

Snapshot Guide of the Reinsurance Renewal

Buying Power Grows as the Market Shifts

September 2025



Executive Summary: Buying Power Grows as the Market Shifts

The momentum is with reinsurance buyers as the January 1 renewal season gets underway. Demand for reinsurance protection in all its forms is robust, and capacity is plentiful, with industry capital and catastrophe bond issuance both at historic highs. And while headwinds remain, the reinsurance market is well positioned to support insurers in their pursuit of profitable growth.

The last three years have been challenging for the insurance industry with elevated catastrophe loss frequency, and economic and social inflation. However, pricing and underwriting actions have restored profitability and made the industry more resilient. Technology and data are also driving a more sustainable market, providing risk insights and enabling more informed decisionmaking.

Insurers are expected to increase property catastrophe reinsurance limits globally by circa 5 percent in 2026, following a 6 percent rise in 2025, led by the U.S. and Europe, respectively.

Now the focus is on profitable growth through the market cycle. High growth areas include casualty, climate, cyber and technology advancements (AI), as well as notable opportunities in sectors like agriculture, energy and healthcare. While advancements in AI, cyber and data technology are helping companies gain a significant competitive edge, they also introduce new and evolving business risks.

Some **40 percent of global catastrophe losses were not insured** in the first half of 2025, while the protection gap in some areas was closer to 90 percent, according to Aon's Climate and Catastrophe Insight report. A clear theme during this year's renewal season will be how we unlock market potential and deploy capital profitably towards these growth areas.

The outlook is broadly positive, yet the operating environment remains fragile. Insured losses are elevated — 2025 is already 75 percent above the eight-year average — while geopolitical and economic volatility are creating uncertainty around inflation and interest rates. The industry demonstrated resilience in recent years and proven its ability to adapt, but sudden or unexpected events can quickly change market sentiment and conditions.

Key Themes for January Renewals

1 Buying Power for Strategic Advantage

Relevance to insurers' customers is key to achieving profitable growth through the market cycle. Favorable reinsurance market conditions present opportunities for insurers to align capital structures with their long-term growth strategies to respond to customers' needs. We're dedicating all our resources to working with clients to capitalize on a more flexible market, analyze their capital structures and help them plan for the next three to five years.

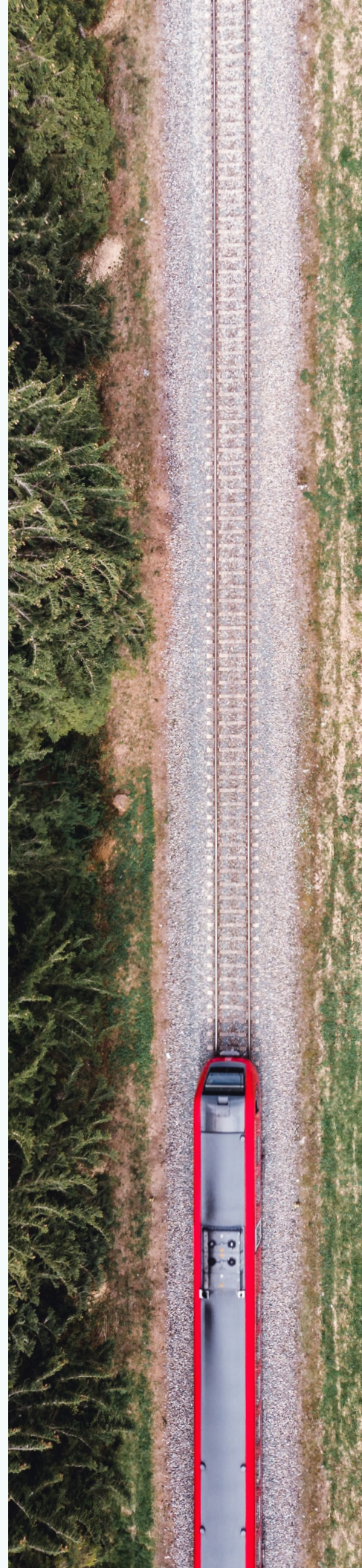
2 Secure the Capital that Accelerates Growth

Insurers can now leverage a diverse range of capital sources, reinsurance structures and products that were not feasible a year ago to support their growth ambitions and manage volatility. These include notable opportunities for facultative reinsurance, structured solutions and catastrophe bonds, as well as treaty and proportional reinsurance.

Facilities – including Marlin, Marilla and Aon Client Treaty also offer clients access to guaranteed, highly-rated capacity. New capital is entering the reinsurance market with recent start-ups, along with increased issuance in catastrophe bonds demonstrate this capital influx.

3 Reinsurer Appetite Boosts Industry Relevance

In a capital-rich and competitive market, reinsurers need to deploy capital to cover risks across **trade, technology, weather and workforce**. The reinsurers we work with reinforce their increased risk appetite and goal to collaborate to drive industry relevance. They need to deliver scalable and future-ready products – and consider opportunities such as the potential **~\$5 billion reinsurance casualty catastrophe market** by covering emerging risks. The most successful reinsurers at the January renewal will be creative and partner with insurers to respond to their needs. We also see strong investor appetite to expand into catastrophe bonds, aggregate covers and even secondary perils.





Grow Profitably with Best-in-Class Strategies

Success in today's insurance market depends on anticipating and responding to change and opportunity using the full spectrum of solutions. Insurers can stay competitive and remain relevant to their customers by leveraging attractively priced and diverse capital, revisiting your long-term strategy and product mix to support growth and manage volatility. Building **best-in-class strategies** – from capital deployment and talent to distribution focus and underwriting innovation – is essential for thriving in today's attractive, yet dynamic market.



Steve Hofmann
CEO of the Americas,
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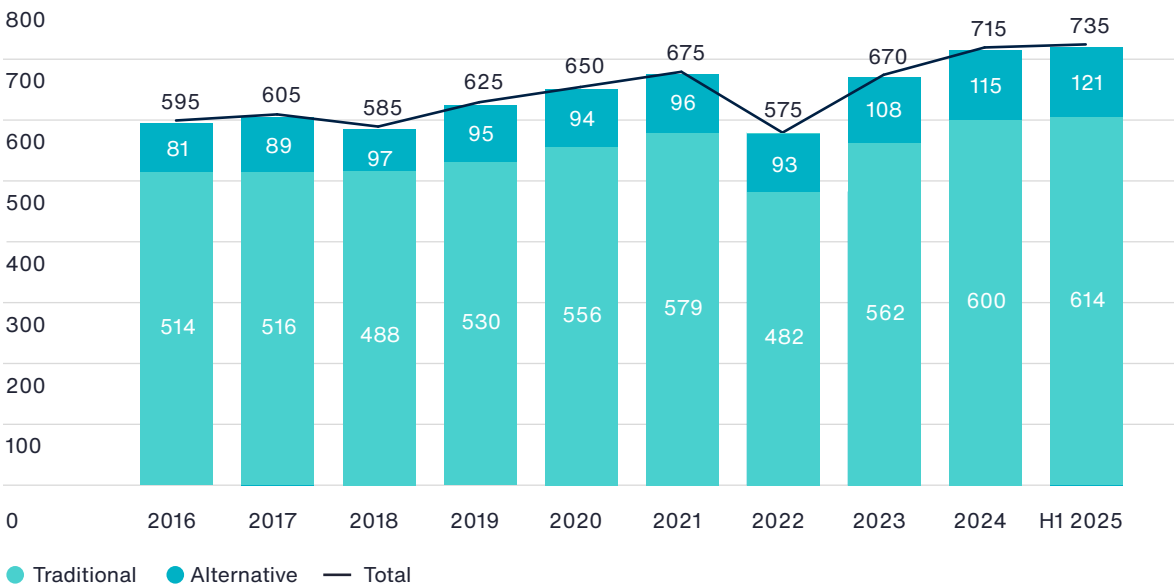
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Capital: Continued Growth in Reinsurance Capacity and Catastrophe Bond Issuance

Aon estimates that global reinsurance capital hit a new high of \$735 billion at June 30, 2025, driven mainly by retained (and redeployed) earnings in both the traditional and alternative capital sectors.

New inflows have largely been confined to the catastrophe bond market, which continues to display record levels of activity and growing diversification.

Exhibit 1: Global Reinsurer Capital (\$ billions)

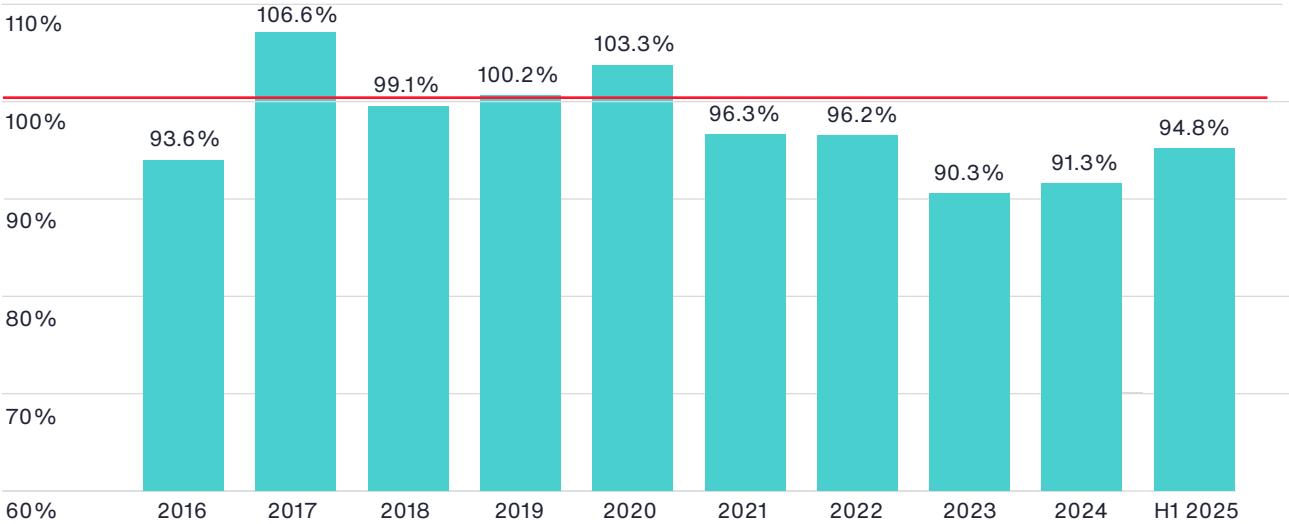


Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.

The underlying profitability of the business earning-through has enabled the sector to absorb the impact of the California wildfires without difficulty.

The average combined ratio across 30 global reinsurers was 94.8 percent, up from 89.5 percent in the first half of 2024.

Exhibit 2: Reinsurance Sector Combined Ratio

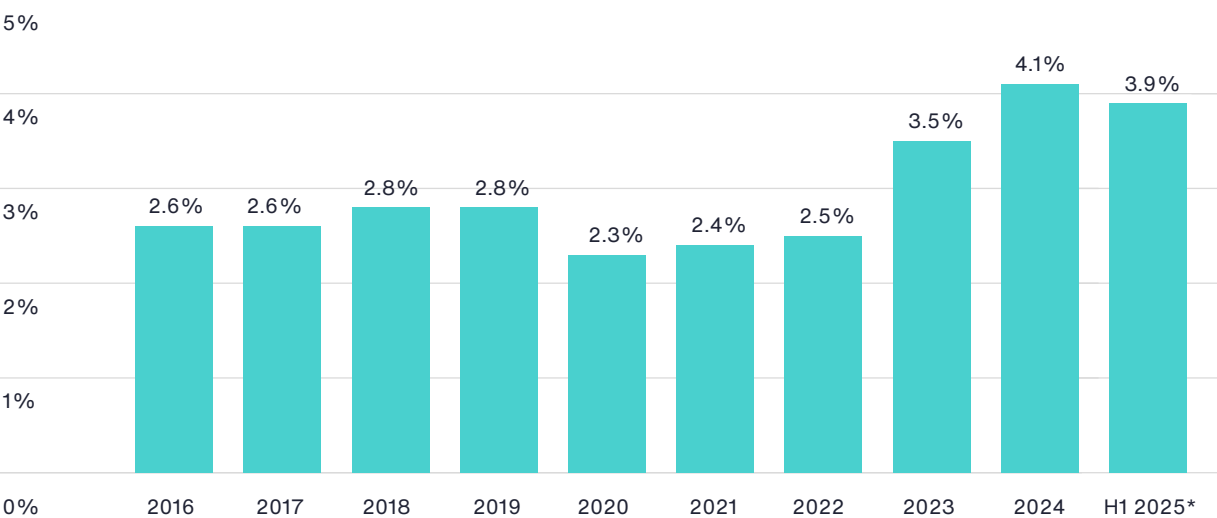


Source: Aon / Company Disclosure

The asset side continues to provide significant support to reported earnings. The average ordinary investment return dipped marginally to 3.9 percent

on an annualized basis in the first half of 2025, albeit with reinvestment rates generally remaining above book yields.

Exhibit 3: Average Sector Ordinary Investment Return (Annualized)

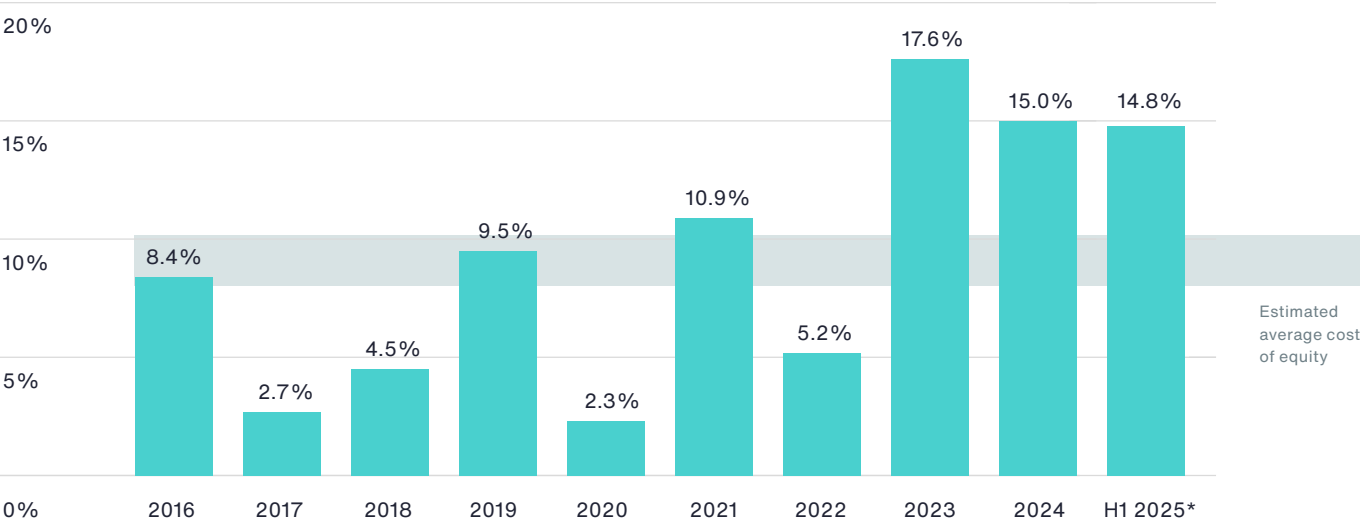


Note: * Annualized
Source: Aon / Company Disclosure

Overall, the average return on equity was 14.5 percent on an annualized basis, remaining well ahead of the estimated cost of equity.

Absent unusually large losses, the sector remains on course to deliver a third consecutive year of strong results in 2025.

Exhibit 4: Average Sector Return on Equity



Note: * Annualized
Source: Aon / Company Disclosure

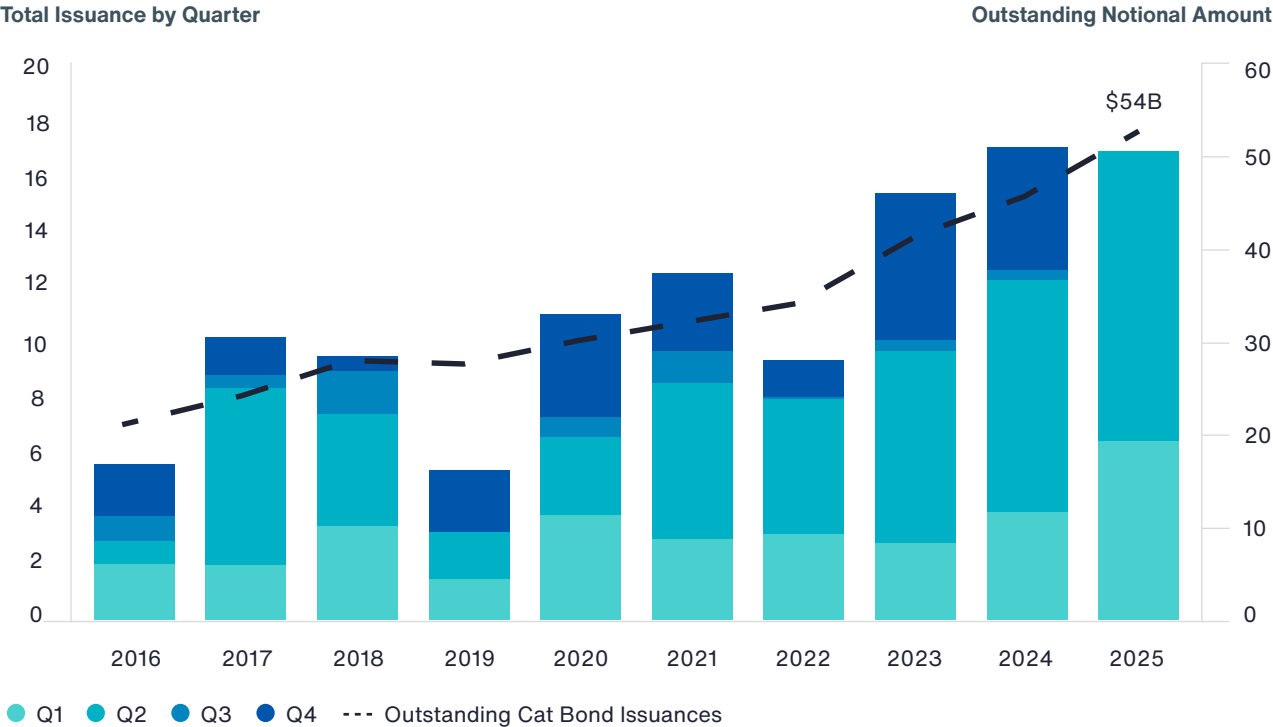


Insurance -Linked Securities: Record Catastrophe Bond Issuance

The insurance-linked securities (ILS) market experienced unprecedented growth and dynamism over the past year, cementing its role as a critical source of capital for both insurers and reinsurers. As of June 30, 2025, alternative capital reached a record \$121 billion, with outstanding catastrophe bond volume rising to \$54 billion — an almost 20 percent increase year-over-year. As of August 15, 2025, issuance exceeded \$17.3 billion, already surpassing the full-year total for 2024 (\$17.0 billion). Expansion was driven by robust investor demand, favorable market conditions and a steady influx of both new and repeat sponsors, with 11 new entrants since January 1, 2025 and 52 repeat clients since July 1, 2024.

The sidecar market also demonstrated remarkable growth, with outstanding capital increasing to \$17 billion as of June 30, 2025 — expanding substantially over the past two years. This upswing was supported by strong investor demand, with the entry of new vehicles and the return of established sidecars seeking additional capacity. Sidecars are now an important source of proportional reinsurance capacity, helping insurers manage claims frequency and volatility. The development of casualty sidecars, in particular, marks a significant evolution, further broadening the market’s reach.

Exhibit 5: Property Catastrophe Bonds Issued and Outstanding By Quarter (\$ billions)



Note: As of June 30, 2025
Source: Aon Securities, LLC

Property: Favorable Market Puts Emphasis on Value

The January renewal marks a significant further shift to a buyers' market, providing insurers with increased leverage to restructure programs and explore products previously lost during the hard market. With record capital and healthy competition, reinsurers must proactively address insurers' needs to retain and grow their business at January 1. The most successful reinsurers will be those that can offer competitive, client-focused solutions across multiple lines and products.

For property treaty reinsurance, capacity is more than ample, supported by increased availability of retro, to meet rising demand. Over-placement and expansion in the catastrophe bond market added competitive pressure at 2025 renewals, while new entrants are scaling up their underwriting capabilities. Capacity continues to be buoyed by healthy results: Despite global insured catastrophe losses exceeding \$100 billion in H1 2025, ceded losses to reinsurers remain relatively benign. This abundance of capacity, along with reinsurers expanding appetite, will continue to challenge pricing and underwriting in 2026, as reinsurers strive to meet premium targets.

Demand for treaty reinsurance remains robust, with inflation, exposure growth and updates to catastrophe models offsetting the dampening effect of foreign exchange rates and M&A activity. Insurers are expected to increase reinsurance limits globally by about 5 percent in 2026, following a 6 percent rise in 2025, led by the U.S. and Europe. In Europe, demand for property catastrophe reinsurance is rising, driven by recent extreme weather and public-private partnerships. Proportional reinsurance is gaining traction, especially among personal lines insurers seeking operational flexibility.

Facultative reinsurance is also experiencing heightened demand as insurers use facultative as a strategic tool to support growth in an increasingly competitive insurance market. Aon is uniquely positioned to support clients with innovative facultative solutions, delivered by dedicated global and local teams. Complementing the traditional ceded facultative offering, Aon's reinsurance business created a pioneering automated facultative facility, supporting growth initiatives through fast and efficient access to facultative capacity.

In a buyers' market, reinsurers must differentiate by delivering added value. The January renewal will see reinsurers offer a wider array of structures, including aggregate, frequency and earnings protection covers, which have become more accessible and competitive over the past year. Aggregate cover purchasing rose by 50 percent in 2025, and reinsurers are becoming more open to lower retention level exposure.

Casualty: Market Equilibrium to Persist

The casualty reinsurance market remains broadly stable heading into 2026 renewals, with conditions supported by robust underlying pricing, disciplined underwriting and favorable interest rates. However, the sector is not without challenges, resulting in growing differentiation and transparency.

For international casualty, renewals in 2025 reflected growing competition, albeit with a sharp focus on U.S. exposures, especially around limit deployment and rate adequacy. Capacity for U.S. casualty is broadly adequate, but outcomes are widening as reinsurers increase differentiation. Insurers' operations, pricing and underwriting strategies are under scrutiny, with particular attention to claims management sophistication and its integration with underwriting.

Reinsurers continue to monitor several key trends: adverse reserve development, the frequency of large nuclear verdicts, the impact of litigation financing and emerging risks. PFAS exposures remain a focal

point, although reinsurers continue to support coverage when offset by underlying rate adequacy and strong underwriting controls.

While emerging risks such as microplastics, addictive software and ultra processed foods are challenging for re/insurers they are also presenting opportunities for growth. According to Aon's casualty report in collaboration with Moody's, there is a potential **\$5 billion reinsurance casualty catastrophe market** by covering emerging risks. The report also highlights that 6 of the 13 largest U.S. property and casualty losses have been casualty events, with deficient reserving as the primary cause for insurer impairment. Aon and Moody's have now developed named peril casualty solutions that drive transparency and certainty by covering specific emerging pre-litigation threats.

State-level tort reform and proposed legislation to limit third-party litigation funding are also gaining momentum, which could further stabilize the market.



Cyber: Reinsurers Ready to Support Growth and Innovation

At upcoming 2026 renewals, insurers will find a broader range of reinsurance products and structures available, including more nuanced options that address specific exposures, catastrophe risks and earnings volatility. Aon, for example, was able to place a first-of-its-kind stop-loss reinsurance at 6/1 that protects insurers against a surge in claims within a specified time window. This shift allows insurers to better align reinsurance programs with their growth strategies, while reinsurers benefit from portfolio diversification.

The underlying cyber insurance market remains resilient despite ten consecutive quarters of rate reductions, according to [Aon's Global 2025 Cyber Risk Report](#). The underlying rate environment appears to be stabilizing, and claims trends remain within expectations, despite high-profile incidents like the CrowdStrike outage and ransomware attacks by groups such as Scattered Spider. Underwriting actions taken by insureds have begun to contain large losses: The average claim payment fell by 77 percent in 2024 despite an overall increase in claims frequency. Enhanced data capture initiatives, such as Aon's new Cyber Exposure Schema, are helping insurers and reinsurers better understand exposures and loss drivers, which supports more accurate pricing and underwriting portfolio management.

With capacity in the cyber reinsurance market more than adequate to meet current demand, closing the cyber protection gap is a top priority. Global cyber insurance market penetration remains low relative to exposures, but reinsurance capacity is positioned to support strong growth, with the global cyber insurance market projected to reach \$24 billion by 2029, up from \$15 billion today, and the cyber reinsurance market forecasted to grow from \$6 billion gross written premium to \$9 billion by 2029. This environment presents significant opportunities for insurers to optimize their cyber risk strategies and leverage reinsurance for sustainable growth.



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