

A full-page background image showing a person climbing a mountain peak at sunset. The person is silhouetted against the bright orange and yellow light of the setting sun. The mountain's ridges are visible in the distance. Overlaid on the image is the word 'HOWDEN' in large, bold, sans-serif capital letters. The letters are semi-transparent, allowing the background image to show through them. The 'O' and 'D' have circular cutouts that reveal the sky and mountain respectively.

HOWDEN

Who dares wins

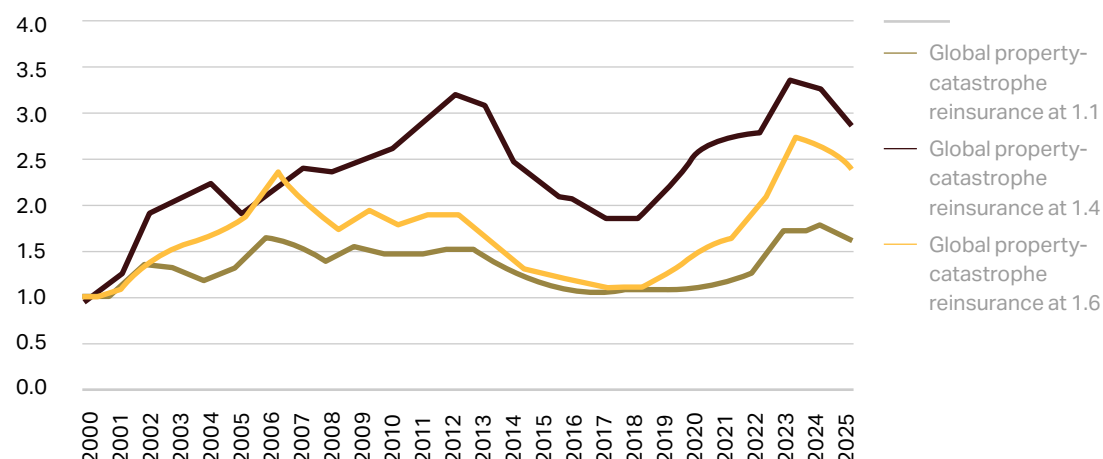
Innovation in an era of hard market softening

Insights at a glance

The reinsurance market is entering a phase of 'hard market softening'. Rates have eased from recent peaks, but remain well above the troughs of the 2010s. Elevated natural-catastrophe loss activity has become structural, with every year this decade exceeding US\$100 billion in insured losses, largely driven by what used to be termed 'secondary' perils.

Risk adjusted property-catastrophe reinsurance rate-on-line indices at 1.1, 1.4 and 1.6 (2000-2025)

(Source: Howden, Nova)



Risk adjusted property-catastrophe reinsurance rate-on-line change

1 January 2025

-8%

1 April 2025

-12.5%

1 June 2025

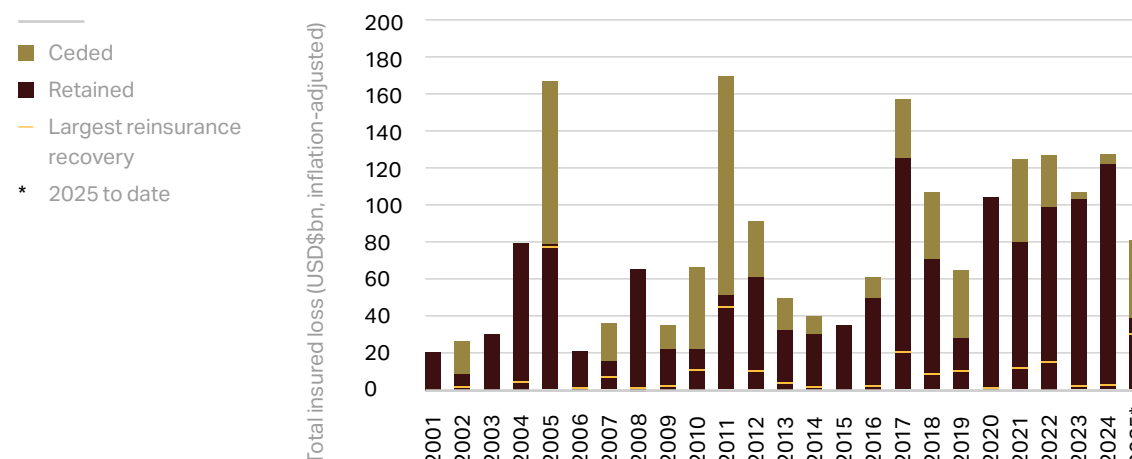
-10%

Against this backdrop, capital has recovered from 2022 impairments, yet capacity remains cautious and concentrated. Property-catastrophe rates-on-line are moderating as supply improves, yet persistently high loss levels continue to reshape portfolio risk and attract regulatory scrutiny on concentrated and climate-sensitive exposures.

Cedent profitability has improved under these conditions, yet margins remain thin. Carriers continue to absorb most losses, retaining 62% of all historical modelled nat-cat exposure at 1 January 2025. Despite easing from 67% in 2023, retentions remain elevated, demanding disciplined underwriting, robust capital management and creative risk-transfer solutions.

Total insured nat-cat losses (2001-2025 to date) split by losses retained and ceded by insurance carriers

(Source: Nova, Swiss Re Sigma, Cresta Clix, Howden Re proprietary estimates by market and event)



% of total on-levelled nat-cat losses (2025 prices, exposure basis)

2023

54%
46%

2024

67%
33%

2025

62%
38%

This is a market in which both cedents and reinsurers can win if they dare. Reinsurers can do so by deploying capacity selectively; cedents have scope to regain some of the coverage relinquished during the hardest recent renewals. Collaboration and innovation will be central to capturing the opportunity and sustaining resilience in the next phase.

Those who innovate and adapt



The reinsurance market stands at a pivotal juncture, having crested the wave of the hardening phase that began in earnest in 2022-2023. As renewals commence, the industry confronts, as it did in the late 2000s, a period of ‘hard market softening’: a phase in which rates, whilst easing, remain elevated amidst structurally higher risk premia.

This shift demands a renewed emphasis on intelligent risk selection, exposure growth and innovation. Top-line expansion cannot rely solely on pricing momentum; underwriters must leverage expertise to navigate volatility, whilst sustaining profitability. **Who dares wins** reflects this reality: in an era of heightened uncertainty, only those who innovate and adapt will thrive.

The first half of the 2020s has etched itself into history as one of the most turbulent periods for global risk, with cascading crises amplifying interconnectivity and volatility. The landscape has evolved dramatically, from the lingering scars of COVID-19 to escalating geopolitical tensions in the Middle East, Ukraine and the South China Sea. Cyber threats, including ransomware attacks have surged. Natural catastrophes, population shifts and rising asset density have inflicted consistently higher insured losses. Political violence, including riots and regime instability, has compounded the strain.

These factors, alongside aggressive fiscal policies, have driven inflation, both pricing and claims, as well as higher interest rates, whilst reshaping the sector’s profit dynamics. Unlike the disinflationary environment of the 2010s, characterised by near-zero or negative yields and abundant capital, today’s market reflects a paradigm of persistently ratcheting risk. Higher interest rates raise return hurdles for new capital, and may help underpin pricing in certain lines over the medium term.

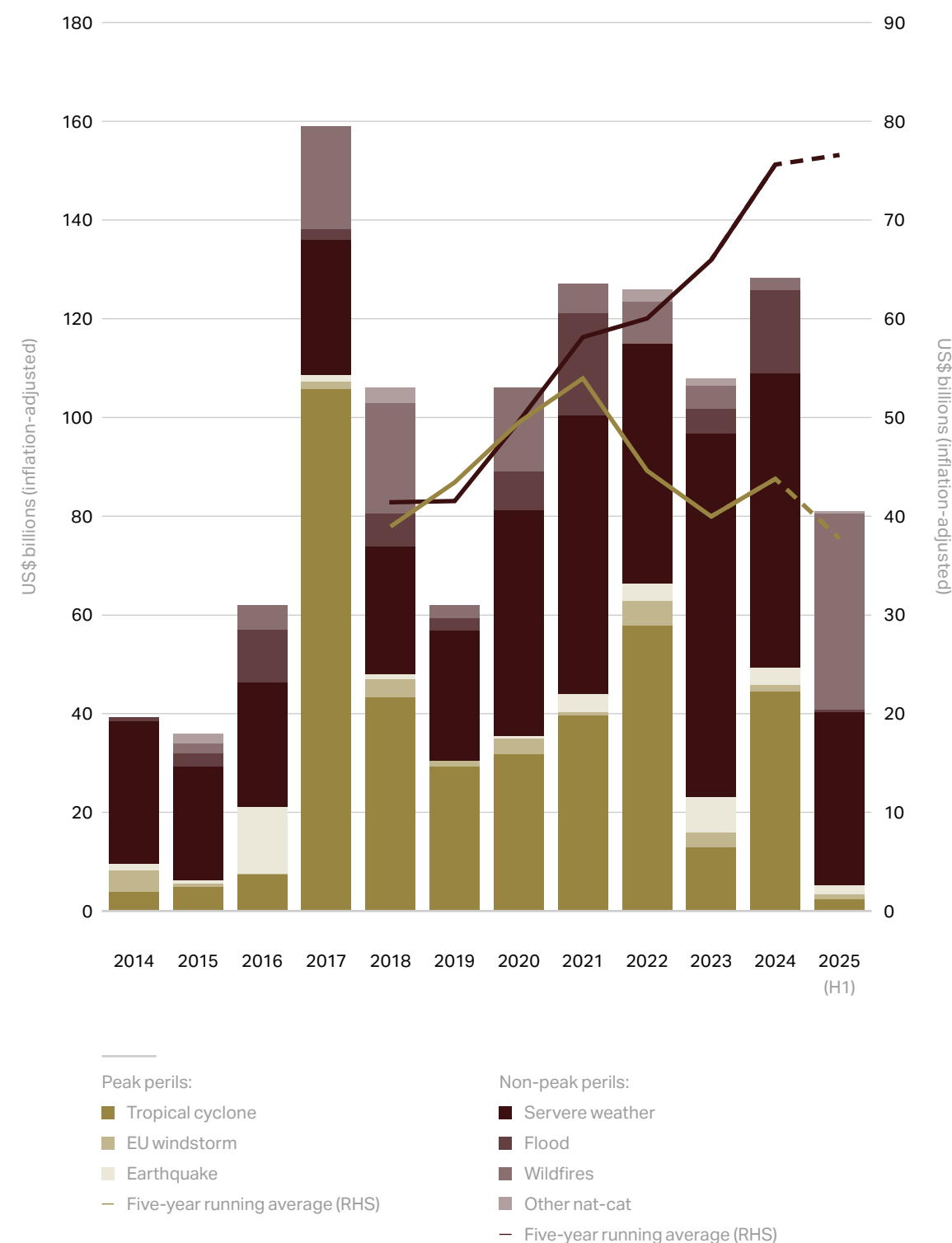
will thrive



In this context, major losses in nominal terms are increasing in aggregate, amplified by political instability, climate pressures and human migratory dynamics. Political violence has driven over US\$10 billion in insured losses since 2016, a scale unseen in at least four decades. Cyber insurance rates ballooned by nearly 200% between 2020 and 2022 due to rampant ransomware. Notably, perils once deemed 'secondary', such as severe convective storms (SCS), floods and wildfires, have become more dominant in aggregate, outpacing traditional 'peak' perils like tropical cyclones, earthquakes and European windstorms. Over the past decade, the five-year running average for non-peak peril losses has surpassed that of peak perils.

Figure 1: Full year insured natural catastrophe losses by peril

(Source: Howden Re, Nova)

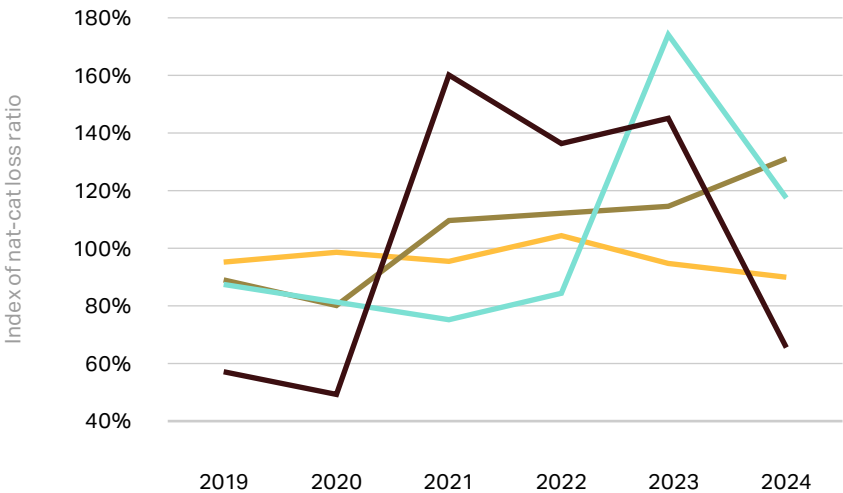


This transformation is acutely evident in the property-catastrophe market, where insured natural catastrophes have exceeded US\$100 billion annually throughout the 2020s. The year 2025 is proving yet another year of elevated activity. Wildfires in California's Pacific Palisades and Eaton regions are projected to cause insured losses exceeding US\$40 billion, highlighting coverage gaps. Carriers in most regions have increased loss budgets; since 2019, Australian nat-cat loads rose by 48%, whilst Canadians' rose by 37%, for example. Despite these adjustments, actual losses have frequently exceeded projections, signalling persistent volatility and the need for refined modelling and retention strategies.

Figure 2: Natural catastrophe budgets vs recorded losses since 2019

(Source: NOVA, Swiss Re Sigma, Cresta Clix)

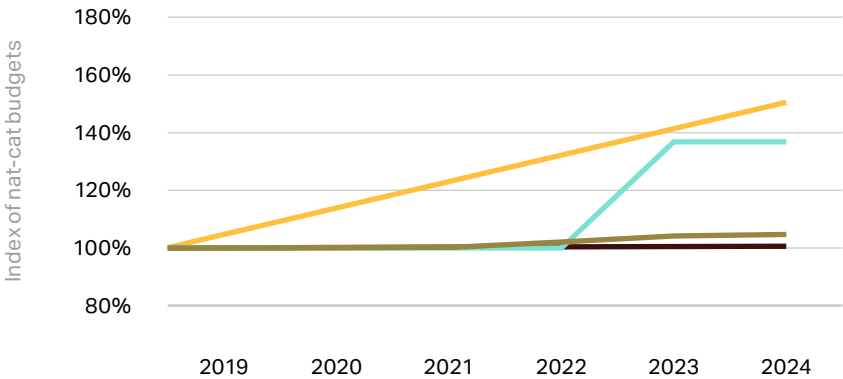
Index of natural catastrophe budgets



Higher

experience than budgeted for the UK, Canada and Nordics.

Actual experience versus budgeted



+48%

increase in budget for Australia.

— Nordics
— Australia
— UK
— Canada

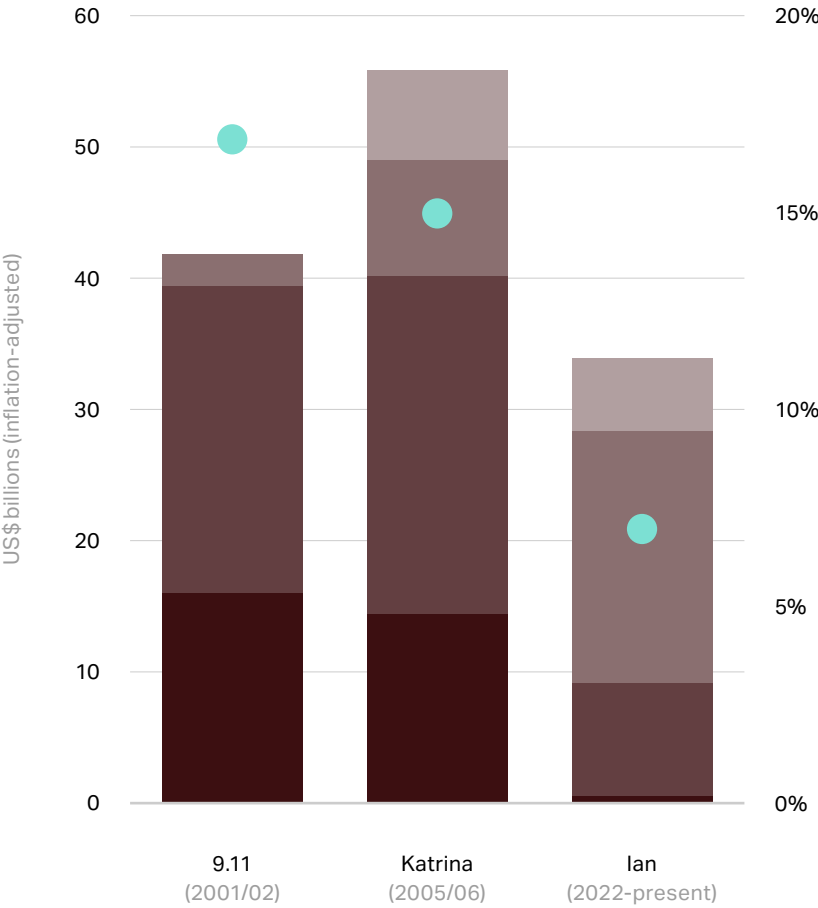
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Unlike past capital cycles, post-2022 inflows amounted to only around 7% of dedicated capital.

But nat-cat risk does not occur in isolation. Capital dynamics have amplified the shift. Although dedicated reinsurance capital has recovered from the asset impairments of 2022, driven by retained earnings and selective inflows, post-Hurricane Ian capital raising, totalling approximately US\$35 billion from 2022 to the present, remains modest in real terms compared to previous periods. Following 9/11 and Hurricane Katrina, capital inflows represented 17% and 15% of the sector's capital base, respectively, and included substantial start-up capacity. By contrast, start-ups post-Ian have been rare (only one to-date), with inflows heavily concentrated in insurance-linked securities (ILS), which have reached a record US\$18.2 billion in issuance so far this year. Yet, unlike past capital cycles, post-2022 inflows have amounted to only around 7% of dedicated capital, even when measured through to the present, highlighting investor caution amidst volatility and a preference for disciplined growth over excess capacity.

Figure 3: Announced capital flows following major events

(Source: Howden, Standard and Poor's, Artemis)



It is therefore unsurprising that global property-catastrophe reinsurance rates-on-line reached record highs at 1 January 2023, increasing by 37%, risk-adjusted, and by a further 3% a year later. Apportioning historical nat-cat losses between cedents and reinsurers, based on an on-levelled view of cedent retentions, shows that cedent loss retentions reached a remarkable 67% in 2023, up from 54% the year prior. Only at 1 January 2025 did global rates show declines for the first time since 2017, with on-modelled retentions moderating to 62%. This was not driven by benign loss experience, but by asset recoveries pursuant to moderating front-end yields on investment grade portfolios, retained earnings and active ILS and collateralised participation.

As retentions remained largely fixed at 1 January 2025, inflationary impacts meant a greater share of on-levelled historical losses were transferred to reinsurers, signalling a shift in cedents' favour, albeit from a base still weighted heavily towards reinsurers. Nevertheless, the Palisades wildfire marked the largest single loss borne by reinsurers since 2011, underscoring that the market remains in a tight balance and any acceleration in major loss activity could curtail further softening. Mid-year renewals, however, have continued this moderation trend both in terms of rate and retention, driven by improved supply dynamics. Yet, rates remain far above the troughs seen in the 2010s.

Figure 4: Risk adjusted property-catastrophe reinsurance rate-on-line indices at 1.1, 1.4 and 1.6 (2000-2025)
(Source: Howden, Nova)

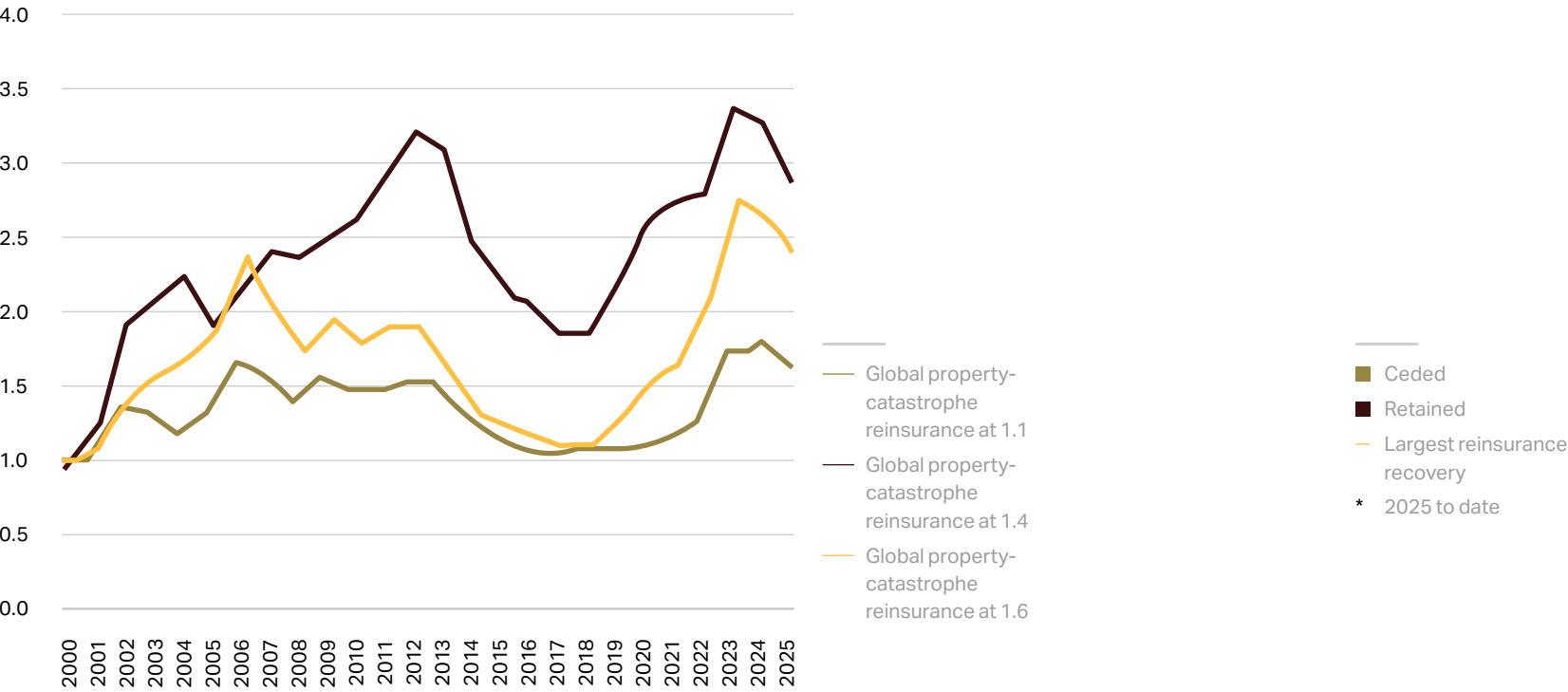
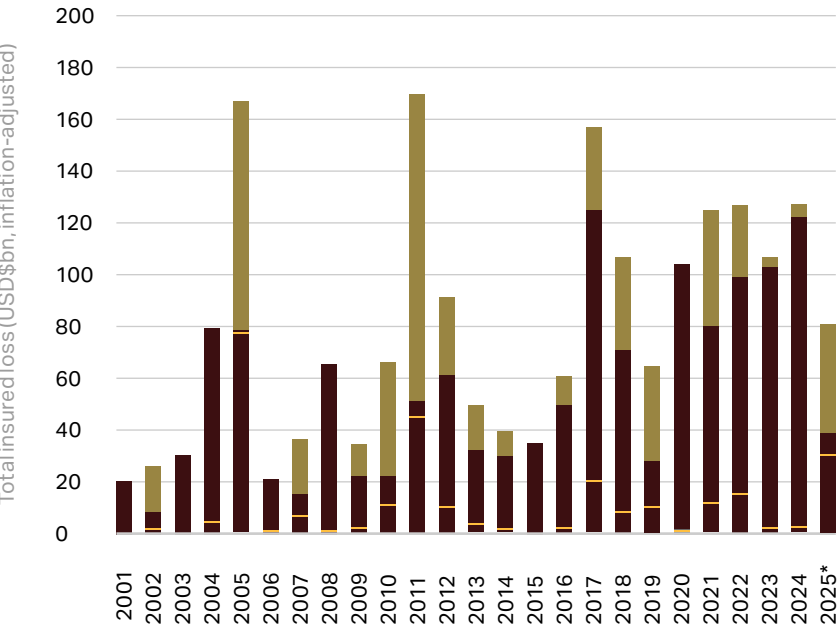


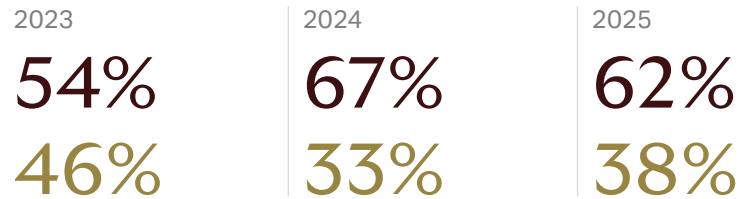
Figure 5: Total insured nat-cat losses (2001-2025 to date) split by losses retained and ceded by insurance carriers
(Source: Nova, Swiss Re Sigma, Cresta Clix, Howden Re proprietary estimates by market and event)

95+%
of all nat-cat losses were retained by cedents in 2024.

62%
of all historical nat-cat losses were retained by insurers at 1 January 2025 retention levels.



% of total on-levelled nat-cat losses (2025 prices, exposure basis)



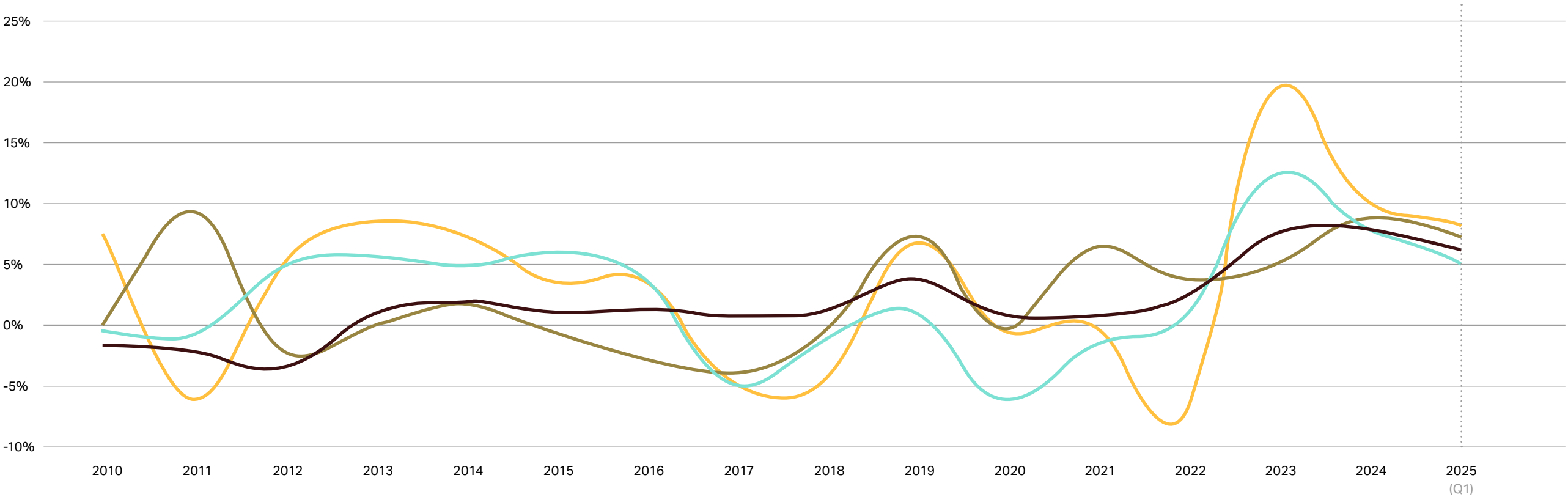
The nat-cat market is evolving against a backdrop of significant shifts in casualty, where litigation and social inflation are straining key lines, yet a repeat of the early-2000s calendar-year crisis remains distant. Nuclear verdicts, or awards exceeding US\$10 million, dipped during COVID-19, but resurged, fuelling ongoing deficiencies in general and commercial auto liability in the US. The 'other liability occurrence' category now exhibits a clear soft-market block, from accident year 2013 onwards, with loss ratios again deteriorating on a calendar basis in 2024. US commercial auto liability remains highly challenging with persistent adverse development. But, in contrast to the liability crisis of accident years 1998-2002, offsets today abound: workers' compensation has been redundant for nearly a decade; medical malpractice loss ratios are improving; short-tail lines provide important buffers. Aggregate US reserves were redundant in 2024 on a calendar year basis, with workers' comp releases totalling US\$6.3 billion, or 31% of redundancies. Non-US lines, although more difficult to measure, were likely more redundant on the same basis.

Crucially, the industry has responded earlier this cycle. First-year IBNR (incurred, but not reported) general liability reserves were bolstered from 2019, contrasting with the delayed increases of 2002–2007, whose lateness exacerbated the prior crisis. Global casualty and D&O rates rose pre-emptively in the early 2020s, but the latter have since moderated. Unlike the cash-flow underwriting of the 1990s, which yielded loss ratios over 100% and drove several firms into run-off, today’s environment, although challenging, benefits from diversification and (still) significant redundancy in most lines.

Looking ahead, economic returns signal both risk and reward. Reinsurers’ economic value added (EVA) outpaced insurers’ in 2022–2024, peaking at 20% for Bermudians in 2023. As rates plateau at elevated levels, buoyed by persistent inflation, higher hurdles for investors and geopolitical uncertainty, top-line growth is now primarily achievable through increased exposure, where previously it could be achieved through price alone. On the plus side, property-catastrophe rates-on-line, post the 2023 peak, are unlikely to plummet to anything like 2017 troughs, given the current structural market risk premium. Historical plateaus, like that following the financial crisis (2008–2012), have typically endured amidst similar levels of perceived risk, punctuated by large catastrophes such as the Tohoku-Fukushima earthquake and Hurricane Sandy.

Figure 6: Economic value added (EVA) by region and segment

(Source: Howden Re, Bloomberg)



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The reinsurance cycle has turned, but from a summit of unique opportunity.

It is clear, then, that innovation is imperative in order to grow profitably in this 'hard market softening' phase. Emerging opportunities span cyber (with manageable losses in 2024), excess and surplus (E&S) markets, parametric, renewables, MGAs and growth in emerging Asia inter alia. Elevated cedent nat-cat retentions require new solutions to protect against high frequency perils that have dominated recent loss experience. For European carriers, flood and windstorm volatility, evident in 2024's events, underscore the need for multi-year capacity and enhanced concurrency.

The reinsurance cycle has turned, but from a summit of unique opportunity. Risk premia have shifted structurally, secondary perils are no longer secondary, casualty is challenging, yet economic profit remains achievable. For those who dare to innovate and select risks wisely, this market can sustain growth, bridge coverage voids and fortify economic resilience in an uncertain world.

The following sections build on this market view by moving from context to execution, outlining structural solutions, product concepts and portfolio strategies that can help cedents capture these opportunities, whilst managing volatility and protecting capital.

Section 1

A nat-cat state of mind



Annually recurring natural catastrophe losses exceeding US\$100 billion since 2020 have, understandably, prompted caution across the (re)insurance industry; absorbing these claims has constrained capacity and eroded margins for many. Whilst recent experience has driven greater aversion to frequency-driven exposures, both climate and reinsurance markets are cyclical, creating opportunities for those able to innovate and adapt. History shows that even during periods of heightened loss activity, careful risk selection can deliver favourable results.

In the mid-2000s, (re)insurer earnings were affected by high loss frequency and severity, exacerbated by asset impairments in the global financial crisis. Yet, the years that followed were among the most profitable in the sector's history. Simply extrapolating current loss trends risks overlooking the potential of the current phase; those willing to underwrite selectively with conviction may again benefit in the near-term.

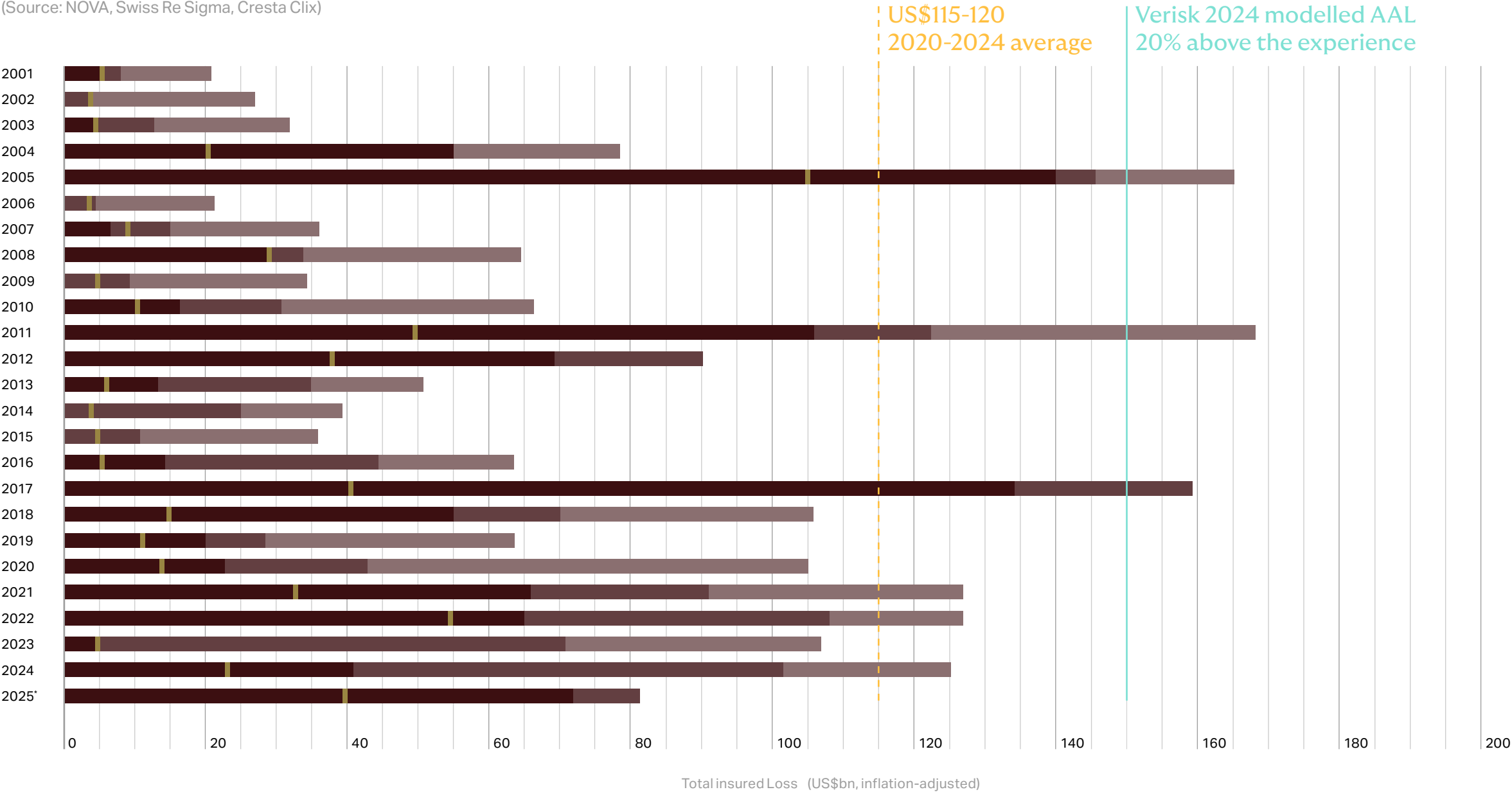
It is nevertheless clear that current loss experience remains elevated. As figure 7 shows, the first half of 2025 has already produced US\$81 billion in catastrophe losses, largely driven by the devastating Los Angeles wildfires in January. Although Q2 was comparatively mild, the National

Oceanic and Atmospheric Administration (NOAA) forecasts a 60% probability of an above average 2025 North Atlantic hurricane season, underscoring the potential for further volatility.

To understand whether today's losses reflect a structural shift or short-term volatility, the following section evaluates the impact of eliminating outlier events to test the durability of apparent trends. Through this lens, reinsurers can navigate today's elevated loss environment, capitalising on uncorrelated, profitable opportunities in international markets, whilst recognising the influence of regulatory pressures and heightened secondary peril activity.

Figure 7: Total insured nat-cat losses by event size
(large >\$5b, medium \$1b-5b, small <\$1b)

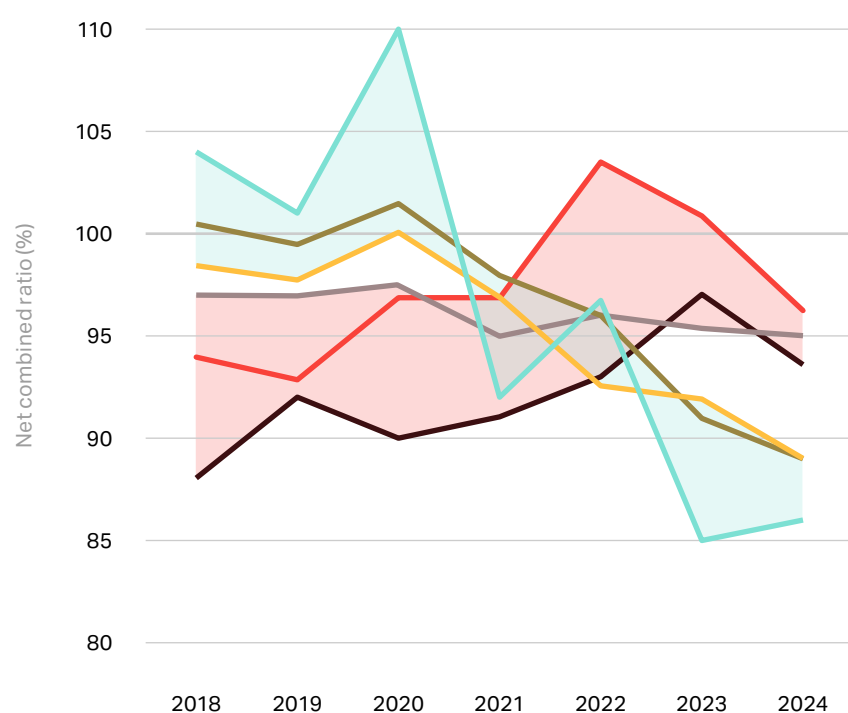
(Source: NOVA, Swiss Re Sigma, Cresta Clix)



More frequent attritional losses from secondary perils and hard market conditions are evident in combined ratio trends, which notably bifurcated in 2021 as reinsurer performance improved, whilst cedent results deteriorated. Reinsurers recovered from 2020's assumed losses, with Lloyd's net combined ratio falling from over 110% in 2020 to 85% by 2023 as stronger pricing, tighter terms and disciplined underwriting materially strengthened results. Some cedent cohorts fared better than others during the hard cycle: 'EMEA multinational' carrier ratios deteriorated to 96% in 2022, whilst 'UK domestic' and 'EMEA single territory' reached 104% and 97% in 2022 and 2023, respectively. As conditions eased entering 2025, cedent performance improved, with all cohorts achieving sub-100% net combined ratios in 2024. Nevertheless, cedent margins remain thin and susceptible to volatility.

Figure 8: Net combined ratio split by insurer and reinsurer cohorts

(Source: NOVA, Swiss Re Sigma, Cresta Clix)



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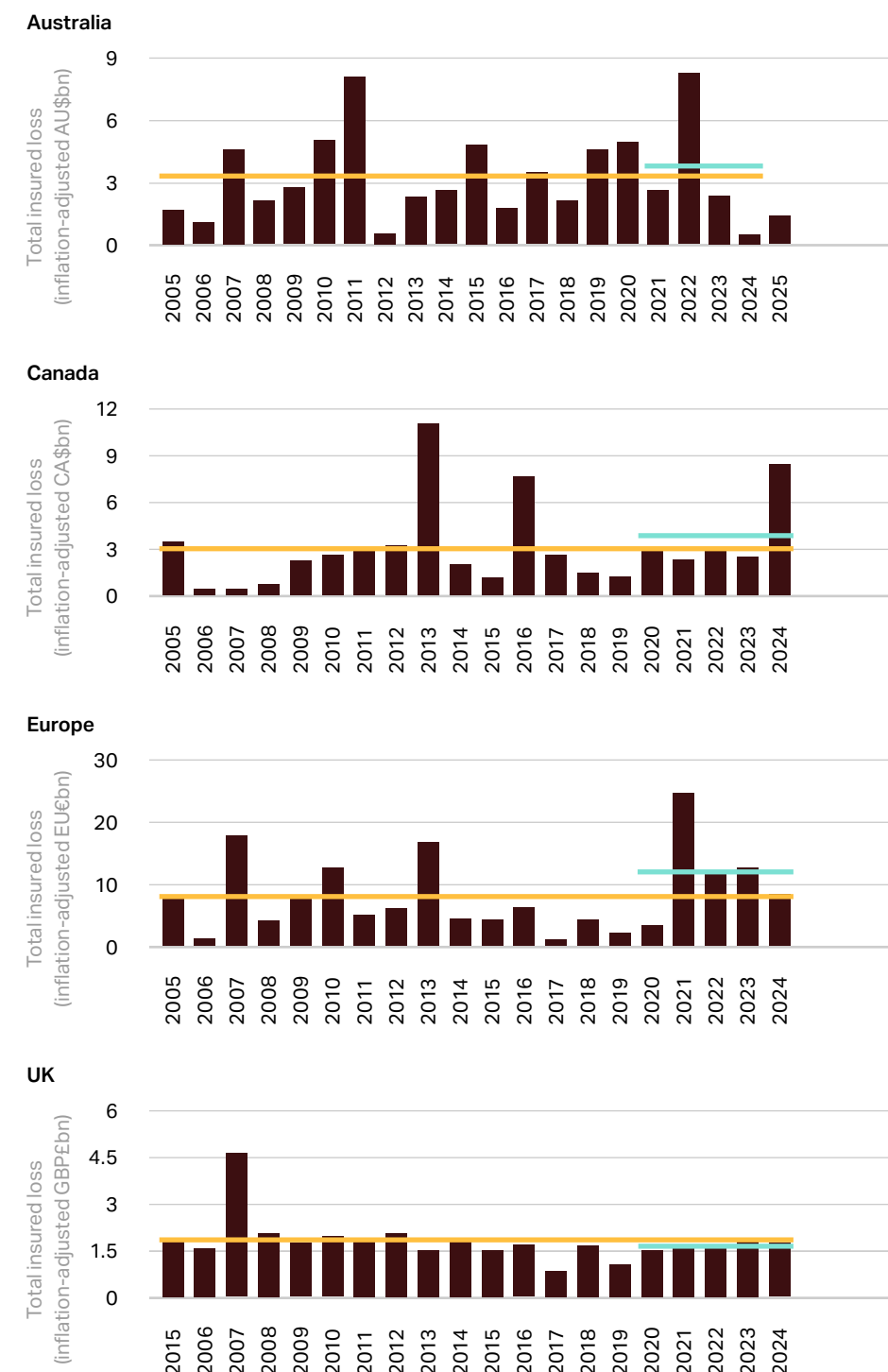
Cedent margins remain thin, whilst reinsurer improvement continues.

Historical on-levelled nat-cat loss data for 2005 to 2024 provide further context, showing that the past five-year average insured losses in Canada, Australia and Europe were 23%, 12% and 67% above their respective 20-year long-term averages, whilst the UK's recent experience was 8% below its long-term. Elevated short-term averages have pressured cedent margins, but in several markets they reflect the impact of isolated severe events, rather than a permanent shift in underlying risk.



Figure 9: Total insured losses adjusted for inflation and exposure growth for select regions

(Source: Nova, Insurance Bureau of Canada Facts, ICA Historical Catastrophe List, Cresta Clix)



Within these totals, losses from emerging perils, such as flood, freeze, subsidence, landslide, SCS and wildfire, have not only escalated in recent years, but have also been largely retained by cedents, often hitting frequently but lacking the severity to penetrate reinsurance layers. Changing climate dynamics are one driver of these increased losses but are not the primary source of volatility in all cases. Figure 10 examines losses in select regions by significant emerging peril. The data show that, in most cases, one-off severe events have skewed recent short-term averages to the extreme, when in fact, stripping away the largest anomalous loss years brings the most recent five-year averages in-line with historical trends.

For example, by removing 2024 from Canadian SCS losses, the five-year average would fall to 1% above historical levels, from 52% above the 20-year average with 2024 included. Similarly, stripping away 2021 from European SCS and flood losses, the five-year average would fall to 7% above historical experience from +97%, when included. Australian flood losses also moderate to 14% from 40% above the long-term, excluding 2022. Nevertheless, the time trend for California wildfire remains apparent.

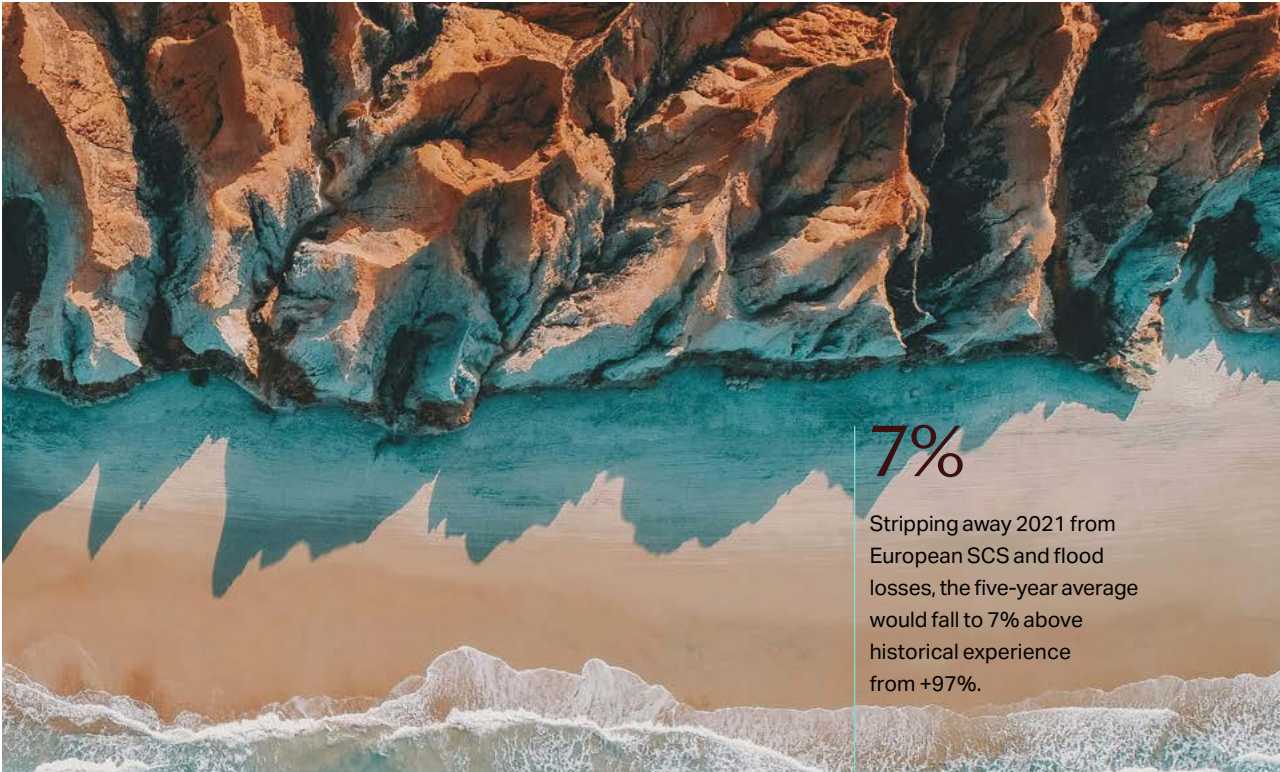


Figure 10: Historical on-levelled nat-cat losses for select peril and region (2005-2024 [CA wildfire includes 2025])

(Source: Nova, Insurance Bureau of Canada Facts, ICA Historical Catastrophe List, Cresta Clix)

+40%
above long-run average
for Australian flood.
Ex 2024, five-year within
14% of 20-year average.

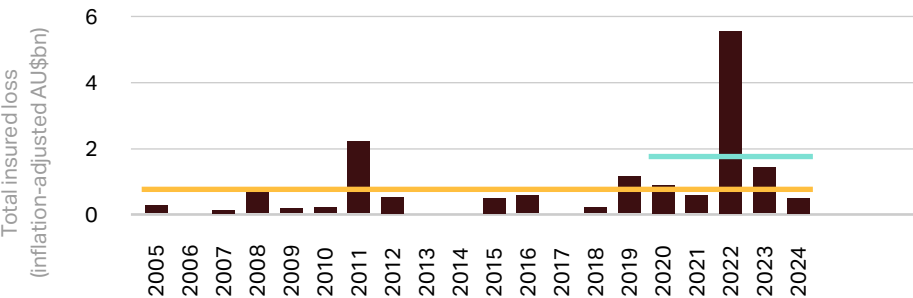
+95%
above long-run average
for California wildfire.

+50%
above long-run average
for Canadian SCS.
Ex 2024, five-year within
1% of 20-year average.

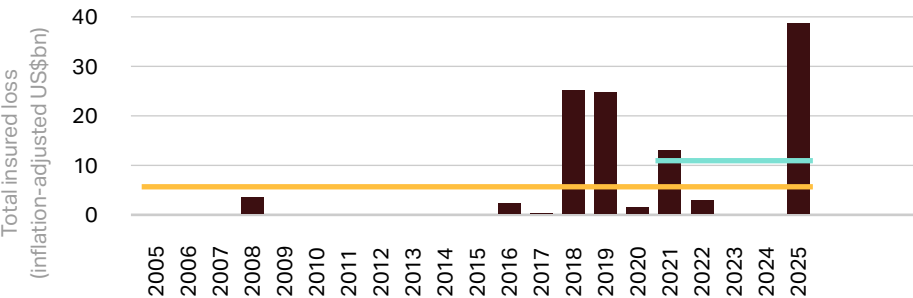
+97%
above long-run average
for European SCS and
flood. Ex 2021, five-year
would fall to 7% above
the 20-year average.

Indexed,
insured losses
20-year average
Five-year average

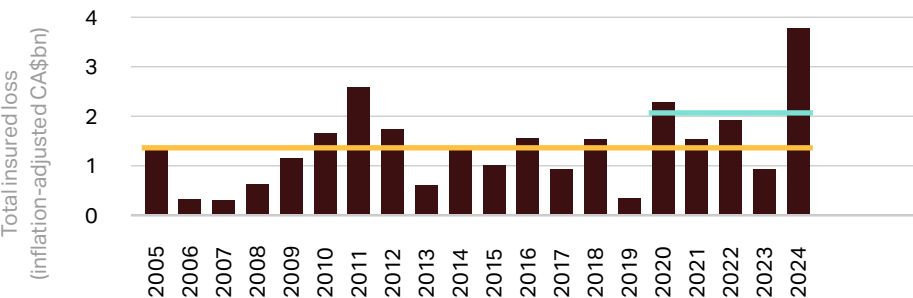
Australian flood



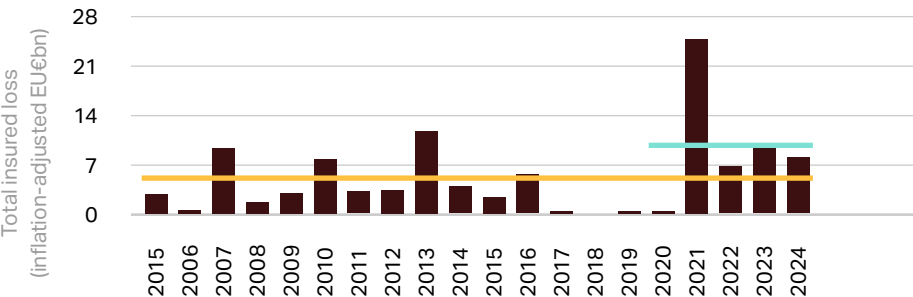
California wildfire



Canadian SCS



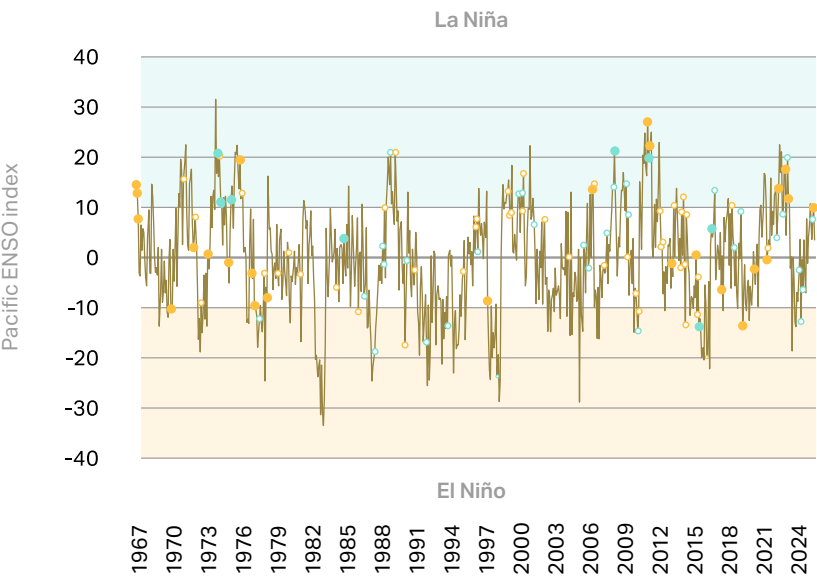
European SCS and flood



Natural variability explains part of this volatility. Figure 11 shows that Australian flood and cyclone losses are 5.3 times more likely to occur in a La Niña year than in El Niño, as strong trade winds push warm sea-surface waters towards Asia and Australia, increasing evaporation and rainfall. Yet, figure 12 exhibits that there has been no material increase in the number of La Niña events since 1997, nor have La Niña events grown stronger since 1995. In fact, the La Niña index value has slightly reduced from 1995 to present. Whilst climate changes and warmer sea-surface temperatures have contributed to more extreme storms, some recent loss activity reflects normal climate cycles.

Figure 11: Major loss events >AU\$0.5b and the influence of El Niño Southern Oscillation (ENSO)

(Source: NOVA, ICA Historical Catastrophe List, Australian Bureau of Meteorology)



5.3x
Australian flood and cyclone losses are 5.3 times more likely to occur in a La Niña year than in El Niño.

Average annual loss (AU\$)

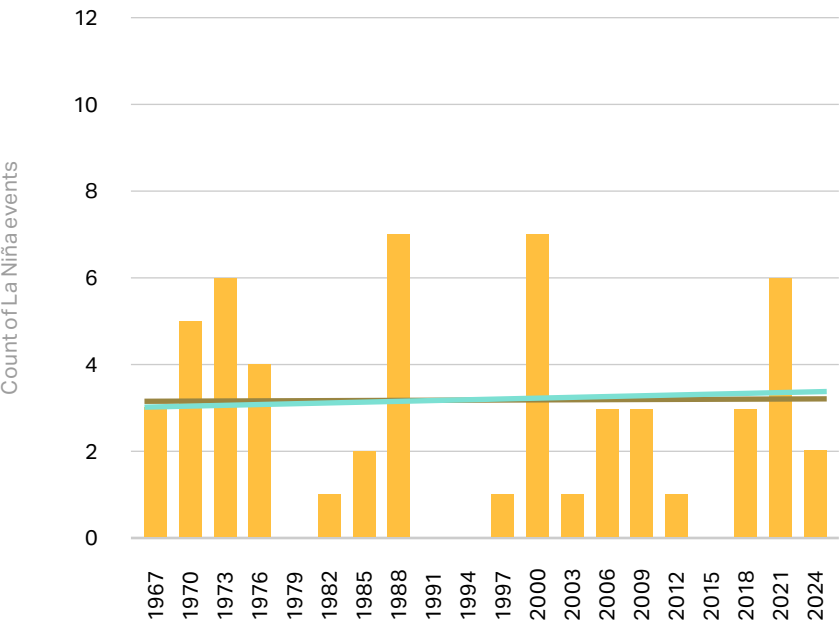
| El Niño | La Niña | Neutral |
|----------------------|---------------|------------------------|
| \$67m | \$401m | \$127m |
| \$65m | \$292m | \$327m |
| <small>Flood</small> | | <small>Cyclone</small> |

- Index
- All Flood ENSO
- All Cyclone ENSO
- Flood ENSO >0.5 b
- Cyclone ENSO >0.5b

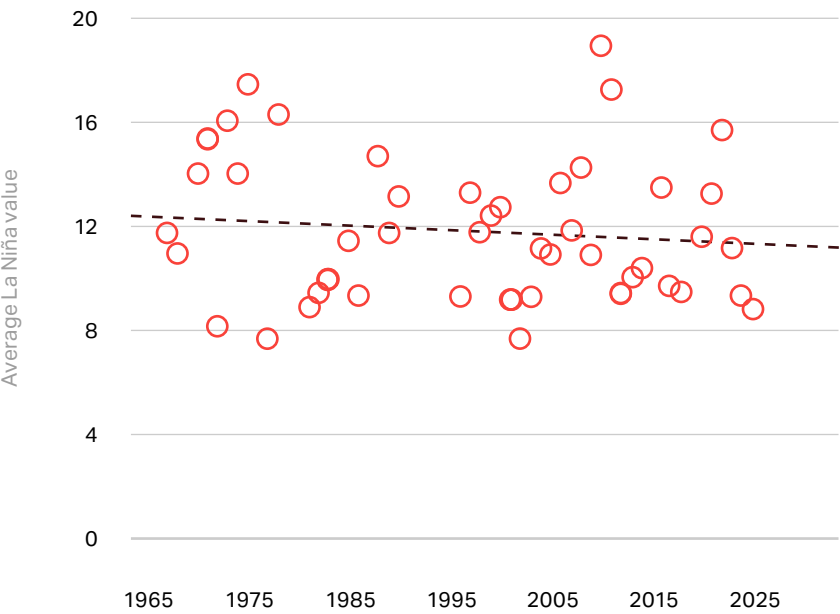
Figure 12: Annual count of La Niña events (LHS) and average La Niña index per year (RHS)

(Source: Australian Bureau of Meteorology)

No change in La Niña frequency



Slight reduction in La Niña index value



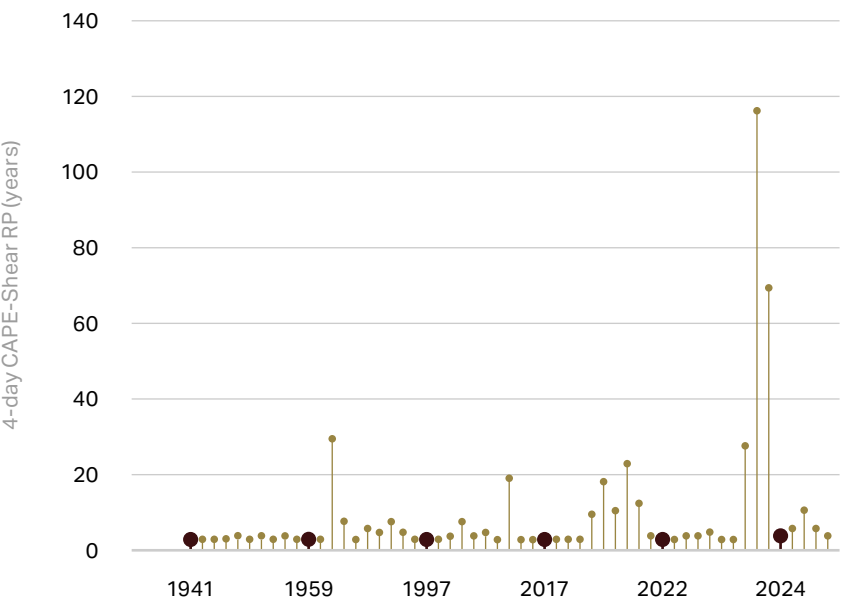
- Annual La Niña count
- Average annual La Niña count
- Annual trend
- Average La Niña
- Average value

Other outlier loss events highlight the impact of non-climatic loss drivers. The severe hailstorms that hit northern Italy in 2023 are truly extreme when compared with the past 85 years of experience. Examining data from the four-day CAPE-shear index shows that the 2023 hailstorms were the three most severe four-day periods of hail in over 50 years. Whilst climate change has contributed to more frequent European storm activity, human influence also amplified losses. A post-COVID-19 government subsidy for home solar panels accelerated installation, but many units were ill-equipped to withstand large hail. That, combined with the wider inflationary environment in 2023, independently increased repair costs, which were further exacerbated by the storm's severity.

Figure 13: 2023 Italian hail events compared to historical experience*

(Source: Copernicus Climate Data Store (CDS), European Union, ERA5 hourly data on single levels from 1940 to present)

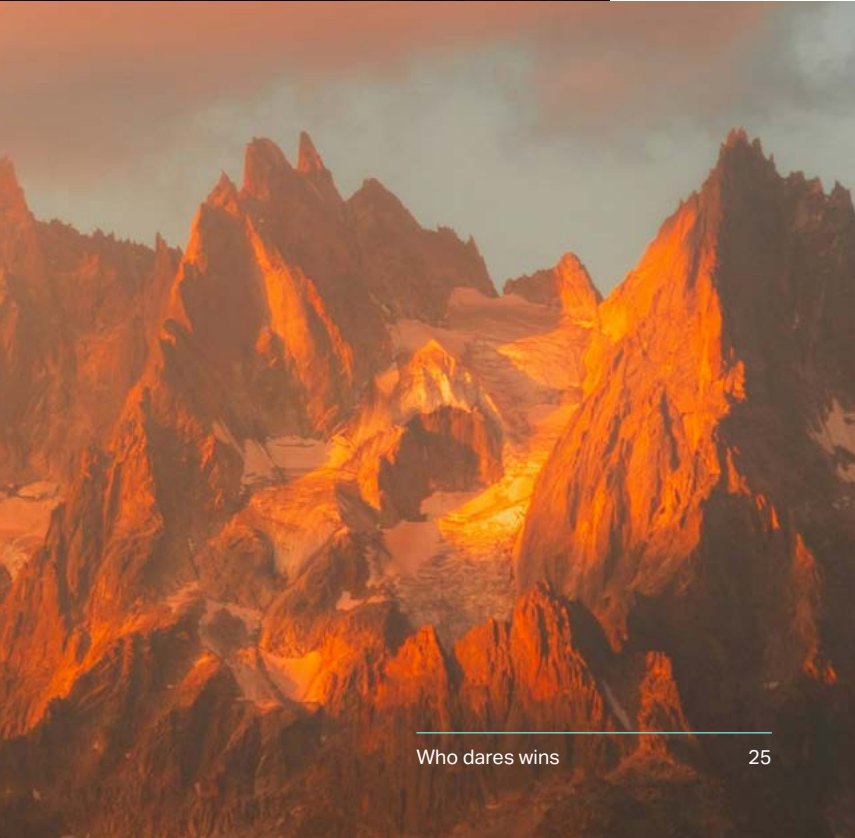
*Years with recorded hail experience only



Most severe

hailstorms in 2023 were the three most severe four-day periods of hail in over 50 years.

| Dates | 4-day CAPE-Shear (Return period) |
|-----------------------|----------------------------------|
| 18-21 July 2023 | 117 years |
| 22-25 July 2023 | 70 years |
| 10-13 July 2023 | 28 years |
| 22-25 July 2021 | 23 years |
| 6-9 July 2019 | 18 years |
| 26 June - 9 July 2021 | 13 years |
| 28 June - 9 July 2024 | 11 years |
| 6-9 July 2021 | 11 years |



The rising frequency and concentration of emerging-peril losses has not escaped regulatory attention. Proposed standard formula updates, together with the Prudential Regulatory Authority's (PRA) April consultation, mirror elements of the Australian Prudential Regulatory Authority's (APRA) Insurance Risk Concentration Charge by introducing higher capital charges for insurers with climate-sensitive and geographically concentrated exposures in Europe.

Figure 14: Current and proposed new country factors in standard formula
(Source: EIOPA)

| Current country factor by peril in standard formula | | | | | |
|---|--------|--------|--------|--------|------------|
| Country | Wind | Flood | EQ | Hail | Subsidence |
| Austria | 0,060% | 0,130% | 0,100% | 0,080% | |
| Belgium | 0,160% | 0,100% | 0,020% | 0,030% | |
| Bulgaria | | 0,150% | 0,160% | | |
| Switzerland | 0,090% | 0,300% | 0,250% | 0,060% | |
| Croatia | | | 1,600% | | |
| Cyprus | | | 2,120% | | |
| Czech Republic | 0,040% | 0,300% | 0,100% | 0,045% | |
| Germany | 0,070% | 0,200% | 0,100% | 0,020% | |
| Denmark | 0,250% | | | | |
| Spain | 0,010% | | | 0,010% | |
| Finland | 0,040% | | | | |
| France | 0,120% | 0,120% | 0,060% | 0,010% | 0,050% |
| Greece | | | 1,750% | | |
| FR – Guadeloupe | 2,740% | | 4,090% | | |
| Hungary | 0,020% | 0,250% | 0,200% | | |
| Ireland | 0,220% | | | | |
| Iceland | 0,030% | | | | |
| Italy | | 0,150% | 0,770% | 0,050% | |
| Luxembourg | 0,120% | | | 0,030% | |
| FR – Martinique | 3,190% | | 4,710% | | |
| Malta | | | 1,000% | | |
| Netherlands | 0,180% | | | 0,020% | |
| Norway | 0,080% | | | | |
| Poland | 0,040% | 0,160% | | | |
| Portugal | | | 1,200% | | |
| FR – Reunion | 2,500% | | | | |
| Romania | | 0,300% | 1,700% | | |
| Sweden | 0,085% | | | | |
| Slovenia | 0,040% | 0,300% | 1,000% | 0,080% | |
| Slovakia | | 0,350% | 0,160% | | |
| FR – St Martin | 5,160% | | 5,000% | | |
| United Kingdom | 0,170% | 0,120% | | | |

As cedents retain a greater share of these high-frequency exposures, regulators are advancing capital standards designed to capture annual loss accumulations as well as traditional low-frequency, high-severity risks. In practice, hail, flood and subsidence risks, historically underweighted in the standard formula, will now attract greater capital requirements in certain European regions. This underscores the strategic importance of diversification and reinsurance in managing both earnings and regulatory capital.

| Proposed new country factors in standard formula* | | | | | |
|---|---------|--------|--------|--------|------------|
| Country | Wind | Flood | EQ | Hail | Subsidence |
| Austria | | | | | |
| Belgium | | 0,120% | | 0,035% | 0,020% |
| Bulgaria | | | | | |
| Switzerland | | | | | |
| Croatia | | | | | |
| Cyprus | | | | | |
| Czech Republic | | 0,250% | | | |
| Germany | | | | 0,030% | |
| Denmark | | 0,040% | | | |
| Spain | | | | | |
| Finland | | 0,040% | | | |
| France | | | | 0,020% | 0,060% |
| Greece | | | | | |
| FR – Guadeloupe | 6,000% | | | | |
| Hungary | | | | | |
| Ireland | | 0,170% | | | |
| Iceland | 0,060% | | | | |
| Italy | | | | | |
| Luxembourg | | 0,130% | | 0,100% | |
| FR – Martinique | 5,000% | | | | |
| Malta | | | | | |
| Netherlands | | 0,035% | | 0,030% | |
| Norway | | 0,050% | | | |
| Poland | 0,030% | | | 0,020% | |
| Portugal | | | | | |
| FR - Reunion | | | | | |
| Romania | | 0,130% | 1,000% | | |
| Sweden | | 0,045% | | | |
| Slovenia | | | | | |
| Slovakia | | | | | |
| FR – St Martin | 10,000% | | | | |
| United Kingdom | | | | | |

- Peril in standard formula – unchanged
- Peril in standard formula – changed country factor
- Additional peril in standard formula
- Peril not covered in standard formula
- * Hail: change in motor exposures amplification factor is increased from 5x to 10x. Romania: risk zones updated.

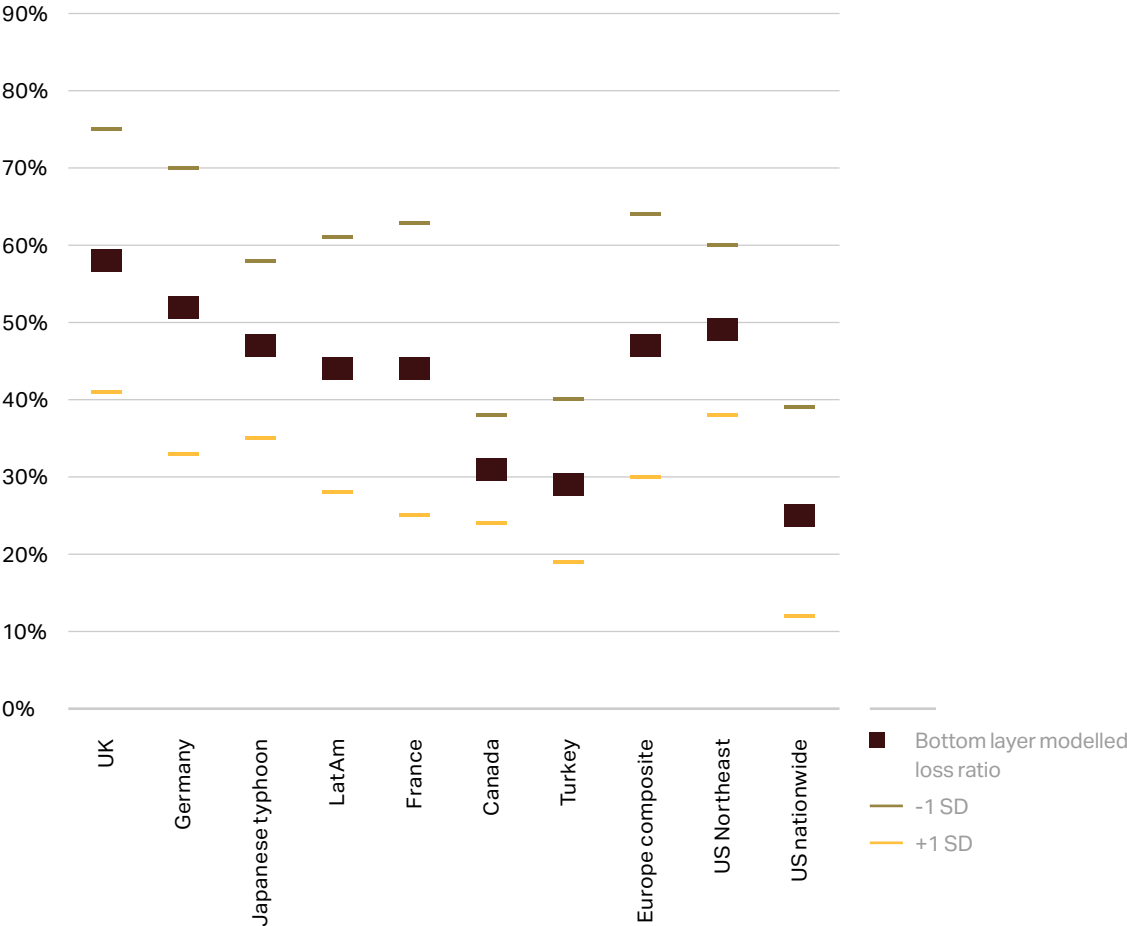
Nevertheless, price levels in many core catastrophe markets remain attractive, creating scope for reinsurers to diversify internationally without eroding profitability. Following on 2022’s rapid price increases, European modelled losses appeared comparatively low, partly because certain perils, such as flood, freeze, subsidence and hail, were not fully captured. On balance, this discrepancy prompted a capacity shift towards US catastrophe markets in search of higher returns.

The European market has now evolved and is no longer characterised by uniformly lower pricing and limited perceived profit opportunities. Figure 15 presents bottom-layer mean modelled catastrophe loss ratios by regional cohort, based on full incorporation of all relevant perils. Even under these comprehensive assumptions, the European composite’s modelled loss ratio remains lower than that of the ‘US Northeast’.

Whilst ‘US Nationwide’ remains highly attractive at a 25% modelled loss ratio, Turkey and Canada follow closely at 29% and 31%, respectively.

Figure 15: Select property-cat market mean modelled bottom layer loss ratios with +/- 1 standard deviation

(Source: NOVA, Howden Re proprietary data)



47%
loss ratio for the European composite compares favourably with 49% for the US Northeast.

25%
loss ratio for US nationwide remains highly attractive.

Although the US continues to represent the largest source of global property-catastrophe business, allocation to well-performing international markets can sustain high-return portfolios, whilst delivering diversification benefits from uncorrelated exposures.

In summary, the market has softened, but from a cyclical peak. Ample pockets of profitability remain for reinsurers willing to deploy capacity selectively, particularly in well-diversified portfolios. Although cedent underwriting margins have improved in the current rate environment, they remain exposed to high-frequency net-retained events. Combining long-term data analysis with disciplined risk selection is key to navigating the cycle. As 2026 renewals approach, those prepared to act decisively will be best placed to capture the next phase of opportunity.



Section 2

Disciplined value creation



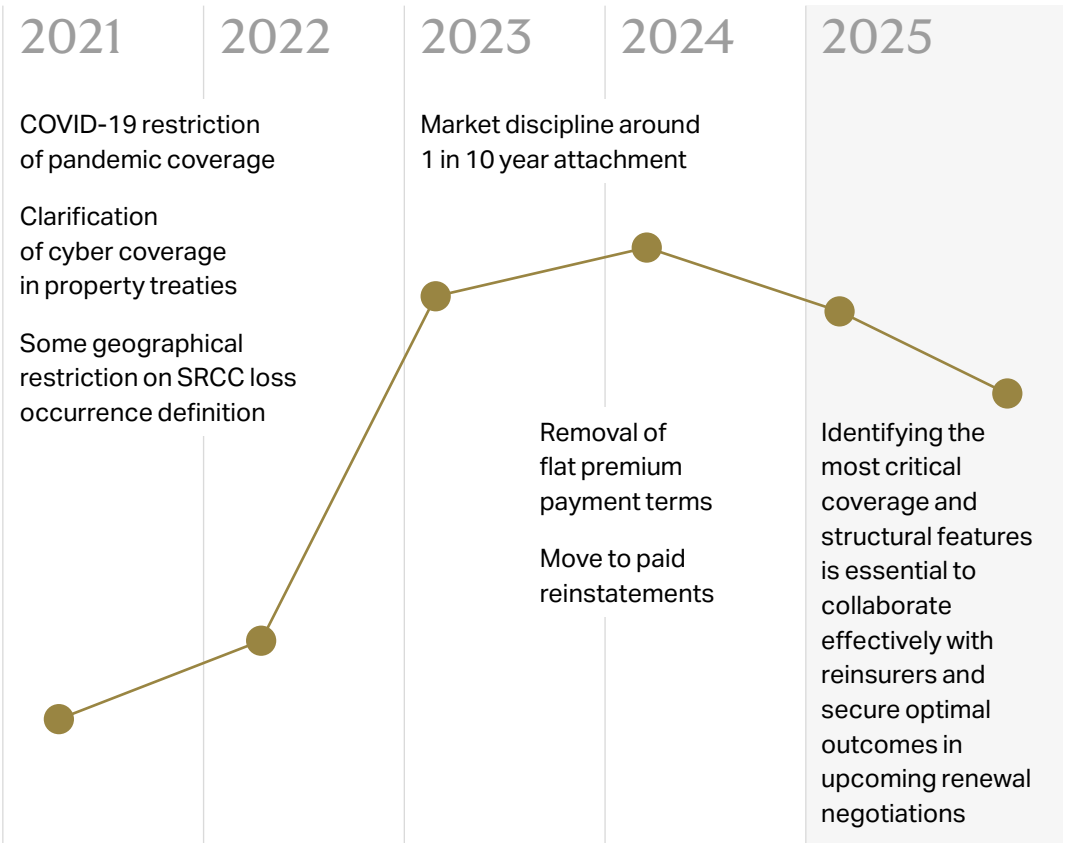
For cedents, market softening provides a welcome relief from the pronounced pricing pressures experienced during the most acute phase of the hard market. Whilst this is favourable in the near-term, the transition from cyclical peak to softer conditions necessitates disciplined navigation.

Although cedents secured pricing concessions at 1 January 2025 renewals, these gains largely obscured the limited progress made in other critical contractual features. As rates continued to ease at mid-year 2025 renewals, conditions have become more conducive to holistic negotiations across multiple levers, including programme structure, breadth and consistency of coverage and terms.

Looking ahead to January 2026, there is an opportunity to shape outcomes that strengthen programme resilience and deliver balanced value to both insurers and reinsurers. Figure 17 highlights several features eroded during the hard market that can now be constructively addressed through collaboration.

Figure 17: Howden global risk-adjusted property-catastrophe rate-on-line index 2009-2024

(Source: Nova)



Realising these opportunities in practice depends not only on prevailing market conditions, but also on the quality of engagement between cedents and reinsurers. In this current, transitional phase, there is often a divergence between the outcomes achieved by buyers and the terms sought by reinsurers. This reflects variations in how risks are articulated, the quality and relevance of supporting information and the degree of alignment between each party's view of exposure. Engagements supported by a cohesive narrative and well-structured data facilitate more productive dialogue, enabling reinsurers to assess opportunities with greater clarity.

The quality, timeliness and format of renewal information have become increasingly important differentiators, particularly in circumstances involving new capacity relationships or when portfolios include recent loss activity. The move from static, single-format data submissions towards multi-channel delivery is increasingly viewed as a way to attract and retain sustainable capacity, whilst supporting more informed technical discussions.

A clearly articulated technical rationale remains central to bridging the gap between buyer expectations and reinsurer assessments. In an environment where risk-adjusted pricing outcomes vary widely, the ability to evidence pricing objectives and structural considerations through credible, data-driven analysis strengthens the basis for negotiation. Aligning the underwriting narrative with reinsurers' own modelling and analytical outputs can provide common ground to explore further adjustments to pricing, structure or coverage.

The current market phase retains several, but not all, characteristics of a hard market. Structures conceded in recent renewals may not be recovered simultaneously; focussing on adjustments with the highest strategic and economic impact, such as retentions, aggregate protection, cost certainty or rebalancing reinsurance expenditure can improve the likelihood of achieving meaningful outcomes. Looking ahead, engagement with core reinsurance partners will help clarify where support is available and where structural constraints are likely to persist.

“
The move from static, single-format data submissions toward multi-channel delivery is increasingly viewed as a way to attract and retain sustainable capacity, whilst supporting more informed technical discussions.

Product solutions

Innovation remains a critical pillar for sustaining profitable growth. As outlined above, this may involve expanding into new areas, such as cyber, renewables or parametric, utilising MGAs to access alternative geographies or product segments or deploying creative programme structures.

What is clear is that emerging risks require targeted solutions to close protection gaps and address elevated exposures. Howden Re prioritises the development of such solutions, highlighting aggregate covers and concentration management as relevant examples to strengthen portfolio resilience and mitigate loss volatility.

With the market becoming more flexible, buyer strategies can shift from securing incremental gains to exploring structural and product-based strategies. Aggregate solutions are one tool that can be used to respond to emerging risks and volatility. The market is becoming more receptive to discussing sustainable net retention covers, more willing to learn from the structuring mistakes of the previous cycle and ready to leverage more credible loss experience with improved risk analytics.

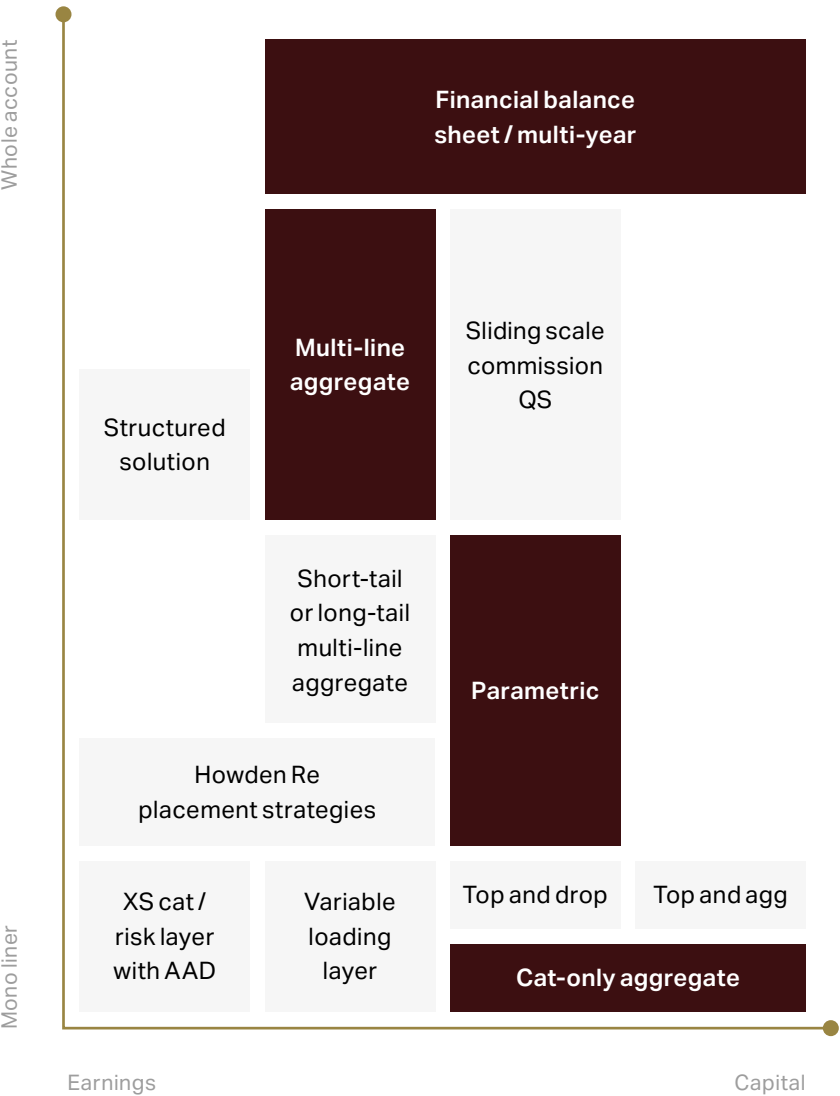
Traditionally, cedents have focused on cat/property aggregate and multi-line aggregate products for volatility protection. Today, increasingly, a range of additional, proprietary products are available. Careful portfolio analysis can steer optimal product selection through exposure and loss breakdown, alignment with current core purchases and data disclosure.

Figure 18 shows Howden Re’s ‘aggregate toolkit’, demonstrating how various covers can be tailored into strategic and customised structures. Market appetite has rebounded for structured and non-structured propositions, especially those that demonstrate resilience to historical losses and deliver a clear client proposition.

The most effective aggregate solutions align reinsurance structures with specific objectives, balancing client requirements, KPIs, as well as existing and alternative reinsurance arrangements against market appetite.



Figure 18: Howden Re aggregate toolkit
(Source: Howden Re)



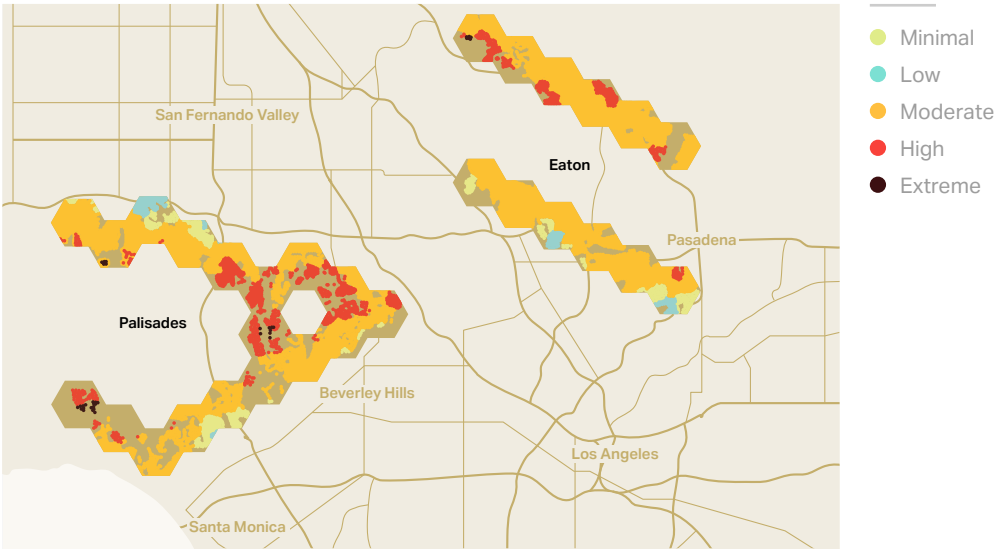
Concentration management for situations where emerging perils, such as tornado, flood and wildfire that cause highly localised pockets of extreme damage also require new solutions. The recent Palisades and Eaton Fires in January illustrate the devastating, concentrated impacts that wildfires can have. Whilst lower-severity fires may leave much of the affected area undamaged, strong winds during the most recent fires drove more extreme outcomes, with most properties within the burn footprints destroyed.

■ Key product for 2025/26 renewals

Although predicting any single event is nearly impossible, steps can be taken to understand contributing factors. Howden Re’s new PATH wildfire solution, shown in Figure 19, identifies some of the most hazardous high-value concentrations in California. The second- and fifth-ranked concentrations identified by PATH in 2024 overlap with the Eaton and Palisades fire footprints, whilst three other top-ten concentrations are located in their immediate vicinity.

Figure 19: Top five Los Angeles PATHs in top ten statewide

(Source: Howden Re)



PATH solves the unique issue of wildfire concentration management along the boundary of the ‘fuels layer’ by identifying those risks most likely to be involved in a single event and suffer fire damage.

This renewal season offers a strategic window to re-assess SCS accumulation management, particularly as models are undergoing, or are expected to undergo, significant updates over the next 12 months. Existing SCS models have well-recognised limitations, especially in capturing the peril's high frequency. Whilst it will take time for the (re)insurance industry to adopt a new perspective, concentration management provides not only a stop gap, but a necessary compliment to traditional cat models.

Howden Re’s underwriting and accumulation management suite has been expanded with new solutions for wildfire and severe storm, complementing existing hurricane coverage to address these increasingly material exposures.



Conclusion

The global reinsurance market is entering a hard market softening phase, but the shift is occurring from a position of historical pricing strength. Capital levels have recovered since the impairments of 2022, yet capacity remains cautious and concentrated, with investors favouring disciplined deployment over rapid expansion. Whilst property-catastrophe rates-on-line have moderated, loss activity, particularly from so-called secondary perils, continues to exceed historical norms, reshaping portfolio risk and driving regulatory focus on concentration and climate-sensitive exposures.

For cedents, this environment demands a sophisticated approach. Profitability will increasingly depend on aligning retention levels, coverage structures and capital deployment, with both earnings stability and regulatory efficiency. The toolkit must now extend beyond traditional programmes to include aggregate covers, parametric triggers, multi-line structures, as well as capital markets instruments that can be tailored to address specific volatility drivers such as wildfire, severe convective storm and flood. Concentration management, informed by improved analytics, is becoming an indispensable complement to conventional modelling, particularly where model limitations persist.

In short, the cycle has turned and opportunity beckons. Those who dare to win – combining market insight with technical execution, selectively expanding exposure, diversifying across geographies and perils and deploying innovative structures where they deliver measurable value – will be best placed to sustain returns, close protection gaps and strengthen resilience through the next phase of the market.

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