GuyCarpenter

GLOBAL SPECIALTIES 2025 MARKET UPDATE

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INTRODUCTION

Strong Specialty market fundamentals present a positive market environment for clients and growth opportunities for reinsurers

The global specialty insurance and reinsurance market is navigating an evolving risk landscape and complex losses, due primarily to shifting geopolitical factors, economic inflation and claims dynamics.

Despite this, the market is healthy, supported by strong fundamentals, such as reinsurer consensus on price adequacy, increased retained earnings, growth in dedicated reinsurer capital and continued appetite for expansion. New entrants are further diversifying capital sources and greater competition.

Looking ahead, we predict a likely increase in demand for capacity with a softening reinsurance and retro market. Clients are expected to seek greater collaboration and alignment with their reinsurance partners, optimizing risk transfer strategies through improved pricing, terms and conditions.

Reinsurers are expected to recalibrate to adapt to the changing risk landscape and market conditions, balancing discipline with pragmatism. There is a sustained appetite for growth, and we anticipate those reinsurers who are willing to offer flexibility, product differentiation and innovation are most likely to prevail.

As the Specialty reinsurance market adapts, staying agile and responsive will be essential. Our focus remains on understanding our clients' goals and providing the insights needed to develop a tailored strategy and secure the right coverage at the right price. Guy Carpenter's market-leading data and analytics enables our clients to optimize their choice of partners and take advantage of the abundant capacity in this market.

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KEY REPORT FINDINGS

In this report, specialist teams from across Guy Carpenter's Global Specialties division provide our unique data-driven perspective on developments across a range of sectors.

Each section outlines the current market state-of-play, how these dynamics are driving changes in buying strategies, and what factors are likely to influence placement negotiations in the run-up to the January 1, 2026 renewals.

Key findings by sector include:

01

Non-Marine

- In terms of pricing levels, retrocession has remained broadly in line with January 1 for loss-free programmes, with further softening being halted by the Los Angeles wildfire losses. Loss-impacted layers were typically in the -5% to +5% range, depending on the level of loss to the programme.
- With some non-natural perils such as terrorism and strike, riot and civil commotion trending back into reinsurance contracts, clients are looking to explore options to have this covered in their retro programmes going forward.
- Both supply and demand were up for Cat on D&F at January 1 and April 1. Growth in supply was predominantly from existing markets, reflecting growth ambitions for a product that performed very well over the last few years.
- Retentions remain a key strategic consideration for clients and markets, and are likely to come under some pressure at January 1, 2026, along with price and coverage.
- Appetite to buy aggregate cover continues to grow as coverage broadens, especially with respect to secondary perils. Some new capacity has emerged, mostly from ILS carriers, but also from rated carriers.
- Guy Carpenter is committed to helping clients navigate through the next phase of the market cycle, continuously engaging and exploring the full spectrum of available products.

02

Marine & Energy

- The global marine and energy insurance market is undergoing a period of reassessment, driven by a mix of high-profile losses, shifting geopolitical dynamics and an evolving reinsurance capacity landscape.
- Both the hull and cargo segments are experiencing material rate reductions, often in the double-digit range, reflecting a significant oversupply of insurance capacity and favorable results for carriers.
- Heightened geopolitical tensions in regions including the Red Sea, the Strait of Hormuz, and the Persian Gulf between Iran and Qatar are increasing the focus on war-risk exposures within marine lines.
- At current pricing levels, the reinsurance market is experiencing a broad oversupply of capacity across most marine and energy classes.
- The result of the UK High Court verdict regarding Russian leasing losses is being studied by insurers to determine the correct application of individual loss occurrence wordings.
- Buyers are prioritizing commercially attractive reinsurance solutions, with growing scrutiny on value—particularly among new entrants seeking to differentiate in a market characterized by overcapacity.
- Guy Carpenter is proactively engaging with clients to scenario-plan around renewals and consider all possible outcomes—particularly around loss activity, rate movement, and Russia-related developments.

03

Terrorism

- While predictions of widespread social unrest erupting in 2024 during a record year for elections ultimately were not borne out, there is still potential for some of those tensions to erupt.
- The war, terrorism and political violence (WTPV) market is characterized by an abundance of capacity currently, with more new entrants, the lack of a meaningful quantum of losses coming through and strong competition from incumbents on rates.
- Existing markets are looking to grow in this specialty class, and more markets in this space are willing to write proportional business. WTPV has historically been a very profitable class of business and is viewed as a useful capital diversifier by reinsurers.
- Clients are more likely to combine lines of business at a level to get economies of scale and put more of their specialty business into a composite, rather than buying reinsurance on a standalone basis for each line of business.
- As the market leader for WTPV placements, placing at least part of the programs for the majority of clients across the market, Guy Carpenter has the expertise, resource and data to help clients get the best possible outcome at renewals.

04

Construction & Engineering

- Insurers in the construction sector are extremely positive, with a strong pipeline of project opportunities scheduled over the next 2 years.
- The direct market has seen an increase of new capacity and increased line sizes for some incumbents, leading to an increase in probable maximum loss (PML) capacity from USD 3.1 billion last year to an estimated USD 3.4 billion this year.
- Reinsurer appetite for construction risks is very strong, with treaty capacity at its highest in the past 5 years, having risen to USD 270 million (PML).
- Reinsurance capacity is predominantly sourced from specialist markets in Zurich and London, but Guy Carpenter is seeing non-specialist markets, particularly from Bermuda, looking to write quota share construction reinsurance.
- As the reinsurance market softens and capacity increases, Guy Carpenter has observed a closer alignment between client needs and market offerings, at a price point that makes sense for buyers.
- At upcoming renewals, clients are well-positioned to push for increased PML capacities, quota share (QS) cessions, and ceding commissions where necessary.
- Guy Carpenter's role is to provide technical expertise and unique propositions to reinsurers, enabling clients to write the business they desire without interference and to secure the broadest treaty coverage possible.

05

Aviation & Aerospace

- A series of high-profile airline loss events in the first half of the year and ever-increasing attritional losses have changed the trajectory of aviation airline insurance pricing from the downward trend that had prevailed since the COVID-19 pandemic.
- The US general aviation market is increasingly under rating pressure after a period of stability, and Guy Carpenter has observed some rate reductions given in certain segments.
- Some of the uncertainties surrounding aircraft losses related to the Russia-Ukraine conflict were cleared up by a UK High Court ruling in June, but discussions with reinsurers will continue for some time.
- Guy Carpenter has seen reinsurers leveraging cedant relationships to maintain or expand their market share, while there is growing interest in aviation from some specialty reinsurance markets as well.
- Ceded reinsurance teams are paying rigorous attention to detail when buying aviation reinsurance, after the volatility the aviation insurance market has experienced since 2019.
- Despite the headline losses, plentiful supply is available, boding well for continuing market stability and orderly January 1 renewals.
- Guy Carpenter continues to focus on encouraging continuous dialogue between clients and reinsurers, which ensures a smoother renewal process and increases the ability to deliver better-priced and well-structured products.

06

Credit, Bond & Political Risk

- The global environment remains volatile, shaped by ongoing geopolitical instability and economic uncertainty—trends that have persisted over the past 5 to 6 years.
- Despite these challenging dynamics, insurers maintain strong appetite for CBPR lines, demonstrating a notable ability to adjust their strategies in response to evolving market demands and risk profiles.
- Carriers are prioritizing risk selection and deploying capacity judiciously in light of heightened global risk sentiment.
- A persistent gap between perceived risk and actual loss activity presents ongoing arbitrage opportunities in underwriting.
- Capital is flowing back into CBPR due to its strong profitability and low correlation to traditional catastrophe risk. Profitability across CBPR lines has exceeded expectations, further fueling reinsurer interest.
- Many cedants in the current reinsurance market are focusing on managing reinsurance expenditure rather than expanding the scope or coverage of their treaties.
- In response to the evolving environment, Guy Carpenter is engaging clients earlier and more frequently in renewal planning, with strategy development for January 1 renewals already underway, featuring well-defined milestones, greater market engagement and a strong emphasis on data-driven analytics.

07

Cyber

- The cyber insurance market continues to experience healthy growth, characterized by an increase in both supply and demand, despite some short-term headwinds.
- Regardless of ongoing pressure on insurance rates, the direct cyber market is experiencing exposure growth across all segments, spanning geographies, industries and company sizes. In parallel, the reinsurance market is maturing, with a modest reduction in quota share cessions, while buyer appetite is increasing for innovative structures.
- Guy Carpenter has observed an ongoing trend of insurers retaining more cyber risk. This year, approximately 40% of premium is being ceded to reinsurers, down from about 50% in 2022. A trend of higher ceding commissions has also been evident over several quarters.
- In this evolving cyber marketplace, intermediaries have a key role to play at the centre of conversations with clients, to identify their needs, and with reinsurers, to help build appetite for innovation and for developing relevant coverage.
- Given the potential for higher-impact cyber events to generate cascading losses, Guy Carpenter sees opportunities to innovate in combining coverage of multiple perils for extreme tail risk.
- Guy Carpenter observes that reinsurers have been broadly supportive of broker-led innovation, a trend that bodes well for the continuing development of a dynamic cyber market.

08

Lloyd’s Capital

- The financial resilience of the Lloyd’s market is strong, having benefited from continued profitability over the past 4 years.
- The deep structural changes to underwriting over the past 8 years have restored confidence in the market, improved underlying ratios and contributed to a very strong period of underwriting success.
- There is continued strong demand from syndicates for third-party capital, enabling them to free their own funds for team acquisitions, M&A activity and expenditure on other growth areas.
- There is uptick in the supply of Lloyd’s capital, both from trade and financial investor capital.
- We may be approaching a tipping point, in which we could see supply of capital chasing demand.
- The profitability of Lloyd’s is a strong pull on the inflow of capital. However, London Bridge 2 and the ease of new member setup is also a significant advantage in attracting further interest.
- The combination of robust underwriting discipline, attractive returns and strong investor confidence is reinforcing Lloyd’s reputation as the premier global marketplace for specialty insurance and reinsurance.

About Guy Carpenter

Guy Carpenter, a business of Marsh McLennan (NYSE: MMC), is a leading global risk advisory and reinsurance specialist and broker. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of over $24 billion and more than 90,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit guycarp.com, or follow us on LinkedIn and X.