Howden Re

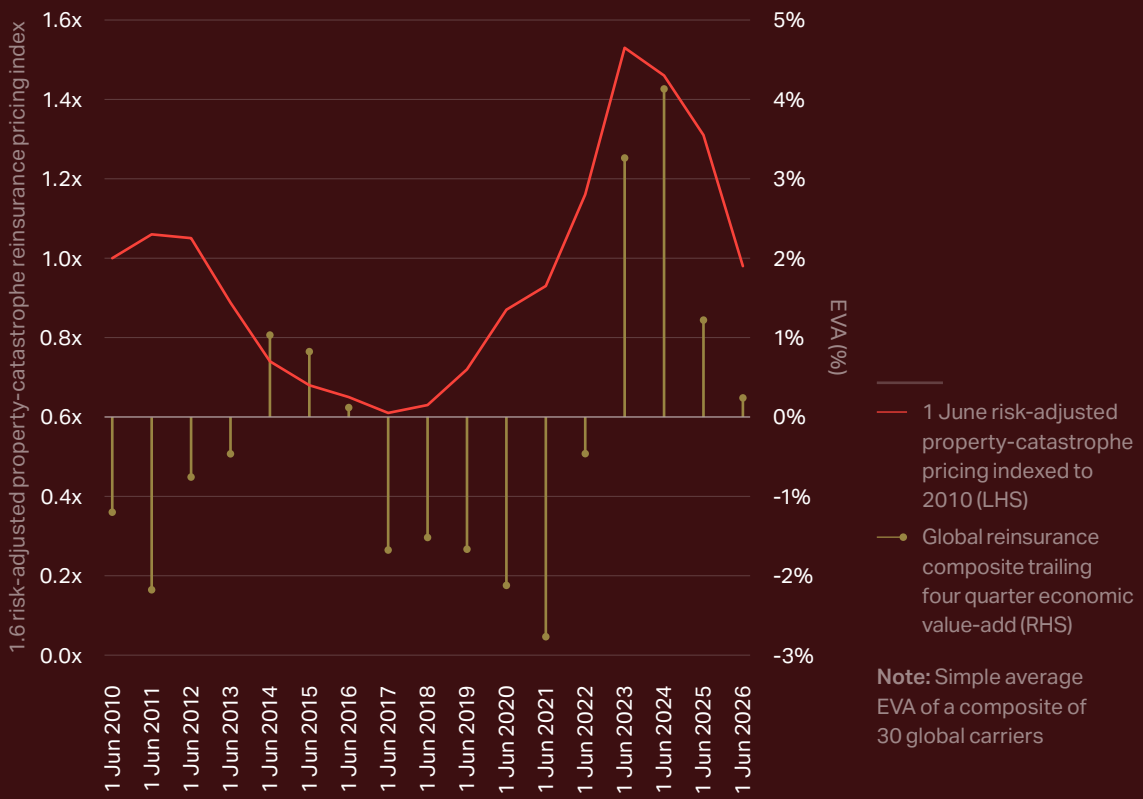
Breaking the glass

Building resilience before it is tested

Executive summary

Figure 1: Risk-adjusted property-catastrophe rate-on-line (indexed to 2010) at 1 June vs global reinsurance economic value-added spread (trailing four quarters)

Source: Nova, Bloomberg, S&P, Howden



Note: Simple average EVA of a composite of 30 global carriers

The reinsurance market enters the final months of 2026 in a state of paradox. Pricing is falling rapidly from the elevated levels established during the recent hard market, supported by strong results and abundant capacity.

Yet conditions beyond the market are moving the other way: the world is conspicuously volatile. Inflation is elevated. Global bond pricing shows that compensation for risk and duration is rising, with term premia rebuilding across major sovereign curves. All of this is happening as rates-on-line move in the opposite direction. The reasons for this divergence are not immediately obvious.

Recent experience provides part of the explanation. Reinsured losses have been relatively muted in recent years despite persistent, elevated attritional nat-cat activity in both primary and secondary perils. Higher attachment points and exceptional pricing since 1 January 2023 have done as much heavy lifting as the loss environment itself, but these tailwinds are now weakening, just as rapid technological, economic and geopolitical change creates opportunities alongside new sources of uncertainty.

Economic value creation becomes more challenging as reinsurance pricing falls beyond a certain point roughly where the sector sits now. The economic value-added (EVA)[1] spread was already near break-even by midyear 2026. Periods of negative EVA are not unprecedented, but they have coincided with reinsurance share price stagnation and relative underperformance, even where reported returns on equity stayed positive and accounting KPIs were met.

In this environment, even with downwards reinsurance pricing momentum established, cedents are returning to the perennial questions: what could disrupt the market, what would it mean for individual portfolios and what should the 'break-the-glass' response look like? Previous market turns have rarely been driven by a single factor in isolation. More often, they reflect an interaction between underwriting performance, capital conditions and the wider financial environment, with vulnerabilities accumulating before a catalyst accelerates the adjustment.

Breaking the glass is intended to help answer those questions by examining the current market through that lens. The first section looks to previous periods of market dislocation to understand how underwriting conditions, financial markets and capital have interacted through different stages of the cycle. The second takes those lessons forward, stress-testing the current market against scenarios in which underwriting and macroeconomic pressures occur concurrently. The final section considers the implications for buyers, focussing on how favourable conditions today can be used to strengthen resilience and preserve optionality before those measures become more costly or difficult to secure. The aim is not to predict the next turn, but to ensure that a plan exists before one is needed.

[1] Economic value-added (EVA) is measured as after-tax return on invested capital less the weighted average cost of capital, which places both terms on the same basis. For a reinsurer, this cost has three components rather than two: retrocession is priced contingent capital whose cost belongs alongside those of debt and equity.

When history

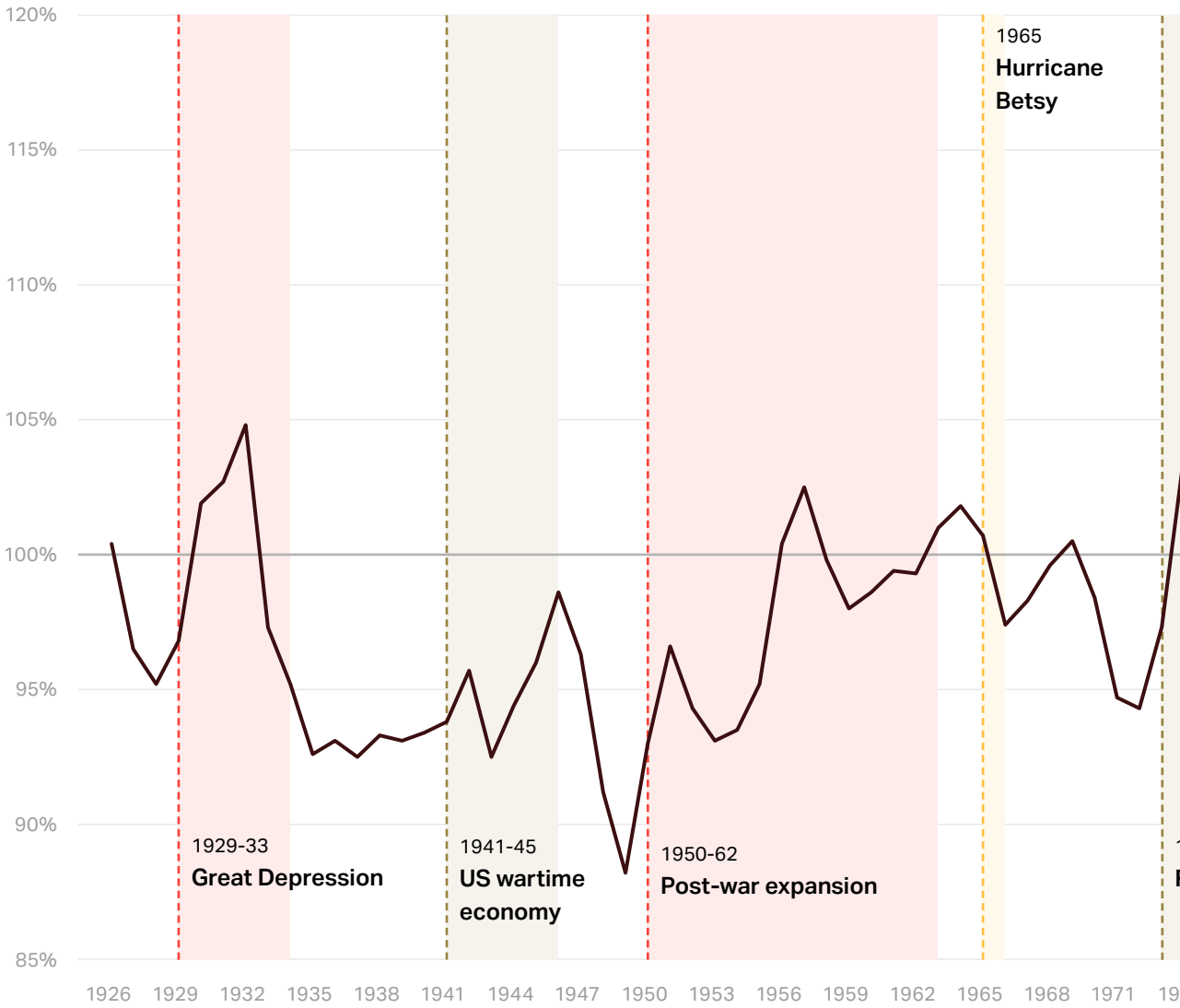
1 rhymes

The depth and consistency of US P&C data provide a rare opportunity to examine the insurance underwriting cycle across nearly a century. The structure of the industry has changed considerably over that period, but many of the forces shaping the cycle remain relevant today. Viewed over the long term, the data provide a useful perspective on the conditions that have preceded previous market turns and the shocks that have ultimately tested them.

Figure 2 shows US P&C underwriting performance, as measured by combined ratio, from 1926 to 2025, overlaid with some of the most significant economic, geopolitical and natural catastrophe events that occurred along the way.

Figure 2: US P&C insurance combined ratio overlaid with key dates 1926-2025

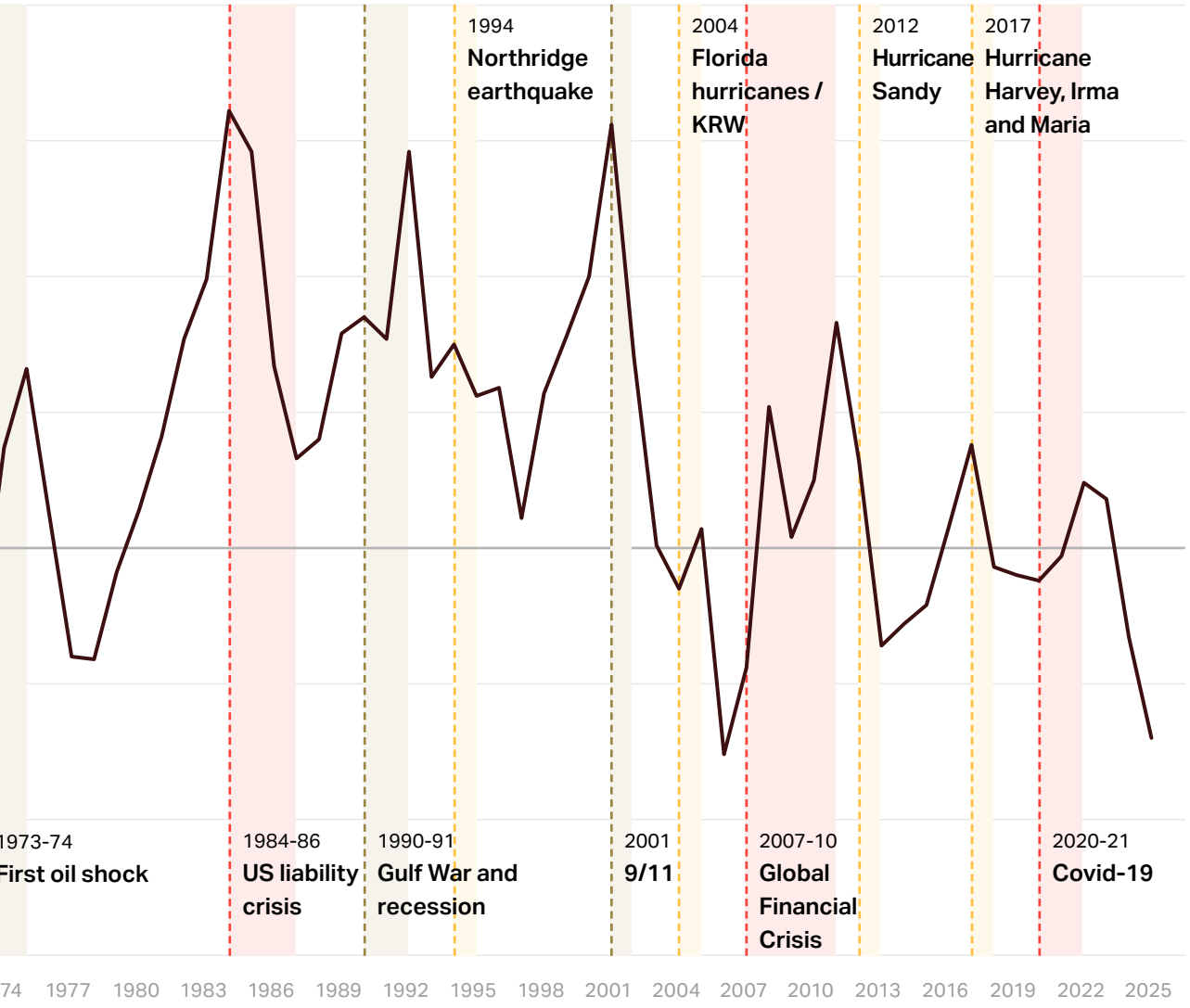
Source: Howden, NAIC, A.M. Best, S&P



1946-49 Post-war inflation
Pent-up demand meets supply shortages as wartime controls are removed, driving inflation and claims costs higher.

1965-70 Inflation builds
Expansionary fiscal conditions and a tightening economy bring the post-war period of relatively stable inflation to an end.

1971-73 End of Bretton Woods
Dollar-gold convertibility ends and currencies move towards floating exchange rates, fundamentally changing the global monetary system.



Economic / monetary
Geopolitical
Natural catastrophe

1979-82 Second oil shock and Volcker tightening
Renewed oil disruption compounds inflation before aggressive Federal Reserve tightening drives policy rates sharply higher and the economy into recession.

2000-2002 Dot-com bust, recession and 9/11
Financial-market weakness and recession coincide with deteriorating underwriting conditions, before 9/11 adds a major insured-loss shock.

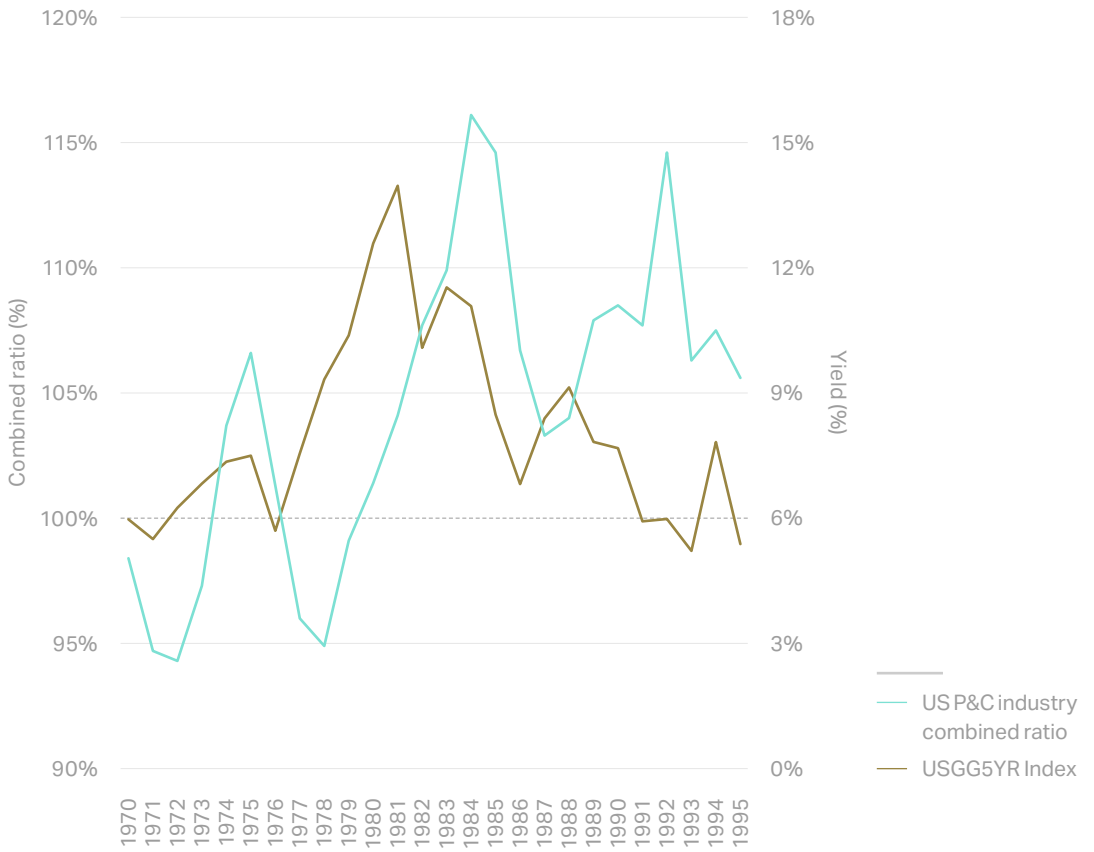
2010-19 Low-rate / abundant-capital era
Persistently low interest rates and abundant global capital support capacity growth and prolonged competitive market conditions.

Viewed in aggregate, the most consequential market shifts have occurred when significant loss events meet periods of wider economic or geopolitical pressure. The source of those losses can vary considerably, from major hurricanes on the property side to unanticipated liability claims on the casualty side. Their impact, however, is amplified when the wider environment is already under strain from financial-market stress, inflation, recession or geopolitical instability — a description that fits the present moment. Several periods of pronounced underwriting weakness in **Figure 2** illustrate this dynamic.

The deterioration of the 1970s and 1980s, among the most severe in the historical series, is particularly instructive. **Figure 3** provides a closer view of the US P&C industry combined ratio alongside five-year US Treasury yields from 1970 to 1995. Yields rose from 6% in 1970 to nearly 14% in 1981 and remained around 10% or higher through 1984.

Figure 3: US P&C industry combined ratio vs 5-year US treasury yields1970-1995

Source: Howden, NAIC, A.M. Best, S&P, Bloomberg



50-70%

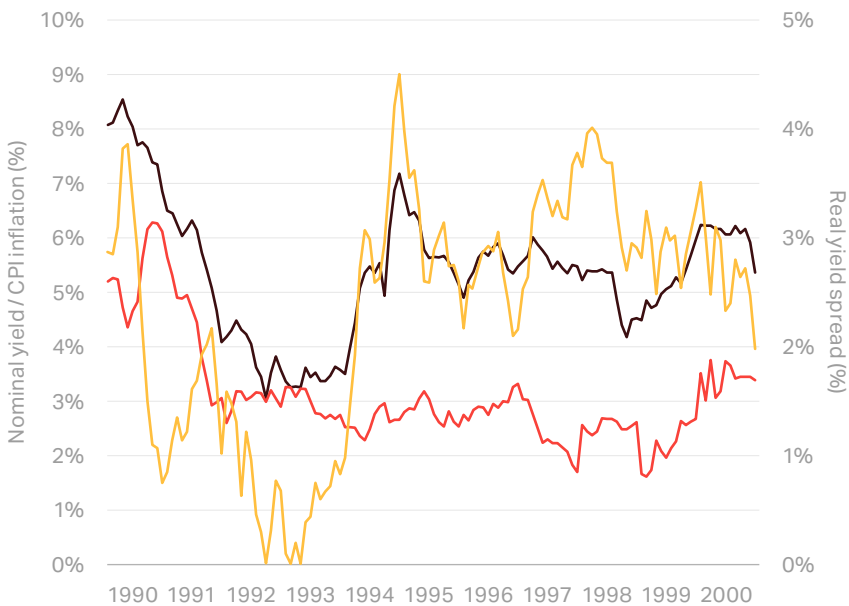
Some policies were reportedly discounted by 50 to 70% from late-1970s levels as carriers competed for premium.

These exceptionally high interest rates increased the value of premium cash flow, attracting new capital and intensifying competition. Investment income could compensate for increasingly weak underwriting results, allowing pricing to deteriorate further and for longer than underwriting fundamentals alone might have supported. This period of 'cash-flow underwriting' became increasingly extreme: some policies were reportedly discounted by 50 to 70% from late–1970s levels as carriers competed for premium to invest at historically high yields.[2]

The imbalance became apparent only later. As interest rates eased from their early–1980s peaks, as shown in **Figure 4**, investment support weakened just as inadequately priced losses began to emerge. The effect was particularly acute in long-tail liability lines, where the ultimate cost of risks written years earlier was becoming clear, including mounting asbestos-related claims. By 1985, the industry faced an estimated US$22 billion underwriting loss in nominal terms and a record 21 insurer insolvencies, while more than 85 reinsurers withdrew from the market throughout 1984 and 1985. [3] Pricing corrected abruptly, with insurance rates in some areas doubling or tripling in 1985 alone. While today's conditions differ from the late 1970s, the period illustrates how quickly pricing trends can turn when underlying assumptions change.

Figure 4: US 12-month treasury yields, CPI inflation and real yields, 1990-2000

Source: Bloomberg. USGG12M Index (generic 12-month US Treasury yield) and CPI YOY Index (US CPI urban consumers, year-on-year)



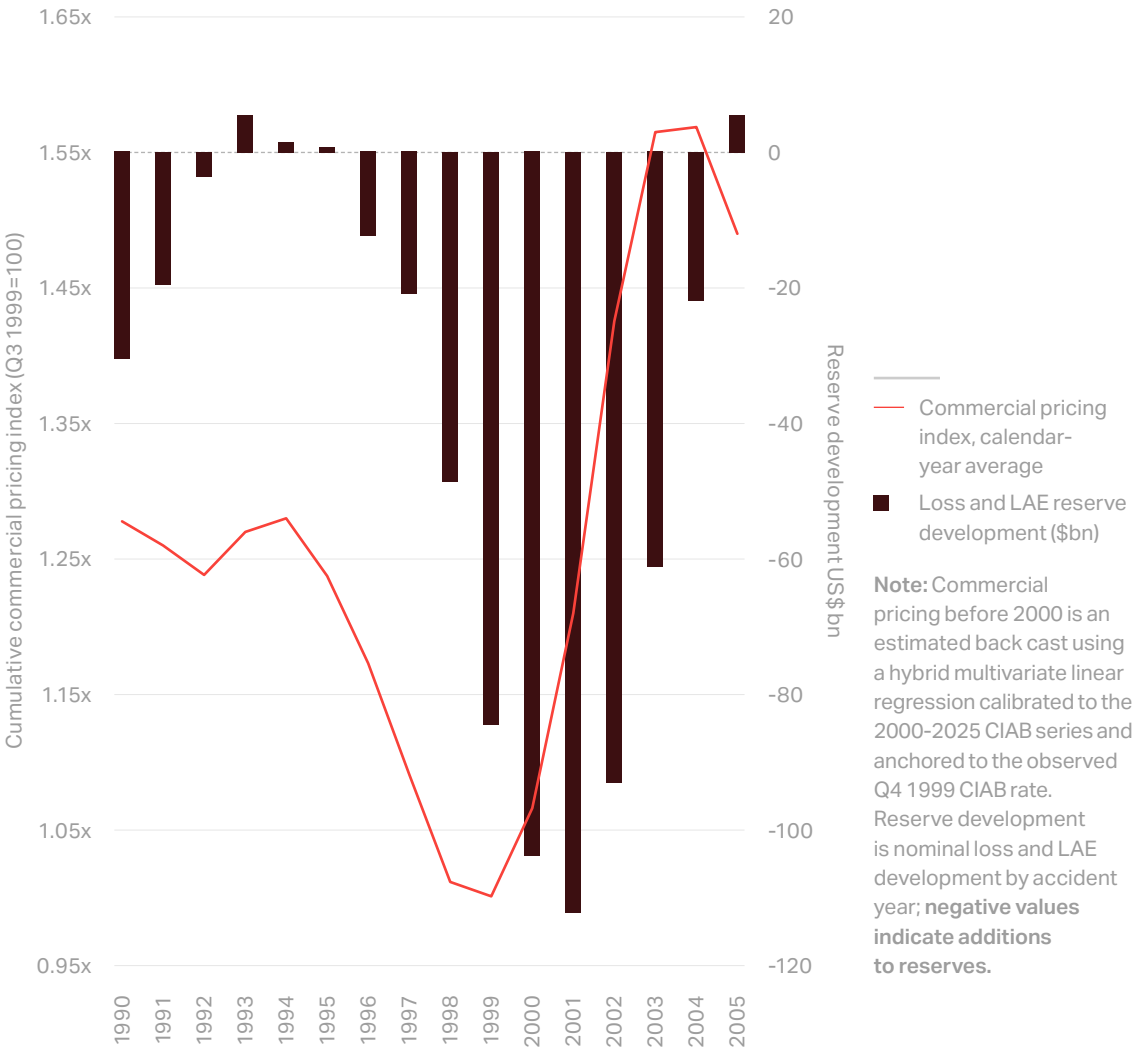
[2] The New York Times, "Insurance Industry Under Fire", 9 June 1986.

[3] The New York Times, "Insurance Industry Under Fire", 9 June 1986.

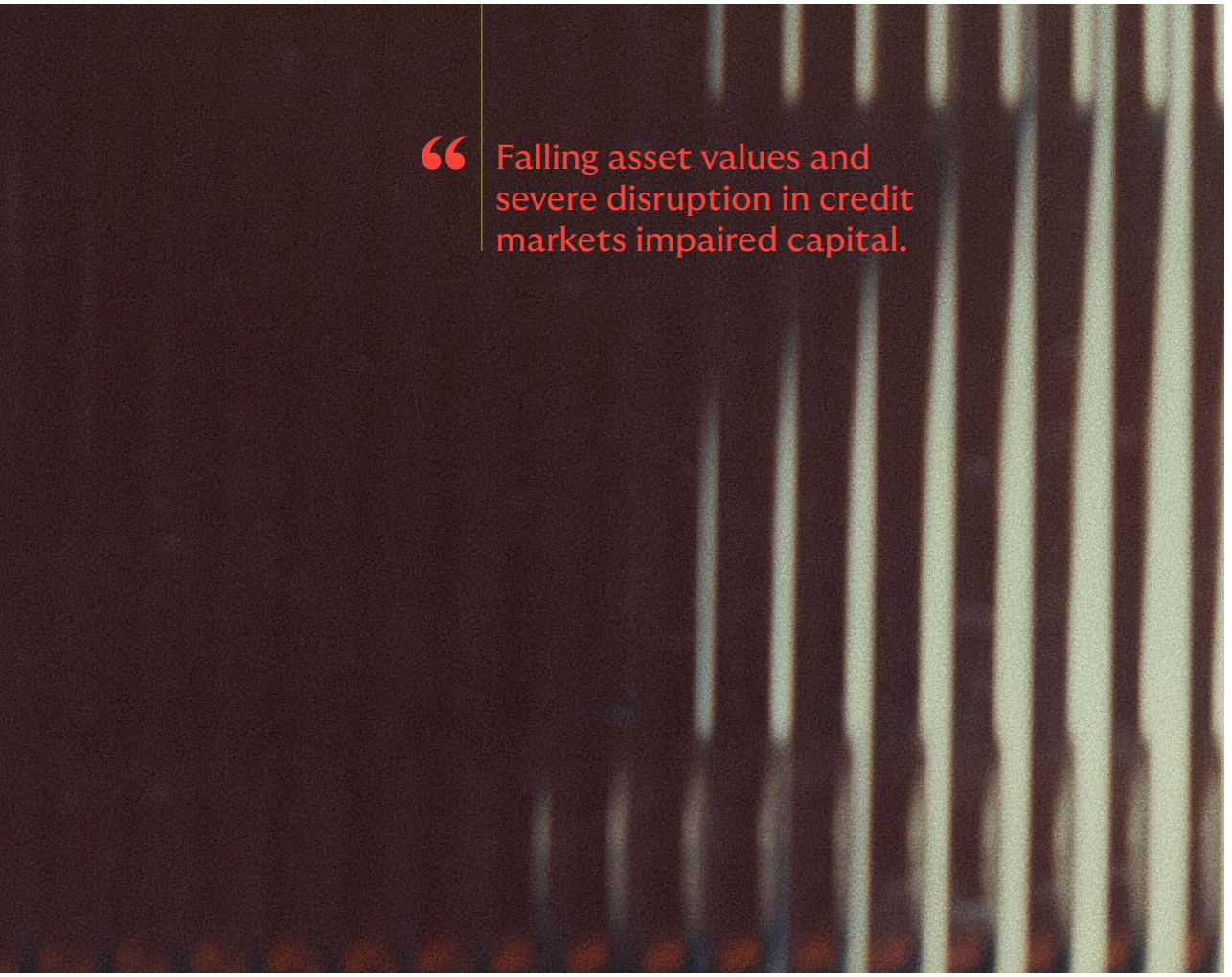
A similar pattern emerged at the turn of the millennium, albeit through a different combination of pressures. The rapid hardening that followed Typhoon Mireille (September 1991), Hurricane Andrew (August 1992) and the Northridge earthquake (January 1994) drew substantial new capacity into the market, and competition throughout the remainder of the decade left commercial and reinsurance pricing inadequate by the late 1990s, just as underwriting losses and reserve deficiencies were beginning to emerge. Sustained, elevated real yields over the same period exacerbated this dynamic, encouraging further 'cash-flow underwriting'.

Figure 5: US commercial lines pricing index and industry reserve development by accident year, 1990-2005

Source: CIAB, A.M. Best and Nova; model estimates



Note: Commercial pricing before 2000 is an estimated back cast using a hybrid multivariate linear regression calibrated to the 2000-2025 CIAB series and anchored to the observed Q4 1999 CIAB rate. Reserve development is nominal loss and LAE development by accident year; **negative values indicate additions to reserves.**



These real yields fell sharply as the dot-com bubble burst, adding further pressure to carriers with meaningful equities gearing. Against this backdrop, the September 11, 2001 terror attacks imposed a major additional loss, accelerating the hardening already underway, as shown in **Figure 5**. What followed will be painfully familiar to many readers: successive years of adverse calendar-year reserve development on long-tail business written in the late 1990s, and a run of major US hurricanes culminating in Katrina, Rita and Wilma in 2005, each reinforcing the hard market.

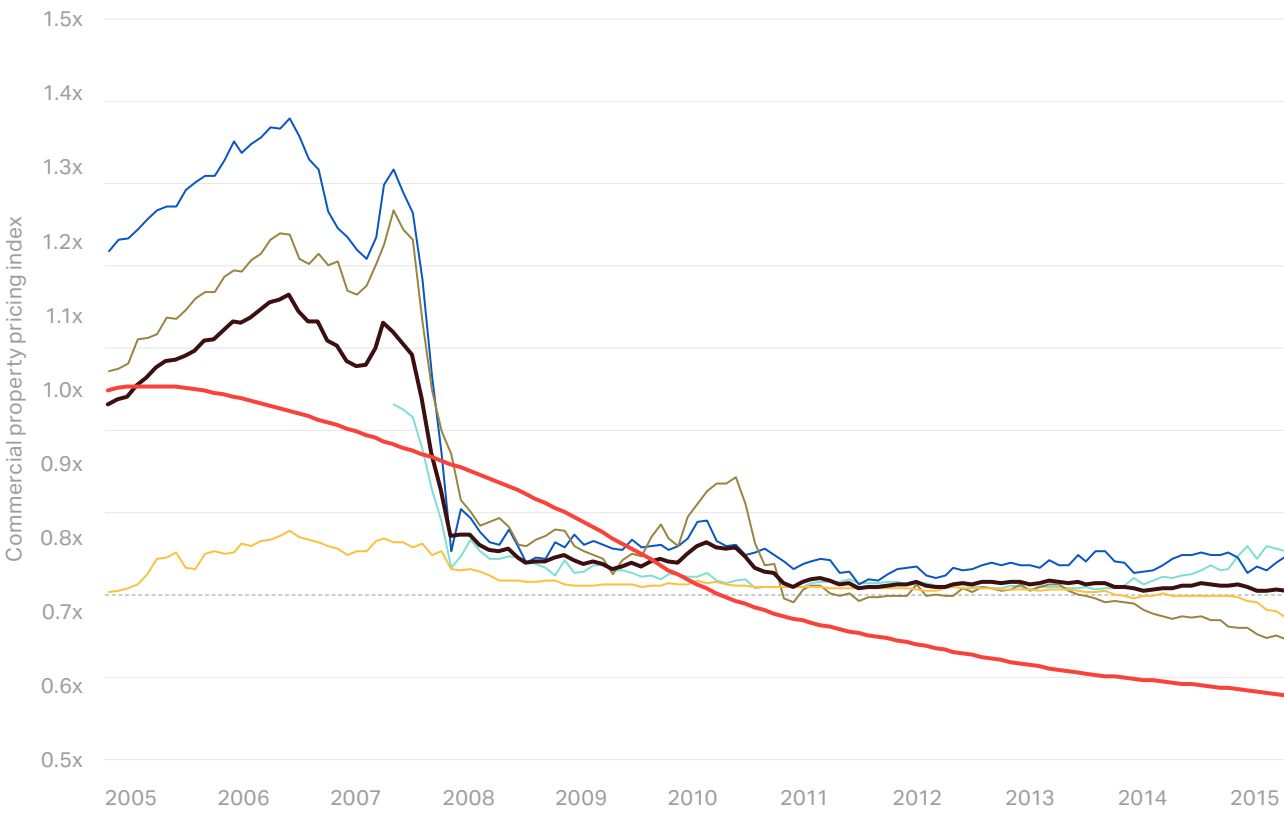
The 2008 financial crisis illustrates the other side of this relationship. Falling asset values and severe disruption in credit markets impaired capital, but (with notable exceptions) most P&C carriers entered the crisis with relatively conservative investment portfolios while the post-KRW underwriting environment was, in fact, comparatively benign. This stronger starting position allowed the industry to absorb a severe financial shock without triggering a comparable price spike.

Additionally, the years that followed marked one of the softest periods in the sector's recent history. **Figure 6A** shows global commercial property insurance pricing and short-term sovereign yields followed by **Figure 6B** which illustrates annual global insured natural catastrophe losses and US P&C underwriting performance. The close relationship between pricing and short-term yields is striking, particularly against a loss environment that was far from benign. 2011 and 2017 were both among the largest insured natural catastrophe loss years on record, driven respectively by the Tōhoku earthquake and tsunami and Hurricanes Harvey, Irma and Maria. Yet neither produced a market dislocation comparable to 2005. One important difference was the financial environment in which those losses occurred. In the years following the global financial crisis, interest rates remained exceptionally low and capital was abundant, not least from yield and non-correlation-hungry ILS investors, providing capacity through which even substantial catastrophe losses could be absorbed.

> “
>
> The scale of an event alone does not necessarily determine the market response.

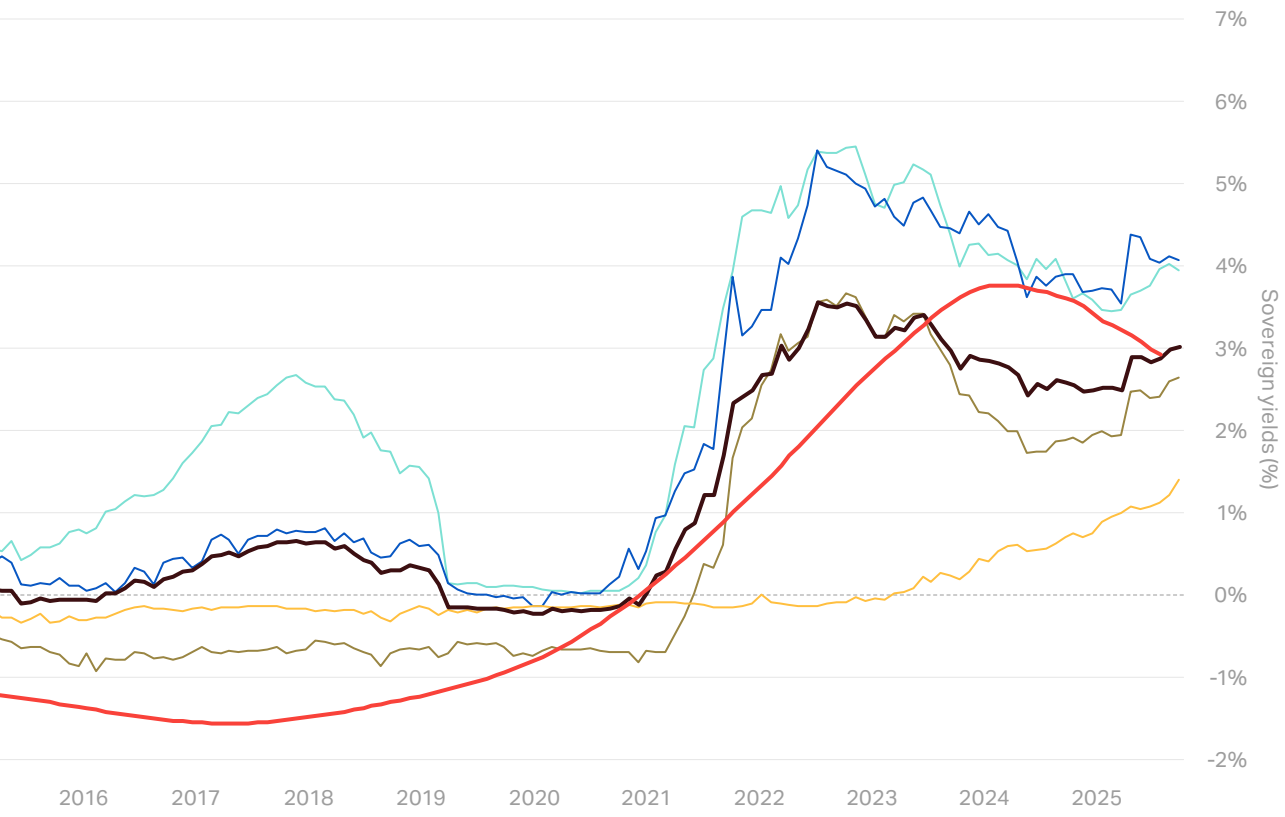
Figure 6A: Global commercial property insurance pricing and average 1-year sovereign yields 2005 to 2026 YTD

Source: Nova, Howden, NAIC, A.M. Best, S&P, Bloomberg



The contrast with the rapid hard market of 2022 is significant. At that time, inflation proved far more persistent than consensus forecasts, driving a sharp rise in yields and prompting central banks to tighten monetary policy. This resulted in significant mark-to-market losses on invested assets and coincided with Russia's invasion of Ukraine, which further increased risk premia. Hurricane Ian then made landfall, exacerbating the subsequent price spike: the manifestation of a confluence of unexpected events.

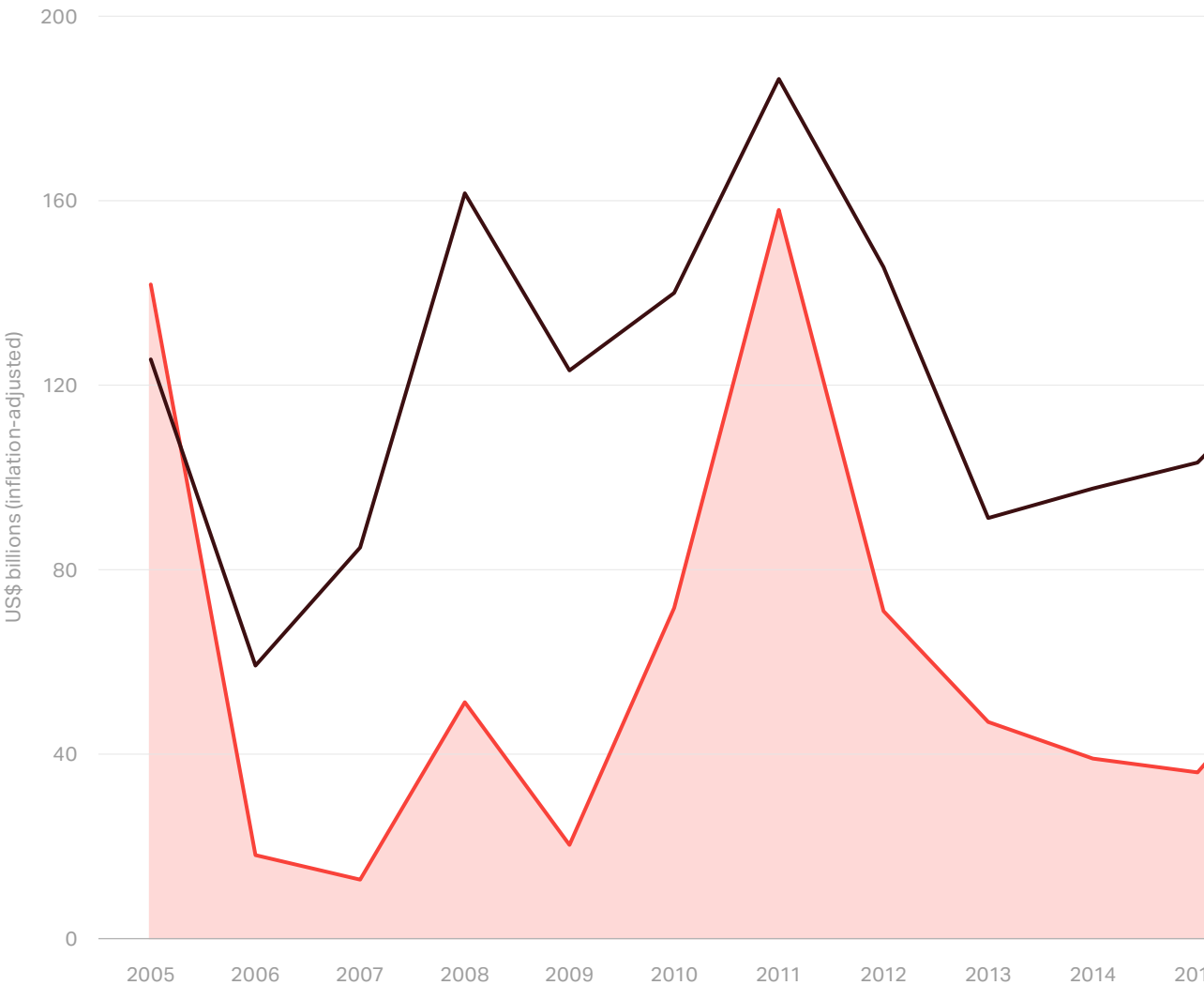
Together, these episodes illustrate that current assumptions, no matter how widely accepted, can change quickly, leading to rapid shifts in capacity and pricing. Furthermore, the scale of an event alone does not necessarily determine the market response. Unforeseen pressures may originate in underwriting, financial markets or the wider economy, but the potential for dislocation increases when several occur concurrently. Equally, 2008, 2011 and 2017 show that even severe financial or insured-loss shocks can be absorbed without triggering an equivalent market correction when broader conditions are more supportive.



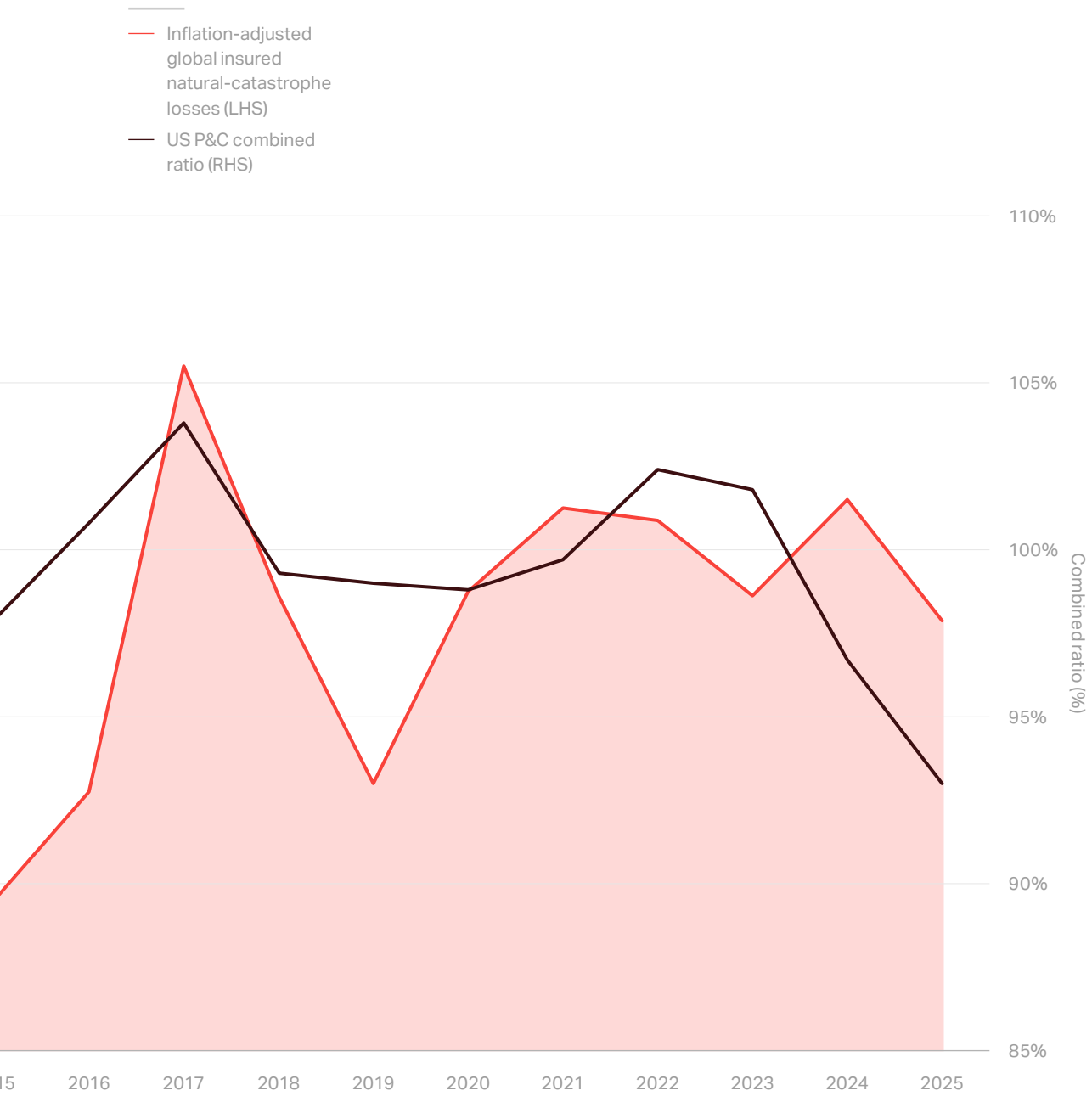
This distinction is particularly relevant today. The (re)insurance market is softening, but the external environment is considerably less settled. Geopolitical tensions, uncertainty in financial markets and the potential for renewed inflationary pressure may take time to feed through to the cost of risk, meaning the path through the cycle is unlikely to be linear. The next section considers how today's market might respond if some of these pressures were to converge, before turning to potential strategies for building resilience against future volatility.

Figure 6B: US P&C underwriting and global inflation-adjusted natural-catastrophe losses 2005 to 2025

Source: Nova, Howden



> The (re)insurance market is softening, but the external environment is considerably less settled.



History in practice

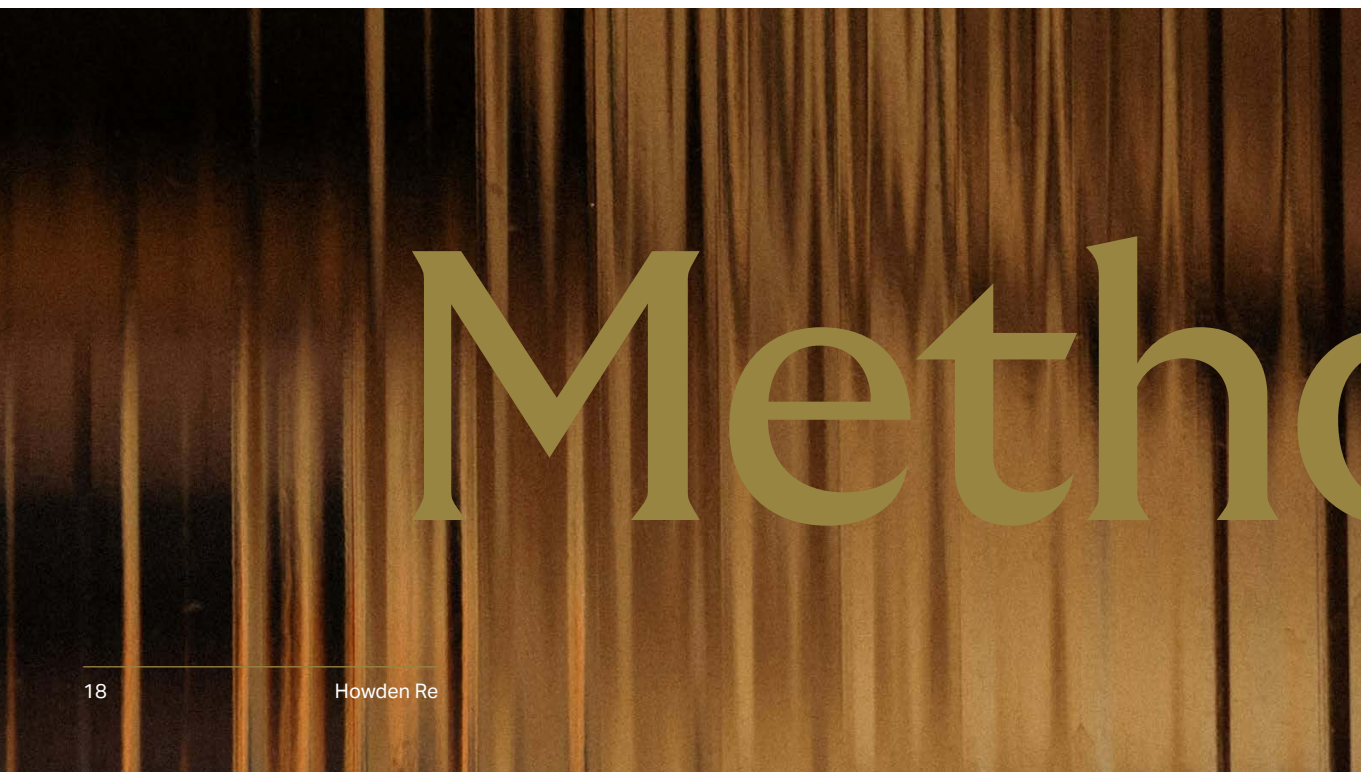
Today's market is well positioned on most metrics. Capital is abundant, underwriting performance remains strong and pricing conditions are increasingly favourable for buyers. At the same time, the external environment presents a range of potential financial and macroeconomic pressures. The analysis that follows tests the variables that might alter the market's current trajectory.

A simplified model of the global reinsurance market incorporates catastrophe losses, inflation, interest rates and reserve development to assess how concurrent pressures could affect capital, underwriting performance and pricing. Three scenarios have been used to underpin the analysis: first, 2022 provides an observed 'stressed' reference point; second, a 'ceteris paribus' scenario is considered in the absence of a major shock; third, a marginal analysis is undertaken to analyse the degree of stress needed for the model's pricing signal to change direction.

Methodology

The model begins with the industry's actual (or assumed) starting capital and premium for the year in question. It deducts three categories of loss from premium: attritional losses based on an assumed loss ratio, catastrophe losses with an assumed cession rate determining the proportion of insured loss passed from primary insurers to reinsurers and prior-year reserve development. Together with expenses, these determine the underwriting result for the year. Investment income, calculated from invested assets and an assumed running yield, is then added to the underwriting result, before tax and shareholder distributions, to determine retained profit.

Interest-rate movements are treated separately. Fixed-income securities represent a significant share of (re)insurer investment portfolios, leaving their market value sensitive to rapid changes in yields even where assets and liabilities are broadly matched. The model uses a standard fixed-income duration approach to estimate the resulting change in bond values, but applies this only to the share of the portfolio assumed to affect reported capital through mark-to-market movements. The resulting adjustment is applied directly to capital. The model does not capture equity-market shocks, an important limitation in periods such as 2001 when falling equity values contributed significantly to capital deterioration.



> The pricing signal is directional rather than statistically estimated.

This separation captures two different channels through which shocks can affect the balance sheet. Catastrophe losses initially flow through underwriting earnings, while rapid changes in interest rates can revalue fixed-income assets more immediately. In practice, the two can interact: a large catastrophe may create liquidity needs that require assets to be sold, potentially crystallising losses that might otherwise remain unrealised. The model calculates these effects separately rather than modelling how they might reinforce one another and may therefore understate the impact of a genuine convergence. Starting capital, retained profit and the interest-rate adjustment together determine ending capital for the year.

Finally, the model derives a directional pricing signal from changes in capital and underwriting profitability, measured by the combined ratio. Deterioration in either increases upward pricing pressure, while capital growth and stronger underwriting results pull the signal in the opposite direction. The calculation also incorporates existing pricing momentum. However, momentum and underwriting performance are modelled separately, so the effect of sustained softening on margins is captured through the loss-ratio assumption rather than directly through the pricing input. The model also represents reinsurance as a single blended portfolio, meaning its pricing signal may understate movements concentrated in individual classes. The pricing signal is directional rather than statistically estimated and should be interpreted accordingly.

odology

2.1

Testing the parameters

Figure 7: Modelled outcome based on 2022 market conditions

Combined ratio

98.8%

profitable year

Capital / premium ratio

0.97x

vs. 1.15x at start

Implied rate signal

+21%

hardening signal

Directional, not a calibrated estimate

Capital bridge, start of year to end of year

Ending dedicated capital

$355bn

-15.7% vs. start (-$66bn)

Year-end ledger

Premium $366bn, Attritional losses -$224.7bn, Expenses -$106.1bn, Catastrophe losses (net of avg. cession) -$27.3bn, Prior-year reserve development -$3.7bn, Underwriting results $4.3bn, Investment income $44.5bn, Pre-tax income $48.7bn, Tax -$10.7bn, Net income $38bn, Dividends -$13.3bn, (memo: AFS-marked fixed-income assets) $749.5bn, Mark-to-market bond loss (capital, pre-tax) -$90.7bn.

The first scenario tests the model against actual market conditions in 2022. Starting with dedicated reinsurance capital of US$421 billion and premium of US$366 billion, the model applies the conditions experienced during the year. These include a 288 basis point increase in average one-year government bond yields and approximately US$126 billion of insured catastrophe losses, including Hurricane Ian.

The model produces ending dedicated capital of US$355 billion, matching the observed outcome and representing a decline of approximately 16%. It also generates an implied all-lines combined ratio of 99% and a directional pricing increase of approximately ~+21%. Howden Re's global risk-adjusted property-catastrophe reinsurance rate-on-line index rose by 37% over the same period. The difference largely reflects the model's blended all-lines approach, which moderates the sharper hardening observed in property-catastrophe. Even so, the 21% directional increase represents a substantial pricing response.

The framework can also be tested against other loss-driven periods, including 2005 and 2017, and produces the expected directional response. It is less suited to periods such as 2001 and 2008, when equity-market movements played a more important role in industry capital outcomes, an exposure the model does not capture. For that reason, 2022 provides the most useful historical reference point for the scenarios that follow.

+37%

Howden's global risk-adjusted property-catastrophe reinsurance rate-on-line index increased by +37% that year.

- Capital
- Positive flow
- Negative flow

* Incl. cat and attritional

2.2

Without a major shock

Figure 8: Modelled outcome assuming current trends persist

Combined ratio

92.4%

profitable year

Capital / premium ratio

1.26x

vs. 1.14x at start

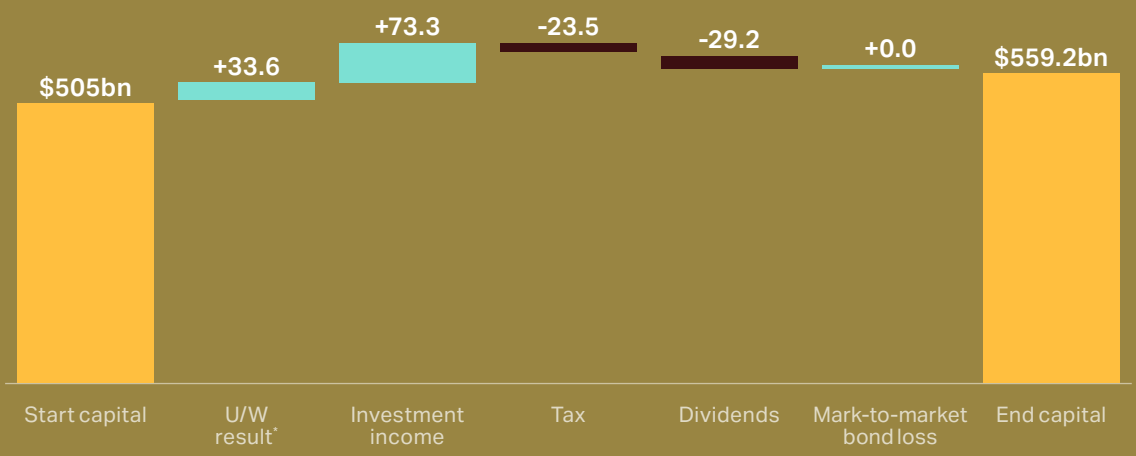
Implied rate signal

-15.4%

softening signal

Directional, not a calibrated estimate

Capital bridge, start of year to end of year



Ending dedicated capital

$559.2bn

+10.7% vs. start ($54.2bn)

Year-end ledger

Premium $44.5bn, Attritional losses -$244.6bn, Expenses -$128.8bn, Catastrophe losses (net of avg. cession) -$32.6bn, Prior-year reserve development -$4.4bn, Underwriting results $33.6bn, Investment income $73.3bn, Pre-tax income $106.9bn, Tax -$23.5bn, Net income $83.4bn, Dividends -$29.2bn, (memo: AFS-marked fixed-income assets) $888.2bn, Mark-to-market bond loss (capital, pre-tax) $0bn.

By contrast, the second scenario in Figure 8 considers how the model behaves in the absence of a major market shock. The investment and wider economic environment remain broadly supportive, while US$100 billion of insured natural catastrophe losses reflects ongoing secondary-peril and mid-sized event activity. Dedicated reinsurance capital starts at approximately US$505 billion (its year-end 2025 value) against US$445 billion of premium.

Under these assumptions, underwriting remains extremely profitable. The model produces a 92% combined ratio and ending capital of approximately US$560 billion, an increase of 11% over the year. The resulting pricing signal remains negative at approximately -15%, indicating further easing.

The precise pricing output should be interpreted directionally. The more important result is that, without a material underwriting or financial shock, strong profitability and capital accumulation provide little counterweight to the competitive pressures already present in the market.

-15%

resulting pricing signal remains negative at approximately -15%, indicating further easing.

Capital

Positive flow

Negative flow

* Incl. cat and attritional

2.3

A severe convergence

Figure 9: Modelled outcome under a severe convergence scenario

Combined ratio

110.2%

unprofitable year

Capital / premium ratio

0.94x

vs. 1.14x at start

Implied rate signal

+7.1%

hardening signal

Directional, not
a calibrated estimate

Capital bridge, start of year to end of year

Ending dedicated capital

$415.5bn

-17.7% vs. start (-$89.5bn)

Year-end ledger

Premium $444bn, Attritional losses -$278.1bn, Expenses -$128.8bn, Catastrophe losses (net of avg. cession) -$69.1bn, Prior-year reserve development -$13.3bn, Underwriting results -$45.3bn, Investment income $76.7bn, Pre-tax income $31.3bn, Tax -$6.9bn, Net income $24.4bn, Dividends -$7.3bn, (memo: AFS-marked fixed-income assets) $888.2bn, Mark-to-market bond loss (capital, pre-tax) -$106.6bn.

The final scenario deliberately pushes the model further, combining several severe underwriting and financial pressures. Such a convergence would be unusual, but certainly not unheard of, especially in the current high risk premium environment. It provides a useful test of how much stress today's starting position could absorb before the pricing signal changes direction. Crucially, the scenario tests what it would take to reverse the market's current trajectory within a single year, rather than how the cycle might evolve over time. Different combinations, sequencing or accumulation of pressures could produce different outcomes.

The scenario assumes a US$200 billion insured catastrophe loss year alongside elevated attritional losses and adverse casualty reserve development. It also introduces a significant macroeconomic shock. For example, an escalation in the Middle East could disrupt oil supply through the Strait of Hormuz, pushing inflation higher and contributing a 300 basis point increase in interest rates. While substantial, the assumed rate shock remains well below the increases experienced during the inflationary upheaval of the 1970s and early 1980s discussed in **Section 1**, or the inflation and pursuant rate shock experienced during and after COVID. A major hurricane and significant earthquake add further underwriting pressure during the same hypothetical year.

110%

combined ratio rises, while the mark-to-market loss on fixed-income assets reaches approximately US$107 billion.

The effect is significant. The combined ratio rises to 110%, while the mark-to-market loss on fixed-income assets reaches approximately US$107 billion. Despite investment income of US$77 billion, dedicated capital falls from US$505 billion to US$415 billion, a decline of more than 17%. The model's pricing signal changes direction, moving from continued easing in the previous scenario to a +7% hardening signal.

The result illustrates just how much pressure is required to overcome today's strong starting position. In the model, a sufficiently severe combination of underwriting, reserving or financial pressures is needed before the pricing signal changes direction. While the scenario is deliberately extreme, its individual components are not without precedent, echoing pressures observed at different points in previous cycles.

- Capital
- Positive flow
- Negative flow

* Incl. cat and attritional

The scenarios suggest that substantial pressure would be required to reverse the market's current softening momentum. A deterioration in the wider financial or macroeconomic environment could nevertheless reduce the market's capacity to absorb underwriting volatility and leave it more exposed to further shocks.

For now, conditions remain favourable for buyers and markets. Pricing has fallen materially from recent peaks but remains elevated in many areas relative to previous soft-market troughs. This creates an opportunity to look beyond immediate price reductions and use current conditions to build resilience for future volatility.

The final section explores reinsurance structures that can help carriers manage that volatility, protect capital and preserve flexibility as conditions evolve.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nains elevated
e to previous

Lessons in action

Section 2 demonstrated the market's considerable capacity to absorb stress: reversing the model's pricing momentum within a single year required an unusually severe combination of underwriting and financial pressures. At the same time, the historical analogues explored in Section 1 showed how quickly conditions can change when pressures converge. As reinsurance rates continue to fall against this backdrop, there is greater scope to secure protection and build resilience on increasingly favourable terms.

As **Figure 10** shows, the G20 average country risk premium has risen sharply, indicating that investors require greater compensation for bearing risk and increasing the implied cost of equity. Sovereign yields and the cost of US corporate debt also remain elevated, reflecting a higher underlying cost of debt financing. Property-catastrophe reinsurance pricing, by contrast, has declined materially from its recent peak. The result is a notable divergence and arbitrage opportunity between lower reinsurance pricing and elevated risk premia elsewhere in capital markets, as outlined at the outset of this report.

Figure 10: Risk premia and financing costs vs risk-adjusted property-catastrophe reinsurance pricing

Source: Howden, Nova, Bloomberg

Chart A: G20 risk premium (GDP-weighted)

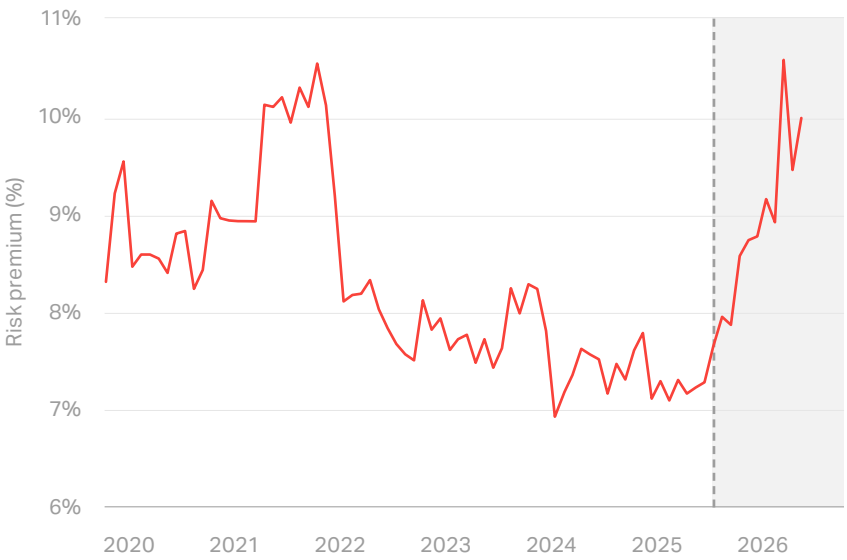
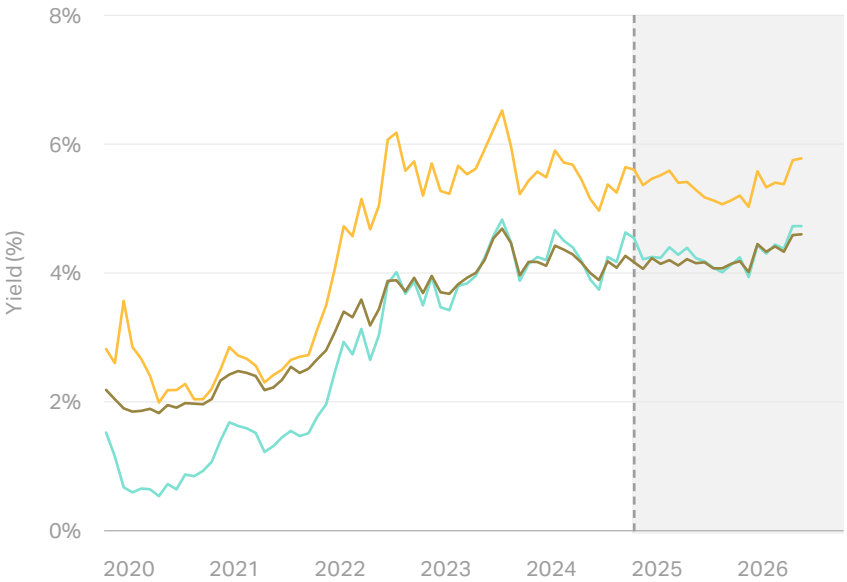


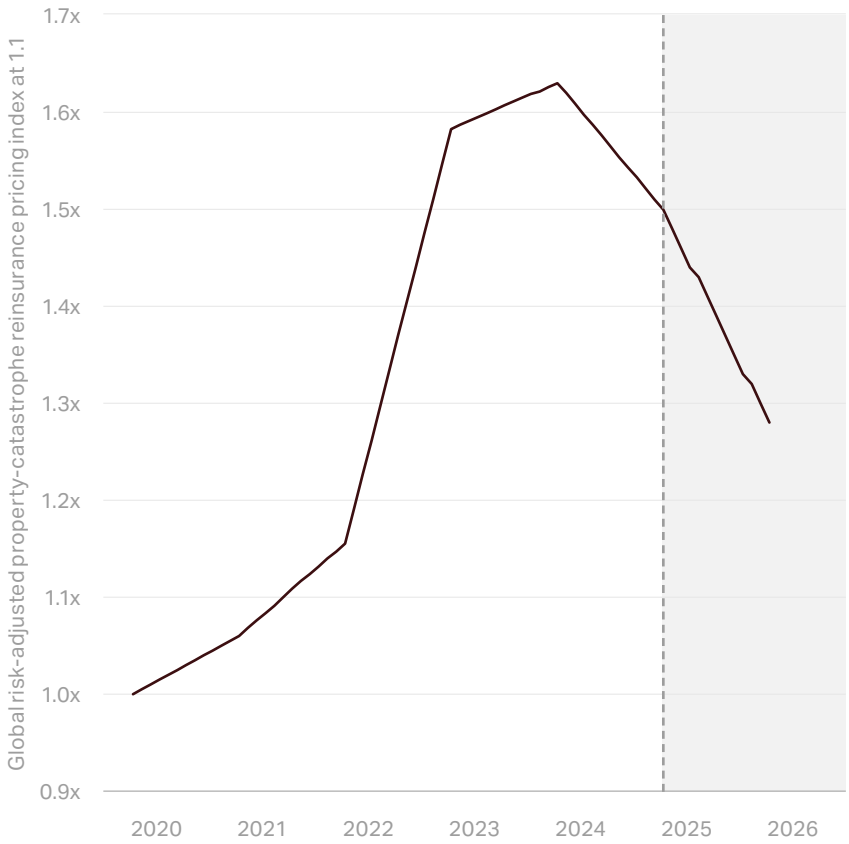
Chart B: Sovereign yields and the US cost of corporate debt*



Note: Chart B G20 weighted 10-year sovereign yield, US 10-year sovereign yield and US cost of corporate debt (10-year Treasury + BBB spread)

> There is no single strategy appropriate for every carrier.

Chart C: Global risk-adjusted property-catastrophe rate-on-line index at 1.1



Nevertheless, history shows that financial and (re)insurance markets do not always adjust in tandem. Capital markets can begin to reflect deteriorating economic or geopolitical expectations before the same pressures become evident in reinsurance pricing. The current divergence should therefore be viewed holistically, considering both what markets are signalling about the wider risk environment and how the conditions available today can be used to prepare for a range of outcomes.

There is no single strategy appropriate for every carrier. Capital structures, portfolios, risk appetites and strategic priorities vary considerably. The underlying rationale, however, is to secure protection and optionality that may become more difficult or expensive to obtain if conditions change.

— Risk-adjusted property-catastrophe rinsurance rate-on-line index

3.1

Breaking the glass

Translating that principle into practice will depend on each carrier's individual exposures and objectives, but several considerations are particularly relevant as cedents approach upcoming renewals.

1. **Rebalance retention:** As shown in **Figure 11** (see page 34), the 2022 hard market pushed retentions higher across many programmes as protection became more expensive and capacity more constrained. Current conditions provide an opportunity to revisit those decisions. Where possible, 'buying down' can reduce the earnings and capital absorbed by larger losses, while additional protection can also support growth by allowing carriers to deploy underwriting capacity into attractive areas without retaining the full incremental volatility.

2. **Manage accumulation:** Material loss years do not always result from a single, major event. **Section 2** assumes US$100 billion of insured natural-catastrophe losses even in the absence of a major shock where secondary perils and mid-sized events continue to generate substantial annual losses. Aggregate covers can provide protection against this accumulated exposure and the resulting earnings volatility.

3. **Diversify deliberately:** Broadening exposure across geographies, perils and classes can reduce exposure to any single source of earnings or loss and, depending on the portfolio and capital framework, generate diversification benefits. Reinsurance can support that expansion by absorbing part of the incremental volatility, allowing carriers to pursue growth without concentrating additional risk in the same areas.

4. **Preserve optionality:** Resilience also depends on the ability to respond as circumstances change. Master agreements, for example, can establish contractual frameworks with counterparties in advance, reducing execution friction if additional protection is required. Reinstatement provisions work in the same way, fixing the cost of restoring limit before the first loss has occurred rather than after the market has repriced it. More broadly,

favourable conditions provide an opportunity to establish relationships and secure access to capacity before urgency narrows the range of available choices.

5. **Broaden the toolkit:** A competitive market provides greater scope to explore solutions beyond conventional reinsurance purchases. Bespoke reinsurance, capital-markets and financing structures can offer alternative ways to manage risk, protect or release capital and support strategic growth. Developing these solutions in advance preserves greater choice over structure, counterparties and execution than may be available following a loss or market dislocation.

For reinsurers, the same environment creates a different imperative. Strong underwriting results have replenished capital, but additional capacity and competition are placing pressure on rates and economic returns. As the spread above the cost of capital narrows, disciplined capital deployment becomes increasingly important, with capacity directed towards areas where risk-adjusted returns continue to support value creation.

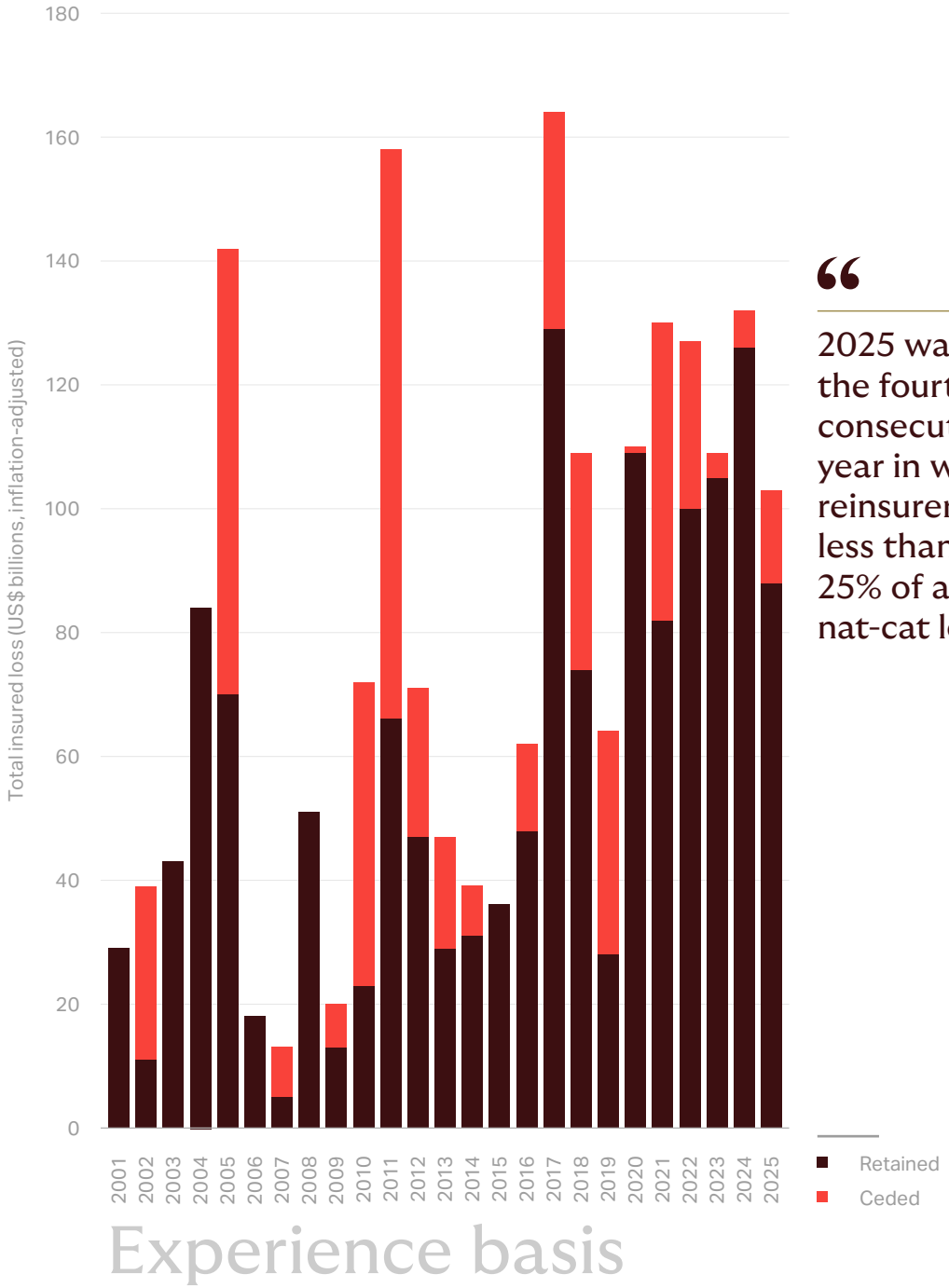
Preserving capital flexibility is itself a form of resilience. Capacity committed during a softening market may become less available when a subsequent dislocation creates more attractive opportunities. Selective use of retrocession is one way of ceding volatility without ceding optionality, preserving capital and the ability to deploy it elsewhere, or later, following a market correction. This reflects the same capital discipline introduced through the EVA framework in the report's introduction, where retrocession represents another form of priced contingent capital alongside debt and equity.

In practice, the comparison is wider still. Collateralised limit, industry loss warranties, catastrophe bonds and third-party quota shares each price against a different investor base and a different hurdle rate; the multi-year forms among them fix that price beyond a single renewal. The relative cost of these is one question, not several, and answering it requires advice that spans the full range, and the ability to execute across it.

A 'breaking the glass' strategy will therefore differ on either side of the transaction. For cedents, it means using favourable conditions to secure protection, diversify exposures and preserve optionality before those measures become more difficult to obtain. For reinsurers, it means deploying capital where risk remains appropriately rewarded while preserving the flexibility to respond when conditions change. In both cases, the emphasis is on using the choices available today to strengthen the position from which future volatility is absorbed.

Figure 11A: Total insured nat-cat losses (2001-2025) split by losses retained and ceded by insurance carriers

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



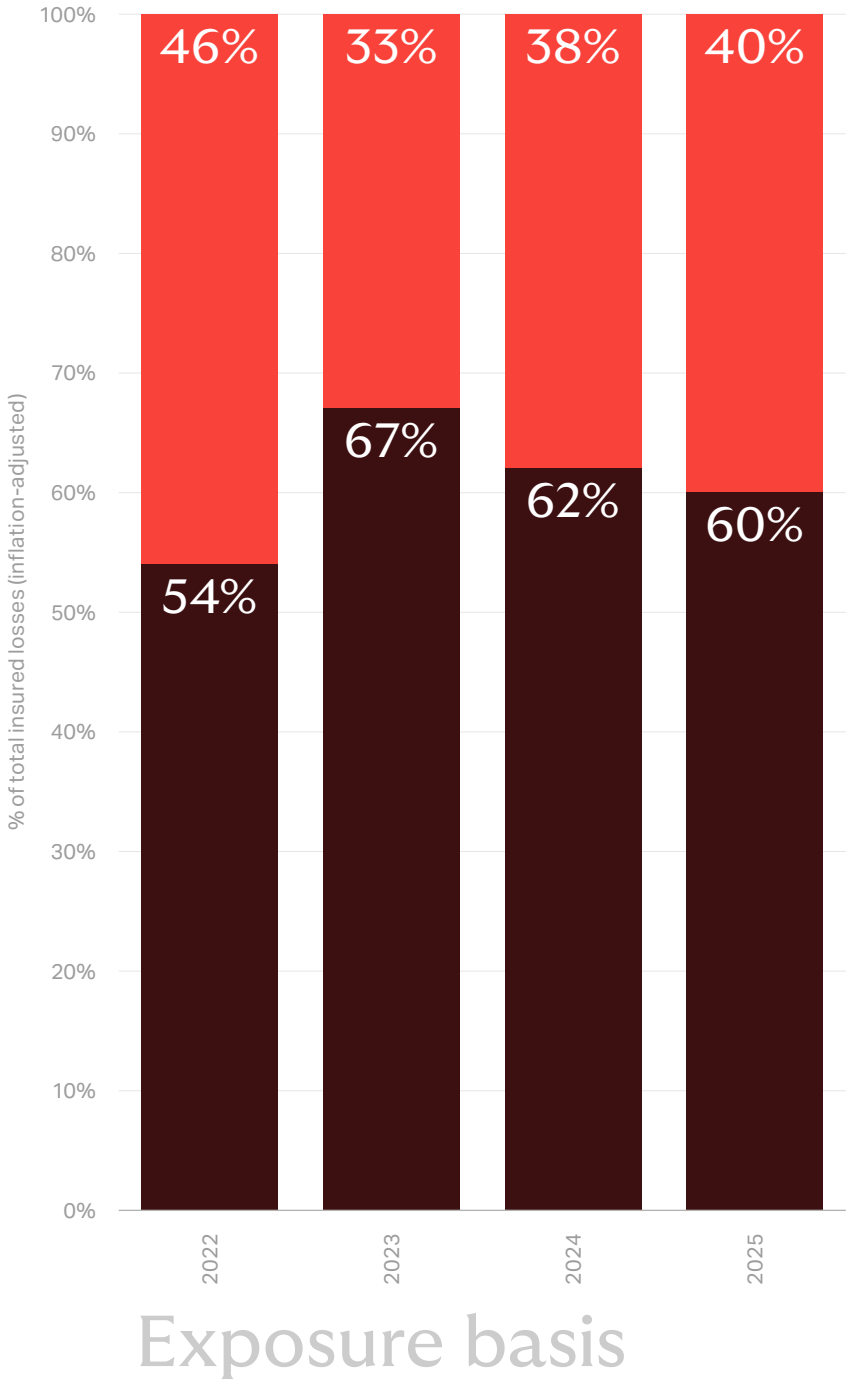
> 2025 was the fourth consecutive year in which reinsurers paid less than 25% of all nat-cat losses.

40%

Reinsurers have assumed, on average, 40% of nat-cat exposure since 2021.

Figure 11B: Total insured nat-cat exposure (2001-2025) split by losses retained and ceded by insurance carriers

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

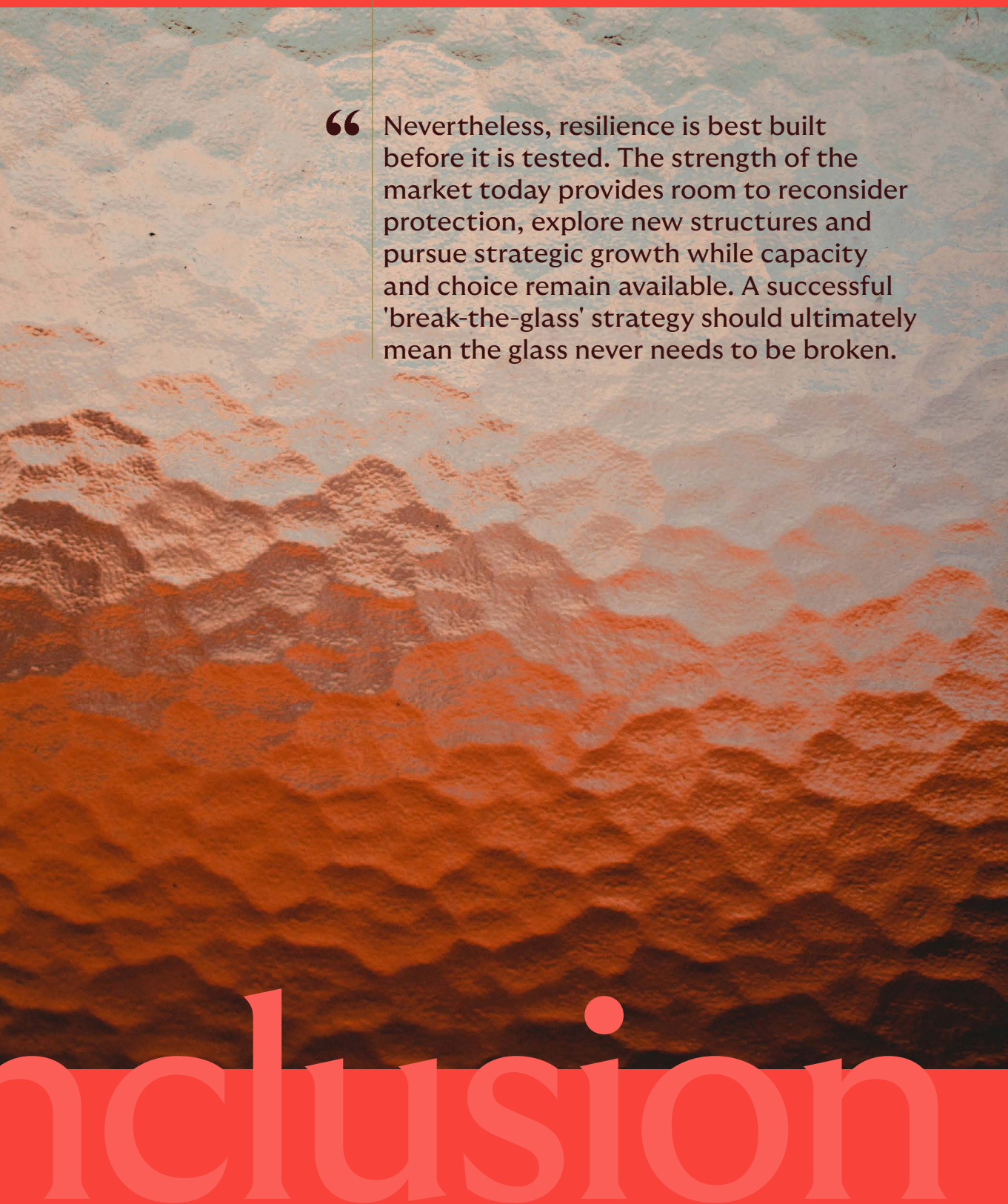


Conclusion

The analysis throughout this report points to a market in a strong position, but one operating against an unusually uncertain backdrop. History shows how underwriting, financial and external pressures can interact to alter the cycle, while the model case study analysis suggests that a considerable confluence of those pressures would be required to change the current trajectory. Paradoxically, risk premia nevertheless remain elevated as reinsurance pricing continues to become more favourable for buyers.

Periods of relative stability allow time to consider where vulnerabilities lie, which protections could become constrained and how individual portfolios might respond to a change in conditions, drawing on the experience of earlier market dislocations. This perspective can help identify where additional protection, diversification or optionality would leave a carrier better positioned through the next phase. The appropriate response will vary according to exposures, capital structure and risk appetite.

Nevertheless, resilience is best built before it is tested. The strength of the market today provides room to reconsider protection, explore new structures and pursue strategic growth while capacity and choice remain available. A successful 'break-the-glass' strategy should ultimately mean the glass never needs to be broken.



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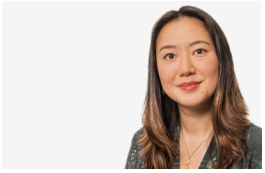

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