shinhan Life in January 2022. More recently, Tongyang Life partnered

with RGA in June 2024 on a KRW 200 billion (USD 140 million) asset-intensive coinsurance agreement in June 2024, which was later expanded by an additional KRW 150 billion in October 2024. This was noted as the first cross-jurisdictional coinsurance transaction in South Korea.

Turning to traditional property reinsurance, 2025 renewal has been favourable to cedents, following challenging conditions in 2023 and a flat renewal in 2024. While some softening in rates has emerged, reinsurers have largely preserved the gains made from 2023 renewals, when commission rates were significantly reduced, premium rates on excess of loss increased materially, and retentions were pushed up.

Previously constrained segments, such as per-risk excess of loss covers, have benefitted from double-digit rate reductions as insurers leveraged their portfolios and reinsurers' growth ambitions to secure broader capacity support.

Taiwan – A Market Diverging from Regional Softening

While much of the Asia-Pacific market experienced rate softening in 2024, Taiwan stood out as an exception during the January 2025 renewal. This divergence was driven by the major April 2024 earthquake in eastern Taiwan, a Magnitude 7.2 event that caused significant insurance losses, primarily from semiconductor and high-tech sector property damage claims. A large portion of these losses were ceded to international reinsurers via facultative contracts, with some impacting CAT XOL treaty layers. Despite some treaty programmes being loss-impacted, capacity remained ample, with most placements oversubscribed in past January renewals, as Taiwan was one of the few Asia-Pacific markets where reinsurers achieved meaningful rate increases in 2025.

The outlook for 2026 renewals remains firm, following another strong earthquake in January 2025 (Magnitude 6.4), shortly after the completion of renewals. These back-to-back large-scale losses from the tech segment have heightened facultative reinsurers' concerns around profitability and contract balance.

Reinsurance demand in the engineering segment surged, driven by government-backed green energy infrastructure, particularly offshore wind power projects. According to the Non-Life Insurance Association of the Republic of China, industry premium income in this segment grew 40% in 2023, with continued momentum into 2024 and 2025. Almost all offshore wind construction risks were ceded facultatively to international reinsurers, with minimal local retention.

China – Stable Demand and Increased Supply

The China reinsurance market remains stable, with steady demand and increased capacity. Reinsurers are broadly deploying capacity across lines, putting downward pressure on rates. Terms and conditions have stayed consistent, reflecting a balanced market where cedents and reinsurers are aligned on maintaining coverage continuity.

Catastrophe activity in 2024 was relatively mild. Typhoon Yagi struck Hainan Province, as well as the Philippines and Vietnam, causing China an insured loss of approximately USD 500 million. The impact to Chinese insurers varied by insurance exposure distribution. Loss-free treaties, particularly earthquake-only layers, saw meaningful risk-adjusted rate reductions in the 2025 renewal.

The motor line has entered a low-growth phase, though profitability has improved. The surge in electric vehicle (EV) sales is generating new reinsurance demand. While reinsurers are keen to gain experience in this segment, they remain cautious due to its unproven profitability in China.

Non-motor lines—such as agriculture, health, and liability—are emerging as key growth drivers. Business aligned with government policy initiatives is seeing strong momentum and high reinsurance demand. However, profitability in these areas is typically concentrated among larger players with stronger underwriting and risk management capabilities.

South/Southeast Asia

Reinsurers domiciled in Singapore and across South and Southeast Asia largely reported strong earnings in 2024, supported by a combination of healthy underwriting results and robust investment income, amid elevated interest rates and a relatively benign catastrophe environment. According to data from the Monetary Authority of Singapore (MAS), Singapore-domiciled reinsurers posted approximately SGD 1.1 billion (USD 0.8 billion) in underwriting profits from Offshore Insurance Fund (OIF) business in 2024, broadly in line with 2023. Regional reinsurers operating outside Singapore but writing Association of Southeast Asian Nations (ASEAN) and other international business also saw solid earnings, buoyed by the cumulative effect of market corrections in recent renewal cycles. While performance remained resilient in 2024, some competitive pressures are beginning to emerge, potentially constraining future earnings growth, particularly as pricing momentum softens in better-performing segments.

Retrocession renewals in 2025 were largely stable, with pricing showing moderation following the sharp corrections in previous years. Improved underwriting performance and more disciplined accumulation management by reinsurers led to more favourable terms, particularly for reinsurers with diversified portfolios, robust underwriting controls, and good loss histories. In addition, retrocession markets continue to favour named-peril covers, with limited appetite for multi-region covers, aiming to better manage risk accumulation and avoid adverse selection. These dynamics contributed to the overall stability of reinsurance market pricing, particularly in segments not directly impacted by large losses.

Reinsurance programmes across the region largely renewed on an as-expiring basis in 2025, without meaningful changes in terms. However, some cedents opted to purchase higher reinsurance limits, driven by catastrophe losses that exceeded prior modelled expectations, elevated net retentions imposed in recent renewals, and rising sums insured amid inflationary pressure and property value appreciation. This reflects a continued focus by cedents to manage peak accumulations to ensure capital protection.

Improved underwriting margins and sustained pricing adequacy have attracted fresh capital and encouraged existing players to deploy more capacity in selected markets in this region. This has led to heightened competitive pressure, particularly within upper layers of risk programmes and better-performing treaties. Notably, several cedents in Southeast Asia and India reported significant treaty over-placements during 2025 renewals.

Concurrently, downward pressure on reinsurance rates persisted during the 2025 reinsurance renewals, reversing the firming trend observed over previous renewal cycles. In many of these regional markets, including Southeast Asia, India, Australia, and New Zealand, rates have largely declined or remained unchanged, potentially signalling a transition toward a more capacity-rich, softening phase, suggesting that margins may be approaching a cyclical peak.

Despite broader rate softening in well-performing segments, pricing remains firm or is rising for loss-affected and catastrophe-exposed programs, reflecting reinsurers' selective risk-based pricing strategies. A series of regional catastrophe events in 2024 and 2025 have reinforced reinsurers' cautious approach

to the region, tempering expansion ambitions and prompting a more selective deployment of capacity. While these events triggered material losses and significant operational disruptions, the impact on reinsurers was relatively contained, largely due to higher attachment points and tighter terms introduced over recent renewal cycles. As a result, ceding companies have continued to absorb a larger share of losses, reflecting a structural shift in risk-bearing between primary and reinsurance markets in the region.

A notable recent development was the June 2025 crash of an Air India aircraft, resulting in a major aviation loss. This incident has raised market concerns regarding potential pricing and capacity implications for the aviation reinsurance segment. Preliminary estimates suggest this event could become one of the largest aviation losses in the region in recent years. This follows a global uptick in high-severity aviation losses, which may lead to tightened terms, narrower coverage, and reduced capacity across the aviation reinsurance market. While the loss is not expected to materially impact broader property or casualty reinsurance capacity, it reinforces the trend of loss-driven rate hardening within specialty lines even as pricing moderates in other segments.

While the aviation market is experiencing pressure from multiple isolated high-severity events, the property-catastrophe segment reflects a more nuanced pattern. Reinsurers are adopting a more differentiated pricing strategy, driven by increased caution toward high-frequency weather events, such as typhoons and floods, rather than lower-frequency perils like earthquakes. The rising recurrence of weather-related events provides more robust data for catastrophe modelling, allowing reinsurers to price with higher confidence and demand adequate returns. There is also a deliberate effort to recoup prior losses, particularly for treaties or regions with repeated claims payouts. For instance, Vietnam recorded its largest insured loss event from Typhoon Yagi in 2024, while widespread flooding in Thailand and India, and frequent typhoon landfalls, including Typhoons Trami and Gaemi in the Philippines, have kept pressure on pricing and capacity. Reinsurers are increasingly integrating climate risk considerations into underwriting decisions, reflecting a strategic shift toward greater climate-resilient portfolio management.

Against the backdrop of tighter reinsurance conditions and more limited appetite for weather-related events, the Australia Cyclone Reinsurance Pool has emerged as a stabilizing mechanism to help alleviate capacity constraints and reduce pricing pressure in cyclone-exposed regions, particularly in Northern Australia. Due to the effective risk transfer to the pool, the occurrence of Cyclone Alfred in early 2025 did not materially impact the commercial reinsurance market. This risk pooling arrangement is increasingly seen as a reference point for other catastrophe-prone markets in the region, such as the Philippines, where a private sector catastrophe insurance facility is in development, though it has yet to gain meaningful traction.

Recent regulatory reforms in India have facilitated an increase in reinsurance capacity, leading to a more competitive marketplace and smoother renewals. In particular, a regulatory development granting the International Financial Services Centre Insurance Offices (IIO's) in GIFT City parity with Foreign Reinsurance Branches (FRB's) in the order of preference has led to a meaningful increase in foreign reinsurer participation. As a result, foreign reinsurers are playing a more active role in both treaty and facultative placements, contributing to more competitive pricing and, in some instances, over-subscription of select treaties, despite collateral-related constraints associated with cross-border reinsurers.

The increase in foreign reinsurer participation in India has closely aligned with the country's growing reinsurance demand, particularly in the non-life segment. Strong expansion in the motor, health, property, and engineering lines, alongside large-scale infrastructure development and rising insurance penetration, has created a broader and more complex base of insurable risk. The growing presence of

foreign reinsurers not only supports risk transfer needs but also provides cedents with greater access to technical expertise and reinsurance panel diversification.

Similarly, reinsurance demand continues to rise across Southeast Asia, underpinned by a combination of growing insured exposures, catastrophe activity, and evolving regulatory environments. In markets such as Indonesia, the Philippines, Vietnam, and Thailand, infrastructure development and increasing exposure to natural catastrophes are key drivers of demand. Recent natural disasters have prompted insurers to seek higher reinsurance limits to support greater capital protection. Facultative solutions are also used for more complex risks to fill protection gaps.

As regulatory frameworks across Southeast Asia continue to evolve and mature, the strategic role of reinsurance is expected to deepen. Reinsurance is increasingly viewed as a critical capital management tool, supporting not only solvency and portfolio optimisation, but also facilitating compliance with local and regional regulatory standards.

(On the following page we include an **Appendix** of Asia-Pacific reinsurers that are rated by AM Best.)

Appendix

AM Best-Rated Asia-Pacific Reinsurers

Ratings as of July 28, 2025

AMB#	Company Name	Country of Domicile	Best's Financial Strength Rating (FSR)	Best's Long-Term Issuer Credit Rating (ICR)	Best's FSR Rating Action	Best's ICR Rating Action	Best's FSR Outlook	Best's ICR Outlook	Best's FSR Effective Date
85568	Asian Reinsurance Corporation	Thailand	B++	bbb	Upgraded	Upgraded	Stable	Stable	28-May-25
86496	Central Reinsurance Corporation	Taiwan	A	a	Affirmed	Affirmed	Stable	Stable	7-Aug-24
90957	China Life Reinsurance Company Ltd.	China	A	a+	Affirmed	Affirmed	Stable	Stable	15-Nov-24
88692	China P&C Reinsurance Company Ltd	China	A	a+	Affirmed	Affirmed	Stable	Stable	15-Nov-24
95028	China Reinsurance (Group) Corp (SGB)	Singapore	A	a+	Affirmed	Affirmed	Stable	Stable	15-Nov-24
90955	China Reinsurance (Group) Corporation	China	A	a+	Affirmed	Affirmed	Stable	Stable	15-Nov-24
71783	China Reinsurance (Hong Kong) Co Ltd	Hong Kong	A	a+	Affirmed	Affirmed	Stable	Stable	15-Nov-24
74619	FuSure Reinsurance Company Limited	Hong Kong	A-	a-	Affirmed	Affirmed	Stable	Stable	30-May-25
93387	General Ins Corp of India Labuan Branch	Malaysia	A-	a-	Upgraded	Upgraded	Stable	Stable	11-Oct-24
86041	General Insurance Corporation of India	India	A-	a-	Upgraded	Upgraded	Stable	Stable	11-Oct-24
91811	General Re Life Australia Ltd. (NZB)	New Zealand	A++	aa+	Affirmed	Affirmed	Stable	Stable	14-Nov-24
86052	General Reinsurance Australia Ltd.	Australia	A++	aa+	Affirmed	Affirmed	Stable	Stable	14-Nov-24
77165	General Reinsurance Australia Ltd. (NZB)	New Zealand	A++	aa+	Affirmed	Affirmed	Stable	Stable	14-Nov-24
86652	General Reinsurance Life Australia Ltd.	Australia	A++	aa+	Affirmed	Affirmed	Stable	Stable	14-Nov-24
91541	Hanoi Reinsurance Joint Stock Corp	Vietnam	B++	bbb	Affirmed	Affirmed	Stable	Positive	20-Mar-25
74846	Himalayan Reinsurance Limited	Nepal	B+	bbb-	Affirmed	Affirmed	Stable	Stable	21-Feb-25
93162	Korean Reins Co (Singapore Branch)	Singapore	A	a+	Affirmed	Upgraded	Stable	Stable	12-Dec-24
85225	Korean Reinsurance Company	South Korea	A	a+	Affirmed	Upgraded	Stable	Stable	12-Dec-24
86913	Labuan Reinsurance (L) Ltd	Malaysia	A-	a-	Affirmed	Affirmed	Stable	Stable	14-Nov-24
78303	Malaysian Reinsurance Berhad	Malaysia	A-	a-	Affirmed	Affirmed	Stable	Stable	22-Jan-25
86771	National Reins Corp of the Philippines	Philippines	B++	bbb	Affirmed	Affirmed	Stable	Stable	10-Oct-24
91406	Peak Reinsurance Company Limited (CS)	Hong Kong	A-	a-	Affirmed	Affirmed	Stable	Stable	28-Aug-24
95077	Qianhai Reinsurance Co., Ltd.	China	A-	a-	Affirmed	Affirmed	Stable	Stable	11-Dec-24
88873	RGA Reinsurance Co KRB	South Korea	A+	aa-	Affirmed	Affirmed	Stable	Stable	10-Jan-25
88684	SCOR Reinsurance Asia-Pacific Pte Ltd	Singapore	A	a+	Affirmed	Affirmed	Stable	Stable	23-Jan-25
93253	Singapore Re Corp Ltd (LBR)	Malaysia	A	a	Affirmed	Affirmed	Stable	Stable	6-Dec-24
91850	Singapore Reinsurance Corp LTD (CS)	Singapore	A	a	Affirmed	Affirmed	Stable	Stable	6-Dec-24
85830	Swiss Re Asia Pte. Ltd.	Singapore	A+	aa	Affirmed	Affirmed	Stable	Stable	26-Sep-24
94637	Taiping Reinsurance (China) Company Ltd.	China	A	a	Affirmed	Affirmed	Stable	Stable	19-Sep-24
85029	Taiping Reinsurance Company Limited (CS)	Hong Kong	A	a	Affirmed	Affirmed	Stable	Stable	19-Sep-24
85179	The Toa Reinsurance Company, Limited	Japan	A	a+	Affirmed	Affirmed	Stable	Stable	30-Aug-24
92785	Tune Protect Re Ltd.	Malaysia	B++	bbb+	Affirmed	Upgraded	Stable	Stable	12-Dec-24
91508	Vietnam National Reinsurance Corp	Vietnam	B++	bbb+	Affirmed	Affirmed	Stable	Stable	8-May-25

Source: 

Increased capacity offerings and offshore reinsurance interest in the region, amid a softening market, even after USD 1.5 billion insured losses from 26 natural catastrophic events in 2024.

Latin American Reinsurers Reposition as Demand Strengthens

Principal Takeaways

- While insurance penetration in Latin America remains low, the demand for reinsurance capacity is strengthening owing to a wide variety of natural perils.
- Global reinsurers have shown renewed interest in the region.
- Pricing has been trending downward, with discounts on flat renewals ranging from 5% to 30%, depending upon the line of business.
- Digitalization and the use of artificial intelligence are making inroads in the Latin American market and transforming the Insurance and reinsurance landscape.
- Brazil's primary insurers have increased their interest in importing reinsurance.
- Despite tax increases for reinsurers in Brazil, the country remains as an attractive market to diversify risks.

Latin American reinsurance markets continue to grow, taking advantage of the increase in demand and greater dynamism, despite the region's economies facing challenging conditions in 2025. Disinflation is slowing and economic growth is decelerating, reflecting heightened commercial tensions and increased uncertainty. The IMF forecasts for GDP growth in the region have been revised downward from 2.5% to 2.0%. Reinsurers may face additional challenges stemming from foreign exchange (FX) headwinds, placing the spotlight on the asset liability management (ALM) capabilities of their management.

Latin America is exposed to a diverse range of natural perils, across almost all territories, from Mexico to Chile. With 82 natural hazard-related disasters occurring in the region during 2024, of which 26 were natural catastrophe events, losses amounted to USD 11.6 billion, but only USD 1.5 billion were insured, as insurance penetration remains very low (below 5% of GDP). Demand for capacity has increased in the region, driven by natural catastrophe experience and an evolving risk culture, causing the reinsurance landscape in Latin America to show greater dynamism. Global players have a rekindled interest in the region, following a shift from a risk-averse position seen in 2022-2023. Local participants aim to continue growing while strengthening their brands, taking advantage of the spaces created by the past hard market.

Price Softening Since 2024

AM Best has observed an overall softening market since the second half of 2024 despite significant CAT events. We expect the renewals throughout the remainder of 2025 to reflect the increased competition, as well as the more than sufficient capacity, backed by a strengthened industry in terms of capital. We continue to monitor social inflation, an ever-changing political landscape, and regulatory changes with respect to the business profiles of rated entities.

AM Best has observed a potential downward trend in pricing, with discounts on flat renewals ranging between 5% and 30%, depending on the line of business. Facultative reinsurance for

Analytical Contacts:

Ricardo Rodríguez Pérez,
Mexico City
+52 55 9085 2708
Ricardo.Rodriguez@ambest.com

Inger Rodríguez, Mexico City
+52 55 9085 6353
Inger.Rodriguez@ambest.com

2025-105.13

property lines, terrorism, and health and medical expenses all are offering discounts. For the life business, the range of discounts has been much more variable, with some major players lowering their rates by up to 10% but others still reluctant to offer any discounts on renewals. While CAT lines involve more complex negotiations, especially in countries with major exposure (Mexico, Guatemala, Costa Rica, Peru, and Chile), pricing has been very competitive, with conditions flexible overall. Loss experience and enterprise risk management (ERM) capabilities remain key elements in the negotiation of reinsurance contracts.

The use of managing general agents (MGAs), either to provide capacity to the Latin American market or to take risks by regional reinsurers from abroad, continues to gain popularity. As global interest rates move downward, the attractiveness of the region may create more demand for delegated underwriting authority enterprises (DUAEs) focused in the region.

Fast-paced digitalization and the increasing use of artificial intelligence are further transforming the insurance and reinsurance landscape. These tools aim to improve efficiency in transactions, cost structures, and distribution, potentially allowing companies to create and improve products for a broader, often uninsured population in Latin America. Increasing the penetration rate of the region improves the financial security for otherwise vulnerable populations.

Highly rated reinsurers find that better risk modelling allows them to more accurately price reinsurance and manage the cost of capital. Alternative risk transfer vehicles such as parametric coverages and captives have become more popular among rated companies, although issuances have been limited.

Brazil's Domestic Reinsurers Remain Profitable, Grow Capital

Other than flooding, Brazil has no significant natural catastrophe exposures covered by reinsurance. Domestic reinsurers with international catastrophe exposure are trimming their property catastrophe exposures in line with global trends. Their actions, however, must translate into meaningful underwriting profits or capacity growth.

Domestic reinsurers have been focusing on specialty lines (including surety, auto, transports, and agriculture) and property and still have room to grow given the relatively low insurance penetration in the country. Brazil's primary insurance industry is more profitable than its reinsurance industry. Still, the most significant player in the country, which accounted for 34% of domestic gross premium written in 2024, is dedicated exclusively to reinsurance; almost all the remaining domestic reinsurance companies have a presence in the primary insurance market. As the most significant player in the country has begun to reduce its underwriting volume by carefully selecting its risks, it has provided other players in the market with an opportunity to diversify the risks among different companies.

In Brazil, the average inflation rate for 2024 was 4.83%, above the government's 3% target. It is the highest level of inflation since 2022, when it was 5.79%. One of the main factors contributing to inflation in Brazil in 2024 was the increase in prices for food and beverages, which rose by 7.62%. This increase impacted the Extended Consumer Price Index (IPCA in Portuguese), representing 1.63 percentage points of total annual inflation. One of the contributors to this increase in inflation was the 7.87% increase in health insurance prices. Inflation is expected to reach 5.0% by the end of 2025.

Weather plays a key role in Brazil. Adverse conditions across Brazil recently affected agricultural production and was the main factor responsible for rising food prices.

Net premiums increased by 0.63% in 2024, with premium retention of 43.5% very similar as in 2023, after a slight increase to 43.6% in 2021 and 44% in 2022 (**Exhibit 1**). The increase in share capital resulted in 6.1% growth in surplus in the domestic industry in 2024, in Brazilian reais. Despite the Central Bank of Brazil's high interest rate (11.3% at YE 2024), these factors have not been enough to generate profitable underwriting results for the industry, but have been favorable for bottom-line numbers (**Exhibit 2**). The 43.7% increase in investment income from 2023 to 2024 leveraged the underwriting losses incurred during the year, representing the second year with positive bottom line results, as the current high interest rates stabilized, contributing to the decrease in underwriting leverage of 86.2%, from 90.9% in 2023 (**Exhibit 3**).

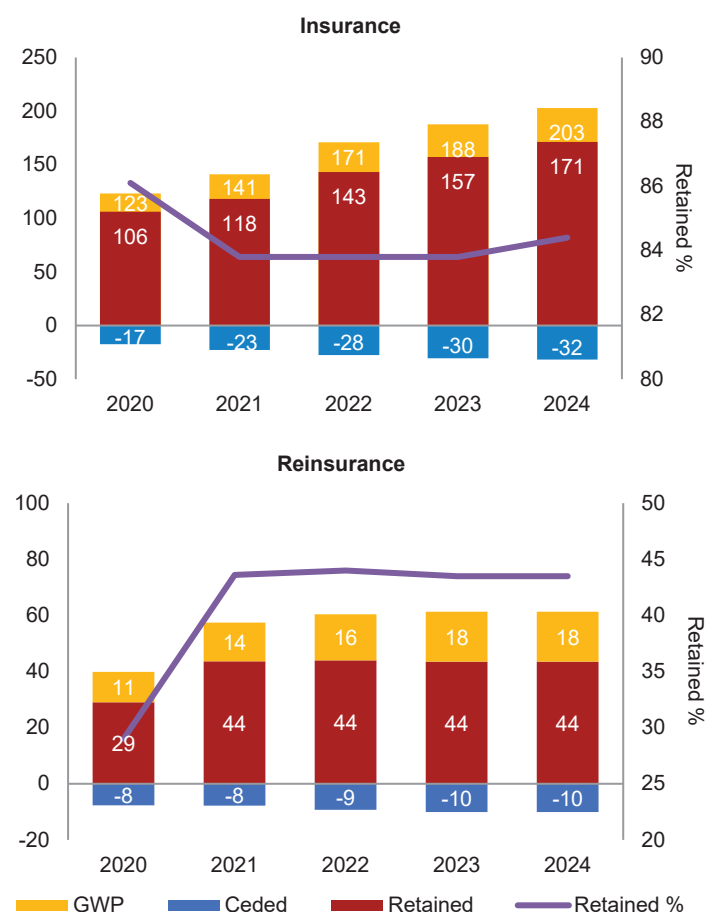
The volume of reinsurance accepted by local reinsurers from local insurers has grown significantly over the years. However, the share of local reinsurers in the total premium ceded by local insurers has decreased, indicating that local insurers are ceding significantly more to reinsurers offshore. Local reinsurers were the destination of approximately 70% of the premium ceded between 2015 and 2018. By the end of 2024, this percentage dropped to 56%. On the other hand, the amount of revenue from offshore operations has been decreasing throughout the years as local reinsurers opted to focus more on risks stemming from Brazil.

The growth in the volume of premiums ceded (4.2% for 2024) to local reinsurers, admitted and occasional, throughout the years reflects the maturation of the insurance market and the growing need for risk dilution. The number of local reinsurers was 9 in 2009, increasing to 13 in 2024. For

the domestic Brazilian reinsurance industry, surplus growth and the retention of profitable business remain key, while slowly exiting from cat businesses is being considered. Pricing remains favorable, as global reinsurance market conditions remain attractive, despite modest declines in risk-adjusted

Exhibit 1

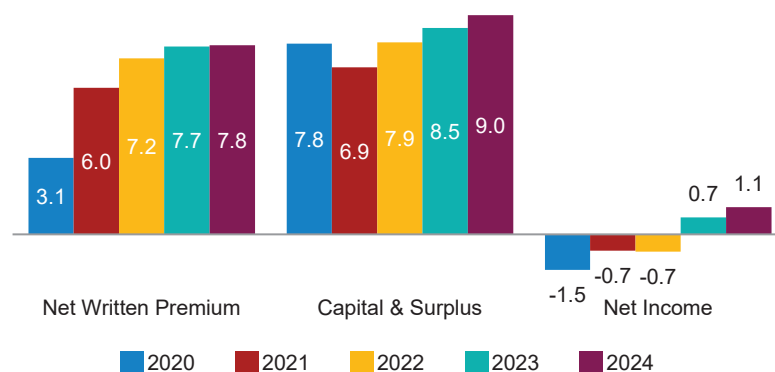
Brazilian (Re)Insurance Premium Trends (BRL billions)



Source: AM Best data and research

Exhibit 2

Domestic Brazilian Reinsurers — Key Financial Indicators (BRL billions)



Source: AM Best data and research

pricing in property catastrophe covers.

The most significant lines of business contributing to annual growth in 2024 were property, special risks, aeronautics, and financial risk. Partially offsetting this increase, agricultural and marine business lines decreased at the end of 2024. Agricultural reinsurance can be considered natural

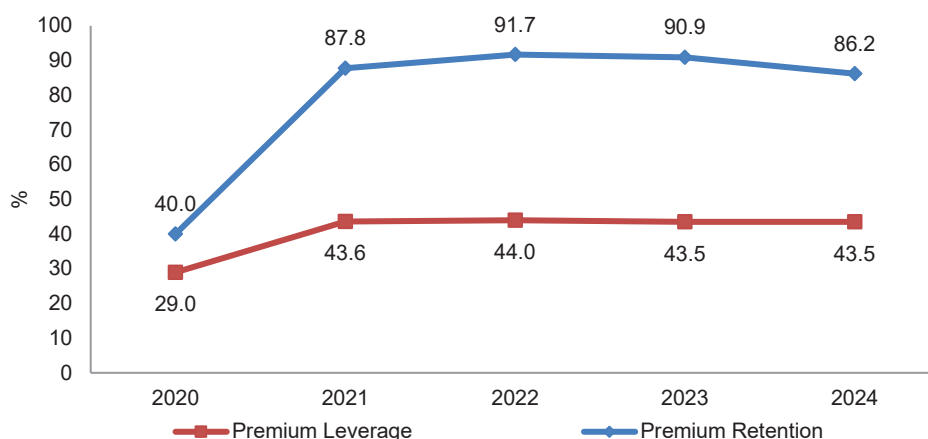
catastrophe-like exposure, but innovative techniques are being used to monitor climate risks to which the sector is vulnerable. Despite these initiatives, the underwriting of agricultural business for reinsurance industries was reduced by 47%.

Events such as the Spring 2024 floods that took place in Rio Grande do Sul showed how climate change is affecting the insurance industry, providing an opportunity for policy issuers to offer more custom-made products to the market. These events offer an opportunity to create awareness and develop the industry even further.

Recent 2025 tax changes applicable to Brazilian insurers and reinsurers have pressured profitability. These changes are related to the increase in tax applied to FX transactions, with offshore players making it more than triple than in previous years. AM Best will monitor the development of this new reform in the Brazilian tax rules.

The country's regulatory framework continues to evolve toward a more open and less restrictive reinsurance market, allowing occasional and admitted global participants to access the market more efficiently while maintaining strict regulatory metrics to protect policyholders.

Exhibit 3
Domestic Brazilian Reinsurers — Premium Leverage and Retention
(BRL billions)



Source: AM Best data and research

Brazil – Types of Reinsurers

Domestic: Fully compliant with local reinsurance rules; partial right of first refusal in local primary business; a minimum mandatory percentage of business is ceded to them.

Admitted: Domiciled abroad; files local financial statements; representative office.

Occasional: Domiciled abroad (except for tax havens); recent regulatory change makes it practically equal to admit.

Conditions are Testing, but MENA Reinsurance Capacity Remains Dynamic and Abundant

AM Best expects companies' rating fundamentals to remain resilient against the backdrop of challenging economic and political conditions.

Principal Takeaways

- Strong topline growth reported at year-end 2024, supported by favourable reinsurance pricing momentum, economic inflation, mandatory cessions and new business opportunities, particularly infrastructure-related risks.
- Reinsurance capacity for the region remains plentiful and dynamic, sourced through large global reinsurers, regionally domiciled reinsurers, and carriers domiciled across Africa and Asia.
- Regional reinsurers are continuing to adapt pricing and modelling capabilities in response to elevated natural catastrophe losses in recent years.
- The impact of individual operational challenges and difficult economic landscapes, particularly for those domiciled in non-oil producing countries, are reflected in the wide range of credit ratings among reinsurers in the region.

Market conditions present both challenges and opportunities for reinsurers domiciled in the Middle East and North Africa (MENA) region. Increased natural catastrophe activity, volatile oil prices, heightened geopolitical tension, increased public debt burdens, and high inflation are some of the hurdles MENA reinsurers are currently navigating.

However, despite a turbulent operating landscape, the region remains attractive for reinsurers with new capacity entering the market. Reinsurance opportunities remain plentiful despite high risk factors, benefitting from positive pricing momentum and growing primary insurance markets.

Pricing remains firm, broadly reflecting global market responses to elevated claims inflation and the recent higher frequency of both large man-made losses and weather-related events. The hard reinsurance pricing environment, as well as strong underwriting discipline and refined risk appetites, continue to benefit market participants, although local macroeconomic factors and geopolitical dynamics are increasingly influential.

Geopolitical risk escalated significantly in early 2025, with heightened regional security tensions influencing insurer and reinsurer country risk assessments. Thus far, it is expected that direct impacts to the insurance industry will largely be limited by war exclusions and narrowly defined policy triggers. Reinsurers may remain vigilant and guard against geopolitical volatility where possible through asset and underwriting diversification, maintaining adequate liquidity buffers, and continuously reviewing their respective appetites for high-risk assets.

Analytical Contacts:

Emily Thompson, London
+44 20 7397 0291
emily.thompson@ambest.com

Jessica Botelho-Young, CA,
London
+44 20 7397 0310
jessica.botelho-young@ambest.com

Editorial Managers:

Richard Banks, London
+44 20 7397 0322
richard.banks@ambest.com

Richard Hayes, London
+44 20 7397 0326
richard.hayes@ambest.com

2025-105.14

Exhibit 1

MENA Reinsurance – Investment Yield and Return on Equity, 2022-2024

(%)

AMB #	Company Name	Country	Investment Yield				Return on Equity			
			2022	2023	2024	3yr Avg	2022	2023	2024	3yr Avg
89190	Arab Reinsurance Co. SAL	Lebanon	2.5	2.9	3.6	3.0	4.5	2.7	4.7	4.0
90777	Compagnie Centrale de Réassurance	Algeria	5.1	5.4	5.4	5.3	13.9	14.9	14.7	14.5
78849	Hannover Re Takaful B.S.C. (c)	Bahrain	-3.1	0.5	4.3	0.6	1.6	29.2	6.0	12.3
85585	Kuwait Reinsurance Co. K.S.C.P.	Kuwait	3.2	4.5	5.1	4.3	12.4	14.4	16.5	14.4
85454	Milli Reasurans Turk Anonim Sirketi	Turkey	28.1	41.5	40.7	36.8	24.1	44.1	44.9	37.7
93609	Oman Reinsurance Co. SAOC	Oman	4.3	4.1	4.6	4.3	4.9	7.4	8.4	6.9
90005	Saudi Reinsurance Co.	Saudi Arabia	0.5	3.4	3.4	2.4	7.6	11.5	34.4	17.8
84052	Atlantic Re ¹	Morocco	3.1	3.5	N/A	3.3	10.9	6.7	N/A	8.8
83349	Société Tunisienne de Réassurance	Tunisia	7.3	8.2	9.2	8.2	9.1	8.5	9.4	9.0

N/A: Year-end 2024 financial statement not yet available

IFRS 17 figures (for applicable reporters) from 2022

1: Formerly Société Centrale de Réassurance

Sources: 

Best's Financial Suite - Global, AM Best data and research

Elevated Natural Catastrophe Losses Drive Continued Rate Hardening and Greater Underwriting Discipline

Natural catastrophe volatility in the region is increasingly notable, with the February 2023 earthquakes in Türkiye and Syria, as well as the April 2024 UAE pluvial flood event. This resulted in significant industry losses and a reassessment of the region's natural catastrophe risk exposures, which for some risks like flood were previously underappreciated in arid climates. The recent increase in natural catastrophe events has placed upward pressure on reinsurance pricing, particularly for property, engineering, and energy lines of business that are heavily ceded to the reinsurance market.

Moreover, reinsurers have responded by tightening terms and conditions, raising attachment points, reducing profit commissions and event limits, and increasing retentions to higher return periods at renewals in 2024. AM Best notes that these trends have continued into 2025, albeit at a reduced level. These measures reflect a strategic shift towards protecting underwriting margins against heightened catastrophe risk and inflationary loss cost pressures. Improving pricing adequacy and underwriting discipline have contributed to stronger combined ratios and improved returns on equity for many reinsurers across the region (see **Exhibit 1**).

The growing frequency of natural catastrophe events has underscored the importance of enhanced pricing models and risk assessment tools for regional reinsurers. Companies are increasingly investing in their internal modelling capabilities and leveraging third-party catastrophe models to ensure appropriate risk selection and pricing adequacy. Nevertheless, their ability to compete with global reinsurers remains constrained by their limited scale, narrower access to proprietary modelling tools, and lower levels of geographic diversification.

An opportunity for MENA reinsurers includes government-backed natural catastrophe schemes which have emerged as an important mechanism to address the growing protection gap and to manage market-wide volatility in North Africa and Türkiye. Algeria, Morocco, and Türkiye have established mandatory catastrophe insurance schemes, with the latter two schemes triggered and functioning effectively in 2023 following severe events. Given the success of the existing schemes, discussions on the rollout of similar schemes in other countries continue to gain momentum. These programmes often require mandatory cessions to local reinsurers, boosting premium volumes and helping to stabilise underwriting results by distributing catastrophe risks across a wider base.

Overall, while the sustained hard reinsurance market has benefitted MENA reinsurers by allowing them to re-price business at more adequate levels, the heightened frequency of catastrophe losses continues to pose a challenge. Effective management of pricing adequacy, reserving, and exposure controls will remain key determinants of underwriting profitability and balance sheet resilience in the near to medium term, particularly as climate risks and economic inflation evolve across the region.

Diverging Economic Conditions to Impact Reinsurance Markets

No one size fits all for reinsurers across the region, namely performance and financial strength is not homogenous across market players. Companies face distinct economic challenges—with some countries in the region facing high public debt burdens, sovereign debt downgrades and high inflation, which ultimately influences their business strategies. Lebanon, Tunisia, and Egypt continue to face economic strain, while Türkiye's macroeconomic stabilisation remains fragile. Reinsurers with concentrated operations, underwriting exposures, and/or asset portfolios in these markets are more vulnerable to financial and operating pressure.

Oil price fluctuations also drive diverging operating conditions across the region, with several MENA economies remaining reliant on revenues from the hydrocarbon sector to drive economic growth. Times of stable and high oil prices have allowed hydrocarbon exporting countries to outpace global economic growth, with insurance markets in these economies benefitting from government spending, particularly on infrastructure megaprojects that drive premium growth and reinsurance cessions from primary insurers. However, recent oil price fluctuations have been noted, driven by trade tension following the announcement of US “reciprocal” tariffs, and combined with OPEC+ output hikes, weakening Chinese consumption and geopolitical tensions. Further fluctuations in oil prices could have an impact on the region's reinsurers should sustained falls in the price of oil impact the economies of the region, including the governments' spending power, and in turn insurable risks in the market.

Dynamic and Abundant Reinsurance Capacity

Despite said challenges, there is no shortage of reinsurance capacity available to be deployed in the region. While international interest in the MENA reinsurance market fluctuates year on year, driven by regional performance and broader global market trends, the market remains desirable, and a steady stream of new capital is readily available. The open and liberal market environment in MENA, with few regulatory restrictions on reinsurance provision, ensures that competition remains strong.

The shape of the reinsurance market is highly varied with capacity available from global reinsurers, regional players, and carriers based across Africa and Asia. The shape of the reinsurance market is changing with greater opportunity for domestic reinsurers through mandatory cessions. Since January 1, 2025, insurers in Saudi Arabia are required to offer at least 30% of cessions to domestic reinsurers (this includes domestic insurers holding a reinsurance license). Mandatory cessions create a leading advantage for domestic reinsurers to capture a larger share of their local reinsurance markets. Although it remains to be quantified what impact this will have on the profitability of reinsurers, positive topline impacts are expected.

In recent years, a growing number of the region's primary insurers have sought to participate in the reinsurance market on an inward facultative basis or through more formalised structures such as Takaful windows or subsidiaries. It should be noted inward facultative business is intended to diversify underwriting portfolios and grow revenues, and AM Best notes that it has historically introduced underwriting losses and volatility for some insurers. This underscores the need for disciplined risk selection and technical pricing capabilities.

MENA Reinsurers – Rating Considerations

AM Best's credit ratings of reinsurers domiciled in the region encompass Financial Strength Ratings (FSR) of "C++" through to "A". The wide range in FSRs is evidence of the varied nature of the MENA reinsurance markets, with diverging country risk conditions across the region having an important impact on creditworthiness.

Over the past year, three companies' Long-Term Issuer Credit Ratings have been upgraded (see **Exhibit 2**), and one company's outlook has improved from Stable to Positive. The drivers of the actions vary by company, with some reflecting improvements in their balance sheet strength and others better operating performance trends.

AM Best defines country risk as the risk that country-specific factors could adversely affect an insurer's ability to meet its financial obligations. Countries are placed into one of five tiers, ranging from Country Risk Tier 1 (CRT-1), denoting a stable environment with the least amount of risk, to Country Risk Tier 5 (CRT-5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength, and performance. The MENA region encompasses countries assessed between CRT-3 and CRT-5.

AM Best's ratings on MENA-domiciled reinsurers incorporate the operational challenges and deteriorating country risk landscapes in several countries. A high level of economic, financial system and political risk is prevalent in several of the region's countries.

Exhibit 2

MENA Reinsurers – AM Best-Rated Companies

Ratings as of August 19, 2025

AMB #	Company Name	Country	Long-Term Issuer Credit Rating (ICR)	Financial Strength Rating (FSR)	ICR & FSR Action	ICR & FSR Outlook	Rating Effective Date
89190	Arab Reinsurance Co. SAL	Lebanon	bb	B	Affirmed	Stable	19-Aug-25
90777	Compagnie Centrale de Réassurance	Algeria	bbb-	B+	Affirmed	Stable	19-Sep-24
85585	Kuwait Reinsurance Co.K.S.C.P.	Kuwait	a	A	Upgraded	Stable	17-Jul-25
85454	Milli Reasurans Turk Anonim Sirketi	Türkiye	b	C++	Upgraded	Positive ²	6-Aug-25
84052	Atlantic Re ¹	Morocco	bbb	B++	Affirmed	Stable	12-Feb-25
83349	Société Tunisienne de Réassurance	Tunisia	bb	B	Affirmed	Stable	18-Jun-25

1: Formerly Société Centrale de Réassurance

2: ICR: Positive. FSR: Stable

Sources: 

Best's Financial Suite - Global, AM Best data and research

Exhibit 3

MENA Reinsurers – AM Best-Rated Companies – Assessments

As of August 6, 2025

AMB #	Company Name	BCAR @ VaR 99.6	BCAR Level	Balance Sheet Strength Assessment	Operating Performance Assessment	Business Profile Assessment	Enterprise Risk Management Assessment
89190	Arab Reinsurance Co. SAL	36%	Strongest	Strong	Adequate	Limited	Marginal
90777	Compagnie Centrale de Réassurance	58%	Strongest	Very Strong	Strong	Neutral	Marginal
85585	Kuwait Reinsurance Co.K.S.C.P.	71%	Strongest	Very Strong	Strong	Neutral	Appropriate
85454	Milli Reasurans Turk Anonim Sirketi	-20%	Weak	Weak	Adequate	Neutral	Marginal
84052	Atlantic Re ¹	34%	Strongest	Strong	Strong	Neutral	Appropriate
83349	Société Tunisienne de Réassurance	31%	Strongest	Strong	Adequate	Limited	Marginal

1: Formerly Société Centrale de Réassurance

Sources: 

Best's Financial Suite - Global, AM Best data and research

AM Best-rated MENA reinsurers tend to demonstrate the strongest levels of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), reflective of significant capital buffers relative to their risk exposures (see **Exhibit 3**).

Overall, AM Best expects companies' rating fundamentals to remain resilient against the backdrop of challenging economic and political conditions.

Growing Takaful Market Increases Potential Demand for Retakaful Capacity

Retakaful (Islamic reinsurance) capacity has underserved the market for many years, with operators failing to gain traction and capitalise on the growing Islamic insurance sector. While operational challenges have troubled retakaful operators in the past, the demand for retakaful products remains and opportunities are plentiful for dynamic market participants.

Recent years have seen a notable shift in market dynamics, with a growing proportion of capacity offered through branches and retakaful windows of conventional reinsurers (such as the retakaful windows established by Société Centrale de Réassurance and Oman Re). Such arrangements can allow reinsurers to leverage from their existing conventional operations, creating efficient and lean models whilst better serving policyholders through an expanded product offering. In addition, this strategy avoids the many hurdles experienced by standalone retakaful operators who have failed to establish sustainable operating models in the region due to high capital requirements and a lack of economies of scale. Capital efficient models also provide the ability to service the growing reinsurance demands of the takaful market.

AM Best expects conventional reinsurance capacity to remain a key feature of retakaful panels going forward. The recent establishment of primary takaful regulation and operators in several North African countries—such as Morocco and Algeria—demonstrates the increasing demand for takaful products, and is indicative of the general support by consumers of the segment. If successful, recent initiatives should ultimately generate more contributions that would increase the demand for retakaful capacity.

Sub-Saharan Africa's Reinsurers: Staying the Course Amid Economic Uncertainty

**AM Best believes
the region's
reinsurance
segment has
substantial
potential for
continued and
profitable growth.**

Principal Takeaways

- Underwriting results have remained robust, benefitting from pricing actions on loss-affected lines of business, as well as stricter risk selection.
- Asset risk remains the primary driver of capital requirements despite recent efforts by companies to improve diversification.
- Despite solid growth in capital in recent years, the capacity offered by Africa-domiciled reinsurers remains insufficient to meet market demand and local players often rely on support from global reinsurers.

The economic environment across sub-Saharan Africa (SSA) has been challenging in recent years, though AM Best's analysis shows that SSA reinsurers have been resilient amid these complexities.

SSA is made up of the area and regions of the continent of Africa that lie south of the Sahara. These include Central Africa, East Africa, Southern Africa, and West Africa.

In the wake of numerous external shocks, several large African economies have been left facing high inflation and rapid currency devaluation, elevated government debt burdens, and a general deterioration in macroeconomic conditions. This has tested the balance sheet strength and risk management capabilities of SSA reinsurers. In particular, the series of sovereign defaults witnessed since the COVID-19 pandemic has highlighted the importance of geographical diversification and prudent investment management, while exchange rate volatility has tested the soundness of asset liability management strategies.

Given SSA reinsurers' long-standing ambition to retain risks in their domestic market, many companies are typically concentrated in one or a small number of countries. This includes the location of assets, which are often held domestically to match the location or currency of liabilities and to satisfy regulatory requirements. In response to recent economic challenges, many SSA reinsurers have been incrementally investing surplus assets offshore, typically in developed economies. These actions should go some way toward insulating those companies against potential domestic/regional volatility.

Despite complex regional economic conditions, in general, SSA reinsurers have been successful in leveraging the recent global hardening of reinsurance pricing, reporting another year of robust underwriting profitability. Together with the rise in regional interest rates, SSA reinsurers achieved a second consecutive year of double-digit return on equity (ROE) ratios.

Analytical Contacts:

Naz Botea, London
+44 20 7397 0313
naz.botea@ambest.com

Dale Kirby, London
+44 20 7397 0276
dale.kirby@ambest.com

Ben Diaz-Clegg, London
+44 20 7397 0293
ben.diaz-clegg@ambest.com

Editorial Managers:

Richard Banks, London
+44 20 7397 0322
richard.banks@ambest.com

Richard Hayes, London
+44 20 7397 0326
richard.hayes@ambest.com

2025-105.15

Over the long run, AM Best believes the SSA reinsurance segment has substantial potential for continued and profitable growth. The region has considerable untapped reserves of natural resources, solid long-term economic growth prospects, and increasing insurance penetration, all of which stand to benefit its reinsurance market.

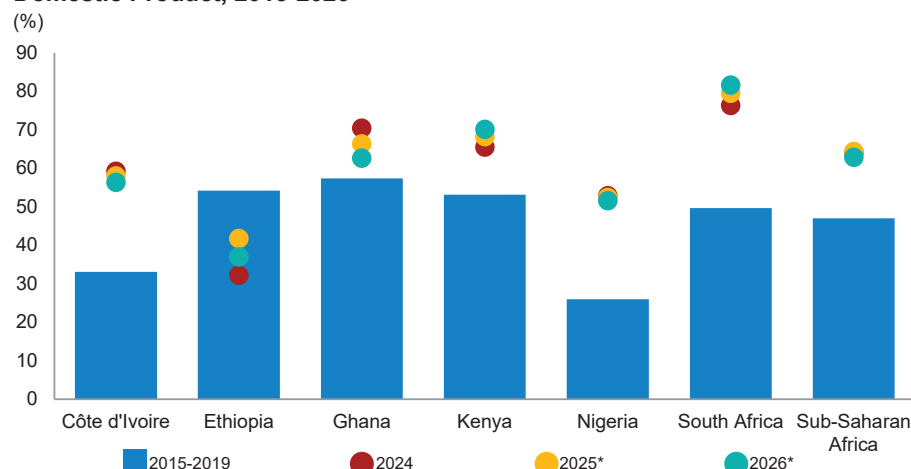
Economic Recovery Clouded By Rising Global Trade Uncertainty

In 2025, key indicators signal a subtle stabilisation of overall economic conditions. Potential positive momentum is dampened by recent global headwinds, namely rising geopolitical tensions and global trade policy uncertainty.

After a period of tight monetary policy, inflation across the region is abating, with median inflation declining to 4.5% in 2024, compared to 7.1% in 2023. At the same time, economic growth is expected to improve, with the International Monetary Fund (IMF) projecting real GDP in SSA to grow by 3.8% in 2025, compared to average annual growth of 2.7% during 2020-2024. As a result, many regional currencies have remained steady throughout the first half of 2025, after a period of significant devaluation during 2020-2024.

Debt burdens, while elevated compared to pre-pandemic levels, are projected to stabilise in 2025-26 (see **Exhibit 1**), supported by fiscal consolidation across the region and domestic economic reform policies – e.g., in Nigeria. Despite this trend, financing positions remain fragile and debt-servicing costs remain high, leaving many SSA economies at high risk of debt distress, particularly if global interest rates remain higher-for-longer.

Exhibit 1
Sub-Saharan Africa – Government Debt as a Percentage of Gross Domestic Product, 2015-2026



* Provisional figures.
Source: International Monetary Fund

Global trade tensions among the world's economies are adding further uncertainty to the region. On the whole, exports to the United States represent less than 2% of GDP for many of the region's economies (see **Exhibit 2**), which limits the direct impact of tariffs. However, risks remain tilted to the downside, with many countries exposed to the potential negative spillover effects of tariffs. For example, weaker export demand could dampen revenues for the region's commodity exporters, while ongoing trade tensions may decelerate monetary policy easing and weigh negatively on investor confidence, ultimately raising borrowing costs.

While these headwinds have led to modest revisions in economic forecasts, growth is still expected to pick up over the short-to-medium term, creating organic growth opportunities for SSA reinsurers. Concurrently, continued disinflation could help to moderate claims inflation for reinsurers and relieve pressures on operating expense ratios.

Overall, AM Best-rated SSA reinsurers are expected to remain resilient amid this complex risk environment, supported by good capital buffers that have grown in recent years through robust internal capital generation. While systemic risk remains high, those companies that are able to successfully mitigate risks through diversification and prudent risk management will be well-placed to withstand these challenges.

Favourable Reinsurance Market Conditions Underpin Underwriting Results

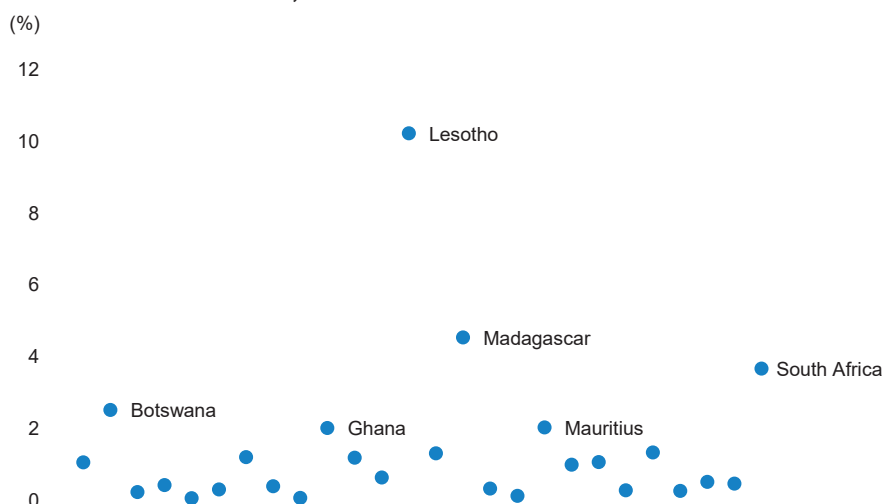
The long-standing focus on local African risks by SSA reinsurers has largely underpinned their consistently profitable underwriting results (see **Exhibit 3**). However, business tends to be concentrated in some of the largest markets on the continent, including South Africa, Nigeria and Kenya, giving rise to some concern about risk accumulation.

SSA reinsurers are often able to sustain favourable loss ratios over the cycle, largely explained by the highly protectionist regimes in certain African countries, which typically reduces competition, as well as the relatively lower catastrophe risk across large parts of the continent.

Conversely, the high cost of doing business in SSA, along with the relatively small size of locally domiciled reinsurers, tends to temper overall underwriting results. Many market participants are unable to realise the economies of scale that larger global companies can achieve.

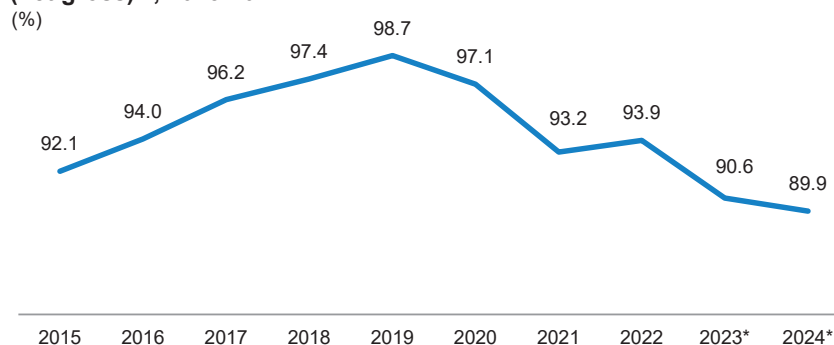
Many of the cohort of AM Best-rated SSA reinsurers have looked overseas for growth and diversification, although to date, non-African business constitutes only a small portion of their portfolios. Following the unfavourable results that several East-African reinsurers experienced due to losses emanating from the Indian subcontinent in years 2017 to 2020, many SSA reinsurers reduced

Exhibit 2 Sub-Saharan Africa – Exports to US as a Percentage of Gross Domestic Product, 2023



Data available for 33 countries in sub-Saharan Africa.
Sources: International Monetary Fund, US Census Bureau

Exhibit 3 Sub-Saharan Africa – AM Best-Rated Reinsurers, Combined Ratio (net/gross)**, 2015-2024



* 2023 and 2024 are based on IFRS 17, with the exception of CICA Re which reports under local GAAP. The data may include life business in instances where it has not been possible to segregate the segment due to limited disclosure in audited financial statements. 2024 data not available for Ghana Re or SanlamAllianz Re.

** Calculated as (reinsurance service expenses + net result from retrocession service held + other operating expenses) / reinsurance revenue

Sources: **BESTLINK**

Best's Financial Suite – Global, AM Best data and research

their appetite to write non-African business. However, more recently, some SSA reinsurers have resumed their gradual expansion overseas, driven by emerging opportunities in regions such as the Middle East.

Despite a moderate level of volatility in underwriting results, the market has been consistently profitable for more than a decade. In part, past volatility can be explained by negative foreign exchange (FX) movements—particularly of the Nigerian naira—given that a significant portion of premiums derived from Nigeria is priced and transacted in US dollars. For certain classes of business that operate entirely in US dollars, past accounting practices resulted in loss ratio volatility, even when the underlying economics of the risks being reinsured were stable.

With the implementation of IFRS 17, FX volatility is no longer expected to impact underwriting metrics to the same degree. Under the new standard, the revaluation effect on reinsurance contract liabilities due to FX movements is recognised within the reinsurance finance result, which sits outside of the combined ratio. This contrasts with previous practices under IFRS 4, whereby the revaluation effect of reinsurance liabilities would flow through losses incurred, thus impacting the loss ratio.

The underwriting results of AM Best-rated SSA reinsurers have on aggregate shown steady improvements since combined ratios peaked in 2019. This largely reflects stricter risk selection by reinsurers, strong pricing actions in loss-affected countries such as Kenya, and a general hardening of premium rates/terms and conditions across most of the continent's largest reinsurance markets. While regulators in the SSA reinsurance markets have set minimum rates and tightened regulations on the collection of premiums, their enforcement is not always consistent. In practice, local reinsurers and other stakeholders play a central role in ensuring local cedents' adherence to rules and regulations.

Following the hardening of rates in recent years, pricing conditions have begun to stabilise in the first half of 2025, in line with global trends. Nonetheless, rate increases persist in certain lines and markets, supported by growing adherence to minimum rates and pricing actions by reinsurers, particularly on catastrophe-exposed accounts. AM Best therefore expects SSA reinsurers to remain focused on maintaining rate adequacy across most lines and markets.

SSA Reinsurers To Play a Key Role in Managing the Continent's Protection Gap

Outside of South Africa, SSA reinsurers' exposure to catastrophe risk is generally considered to be low relative to the global average. However, in recent years this commonly held view has been tested thanks to an uptick in natural catastrophe events across the African continent.

According to Gallagher Re, natural catastrophe events across Africa led to economic losses of USD 9 billion in 2024 (2023: USD 16 billion), exceeding the 10-year average of USD 6 billion. Outside of South Africa, major events included the earthquake in Morocco and Cyclone Freddy in 2023, and Cyclone Chido in 2024, each leading to economic losses of over USD 1 billion. At the same time, secondary perils such as floods and droughts have contributed significantly to these numbers.

SSA reinsurers' exposure to these events has proven to be relatively muted and within appetite levels, mostly a result of the large protection gap between economic and insured losses across the continent. Nonetheless, AM Best expects SSA reinsurers to increase their accumulation risk management efforts, particularly in those areas more prone to natural catastrophe events.

At the same time, recent losses have highlighted the need to expand the provision of insurance protection across the continent, which could present organic growth opportunities for the region's reinsurers.

Double Digit Return on Equity Keeping Pace with Median Inflation

Measured by ROE, in nominal terms, AM Best-rated SSA reinsurers have returned good levels of profitability to their shareholders (see **Exhibit 4**), generating a 10-year (2015-2024) weighted average ROE of over 10%. When adjusting for median inflation, ROEs remain robust in real terms.

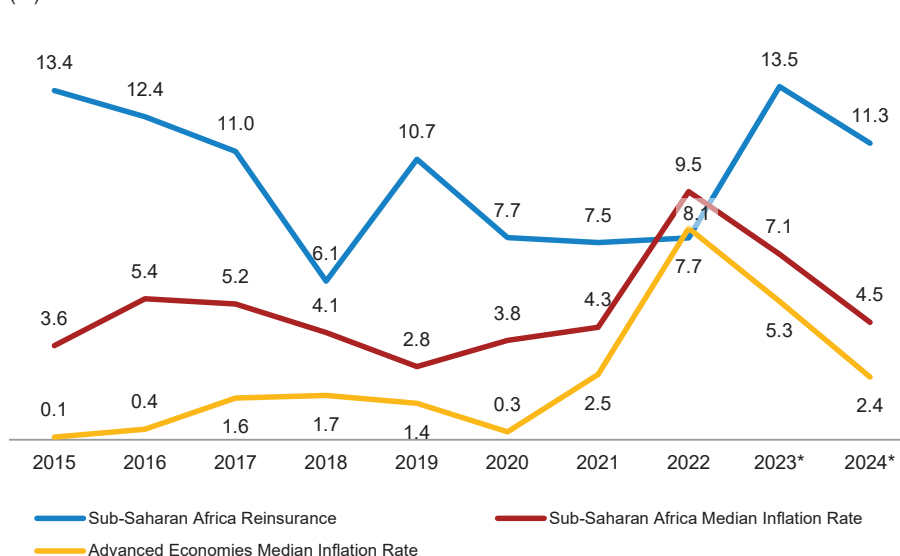
The ROE for SSA reinsurers must be considered with care. Several of the larger AM Best-rated SSA reinsurers report in US dollars and the majority of incumbents have generally high levels of risk-adjusted capitalisation (see **Exhibit 5**), as measured by Best's Capital Adequacy Ratio (BCAR), both of which temper ROE, and make comparison against local market inflation challenging.

Limited Regional Capacity

The larger reinsurers in SSA (excluding South Africa) tend to be either national or supranational entities, and often benefit

from compulsory cessions and/or have a mandate to develop the local (re)insurance industry. With a few exceptions, African reinsurers tend to focus on local and regional markets. Further competition comes from a relatively small group of sophisticated global reinsurers, and a handful of smaller privately-owned African companies.

Exhibit 4
Sub-Saharan Africa – AM Best-Rated Reinsurers, Return on Equity, 2015-2024
(%)



Return on equity figures are calculated on a weighted average basis for the purposes of this report.
* 2023 and 2024 are based on IFRS 17 with the exception of CICA Re which reports under local GAAP.
2024 data not available for Ghana Re or SanlamAllianz Re.

Source: **BESTLINK**
Best's Financial Suite – Global, AM Best data and research

Exhibit 5
Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus

Company Name	Reporting Currency	2024 Total Capital & Surplus (USD millions)	2023 Best's Capital Adequacy Ratio (VaR 99.6%)	Assessment Effective Date
African Reinsurance Corporation	USD	1,158,829	55.7	4-Dec-24
CICA Re*	XOF	175,765	53.4	2-Apr-25
Continental Reinsurance PLC	NGN	89,244	47.2	4-Dec-24
East Africa Reinsurance Co. Ltd.	KES	57,868	49.5	17-Oct-24
Ethiopian Reinsurance S.C.	ETB	44,887	56.3	22-Aug-24
Ghana Reinsurance PLC**	GHS	65,476	38.9	20-Dec-24
Kenya Reinsurance Corporation Ltd.	KES	387,490	47.7	19-Aug-24
SanlamAllianz Re Ltd.**	USD	79,083	46.0	21-Jan-25
Tanzania Reinsurance Co. Ltd.	TZS	54,913	44.8	30-Oct-24
WAICA Reinsurance Corporation PLC***	USD	188,732	44.8	8-Aug-25
ZEP-RE (PTA Reinsurance Co.)	USD	359,261	67.5	5-Dec-24

*: Based on 2023 local GAAP

**: Based on 2023 IFRS 17

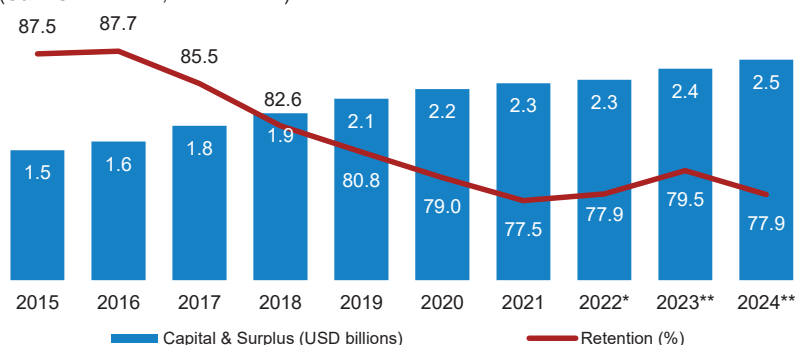
***: Based on 2024 data

Source: **BESTLINK**
Best's Financial Suite - Global, AM Best data and research

Exhibit 6

Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus vs. Retention, 2015-2024

(C&S: USD billions; Retention: %)



*: IFRS 17 used for SanlamAllianz Re only.

**: IFRS 17 used for all companies, with the exception of CICA Re which reports under local GAAP.

2024 data not available for Ghana Re or SanlamAllianz Re.

For IFRS 17 reporters, retention ratio is calculated as (reinsurance revenue – allocation of retrocession premiums paid) / reinsurance revenue

Source: **BESTLINK**

Despite solid growth in capital in recent years, the capacity offered by Africa-domiciled reinsurers remains low, and insufficient to meet the needs of local primary markets fully, particularly where major property and energy risks are concerned. As the region's economies have industrialised, their insurance needs have grown at a faster pace than the local market's capacity. This is evidenced by rising levels of premium written but declining levels of retention for SSA reinsurers who have relied on retrocession to provide capacity (see **Exhibit 6**). As well as capacity, local players often lean on more sophisticated global reinsurers for the expertise needed to underwrite complex risks.

Treatment of Ceding Commissions under IFRS 17

AM Best notes that various interpretations of IFRS 17 have led to some differences in the reporting of reinsurance revenue across the sub-Saharan African region. Under IFRS 4, ceding commissions were consistently treated as an underwriting expense, and gross written premiums were reported gross of ceding commissions. Under IFRS 17, certain types of ceding commissions for reinsurance contracts are normally treated as a reduction of the premiums payable to the reinsurer. Profit commissions and other payments contingent on claims are treated as recoveries from the reinsurer. The standard refers to reinsurance contracts held where it describes the treatment of these amounts and does not explicitly address whether these rules apply to reinsurance contracts issued (i.e. the inwards business of a reinsurer), potentially leaving this subject open to interpretation.

This has led to a number of sub-Saharan African reinsurers opting to recognise ceding commissions payable on inward business as an expense, thus treating the contracts similarly to inwards direct business, and also mirroring the previous treatment under IFRS 4. Reinsurers that have opted to report insurance service revenue (ISR) in this way have in turn reported a higher ISR, together with greater underwriting expenses.

As a consequence of this interpretation of the standard, reported combined ratios are impacted to varying degrees. A reinsurer opting to report revenue gross of ceding commissions with a combined ratio of less than 100%, would report a less favourable ratio than a reinsurer following the standard as AM Best believes it was intended. For companies with a combined ratio above 100%, the inverse would apply.

AM Best's ratings remain agnostic to accounting standards, and appropriate adjustments are made as and when required when analysing rated companies.

Exhibit 7

Sub-Saharan Africa – AM Best-Rated Reinsurers

(Ratings as of August 8, 2025)

AMB #	Company Name	Domicile	Long-Term Issuer Credit Rating (ICR)	Financial Strength Rating (FSR)	Best's ICR & FSR Action	Best's ICR & FSR Outlook	Rating Effective Date
83411	African Reinsurance Corporation	Nigeria	a	A	Affirmed	Stable	4-Dec-24
93852	CICA Re	Togo	bbb-	B+	Affirmed	Stable	2-Apr-25
78723	Continental Reinsurance PLC	Nigeria	bbb-	B+	Affirmed	Stable	4-Dec-24
77803	East Africa Reinsurance Co. Ltd.	Kenya	bb+	B	Affirmed	Stable	17-Oct-24
71489	Ethiopian Reinsurance S.C.	Ethiopia	bb	B	Assigned	Stable	22-Aug-24
90035	Ghana Reinsurance Co. Ltd.	Ghana	b+	C++	Downgraded	Stable	20-Dec-24
85416	Kenya Reinsurance Corporation Ltd.	Kenya	bb+	B	Affirmed	Stable	19-Aug-24
93100	SanlamAllianz Re Ltd.	Mauritius	a-	A-	Assigned	Stable	21-Jan-25
95201	Tanzania Reinsurance Co. Ltd.	Tanzania	bb+	B	Affirmed	Stable	30-Oct-24
94468	WAICA Reinsurance Corporation PLC	Sierra Leone	bb+	B	Affirmed	Positive	8-Aug-25
78388	ZEP-RE (PTA Reinsurance Co.)	Kenya	bbb+	B++	Affirmed	Stable	5-Dec-24

Source: **BESTLINK**

Best's Financial Suite – Global, AM Best data and research

AM Best-rated Reinsurers in the Region

AM Best rates a number of reinsurers in the region (see **Exhibit 7**). Best's Credit Rating Methodology (BCRM) provides a comprehensive explanation of AM Best's rating process. Key rating factors—including a reinsurer's balance sheet strength, operating performance, business profile, and enterprise risk management (ERM)—are qualitatively and quantitatively evaluated during the rating process. Full details of the process can be found in [Best's Credit Rating Methodology \(BCRM\)](#) on AM Best's website.

South Africa

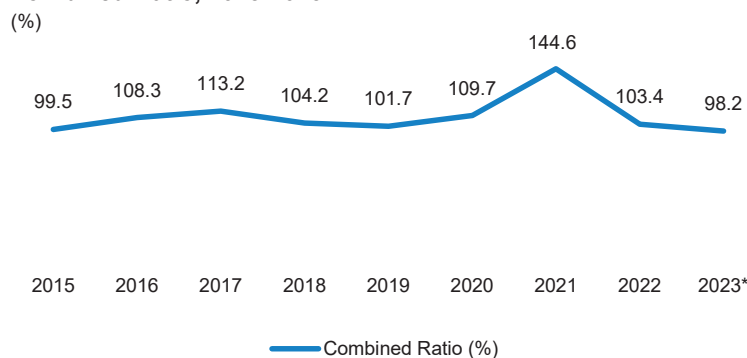
South Africa, the continent's largest reinsurance market, generated insurance service revenue (ISR) in excess of ZAR 33 billion (USD 1.8 billion) in 2023, according to AM Best's data and research¹.

For the first time since 2015, the weighted average combined ratio for the South African reinsurance market fell below the break-even line, standing at 98.2% in 2023 (see **Exhibit 8**).

During 2016-2022, performance of the market's reinsurers was significantly impacted by a period of soft pricing conditions,

particularly in the pre-pandemic years, a spate of severe weather events, incidents of social unrest, and settlement of business interruption claims associated with COVID-19. These events tested the resilience of South Africa's (re)insurance sector, while the accumulation of increasing secondary perils pressured both performance and risk management capabilities.

Exhibit 8

Sub-Saharan Africa – South Africa, Reinsurance – Combined Ratio, 2015-2023

*2023 is based on IFRS 17 (net/gross combined ratio); 2022 and prior IFRS 4

Sources: KPMG Insurance Survey (includes life business), AM Best data and research

¹Please note that the South Africa reinsurer data is based on a sample of reinsurance companies domiciled in South Africa and may not fully reflect the market's size or profitability.

While the trend of elevated economic losses from secondary perils persisted in 2023, the impact on reinsurers' results was more manageable. This can be attributed in part to corrective measures implemented by the reinsurance market to address profitability challenges. In particular, these measures included substantial rate hikes and increased deductibles, which ultimately led to the primary market retaining a greater portion of losses. In addition, the primary market has intensified efforts to improve risk selection and the management of accumulation risk.

Catastrophe loss activity in 2024 and half-year 2025 has so far trended at similar levels to 2023, which to an extent may help preserve the sector's ongoing profitability. However, 2025 renewals have indicated early signs of a softening market, with more abundant capacity offered by reinsurers and a modest reduction in rates for certain lines of business, including property. If these conditions persist, reinsurers may face negative pressures on their underwriting margins. Therefore, maintaining strong underwriting discipline will be vital to ensuring the recovery is not short-lived, particularly given the persistence of secondary perils.

Following the landmark election verdict in May 2024, a government of national unity (GNU) was formed that brought together 11 different political parties led by Cyril Ramaphosa. A year on from this, broad policy continuity has been maintained, and the GNU has remained steady, despite recent quarrels surrounding value added tax reform.

South Africa's economy is expected to grow modestly in 2025 and 2026, with the IMF projecting a real GDP growth rate of 1.0% and 1.3%, respectively. As the GNU seeks to address South Africa's sluggish economic growth and high unemployment rate through a series of economic reforms, global trade policy uncertainty and the potential for internal dispute within the coalition government may present near-term challenges to progress.

For more information about AM Best's ratings in the Africa region, please contact Dr. Edem Kuenyehia at +44 20 7397 0280 or Edem.Kuenyehia@ambest.com.

Our Insight, Your Advantage®

Trend Review

Global reinsurance average ROE significantly above cost of equity; operating margin remained stable but reserve discounting impacting a large reinsurer and taxation effects led to lower average ROE in 2024

Global Reinsurers' ROE Decreases but Remains High

Principal Takeaways

- Return on equity for AM Best's Top 25 Global Reinsurance Composite remained strong and above the cost of capital at the end of 2024; however, ROEs were lower than for the prior year mostly due to the effects of IFRS 17 and taxes.
- Reinsurers may struggle to meet their cost of capital if reinsurance losses exceed USD 16 billion.
- Investors may find reinsurers whose earnings yield is greater than their cost of capital to be relatively attractive (all else being equal).

AM Best's DuPont analysis for 2024 shows that there was a shift from 2023. In 2024, underwriting income led the contribution to surplus growth, followed by investment income. These components together kept ROEs above the cost of equity capital.

In 2024, reserve leverage for the composite dropped compared to the previous year, led by the Big Four European reinsurers, as most of this group implemented IFRS 17 accounting standards in 2023, except for one of the reinsurers in the group, which implemented IFRS 17 in 2024. This effect led to a lower ROE in 2024 than in 2023.

The analysis in this report uses the 5-Stage DuPont ROE formula (**Exhibit 1**; the **Appendix** shows the formula used for calculations) to break down the sources of the composite's ROE. Reserve leverage, the main source of return on equity, declined and was partially offset by significant operating income, which in turn was propelled by underwriting and investment income. The adoption of IFRS 17 by the Big Four reinsurers, especially Swiss Re (which adopted it in 2024 while its peers did so in 2023) and Munich Re, which reduced reserve leverage significantly due to improved operating results, thereby increased retained earnings. This can be explained by the higher pricing and tighter terms and conditions, along with a shift away from risk exposure, which, in combination, led to a growth in retained premiums with a lower pace of increase in reserves. Net premiums written increased 5.7% in 2024 from 2023, while gross reserves increased only 0.5% over the same period.

In 2024, without the benefit of lower taxes as in 2023, the tax component was a drag on ROE. Due to the creation of a deferred tax asset account in reinsurer balance sheets with Bermuda operations in 2023, effective tax rates were higher in 2024 than in the previous year. Nonetheless, beginning in 2024, Bermudian reinsurers were able to start offsetting part of their income taxes using the balance in the deferred tax account. Because this benefit is still less than the creation of the deferred account itself, global reinsurers faced a higher overall tax rate in 2024.

In 2024, the cost of equity capital remained approximately the same as in 2023 at 9.5%, and global reinsurers remained profitable enough to record ROEs above that hurdle.

Analytical Contact:

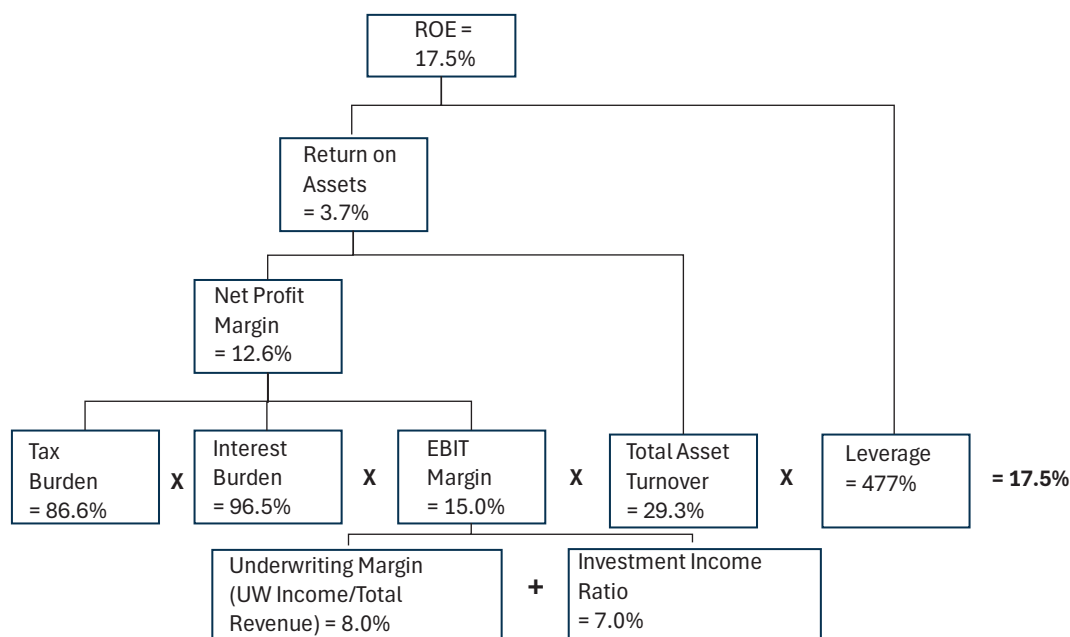
Guilherme Monteiro Simões, CFA,
Oldwick
+1 (908) 882-2317
Guy.Simoes@ambest.com

Contributor:

Sridhar Manyem, Oldwick

2025-106

Exhibit 1 DuPont ROE Analysis



Sources: CFA Institute, AM Best data and research

Global Reinsurance Composite

The composite includes companies reporting under both US GAAP and IFRS 17 standards, which differ markedly. The intent of this report, however, is to analyze the aggregate figures of the Top 25—not to compare them. Despite the differences due to the accounting standards, AM Best considers the analysis directionally valid.

AM Best's Global Reinsurance Composite is composed of the 25 largest reinsurance groups. The composite is reviewed annually to reflect M&A and other events. To keep data consistent over time, previous years' data are adjusted when companies are added to or removed from the composite. The Top 25 Global Reinsurers' gross premiums written (GPW) represent about 90% of the total reinsurance industry GPW (as measured by the Top 50 reinsurers).

Composite's ROE Reaches Seven-Year High

In 2024, premium rates continued upward but at a slower pace. Terms and conditions did not get looser, interest rates remained high, and stock markets performed well again. Despite high natural catastrophe losses impacting the property market, and social inflation affecting the casualty market, the composite recorded its second-highest ROE in seven years (**Exhibit 2**). Retained earnings were again bolstered by consistent underwriting and favorable net investment income. On the other hand, increased dividends and share buybacks, as well as unrealized capital losses, were negative contributions to surplus growth in this group. Secondary natural catastrophe events were frequent in 2024, but reinsurers maintained underwriting discipline, leading to attachment points away from the lower layers, posting the lowest combined and operating ratios in at least seven years.

Exhibit 2

Global Reinsurance – Returns on Equity

Multiplicative ROE components	2018	2019	2020	2021	2022	2023	2024
Tax Burden (Net Income/EBT)	66%	86%	82%	84%	57%	95%	87%
X	x	x	x	x	x	x	x
Interest Burden (EBT/EBIT)	73%	93%	77%	93%	63%	96%	96%
X	x	x	x	x	x	x	x
EBIT Margin (EBIT/Total Revenue)	3%	9%	3%	9%	2%	15%	15%
X	x	x	x	x	x	x	x
Total Asset Turnover (Total Revenue/Average Total Assets)	20%	24%	22%	24%	24%	29%	29%
X	x	x	x	x	x	x	x
Leverage (Average Total Assets/Average Shareholders' Equity)	557%	564%	561%	544%	577%	542%	477%
=	=	=	=	=	=	=	=
ROE	2%	10%	2%	9%	1%	22%	17%

Source: AM Best data and research

Market estimates show that the January 2025 California wildfires consumed about 40% of the reinsurance market natural catastrophe budget for the year. AM Best expects that 2025 operating performance of global reinsurers will be lower than in 2024, although still positive. ROEs are expected to still stay well above the current cost of equity capital of 9.5% (at year-end 2024) and at around the mid-teens range for 2025.

Based on 2024 results for the global reinsurers group, and using the current marginal tax rate and interest rate, it would take additional reinsurance net losses of around USD 16 billion beyond the California wildfires for the composite's ROE to equal the cost of capital of 9.5%. Assuming similar cat losses as in 2024, it is unlikely that ROEs will drop to cost of equity capital by year-end 2025.

Despite ROEs being close to all-time highs for the global reinsurers group, for the public companies, earnings yield (not including dividends or share buybacks) does not offer a premium over the cost of equity capital, on average (**Exhibit 3**). Earnings yield was calculated using current ROEs divided by price-to-book value. This means that investors may find companies with earnings yield below cost of capital less attractive.

ROEs are likely to continue to exceed the cost of capital over the medium term, as new capital seeks enterprises with established track records or with the liquidity of the insurance-linked securities (ILS) market, which provides investors in the reinsurance industry with quicker entry and exit points.

Leverage Declines Again

Leverage reduced significantly in the group, mostly impacted by IFRS 17 adoption by Swiss Re, which reduced loss reserves due to discounting. However, even excluding this effect, leverage was still lower in 2024 than in 2023. Reinsurers were able to grow equity via retained earnings and maintain a meaningful level of favorable prior year reserve development, which explains lower leverage. Premium rates increased in the year, leading to an increase in operating margin without the need for more exposure and higher reserves. Somewhat strict terms and conditions have generally remained in place, also benefiting risk exposure.

Float Also Decreases

(Re)insurance float is generated in large amounts relative to premium volume by adding net loss reserves, loss adjustment reserves, funds held under reinsurance assumed and unearned premium

reserves, and then subtracting insurance related receivables, prepaid acquisition costs, prepaid taxes and deferred charges applicable to assumed reinsurance. (Re)insurance float increased by 6.2% in 2023 with the strong performance of the global reinsurers group, recovering from the 6.0% decrease in 2022 caused by the unrealized capital losses impacting fixed income portfolios as interest rates rose quickly. However, in 2024, the group's float shrank by 4.5%, mostly due to the reserve discounting that came with the adoption of IFRS 17 accounting standards by Swiss Re. In 2024, the total global reinsurers group's float was approximately USD 590 billion (with National Indemnity, known in the market as the reinsurer of last resort, excluded from the global reinsurers group). The cost of float for the group was -13.5%, lower than in 2023 (-11.9%), compared with the average US 10-year Treasury market yield of 4.2% in 2024 (up from 4.0% in 2023).

With most companies shortening the duration of their fixed income portfolio, book yields are tracking closer to current market rates. Despite the drop in the float, investment income managed to remain relevant and to account for approximately half of operating income of the global reinsurers group. That allowed investment income to remain relatively steady in 2024.

Tax Burden Increased Due to the One-Off Benefit in 2023

Total tax payments for the composite were proportionally more in 2024 than in 2023, due to the deferred tax account (DTA) credit given by the Bermuda Ministry of Finance, which lowered income taxes by a significant amount in 2023. In 2024, without the one-off effect of the creation of the DTA as in 2023, tax expenses increased, however, not to the same level as in 2022 and prior years. This is due to the DTA being amortized over a 10-15-year period, reducing the tax burden of the global reinsurers with operations in Bermuda (**Exhibit 4**).

Investment Allocations: Increases in Equities and Cash & Equivalents

In 2024, investment allocations increased slightly in the cash and equivalents and equities classes. Very short duration securities were favored, as interest rates remained persistently high and volatility in the US Treasury issues was also high. A slight increase in allocation to common stocks was also noted, as they had a very favorable year, with the S&P index increasing 24.9%, including dividends, leading to a higher relative value for this investment class when compared to other classes in global reinsurers' portfolios on aggregate.

Short-term investments showed a slight reduction in allocations in favor of cash and cash equivalents, to favor liquidity and to take advantage of the attractive yields on the very short-term side of the yield curve. Over the last seven years, the global reinsurers' group allocations to other invested assets, which are essentially composed of private equity and hedge funds, declined significantly (**Exhibit 5**), with most of these resources redirected to fixed-maturity investments such as US government and corporate bonds, and to cash & cash equivalents.

Exhibit 3 Earnings Yield vs. ROE

(As of 6/30/2025)

Company	ROE	P/BV	Adj. ROE
Allied World	15.9%	1.7	9.3%
Arch	18.4%	1.6	11.3%
Aspen	13.5%	1.2	11.7%
AXIS	15.4%	1.5	10.2%
Everest	6.1%	1.0	6.1%
Fidelis	-0.4%	0.7	-0.6%
Greenlight	7.0%	0.8	9.4%
Hannover Re	18.8%	2.7	7.0%
Lancashire	21.4%	1.3	16.7%
Markel	11.3%	1.5	7.4%
Odyssey	15.9%	1.7	9.3%
Renaissance	14.0%	1.2	11.5%
Scor Re	0.1%	1.1	0.1%
SiriusPoint	7.3%	1.3	5.6%
Sompo Holdings	14.8%	1.0	15.3%
Swiss Re	14.3%	2.2	6.6%
Cost of Equity			9.5%

Sources: Yahoo! Finance; AM Best data and research

Exhibit 4

Global Reinsurance Top 25 Composite – Net Income Components

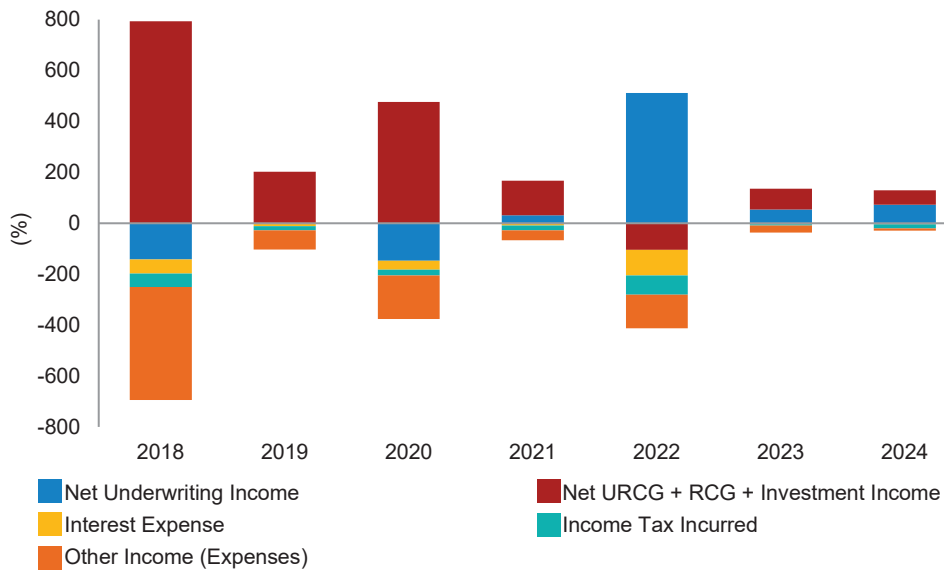
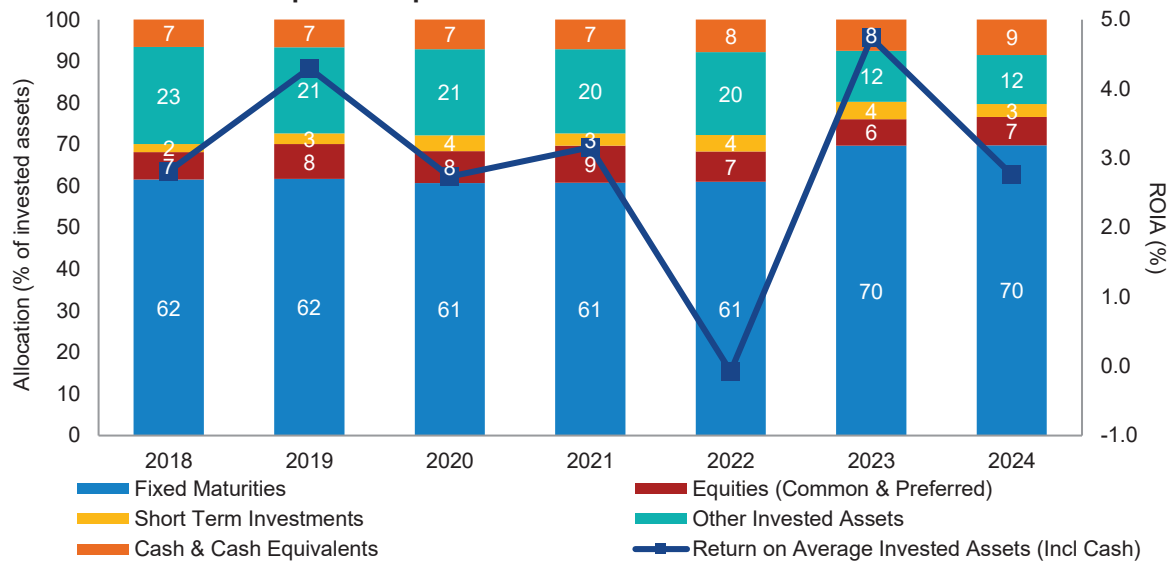


Exhibit 5

Global Reinsurance Top 25 Composite – Investment Portfolio Allocations



Appendix

Global Reinsurance Top 25 Composite — ROE Calculations

$$ROE = \left(\frac{\text{Net Income}}{EBT} \right) \times \left(\frac{EBT}{EBIT} \right) \times \left(\frac{EBIT}{\text{Total Revenue}} \right) \times \left(\frac{\text{Total Revenue}}{\text{Average Total Assets}} \right) \times \left(\frac{\text{Average Total Assets}}{\text{Average Shareholders' Equity}} \right)$$

$$ROE = \text{Tax Burden} \times \text{Interest Burden} \times \text{Operating Margin} \times \text{Total Asset Turnover} \times \text{Leverage}$$

$$EBT \text{ (Earnings Before Taxes)} = \text{Net Income} + \text{Income tax}$$

$$EBIT \text{ (Earnings Before Interest and Taxes)} = EBT + \text{Interest Expense on Debt}$$

$$\begin{aligned} \text{Total Revenue} &= \text{Net Premium Written} + \text{Net Investment Income} \\ &\quad + \text{Total Net Realized and Unrealized Capital Gains or Losses} \end{aligned}$$

$$\text{Average Total Assets} = \frac{(\text{Yearend Total Assets} + \text{Prior Yearend Total Assets})}{2}$$

$$\text{Average Shareholders' Equity} = \frac{(\text{Yearend Shareholders' Equity} + \text{Prior Yearend Shareholders' Equity})}{2}$$

Source: AM Best data and research

Reinsurers have been incentivized to write more casualty business to expand operations, lower their cost of capital, and leverage returns

Casualty Reinsurance Capacity Remains Plentiful Amid Concerns

Principal Takeaways

- The casualty (re)insurance industry is being unfavorably impacted by adverse reserve development and narrowing margins, driven primarily by US social inflation trends.
- Reinsurers continue to offer needed capacity to casualty insurers, despite concerns about potential for development.
- Publicly traded reinsurers are incentivized to continue writing casualty business, even at poor margins, to grow their business and optimize the cost of capital.
- The market has the potential to develop an availability crisis if interim actions are not taken.

The global reinsurance market has undergone significant shifts in recent years, as many reinsurers scaled back property exposures, which brought about hard market conditions. Although property reinsurance became more restricted, casualty reinsurance capacity has been relatively consistent and even increased in areas such as workers' compensation. Casualty has long been a cornerstone of the global reinsurance industry, offering a crucial risk transfer mechanism for primary insurers and providing financial stability in the face of large claims. However, recent years have seen significant shifts in the casualty insurance landscape, particularly in the US. The primary driver of these changes has been adverse reserve development linked to social inflation—a phenomenon that has fundamentally altered the underwriting environment.

A recent AM Best briefing ([January 1 Renewals and What to Expect in 2025](#)) noted US reinsurers with a casualty reserve portfolio that gain 8%-10% in rate increases are not keeping pace with loss cost trends. The markets that are pushing 15%-20% rate increases will be the ones that may overcome challenges, according to the panel discussion. Social inflation remains a key driver of casualty loss trends on past years and continues to create uncertainty across the casualty landscape amid negative social sentiment.

Social inflation refers to the rising costs of insurance claims due to a combination of factors such as increased litigation, higher jury awards, and a broader interpretation of policy coverage. Related legal advertising has doubled since 2013 and the AM Best panel also noted litigation funding is projected to reach almost \$31 billion by 2028. This questions whether rates can outpace social inflation loss trends. Uncertainty about overall inflation is another consideration for casualty lines underwriters. Although it has decelerated in some parts of the world, two key components—wage and health inflation—have not tapered off at the same pace.

This trend has had a profound impact on casualty reinsurance, leading to significant adverse reserve development. Reinsurers have found themselves facing higher-than-expected claims costs, necessitating upward adjustments to their reserves. Casualty reinsurance, for the most part, is driven by quota share contracts. Thus, reinsurers rely heavily on ceding insurers to deploy prudent measures to combat these trends, with minimal tools on their end to fix troubled accounts.

Analytical Contacts:

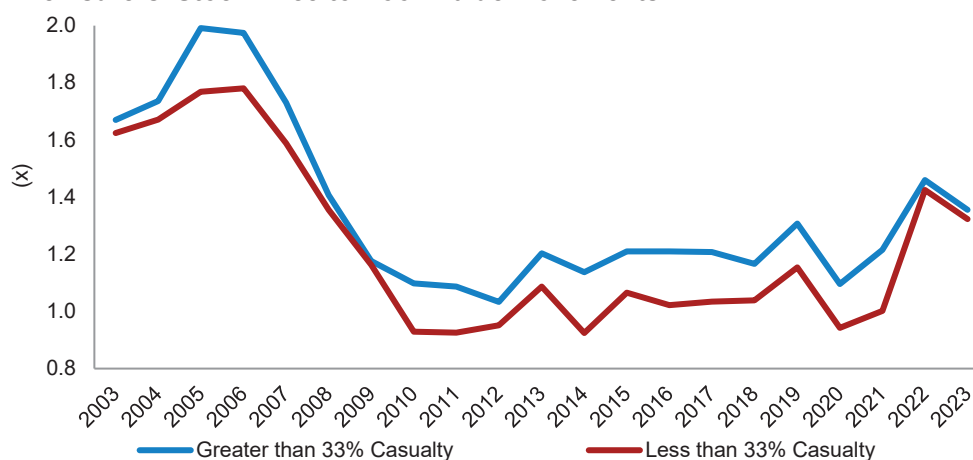
Dan Hofmeister, Oldwick
+1 (908) 439-2200 Ext. 5385
Dan.Hofmeister@ambest.com

Contributors:

Guilherme M. Simões, Oldwick
Al Slavin, Oldwick
Steve Chirico, Oldwick
Chris Graham, Oldwick

2025-018

Exhibit 1
Reinsurers' Stock Price to Book Value Movements



Sources: Bloomberg and AM Best data and research

These factors have placed substantial pressure on reinsurers, forcing them to reassess their reserve adequacy. In 2024, many global reinsurers reported reserve strengthening efforts to combat adverse development. Some companies indicated that they would also be scaling back casualty exposures in upcoming renewals. As the January renewal cycle closed, capacity remained abundant and there was no talk of hardening rates or dramatic shifts in terms and conditions. Reinsurers have apparently not had the same sense of urgency they did just a few years ago with property lines. The lack of urgency could be driven by several factors, but it likely begins with investor sentiment.

Investors Favor Casualty Lines

The reinsurance market is often influenced by investor appetite. In prior hard markets, new investor capital has entered the market to help spark competition and soften rates. However, in 2022, the lack of investor willingness to absorb property market volatility on traditional reinsurance balance sheets led many reinsurers to reduce their capacity for higher volatility property lines. Much of that capacity was redirected into casualty lines, which the equity markets appear to favor. When examining publicly traded reinsurers' stock prices over the past 20 years, AM Best found that reinsurers with higher allocations to casualty lines saw a higher average yearly increase in stock prices compared with those with higher allocations to property lines. Additionally, those with higher property allocations generally traded at lower price-to-book value multiples over the same period (**Exhibit 1**).

This data contrasts somewhat with the drastic expansion of the insurance-linked securities (ILS) market, which writes property lines coverage almost exclusively, over the same period. However, ILS affords investors a vehicle to invest in customized levels of volatility, for a shorter time frame than may be available in traditional reinsurer/start-up models. As these models continue to evolve over time, it is becoming more evident they can offer investors similar, or even superior, levels of return on risk capital for property reinsurance business. What they struggle to compete with traditional reinsurers on is casualty lines, owing to the longer-tailed nature of the business, which can trap capital and lead to uncertain investment horizons. Therefore, investors' only access to casualty business is by investing in traditional reinsurers, which drives their value up as they write proportionally more casualty business.

Casualty Drives Results

Casualty business has a structural impact on a reinsurer's balance sheet. The longer duration and relative uncertainty of claims payments for most casualty lines results in higher levels of reserves on the reinsurer's balance sheet. These reserves are invested to generate additional investment income

Exhibit 2

Global Reinsurance Top 25 Composite – Returns on Equity

(%)

	2018	2019	2020	2021	2022	2023
Tax Burden (Net Income/EBT)	66	86	82	84	57	95
Interest Burden (EBT/EBIT)	73	93	77	93	63	96
EBIT Margin (EBIT/Total Revenue)	3	9	3	9	2	15
Total Asset Turnover (Total Revenue/Average Total Assets)	20	24	22	24	24	29
Leverage (Average Total Assets/Average Shareholders' Equity)	557	564	561	544	577	542
Return on Equity	2	10	2	9	1	22

Source: AM Best data and research

prior to claims being paid. In [Significant Increase in Global Reinsurers' ROE Due to Investment and Underwriting Results](#) (October 31, 2024), AM Best conducted a five-stage Dupont analysis of reinsurers' returns on equity (ROE) and found asset leverage (average total assets/average shareholders' equity) had the greatest impact on the industry's ROE (**Exhibit 2**).

Asset leverage should increase proportionally to the amount of casualty business a reinsurer writes. This is due to the generally long-tailed nature of claims payouts and relatively narrower underwriting margins. Even if a reinsurer is operating at a 100 combined ratio, this essentially becomes an interest-free loan. If the company is running at a slightly higher combined ratio, it will be able to run a profit through leveraged returns, as long as the investment returns are higher.

Growth and Diversification

As the expansion of ILS market took place, so did the evolution of the traditional reinsurer market. Many of the household names that once carried significant weight in the property catastrophe business began to diversify heavily into casualty and specialty lines of business. Even if lines of business are not necessarily generating profits, a low correlation with other lines of business will result in more stable returns and lower marginal costs of capital. This provides executives an opportunity to grow their business, without fundraising in many cases, which typically means higher compensation for themselves as well.

The other benefit to a growing balance sheet is that it further shields reinsurers from competitive forces. Historically, the reinsurance market has been dominated by a few companies, which remain at the top of the industry in products, research, and science, but some younger reinsurers have begun to grow to a size where they are beginning to narrow the gap. Still, the few giants at the top of the industry have the ability to move markets, demonstrating the power of a large balance sheet, which can be obtained only through growth and diversification in all lines of business.

What Comes Next?

The reinsurance market reported adverse development throughout 2024, and the problems are not anticipated to slow in the near term. The casualty market appears to be headed for a crossroads. A few years ago, the property reinsurance market underwent dramatic changes and has since performed generally well through active loss years. But the casualty issue is much more complex and cannot be resolved through simple changes to attachment points or underlying terms. The underlying business will continue to deteriorate as social inflation drives up loss costs. Insurers and reinsurers are essentially playing catch-up with rates as they report adverse development every few years. Despite these loss trends, many companies cite they will continue to get strong rate increases. The question becomes, when is enough going to be enough?

It is somewhat difficult to observe casualty performance year by year when adverse development takes place. However, AM Best examined developed accident-year loss ratios for the past 10 years and combined them with calendar year expense ratios for the associated year. That combined ratio was compared to the industry investment yield for that calendar year to generate an implied margin. What AM Best found was that certain casualty lines had negative margins in 2019 and prior, where most of the companies booked their development at year-end 2023 (**Exhibit 3**). Additionally, 2019 was the year in which paid reserves constituted more than 50% of developed reserves. For year-end 2024, many companies indicated some development from accident years 2020-2024. In AM Best's view, these margins could continue to deteriorate.

Exhibit 3

Other Liability Claims Made – Estimated Combined Ratio by Accident Year

(\$ billions)

	Other Liability - C/M				Other Liability - Occ				Commercial Auto				Inv Yield
	UW Exp		CR	Implied Margin	UW Exp		CR	Implied Margin	UW Exp		CR	Implied Margin	
	LR	Ratio			LR	Ratio			LR	Ratio			
2014	65.0	29.0	94.0	9.6	69.6	30.8	100.4	3.2	81.5	27.4	108.9	-5.3	3.6
2015	66.5	29.9	96.4	6.7	73.8	29.9	103.7	-0.6	83.9	29.6	113.5	-10.4	3.1
2016	76.0	30.5	106.5	-3.5	76.1	32.3	108.4	-5.4	86.8	29.4	116.2	-13.2	3.0
2017	73.8	29.8	103.6	-0.6	78.2	30.8	109.0	-6.0	87.1	28.6	115.7	-12.7	3.0
2018	80.3	29.2	109.5	-6.2	77.4	30.4	107.8	-4.5	86.6	28.1	114.7	-11.4	3.3
2019	74.7	29.1	103.8	-0.7	77.2	30.0	107.2	-4.1	87.7	27.4	115.1	-12.0	3.1
2020	67.1	27.9	95.0	7.8	70.6	27.9	98.5	4.3	71.1	27.8	98.9	3.9	2.8
2021	60.9	25.8	86.7	15.9	67.1	27.0	94.1	8.5	75.9	26.1	102.0	0.6	2.6
2022	61.8	27.1	88.9	14.3	66.3	27.1	93.4	9.8	77.8	24.6	102.4	0.8	3.2
2023	63.2	28.5	91.7	11.5	69.6	26.3	95.9	7.3	79.8	25.8	105.6	-2.4	3.2

Source: 

Barring any broad tort reform, social inflation trends will likely continue to worsen. However, reforms are unlikely if reinsurers are willing to write the business. The January 2025 renewals demonstrated that reinsurers are inquiring more about insurers' casualty operations, but those insurers have still been able to find ample capacity for their programs. If insurers are able to purchase reinsurance for their casualty books, they will continue to write high limits. If insurers offer high limits, social inflation will continue to vex the industry until some reform takes place.

Reinsurers are incentivized to write more casualty business to grow their business, lower their costs of capital, and leverage their returns. Executives will find it difficult to justify scaling back their casualty books and giving up all those benefits, especially as rates continue to climb. At some point, it will become a necessity, though, when the volatility in reserves becomes so uncertain that capital needed to absorb that volatility is no longer economically feasible. If this were to occur, the market could experience the availability crisis that sparks change.

Published by AM Best
BEST'S SPECIAL REPORT

A.M. Best Company, Inc.
Oldwick, NJ

CHAIRMAN, PRESIDENT & CEO Arthur Snyder III
SENIOR VICE PRESIDENT & TREASURER Cynthia Young
SENIOR VICE PRESIDENT Lee McDonald

A.M. Best Rating Services, Inc.
Oldwick, NJ

PRESIDENT James Gillard
EXECUTIVE VICE PRESIDENT & COO Stefan W. Holzberger
EXECUTIVE VICE PRESIDENT & CSO Andrea Keenan
EXECUTIVE VICE PRESIDENT & CIO James F. Snee
SENIOR MANAGING DIRECTOR & CHIEF RATING OFFICER Kenneth Johnson
SENIOR MANAGING DIRECTOR Edward H. Easop

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY

A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON

A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM

A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*

A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG

A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE

A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000



Best's Financial Strength Rating (FSR): an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.

Best's Issuer Credit Rating (ICR): an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

Best's Issue Credit Rating (IR): an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).

Best's National Scale Rating (NSR): a relative measure of credit-worthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.

Rating Disclosure: Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.



AM Best is a global credit rating agency, news publisher and data analytics provider specializing in the insurance industry. For more information, visit www.ambest.com.

AMERICAS

WORLD HEADQUARTERS

A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY

A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

LONDON

A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM

A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212,
1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*

A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Credit Rating Agency

ASIA/PACIFIC

HONG KONG

A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE

A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000