



**GUY CARPENTER**  
A MARSH BUSINESS

January 1, 2026  
Reinsurance Renewal Report

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# Executive Summary

Softening market shaped by capital growth, one of the lowest reinsured catastrophe losses in past 10 years and strong reinsurer returns

## Capital Growth

Dedicated reinsurance capital is expected to increase another 9% in 2025, after 7% increases in both 2023 and 2024. Capital growth arising from underwriting profits, retained earnings, recovering asset values and robust investor interest, particularly in alternative capital and catastrophe bonds. Trade tensions have not affected capital flows, with a well-functioning reinsurance market.

## Reinsurer Profitability and Lower Catastrophe Losses

Retained earnings supported traditional capital growth following a year of insured catastrophe losses totaling USD 121 billion—18% below the 5-year inflation-adjusted average, due to a benign US wind season. Rate and attachment point adjustments seen since January 1, 2023, resulted in a new paradigm of reduced reinsured share of catastrophe losses, down from 20% (2022 and prior) to the new average of 12%. These factors drove 17% returns on equity, as measured by the Guy Carpenter reinsurer composite.

## Property

Buyers of traditional property catastrophe reinsurance benefited from these macro reinsurance trends. January 1 renewal outcomes generally reflected double-digit risk-adjusted decreases for non-loss-impacted programs. Demand increased 5-10%, depending on the region and segment of the market. Half of increased property catastrophe demand was for traditional capacity. The other half of the additional demand was for aggregate products, catastrophe quota shares or alternative solutions, such as catastrophe bonds or parametric products. Catastrophe bond issuance continued to reach all-time highs, exceeding USD 58 billion in outstanding limit in 2025. Capital markets provide buyers with competitive, supplemental limit for property catastrophe programs.

## Casualty

Casualty reinsurance renewals had nuanced outcomes based on region, structure, historical results and the scale of the outwards portfolio. Clients continued to look for reinsurers to support treaties across lines of business. We continue to utilize our proprietary data and insights to demonstrate the health of the line. Our view recognizes industry efforts to manage limit deployment, ensure rates keep up with loss trend, and maintain adequate reserves.

## Innovative Solutions Help Buyers Optimize Reinsurance

At January 1, innovation in reinsurance structures was a theme across many lines. The cyber market continues to evolve from quota share and aggregate protection to event, risk and hybrid designs. Sidecars continue to be a significant

trend across multiple lines of business, though they have gained particular attention for longer-tail portfolios. This is part of a larger trend in which insurance businesses seek additional sources of capacity from capital markets, and investors aim to get direct access to insurance risk in order to deploy proactive investment strategies.

## Market Opportunity

2025 also brought new opportunities in the form of M&A and data centers—both topics featured prominently throughout conference discussions in the lead-up to January 1. We expect these opportunities to accelerate in 2026.

## Our Commitment

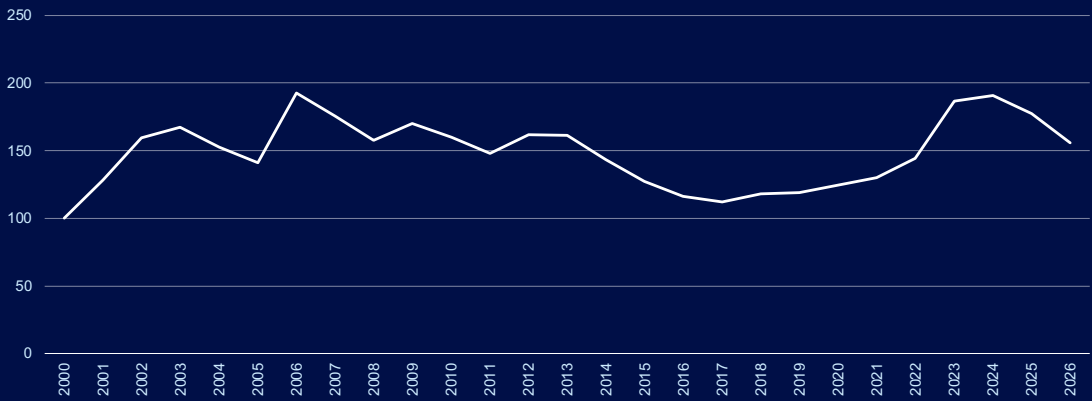
Reinsurance in all forms is being utilized as a strategic growth tool. Guy Carpenter's broking, analytics, advisory and capital teams are focused on delivering enhanced value to our clients through all aspects of growth, capital and volatility management. Demonstrated by January 1 renewal outcomes, we continue to advocate for our clients—continuously innovating to empower your success. With the right people, perspectives and solutions, our clients are positioned to thrive in any market environment.

**Dean Klisura,**  
President & CEO

# Strong Reinsurer Appetite Drives Excess Property Catastrophe Capacity at January 1

Global Property Catastrophe ROL Index

-12%



Source: Guy Carpenter

Continued growth in dedicated reinsurance capital

\$660<sub>B</sub>

Total dedicated reinsurance capital expected to increase 9% at year-end 2025

Calculated in partnership with AM Best

Record cat bond issuance

\$58<sub>B</sub>

Total outstanding notional limit of property and cyber catastrophe bonds reached all-time high

Total industry insured catastrophe losses

\$121<sub>B</sub>

2025 total insured losses—18% below 5-year inflation-adjusted average

Heightened M&A activity

\$39.5<sub>B</sub>

2025 year-to-date transaction value for global M&A deals

Data center boom

\$300<sub>B</sub>

Yearly investment for data center expansion

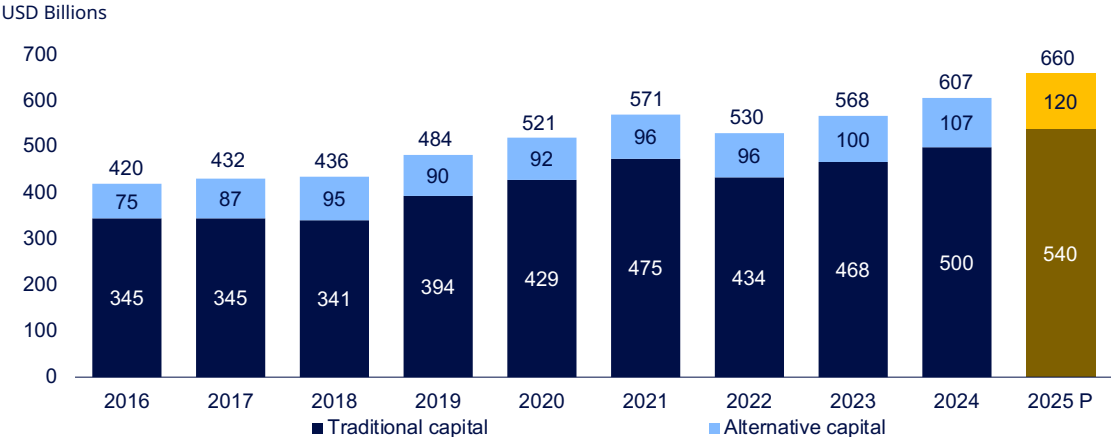
# Macro Market Trends

## Capital

Dedicated reinsurance capital forecasted to increase 9% in 2025. This is compared to an initial estimate of 7% at mid-year 2025, which increased by year-end, driven by 10% growth in alternative capital. The calculation incorporates higher return on equity (ROE) and return of capital through dividends and share repurchases in line

with previous years. A further estimated USD 50 billion in capital is forecast to be added in 2025-2027. When interest rates and bond yields fall, this could stimulate additional growth in alternative capital, as its relative uncorrelated return potential improves.

Figure 1: Profitability Continues to Drive Growth in Dedicated Reinsurance Capital



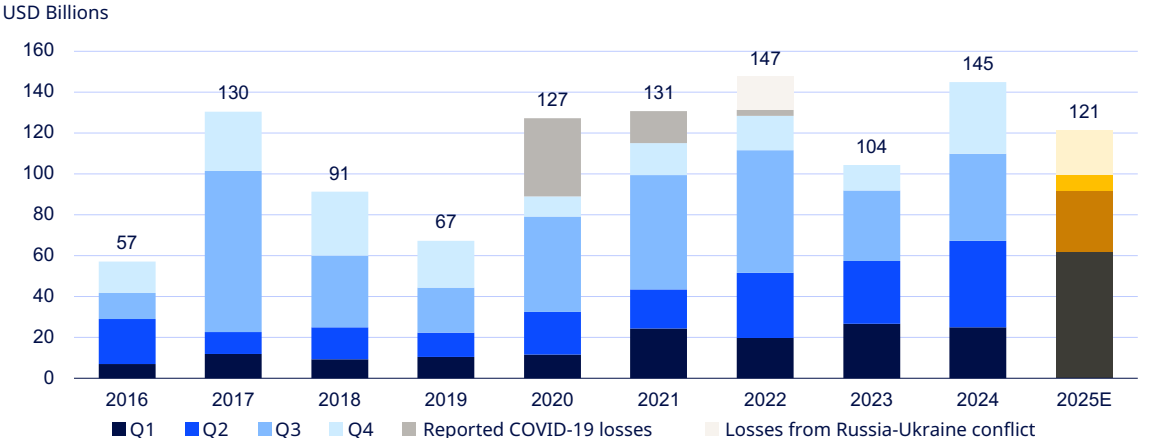
Source: Guy Carpenter, AM Best

## Insured Catastrophe Loss

The total industry insured losses for 2025 are projected to be USD 121 billion, which is 18% below the 5-year inflation-adjusted average for the year. Insured loss activity leveled off after an elevated Q1, with below-average losses experienced during the second half of the year. California wildfire losses (approximately USD 40 billion) and severe convective

storm (SCS) were major drivers of insured loss, with California wildfires accounting for 33% of the total insured losses, and SCS approximating 47% of total losses. Additional losses included Cyclone Alfred in Australia, the Myanmar earthquake and Hurricane Melissa. The Q1 California wildfire losses are the largest insured wildfire losses on record.

Figure 2: Insured Catastrophe Losses in 2025 Are Driven by US Wildfire and SCS



Source: PCS, PERILS, Verisk, ICA, GC. Losses from Russia and Ukraine conflict are estimated by S&P Global. The 2025 significant insured loss estimate updated as of November 24, 2025. \*Significant Insured Losses (Est. losses> USD 100 million) – Not adjusted for inflation

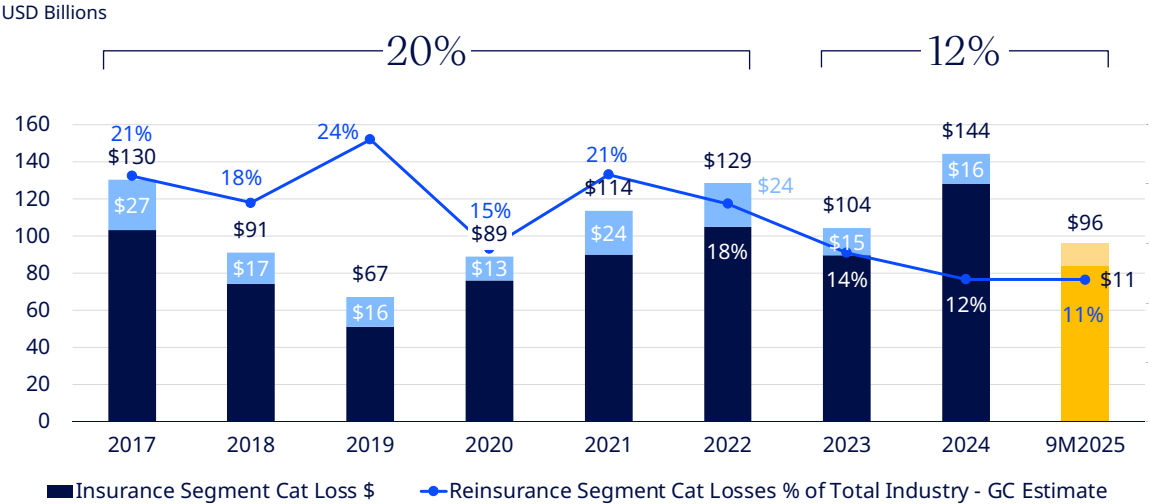
# Reinsurers' Lower Share of Cat Losses

Reinsurers' share of global catastrophe losses has declined, owing to higher attachment points since January 1, 2023, and a lower number of high-severity events. Catastrophe losses since 2023 have largely consisted of SCS, except for Hurricanes Helene and Milton in 2024, with each event resulting in insured losses under USD 10 billion and within primary insurers' retention levels.

# Profitable Reinsurer Returns

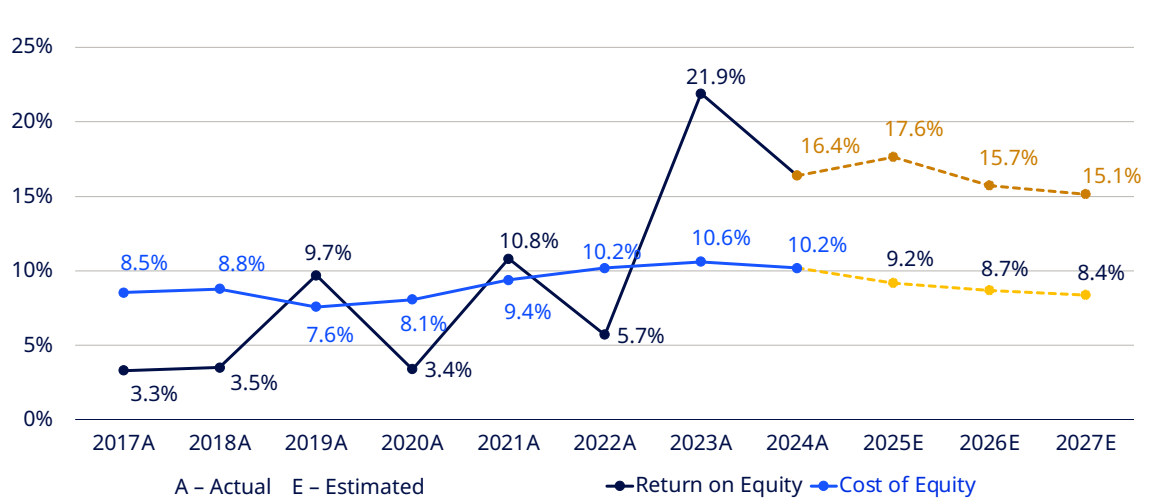
Reinsurers expected to achieve another year of strong returns in 2025, at 17.6%, following 16.4% in 2024 and 21.9% in 2023. Reinsurers' returns are expected to comfortably exceed their cost of equity for the third year in a row, by an average 8.6 percentage points—a trend which will likely continue in 2026 and 2027.

Figure 3: Reinsurers' Share of Cat Losses Declines



Source: Company reports, Guy Carpenter calculations. Note: Reinsurers' share is based on reported cat losses for the reinsurance segment of select companies in the GC reinsurance composite and assumes the cohort represents 65% of the industry. \* Total industry insured losses exclude losses from COVID-19, the Russia-Ukraine conflict, and NFIP claims.

Figure 4: 2025 – Another Strong Year of Reinsurer Profitability



Source: S&P Global, Visible Alpha, Guy Carpenter calculations; estimates @ 15 December 2025, subject to change.

# Property

## Competitive Pricing Environment

Reinsurers continue to benefit from high attachment points, demonstrated by reinsurers' lower share of catastrophe loss. This factor, along with abundant capacity, are driving competitive pricing conditions, with catastrophe rate on line (ROL) down double-digits globally.

Per risk placements experienced rate change of flat to -15% depending on region, with rates of around +5% on loss impacted business. Improvements in proportional property are being observed in some regions.

Cedents in North America have been aggressive with price selection and continued to diversify their reinsurance panels. Savings achieved on core placements were utilized to enhance risk transfer programs with additional coverages. The US property catastrophe ROL index decreased 12%.

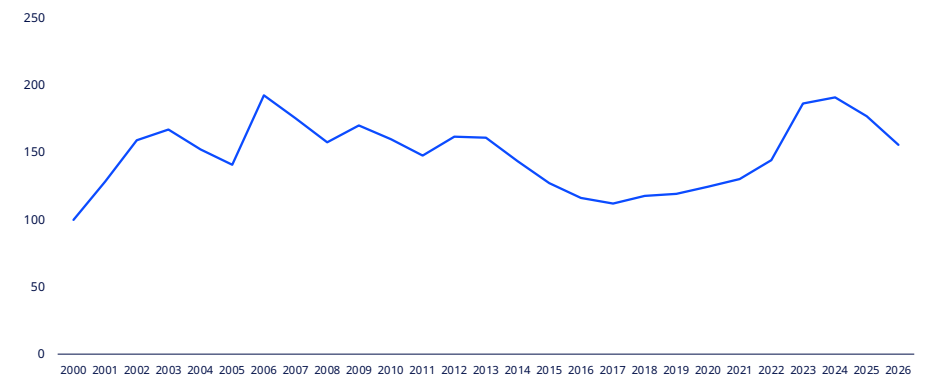
Europe saw a significant decrease in market breadth, with clients favoring a reduced panel of reinsurers (43 pricing for the January 1, 2026 renewal, compared to 55+ during the January 1, 2025 renewal). Clients took a more

selective approach to the price discovery phase. The Europe property catastrophe ROL index decreased 15%.

APAC experienced double-digit rate decreases on loss-free catastrophe XoL programs, with reinsurers showing flexibility toward clients to meet their pricing expectations in order to secure shares.

**Figure 5: Global Property Catastrophe Rate on Line Index**

2000–January 1, 2026\*



Source: Guy Carpenter. Preliminary January analysis, subject to updates; \*The Guy Carpenter ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risk and changes in buying habits, as well as changes in market conditions.

On-Time Renewals

Most renewals began ahead of prior-year timing, but the process slowed through the price discovery and firm order terms phases. Ultimately, placements were completed on time, with any slowing to the signing process driven by buyers weighing reinsurer partnerships and trade across treaties before finalizing panels.

Moderate Changes to Structures

Retentions remained broadly stable, with moderate increases in demand leading to greater limit being placed. Some buyers looked to deploy expected savings toward ancillary purchases, leveraging favorable market conditions to protect underwriting income.

In North America, new supplemental coverages were placed, such as underlying catastrophe coverage, aggregate XoL and subsequent event coverage.

There is increasing appetite in Europe for appropriately structured aggregate or frequency protections, albeit from extremely low levels of market appetite post-2023. Reinstatement premium protections are also being explored by numerous clients. In the Middle East and Africa, structures remain largely unchanged, with cedents seeking greater underwriting capacity.

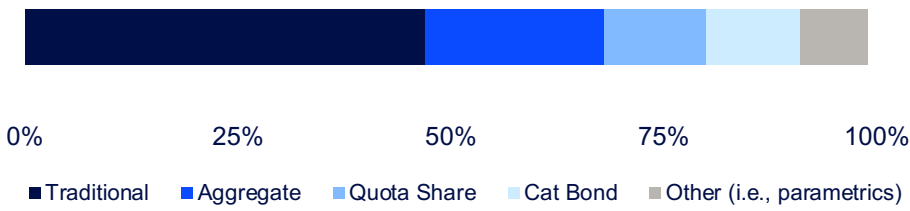
Buyer Demand for Additional Catastrophe Limit

Buyers sought 5-10% additional limit. Approximately 50% of that additional limit demand was for traditional capacity, while the other 50% was for aggregate products, catastrophe quota share or alternative solutions, such as catastrophe bonds or parametric products.

Excess Capacity

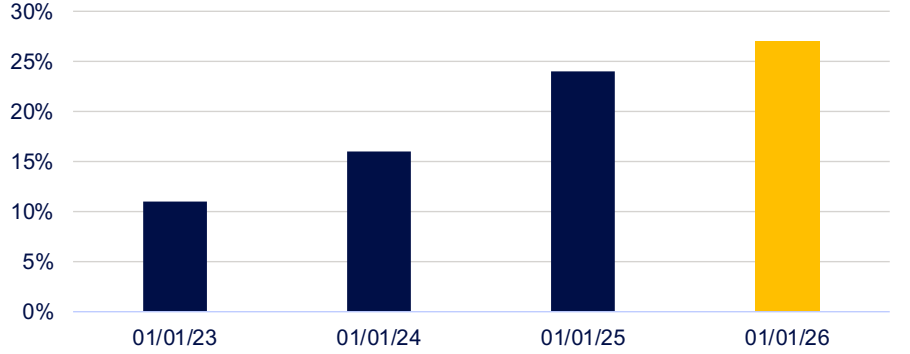
Reinsurer capacity easily met buyer demand for limit. Excess capacity continues to be a significant factor for renewals, with preliminary estimates for January 1, 2026 over 25%. Excess capacity gave buyers flexibility in building reinsurer panels that strengthened broader trading relationships.

Figure 6: Demand for Additional Catastrophe Limit



Source: Guy Carpenter

Figure 7: Excess Capacity (Authorized/Signed Limit)



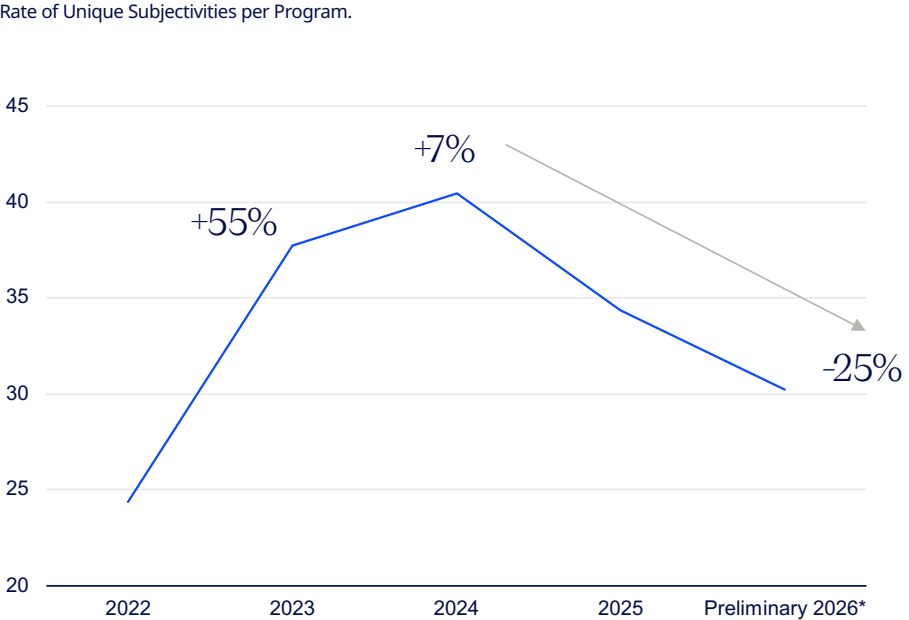
Source: Guy Carpenter

Easing of Terms & Conditions

Clients achieved more concurrency in contract coverage across most regions. In the US, the majority of non-concurrencies introduced in the hard market of 2023 were eliminated.

Turning to Europe, there is some evidence of terms softening during this renewal. At the hard market of January 1, 2023, we observed a 55% year-over-year increase in unique subjectivities for property contracts. Starting January 1, 2025, clients have pushed for reversion to full-market concurrency of coverage, bringing the number of unique subjectivities down 25% from its 2024 peak.

Figure 8: Property Contract Nonconcurrencies



*\*Evaluated at time of report drafting; contract observations continue to develop as program documentation is finalized.  
Source: Guy Carpenter*

Property Retrocession

Excess Capacity Drives Price Reductions

Property retro lines saw increased demand at January 1, 2026—though continued growth in supply led to price reductions and some expansion in coverage. Non-loss-impacted placements saw risk-adjusted rate changes between -12.5% and -20%, with lower risk-adjusted rate change seen on aggregate placements and higher ROL occurrence layers. Greater reductions have also been seen on more risk remote layers.

Despite some retro losses derived from the California wildfires in January 2025, a lack of subsequent material reinsured

losses from catastrophe events saw existing markets generate strong levels of retained earnings to deploy. January 1, 2026 also saw a small number of new retrocessionaires come to market with varying appetites, adding to competition in the space. There was increased demand of over USD 1 billion for occurrence and aggregate products, as a result of improved buying conditions and desire for underlying portfolio growth.

Retro renewals ran relatively late, with 25% of programs firm ordered in the penultimate week of December.

# Capital Markets

### Record Number of Issuances

The catastrophe bond market was extremely active in 2025. It got off to a strong start, with USD 16.9 billion in total limit placed by June, and it had reached a record issuance year by July, marking the fourth record in the past 5 years. 86 different cat bonds were issued in the 144A market. These transactions totaled more than USD 24 billion in limit placed (of which USD 600 million was dedicated to the cyber peril). The total outstanding notional amount of property and cyber catastrophe bonds has now reached an all-time high of over USD 58 billion.

74 unique sponsors accessed the catastrophe bond market in 2025, of which 15 sponsored a catastrophe bond for the very first time. Since 2020, more than 60 first-time sponsors have entered the market, and almost half have already returned for subsequent issuances.

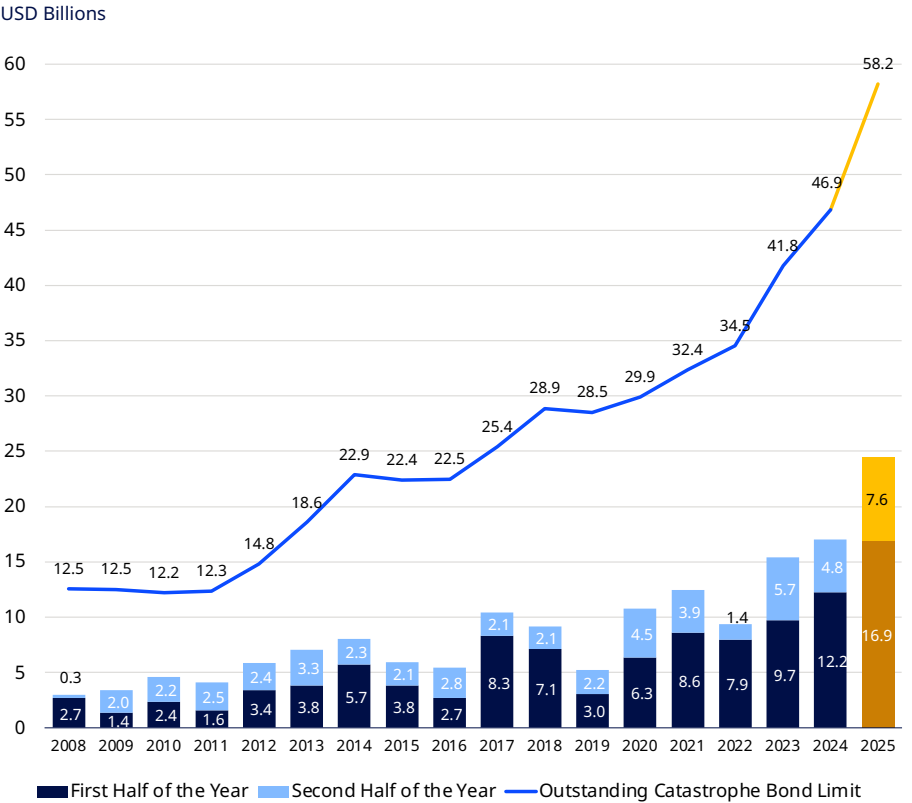
Of interest, veteran residual market sponsor North Carolina Insurance Underwriting Association (NCIUA) introduced a disaster “resilience” feature in their USD 600 million Cape Lookout Re catastrophe bond in 2025, a first in the cat bond market. If no major loss occurs, a portion of the premium is returned to NCIUA and is earmarked exclusively to incentivize homeowners to install fortified roofs that are especially wind resistant.

### An Attractive Catastrophe Bond Market

Driving issuance activity in 2025, sponsors have been attracted to the bond market for many reasons, including favorable pricing, broadening terms and conditions (e.g., expanded perils, aggregates, second event covers) and excess capacity.

Investors have also been attracted to the bond market, given the relative spreads compared to other asset classes, liquidity in the market and limited loss activity. With a healthy state of the investor base and heavy maturity schedule through the first 6 months of 2026, we expect the cat bond market to remain active and a key part of sponsors’ reinsurance programs.

Figure 9: Risk Capital Amount



Source: Guy Carpenter

Demand for Surplus Notes Increases

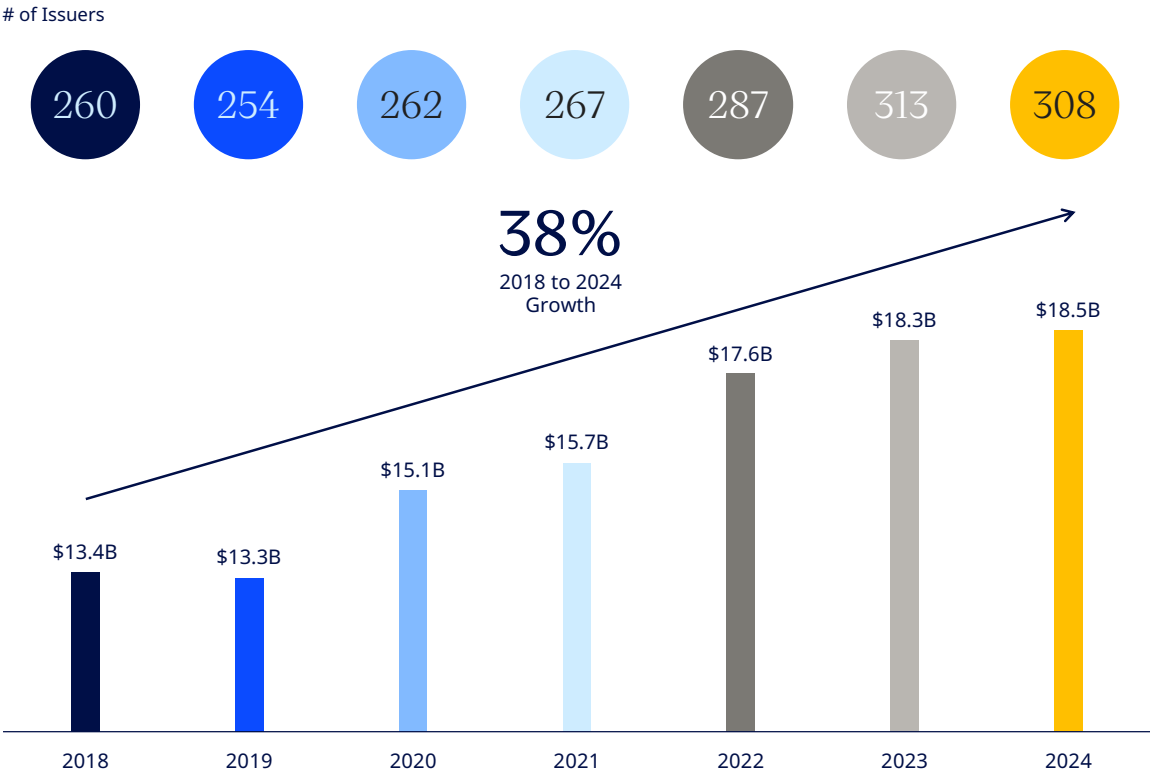
Surplus notes have become an increasingly important source of capital for P&C mutuals, privately held insurers and reciprocal exchanges. Surplus note capital for P&C insurers has increased by USD 6.7 billion, or 50%, since 2019 to USD 20.0 billion as of September 30, 2025, driven by growth in both number of issuers and the size of the surplus note programs. An increasing number of small-to-mid-cap P&C regional mutuals have instated surplus notes as a permanent part of their capital structure. Surplus note capital has grown for this cohort by USD 4.7 billion, or 94%, since 2019 to USD 9.7 billion as of September 30, 2025.

Record low spreads (cost to issuer), favorable AM Best capital treatment, favorable statutory accounting treatment, covenant-lite terms, enhanced capital position and improved financial flexibility are some of the key drivers for issuer demand.

Surplus notes provide a diversifying source of long-term capital for P&C insurers and are typically viewed as credit positive by the rating agencies, regulators, company management and boards, distribution partners, shareholders and policyholders.

Strong issuer demand has been supported by equally strong demand by surplus note investors, driven by increased interest in P&C mutuals and reciprocals, growing product awareness, demand for duration and the attractive interest rate environment. GC Securities is the market leader in 4(a)(2) surplus notes for P&C insurers, with 50% market share between January 1, 2024 and June 30, 2025, having advised on 6 of the 12 deals during this period.

Figure 10: US P&C Surplus Notes Outstanding



Source: Guy Carpenter

# Spotlight: Sidecars

While sidecars are not new, there has been increased activity for various insurance businesses. We see the growth in 3 main areas: ceded reinsurance strategies, where investors take a share of a cross-section of a company's outwards program; casualty-focused portfolios; and MGAs, MGUs and capital-light entities, which are becoming important players in their relevant market segments. This is part of a larger trend in which insurance businesses seek additional sources of capacity from capital markets, and investors aim to get direct access to insurance risk.

## Demand in Both Property & Casualty Lines

In 2025, transactions spanned property, casualty and multi-line classes of business. Features such as sliding-scale commission, sponsor co-investment and structures where sidecars are "following" vehicles have been successful in demonstrating cedents' alignment with investors.

For property-exposed businesses, structures ceding business net of catastrophe XoL reinsurance have helped to optimize risk-return profiles for investors while meeting capitalization needs of sponsors.

There have also been several sponsors placing casualty sidecars, complementing traditional reinsurance capacity and gaining access to capital markets. The elevated interest rate environment, shifting interest of large asset accumulators away from life and annuity, and health of insurance returns more generally, has led to expansion in these structures.

Another key motivation for sidecars has been for MGAs/ MGUs to have greater access to capacity, which provides stability and improved economics for their businesses. As with most sidecar structures, the key elements of balancing alignment of interests and economic outcomes are crucial for successfully executing these types of arrangements.

The ability for investors to create higher-yielding asset portfolios has allowed for elevating ceding commission terms to be passed to cedents. Cedents have been comfortable exchanging elevated commission levels for alignment mechanisms, such as sliding-scale commission structures and in re-assuming tail risk by providing capital leverage through loss ratio caps to investors or structuring forward exit options through the use of legacy reinsurance markets.

## Balanced Approach

While sidecar transactions can be accretive to an entity's business, they are not for every situation. A company contemplating such a transaction should consider some important elements before embarking on the marketing of such a structure:

- These projects can be quite involved, as the structuring and marketing can take several months to complete, and they often require substantial actuarial and underwriting resources to populate exhibits, engage in the marketing/roadshows and facilitate investor due diligence.
- Asset composition is often a key element of some of the sidecar structures. As such, the sponsor/carrier needs to get comfortable with the proposed investment guidelines, which often will have a significant proportion private credit and other less liquid instruments.
- In addition to the asset composition, the amount and staging/release of collateral is a key structuring component; if collateral is insufficient and/or released too quickly, there can be a collateral deficiency leading to unrecoverable losses.
- Lastly, most investors will want to exit these structures within a 5- to 7-year horizon, which means there will need to be some sort of commutation or transfer of the remaining liabilities at that time. While that has been addressed in the transactions to date, it is still a significant consideration in the planning and structuring of nearly any sidecar transaction.

2026 Outlook

We expect new sponsors to access the market in 2026, existing sponsors to continue to grow and diversify their access to capital within existing structures, and new structures to be developed, oriented toward whole account and follow facility solutions.

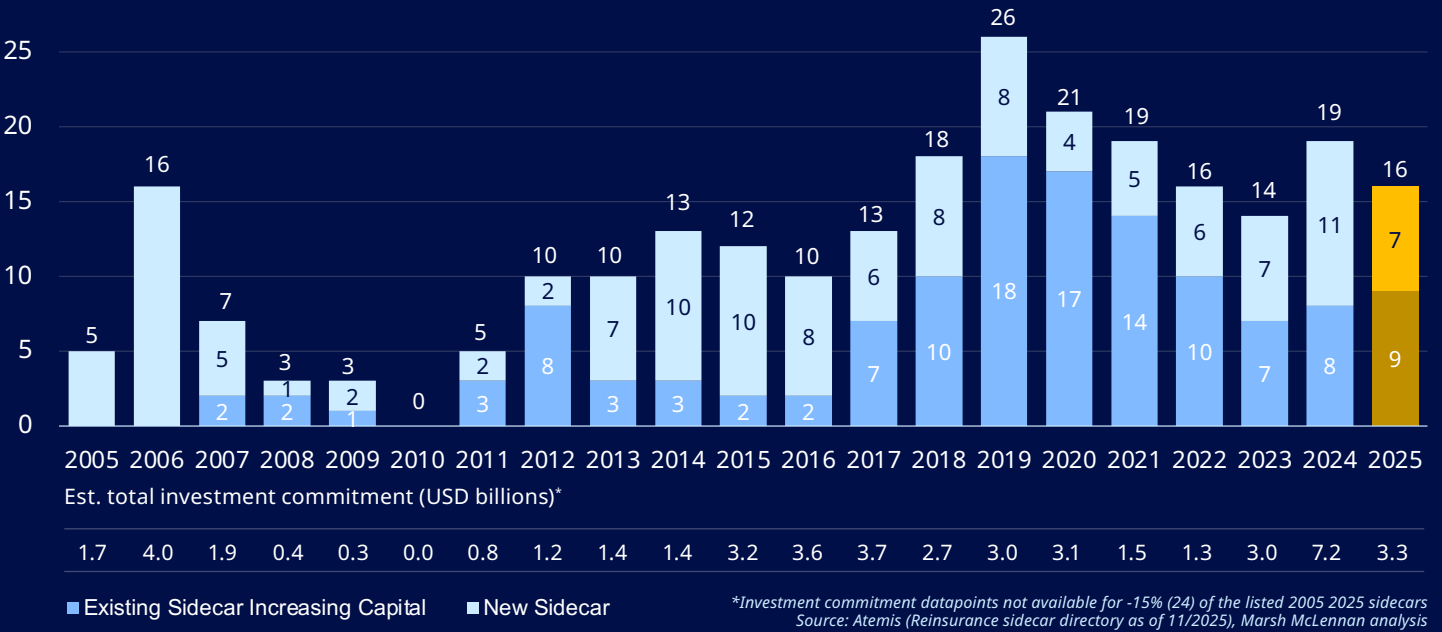
The growing set of potential investors includes:

- Private equity firms
- Alternative investment managers
- ILS investors
- Pensions and sovereign wealth funds
- Traditional investment managers

Several vehicles have emerged that could help optimize a sponsor’s reinsurance strategy:

- Lloyd’s syndicates leveraging London Bridge 2 PCC
- Collateralized reinsurance sidecar
- Balance sheet

Figure 11: Number of Sidecars 2005-2025



Sidecar Basics

Sidecars are utilized by (re)insurers to partner with capital sources or to accept investments from third-party investors.

They are collateralized to a pre-agreed level, ensuring funds are available for claims. Ceding (re)insurers then pay premiums into the sidecar, which enables investors to profit from leveraged investment returns while their collateral remains exposed. In the case

of long-tail casualty portfolios, investors benefit from a protracted investment period while claims mature. Sidecars are generally limited in duration (e.g., 1 underwriting year) and are renewed yearly to facilitate the next annual underwriting portfolio.

# Casualty

## Reinsurance Pricing Environment Directly Linked to Insurance Success

Overall, casualty reinsurance renewals had nuanced outcomes based on region, structure, historical results and the scale of the outwards portfolio renewing at January 1. Clients continued the recent protocols of looking for reinsurers to participate across their entire portfolio, as reinsurers sought increased diversification and cited overall relationships, too. For the January 1, 2026 renewal cycle, the more difficult casualty renewals were traded for property positions—which is the opposite of the trade that took place during the 2023 renewal cycle, for example.

Clients continue to remain disciplined with respect to limit management, terms and conditions being offered to their original customers, and maintaining appropriate attachment points. While pricing varies from positive (US exposed liability) to negative (E&O/PI, non-US exposed liability) and everywhere in between (US D&O), the structural changes that clients have implemented within their portfolios are giving greater confidence for (re)insurers in the face of continued increases in US litigation costs.

That discipline led to reinsurer loss trends remaining relatively stable year-over-year, as shorter limit deployment is proving very effective at managing loss severity trend.

Loss experience and structure, however, were the two keys to renewal outcomes. Reinsurers are much more comfortable offering support on a pro-rata basis, as they have greater confidence in overall portfolio performance. As a result, if experience and portfolio composition are in line with expectations, pro-rata placements renewed per expiring. Slight improvements occurred if there was a clear case of outperformance, but new capacity was needed as incumbent capacity generally reduced. Corrections were made on a case-by-case basis if results were materially worse than expected, with cross-line of business and placement trades readily occurring.

Excess of loss placements, globally, had varied outcomes, as attachment point was a key factor, particularly where historical experience has been challenging and inadequate credit provided to the go-forward strategy. Lower-attaching programs (particularly those in the US) felt more

pricing pressure, due to the impact of litigation funding and claim severity. We saw rate increases of approximately 10% on these programs. Higher-attaching treaties had less rate pressure, as the higher attachment points and reduced limit profiles had the combined beneficial impact of less experience and, more importantly, less exposure in the layer holding pricing flat to even some modest rate reductions in exceptional circumstances.

We see some softening in the Asia Pacific casualty market, with increased capacity and competition leading to reduced pricing and terms for cedents compared to recent years. This is also observed in the Middle East & Africa markets, with benign loss experience and increased demand from reinsurers to diversify lines.

Reinsurers are expected to maintain underwriting discipline, especially in lines affected by social inflation and litigation trends. There is increased interest in Asian casualty business, largely from European and Bermudian carriers, as reinsurers look to diversify their portfolio geographically and by product mix.

Timing Ahead of 2025

Casualty renewals are trending slightly ahead of January 1, 2025, in both the US and international, though a little slower in Asia Pacific, given softening market conditions.

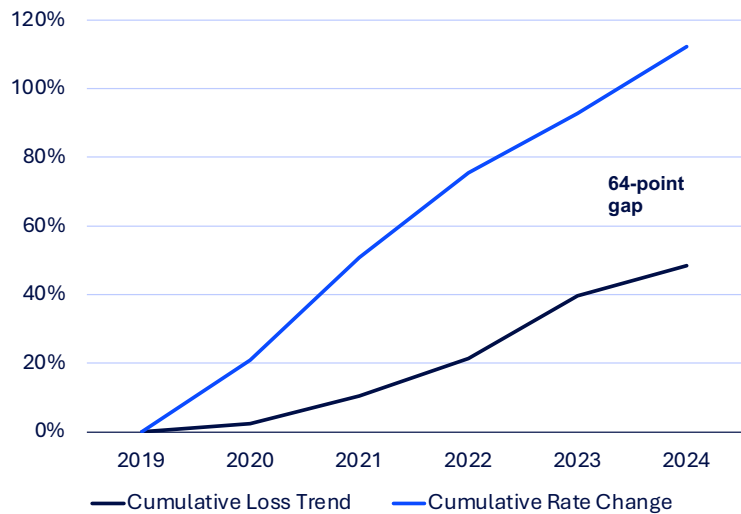
Traditional Versus Alternative Risk Transfer

As was discussed earlier in the report, the traditional casualty market adapted to structural and economic changes, as clients weighed alternative options such as sidecars against the benefits of traditional structures. In some cases, this reduces the amount of the placement in the traditional market, which, when coupled with substantive capacity, allows for a lower market clearing price for the reinsurance program.

Guy Carpenter continues to utilize proprietary data to differentiate insurer portfolio management, including managing disciplined limit deployment, ensuring rates keep pace with loss trends and maintaining adequate reserves.

Guy Carpenter’s analysis demonstrates improved health of the US casualty market, with cumulative rates exceeding trend by 64 points, based on developed losses from 2019 onward.

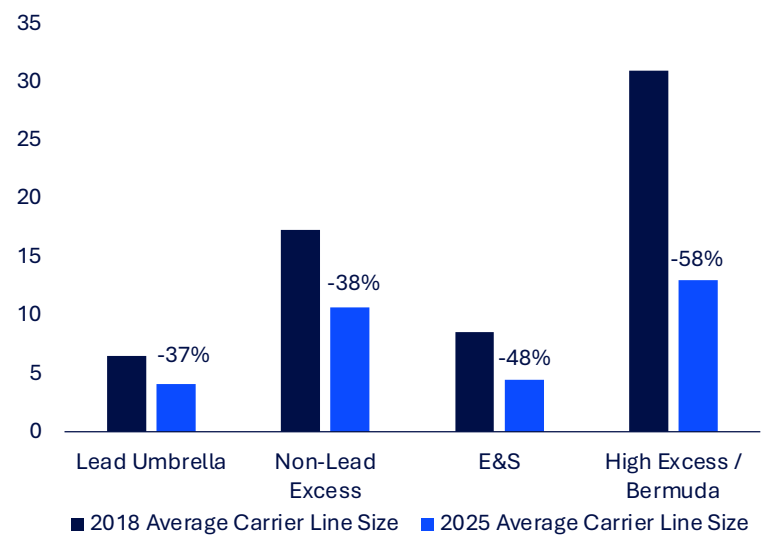
Figure 12: US Casualty Cumulative Loss Trend versus Rate Change



Source: Guy Carpenter

In addition to significant rate improvement, US carriers have been disciplined with limit deployment, reducing average capacity between -40% to -60%.

Figure 13: US: Reduction in Average XS Capacity Deployed by Carrier



Source: Guy Carpenter

# Spotlight: Cyber

## Cyber Renewal Outcomes

- Pricing remained under pressure, with ceding commissions ending up flat to +2 points, and non-proportional rates reduced -2.5% to -25%.
- Renewals were completed on time, reflecting efficient market engagement despite evolving structures.
- The cyber market saw improvements to terms and conditions for cedents, particularly in expanding definitions. Most placements made progress in addressing concurrency and wording consistency across treaties.
- Retentions remained stable, with growing demand for non-proportional covers. New structures placed at January 1 include risk XoL, hard retrocession and combined property/cyber tail covers.
- Cedents showed increased appetite for non-proportional solutions and diversified their panels. We are seeing growing appetite to explore new retro purchases from reinsurers, while savings on core placements were often reinvested in other lines.

## Shaping the Future of Cyber Reinsurance

Traditional reliance on quota share and aggregate stop-loss arrangements is giving way to more tailored solutions that better address volatility and aggregation challenges.

Most notably for January 1, 2026, risk excess coverage has gained traction, with several new covers placed by Guy Carpenter's Global Cyber practice.

## Innovation in a Changing Market

At the forefront of this innovation, Guy Carpenter placed the first GC Cyber XXL product for January 1, a "hard retro" arrangement that provides XoL protection on an underlying portfolio of XoL treaties. Retro industry loss warranty (ILW) capacity has also expanded at January 1, benefiting from a favorable market environment for buyers.

Part of the 2025 cyber reinsurance innovation was the first GC Step Up Agg cover, offering cost-effective upfront premium with a stepped increase triggered by a specified loss ratio.

Finally, Guy Carpenter placed the first combined property and cyber XoL treaty, an approach particularly valuable in the extreme tail, where cedents encounter minimum rate on line constraints and risk transfer is too limited to justify a standalone purchase. This innovative structure opens new opportunities for reinsurers, diversifies capital deployment and provides cedents with efficient tail coverage.

## Benefits from Advanced Structures

- Clients: Greater flexibility to manage capital and accumulation risk.
- Reinsurers: Refined tools to support line-size growth and risk diversification.

The increasing appetite for non-proportional and aggregate covers reflects a maturing market that values precision and adaptability in risk transfer. This evolution is underpinned by a collaborative approach among intermediaries, cedents and reinsurers, who are increasingly tailoring terms to align with specific portfolio needs and emerging loss trends. Such innovation not only enhances market resilience but also equips stakeholders to navigate the rapidly evolving cyber landscape with greater confidence and sophistication.

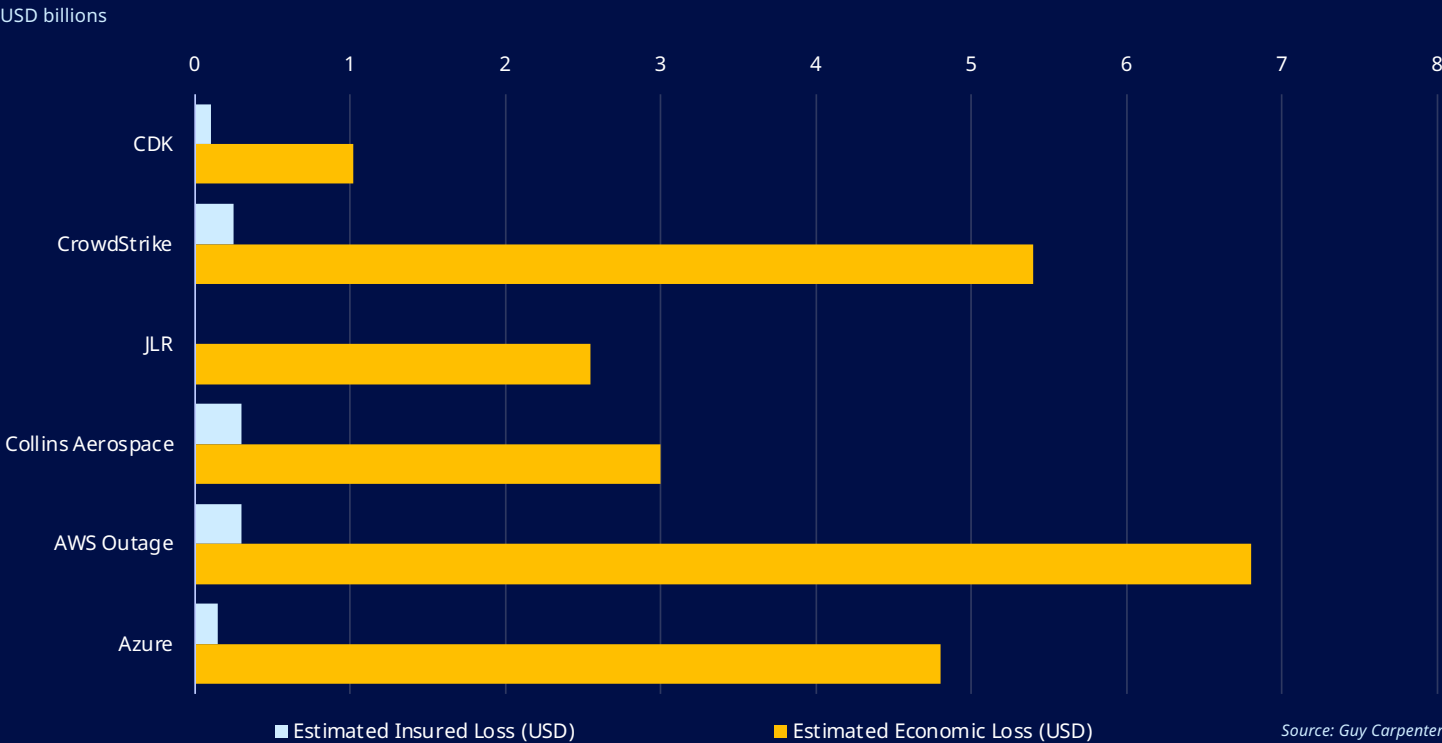
Strengthened Resilience in an Interconnected Cyber Landscape

Recent high-profile cyber incidents, including the attack on Jaguar Land Rover, have starkly revealed the vulnerabilities and underinsurance within interconnected business ecosystems. So many suppliers were affected by the event, government financial intervention was required.

Even in “near misses” from a loss-quantum standpoint, events such as the AWS and Azure outages, as well as ransomware attacks on key suppliers, demonstrate how cyber disruptions cascade through supply chains, causing widespread operational and economic impact.

These events highlight a critical protection gap that still exists in increasingly interconnected economies. Reinsurance solutions have the potential to close this growing gap between economic and insured cyber loss.

Figure 14: Recent Supply Chain Cyber Events



# Specialty

## Global Price Reductions in Marine, Energy & Technical Lines

Softening prices have been seen across all lines and regions, as new and existing capacity continued to diversify from property and grow into an already crowded specialty market. Non-loss-impacted business has experienced rate change from flat to -15%, with loss-impacted ranging from -5% to +15% in some cases. Price has become a key differentiator, in contrast to wordings and improved coverage taking the spotlight in previous renewals.

This renewal has been slower than last year, with renewal information sent out later than in previous years. Buyers have been keen to see how market sentiment evolved in an increasingly softening environment.

Alignment of contract wording across reinsurer panels has been a priority for buyers, with few differential terms and subjectivities accepted.

Structural changes varied by line of business.

A common theme was buyers looking to cede less to quota shares and utilize increased capital from recent profitable years to modify XoL structures and optimize reinsurance spend.

Buyers continued to utilize alternative capacity, a trend stemming from last renewal, with an increasing number of buyers electing to cede risk into sidecars and similar arrangements, putting further supply and demand pressures on traditional reinsurance.

Retro clients renewing at January 1 looked to extend their coverage into Q1 2026, when greater clarity on their underlying portfolios will be known.

## Credit Market Continues to Soften

Credit renewals are softening further, due to high profitability and growing surplus of supply versus demand. On a risk-adjusted basis, prices are down -10% to -15%.

Renewals completed later than they did last year, with an extended quoting process and reinsurers competing to find the right pricing level. In early December, 17% of renewals were firm-ordered, versus 33% at the same time last year. There have been some changes to terms and conditions across the board, with cedents increasingly seeking larger limits and extended tenors to enhance their operational autonomy. Buyers are confidently driving improvements in terms, despite quoting markets striving to maintain their current positions.

More clients are looking to adjust their structure, so they can better support their developing portfolios.

**Aviation Lines Flat to -5% at January 1, 2026**

Despite some large losses, there is still plenty of capacity, though appetite for quota shares is tighter than XoLs.

Pricing was largely flat to -5%, unless a program was severely loss-affected.

More than 75% of aviation programs were out in the market by mid-December, with the remainder being quoted. Aviation war lines are typically late; a trend that continued for January 1, 2026 renewals. There has been little change in terms and conditions or structure to programs, though larger buyers are retaining more risk; usually a proportion of their reinsurance program.

## Russia-Ukraine Developments

Between Russia's invasion of Ukraine on February 24, 2022, and the Russian government passing Resolution 311, conditions led to approximately 500 western aircraft becoming irretrievable. Justice Butcher's judgment on June 11, 2025, provided the legal direction for the claim collection from insurers' aviation war account, with an estimated insured value of USD 13 billion.

The specifics of the collections are protected by non-disclosure agreements, but many of the challenges have been widely reported, particularly pertaining to reinsurance. Each program renewal has been bespoke in nature, with various factors influencing final terms—including loss quantum, post-2022 program history, exposure changes and language review. This has led to a variation in final order terms.

# Facultative

The global facultative market has been increasingly competitive through 2025, and this is likely to continue into 2026.

### Competitive Property Facultative Market

Global property rates are down significantly, with reductions between -15% and -20% becoming increasingly common, with some accounts seeing in excess of 30% rate reductions. The largest reductions are on loss free, shared and layered accounts and Fortune 100-500 placements. Loss-impacted accounts are also experiencing rate reductions, but at a lower level.

Increased market capacity has led to oversubscription and reduced orders for ceding companies, which puts pressure on the need for facultative reinsurance. This in turn frees up available facultative capacity, with reinsurers aggressively seeking to partner with ceding companies. Reinsurers are offering increased capacity at the required terms and conditions in order to maintain and grow their market share. Reinsurers are also supporting previously challenging occupancies, including food, frame construction and senior living.

There is increasing pressure on underlying terms and conditions, including increased sublimits, reduced

deductible structures and the elimination of margin clauses. Facultative reinsurers are generally amenable to following the erosion of coverages in order to retain their position on accounts. Additionally, facultative reinsurers are offering creative solutions, such as deductible buy downs and cat carve outs, to enable ceding companies to maintain underwriting guidelines while still being able to support the erosion of terms through the purchase of facultative reinsurance.

### Varied Casualty Pricing Landscape

There is more variance in the casualty facultative market. US casualty is seeing double-digit increases on most lines, with rate increases still minimal on workers compensation. Most professional liability lines are seeing low single-digit decreases. Loss-impacted risks are even higher—and, in some cases, difficult to find capacity. Cedents are working on entire casualty programs with multiple lines of business, yet reinsurers are only seeing the loss-impacted areas and don't have the rest of the program to allow them to make concessions. As a result, the delta between the primary insurer need and the reinsurer quote seems to be growing.

The London casualty market has seen modest increases up to 5% and decreases of -5% on loss-free accounts. Looking to financial lines, rates are down -10% and cyber by as much as -15%. In Europe and Australia, rates are down -10%.

### Growth of Facultative Facilities

Streamlining facultative purchasing is attractive to cedents, enabling competitive pricing and lowering administration time. Demand for facultative facilities has increased

in 2025, and we anticipate continued growth through 2026 and beyond.

Guy Carpenter has created dedicated facultative facilities for multiple lines, including property, marine hull and cargo, and contingency. These facilities are available to all cedents and offer automatic follow capacity supported by Lloyd's syndicates and major global reinsurers.

Additionally, there is a growing reinsurer appetite for property automatic facilities, which offer greater efficiencies to ceding companies to address their facultative needs. There are new reinsurers entering this space, which is viewed as a more stable way to maintain market share than individual risk. While these facilities traditionally limit the amount of catastrophe capacity, reinsurers are showing a greater willingness to provide some catastrophe capacity in these placements.

Figure 15: Facultative Global Rate Movement



Source: Guy Carpenter

# Spotlight: M&A

## Increased M&A Activity

In 2025, increased M&A activity across the (re)insurance sector has been driven by both P&C sector-specific and macroeconomic factors. As the P&C pricing cycle slows in insurance and reinsurance, well-executed inorganic growth becomes an attractive option. While interest rates have stabilized recently in many countries, expectations of further moderation and generally lower cost of capital continue to create a supportive environment for deal-making.

## Trends Supporting M&A Activity

Overall underwriting performance remains sound and continues to attract acquirers in targeted areas. Excess capital on insurer and investor balance sheets is being channeled into strategic acquisitions as part of broader capital optimization strategies. Rather than chasing scale alone, strategic insurance buyers are targeting assets that offer diversification—whether through distribution, underwriting capabilities or geographic reach.

## M&A Activity Likely to Continue in 2026

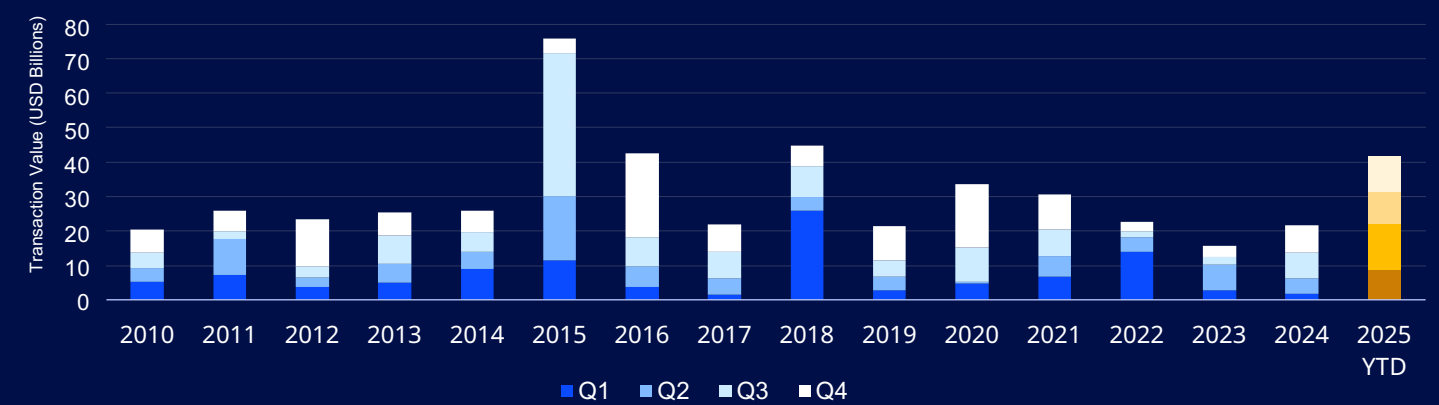
Wholesale brokers and MGAs continue to attract buyers due to their underwriting focus, cost efficiency and alignment with carrier appetite. Meanwhile, insurtech players with embedded capabilities, automation or data insights are increasingly viewed as strategic enablers—not just disruptors.

Cross-border interest is rising, particularly from Asia-based acquirers. Japanese insurers, for example, are redirecting capital from legacy domestic positions into overseas platforms that offer greater diversification and earnings stability. A number of US insurers have also been actively looking at opportunities in the Lloyd’s market.

Lloyd’s remains an opportunity for both strategic and sponsor-led M&A. Atrium and Apollo have recently announced agreed sales (CRC and Skyward Specialty being the respective buyers), but there are still other private-equity-backed syndicate businesses approaching exit timelines and expected to come to market. These are highly attractive franchises, offering global licensing, specialty underwriting expertise and a unique infrastructure that continues to differentiate Lloyd’s in a competitive market. Buyer appetite for these assets is strong.

Simultaneously, structural shifts—including climate risk, cyber threats and AI—are reshaping acquisition priorities. Buyers are placing higher value on innovation, adaptability and capabilities that address emerging risk trends.

Figure 16: M&A Transaction Value: Global P&C (Re)insurance Sector

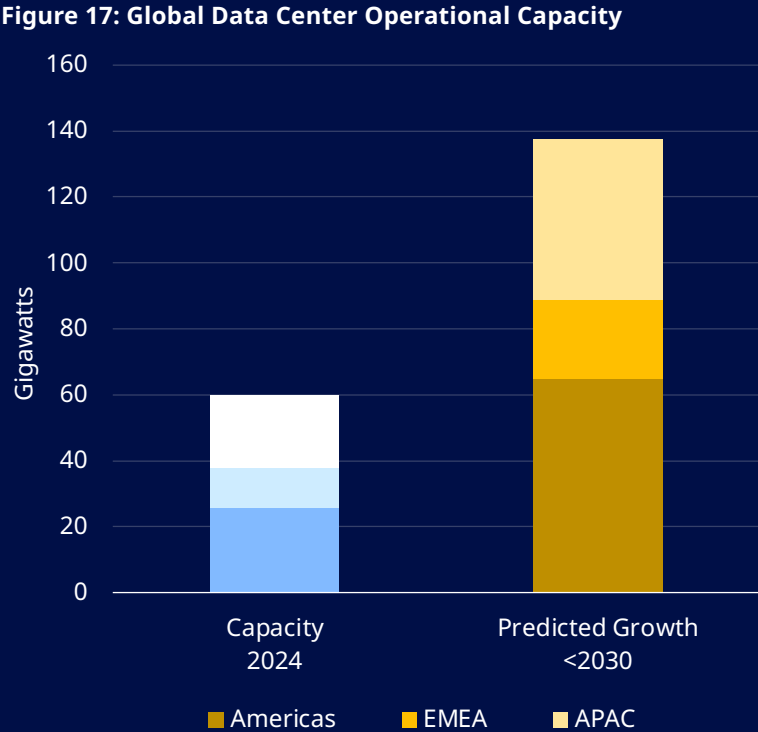


# Spotlight: Data Centers

The extraordinary expansion of data centers—fueled by AI acceleration, cloud adoption and unprecedented investment in digital infrastructure—is creating one of the most dynamic and consequential risk environments our industry has ever encountered.

As these assets grow in scale, complexity and capital intensity, they bring exposures that demand sophisticated insight, underwriting expertise and innovative risk-transfer solutions that only our industry can deliver. This is a moment for insurers and reinsurers to lean in, to provide their technical knowledge, appetite and capital to support a sector that is scaling at remarkable speed.

With unmatched access to global capital and a proven ability to craft customized, forward-looking solutions, Marsh McLennan stands ready to work collaboratively across the market. Together, we can move nimbly, unlock opportunity and reinforce our industry’s leadership in supporting the next wave of global technology growth. Our time is now.



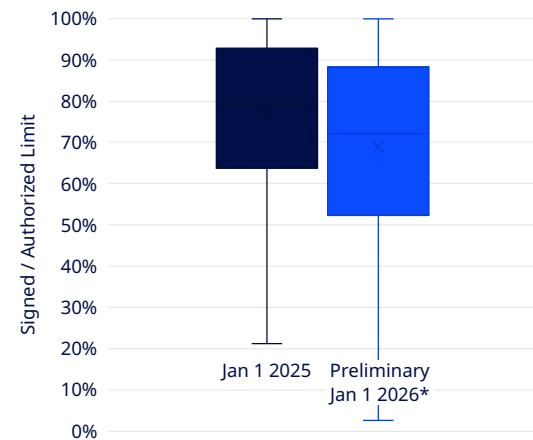
Source: Guy Carpenter

# Closing Remarks

Buyers navigated the January 1 reinsurance market based on unique portfolio dynamics and financial objectives.

With excess property capacity, cedents were in a position of leverage and pursued renewal terms aggressively. With the ability to choose reinsurance partners, we observed a wider range of utilization of reinsurers' offered lines. 2 main factors influenced cedent take-up of authorized shares: 1) reinsurers' continuous, long-term client support; and 2) reinsurers' ability to support clients across lines of business.

**Figure 18: Utilization of Property Limit Offered**



Source: Guy Carpenter  
\*Preliminary, based on data at time of report drafting.

Given the January 1, 2026 renewals continue to result in excess property catastrophe limit—now exceeding 25%—we believe there could be opportunity for buyers to use this capacity for supplemental options in the new year even after their core placements are complete.

With the first public sector catastrophe bond placed in 2025, we also stand at a pivotal market environment to potentially close the protection gap between insured and economic losses.

Many of the announced mergers and acquisitions will close in the first quarter, and we expect the trend for inorganic growth to continue. More transactions may impact reinsurance dynamics, either from a demand or supply standpoint.

The market opportunity for data centers will continue to crystallize as a new source of business.

# GUY CARPENTER

## A MARSH BUSINESS

### About Guy Carpenter

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