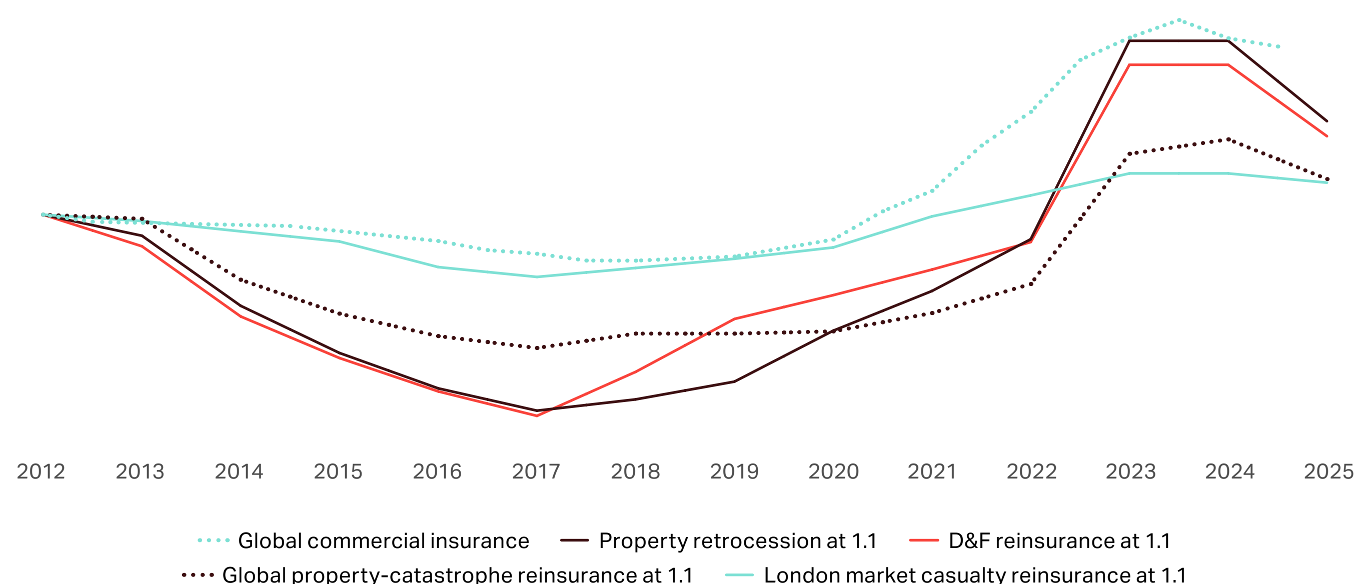
Past the pricing peak

Key takeaways

Following a prolonged run of rate increases across the (re)insurance sector (exacerbated by accumulating and intersecting crises), the degree of deployable capacity now available in the marketplace marks an important break with the recent past and heralds a new phase in the cycle.

Healthy supply led to risk-adjusted rate reductions for the first time this decade

Global commercial insurance and 1.1 reinsurance pricing index from 2012



Reinsurance renewals at 1 January 2025 saw rate reductions overall, reflecting a desire for growth on the part of reinsurers. Client-level differentiation was a key feature of renewals, underlining the need for data transparency and relationships.

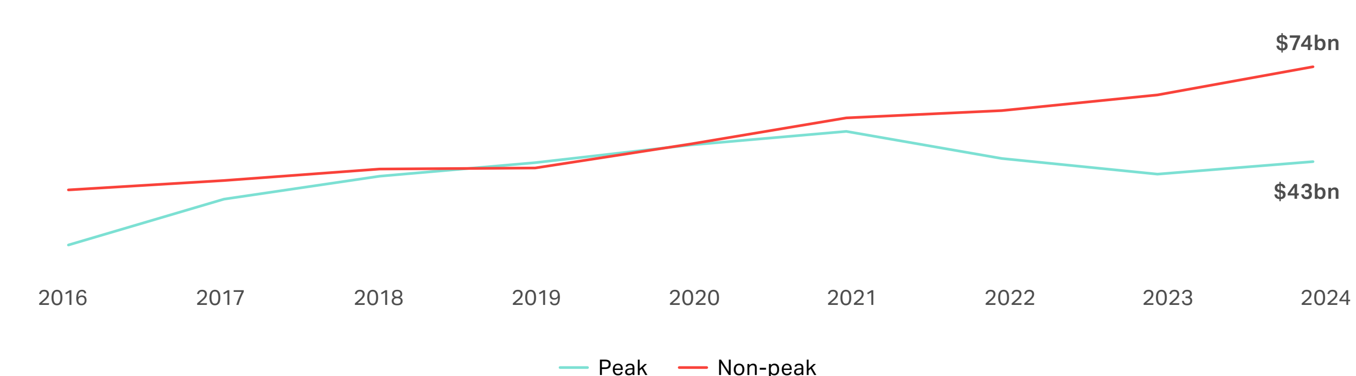
Pricing fell from a high base across all major property lines

Risk-adjusted rate change at 1 January 2025

With pricing now falling from a high base, structural changes imposed during the hard market are likely to be more enduring. Higher earnings volatility for insurers looks set to remain a feature in 2025 as they continue to absorb the lion's share of (elevated) catastrophe losses due to higher attachment points.

Since 2021, so-called non-peak losses have outstripped peak losses each year

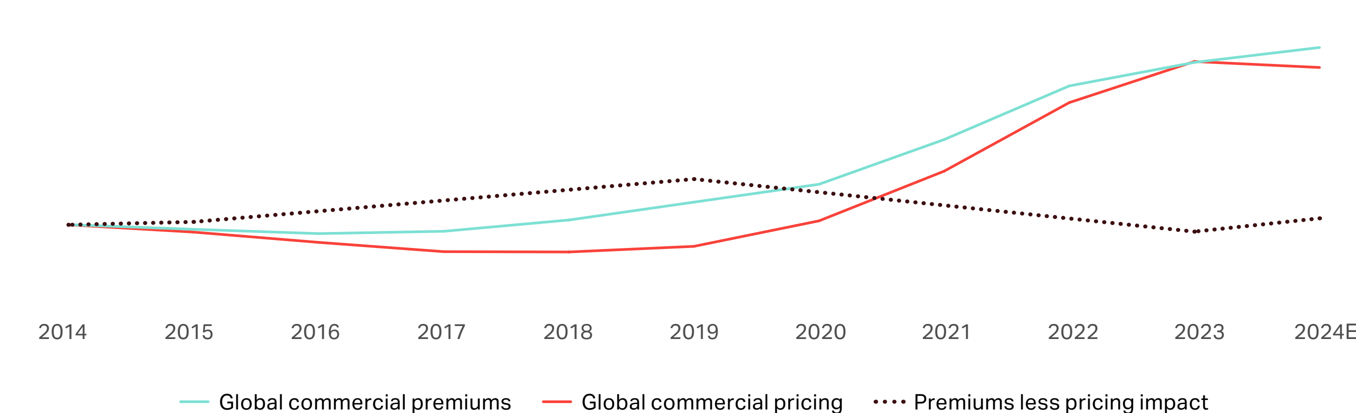
Five-year running average for insured natural catastrophe losses



Finding risk transfer solutions to close protection gaps and sustain market growth will become increasingly important as rate momentum wanes. The dawn of a new cycle brings fresh innovation opportunities as insurers look to expand coverage in new areas.

In 2024, premiums less the impact of pricing grew for the first time since 2019

Index of global commercial insurance premiums vs global commercial pricing



Past the pricing peak

The first half of the 2020s will be forever synonymous with global turbulence. The sequence of events that unfolded during the period is indicative not only of the ubiquity of risk in today's world but also the interconnectivity (as shown by Figure 1).

Accumulating and intersecting crises since the turn of the decade – a global pandemic, devastating (and escalating) wars, commodity shocks, significantly higher prices, financial market volatility, weakening global trade, high debt levels – have ushered in a new world (dis)order that carries far-reaching implications for security, commerce, investment, supply chains and political stability.

Add into the mix elevated losses from natural catastrophes (every year since 2020 has seen real-terms annual insured costs exceed US$100 billion), more episodes of civil unrest, adverse litigation trends, evolving cyber threats, fraying social cohesion (exacerbated by the spread of misinformation and disinformation), and businesses and (re)insurers are navigating a hostile operating environment.

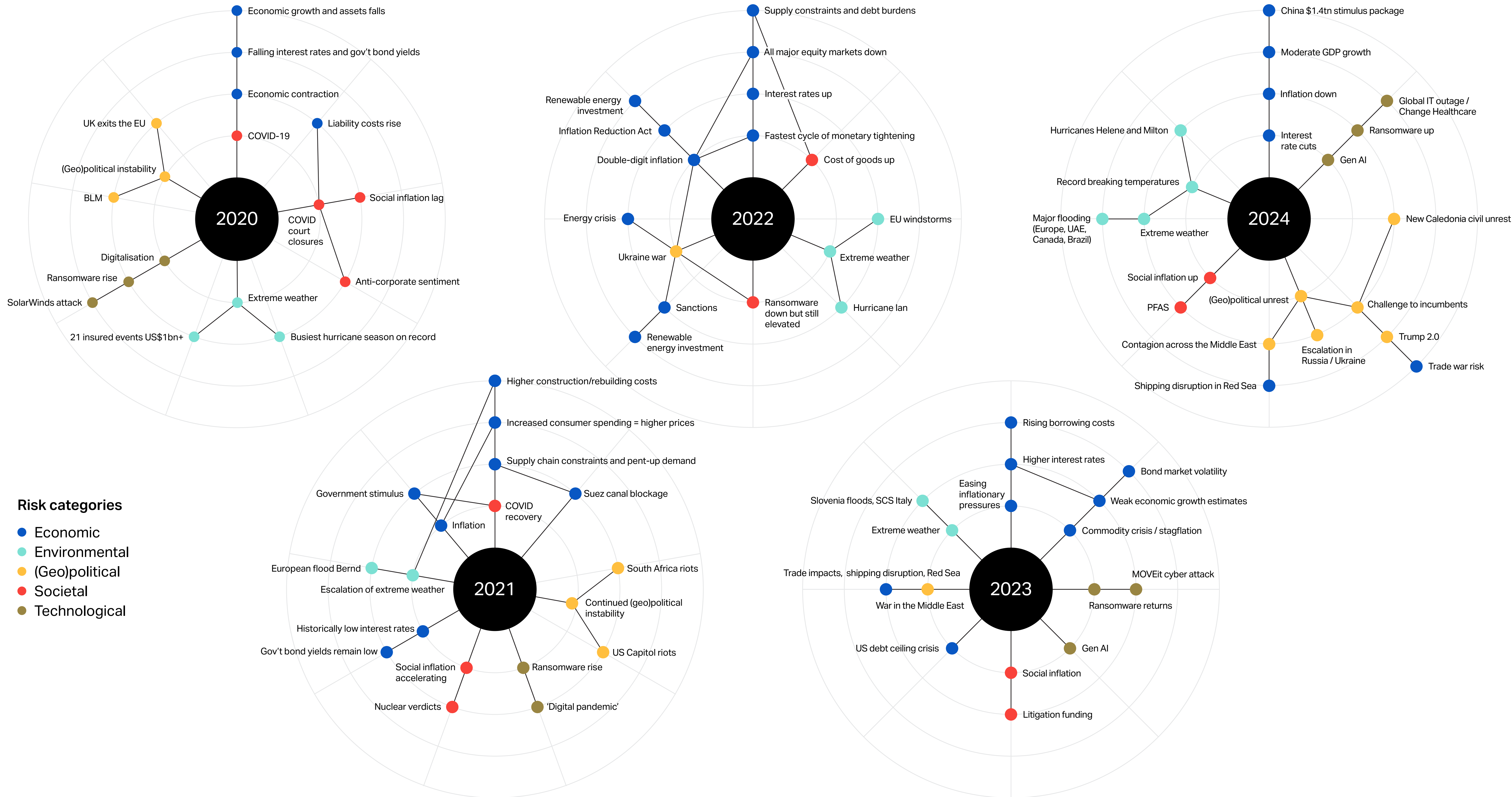
The global economy has so far demonstrated resilience against this backdrop and demand for risk transfer has never been higher.

Whilst these converging cyclical and structural forces have extended an already protracted insurance market cycle, differing sensitivities to losses and broader macro risks are now causing line-specific variability. Capacity deployments have become increasingly selective and correlated closely to profitability expectations.

After conditions moved in favour of buyers during the first three quarters of 2024 due to increased capacity and moderated pricing, major developments towards the end of the year, namely Hurricanes Helene and Milton, war escalation in Ukraine and the Middle East, growing economic fragmentation and the macro fallout, re-introduced uncertainty into the market. Supply dynamics nevertheless remained favourable.

As the risk landscape undergoes structural change and the (re)insurance market enters a new phase of the cycle, carriers are using their expertise to adapt and take advantage of the new realities of the marketplace.

Figure 1: Risk landscape since 2020 traversing environmental, economic, geopolitical, societal and technological factors (Source: Howden)

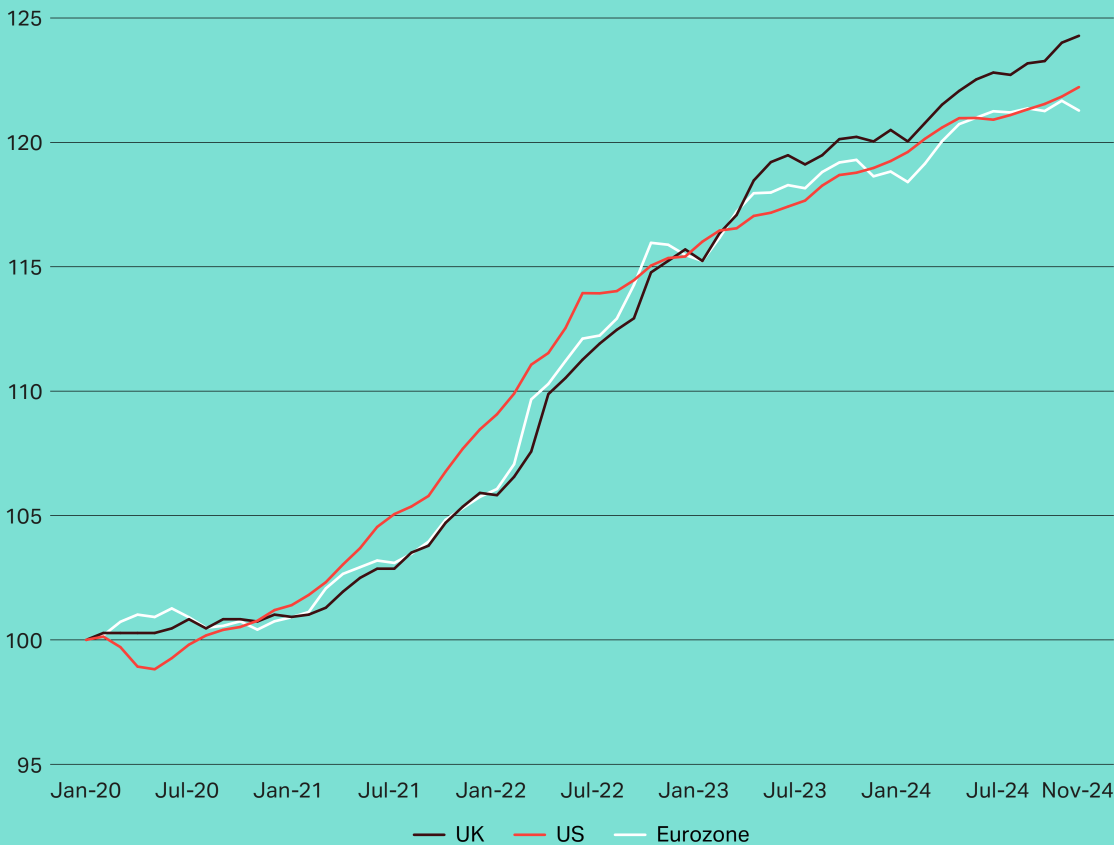


Macro backdrop

Fluidity has defined the global insurance and reinsurance markets for several years now, mirroring a highly volatile macroeconomic and geopolitical environment. 2024 was no different, as performance-driven variability across individual segments and product lines shaped renewal outcomes. Major loss activity, geopolitical instability and shifting economic dynamics coalesced late in the year to reinforce the changeability of market conditions.

Inflation, whilst easing last year, remains elevated having driven replacement costs and claims higher at a time of significant loss activity. Figure 2 shows that CPI in advanced economies has risen by more than 20% since the turn of the decade. Concern that adverse litigation trends are driving loss costs higher in US long-tail lines have also led to tighter coverage off the back of reserve deterioration, even as investment income continues to provide a meaningful offset.

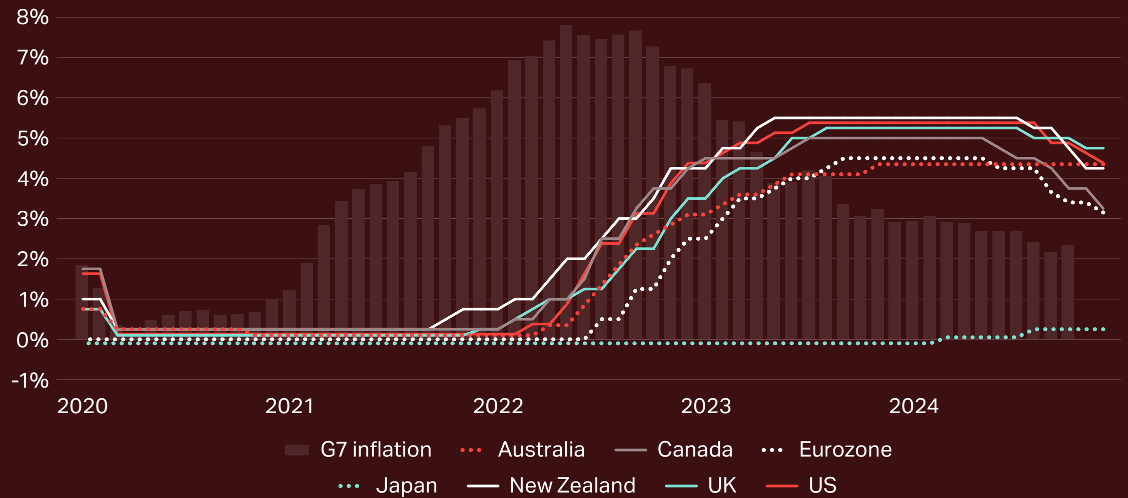
Figure 2: CPI indices in select major economies – 1Q20 to 4Q24
(Source: Howden, BLS, ONS, Eurostat)



After the most rapid cycle of monetary tightening in recent memory in 2022/23, interest rates started to fall in several advanced economies last year as central banks priorities shifted to propping up growth and employment as well as delivering price stability (see Figure 3).

Financial markets nevertheless remained jittery, with major reactions to downside or upside data points being inflated into fear of recession or big relief rallies as sentiment swung perpetually.

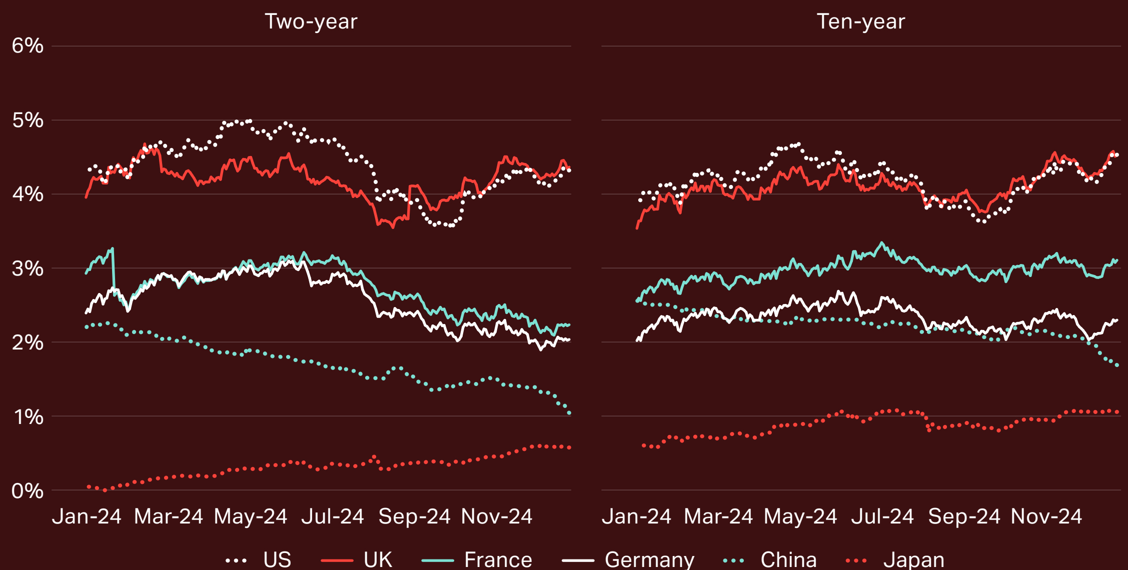
Figure 3: Interest rates and inflation in advanced economies – 2020 to 2024
(Source: Howden, BIS, OECD)



Monetary policy convergence around uniformly higher inflation now looks set to diverge, as major central banks chart different paths (timing, size and pace) in response to mixed economic activity. Amidst shifting consensus in the US through 2024, expectations ultimately settled by year-end on a scenario of resilient (albeit moderated) growth, with sticky inflation and higher interest rate expectations.

Europe and China, in contrast, saw growth and inflation data surprise to the downside. Mixed economic performance, in combination with high debt levels and spending plans, drove currency volatility and wide swings in government bond yields last year (see Figure 4). Coupled with geopolitical instability and rising economic fragmentation, regional divergence is set to become more pronounced from here.

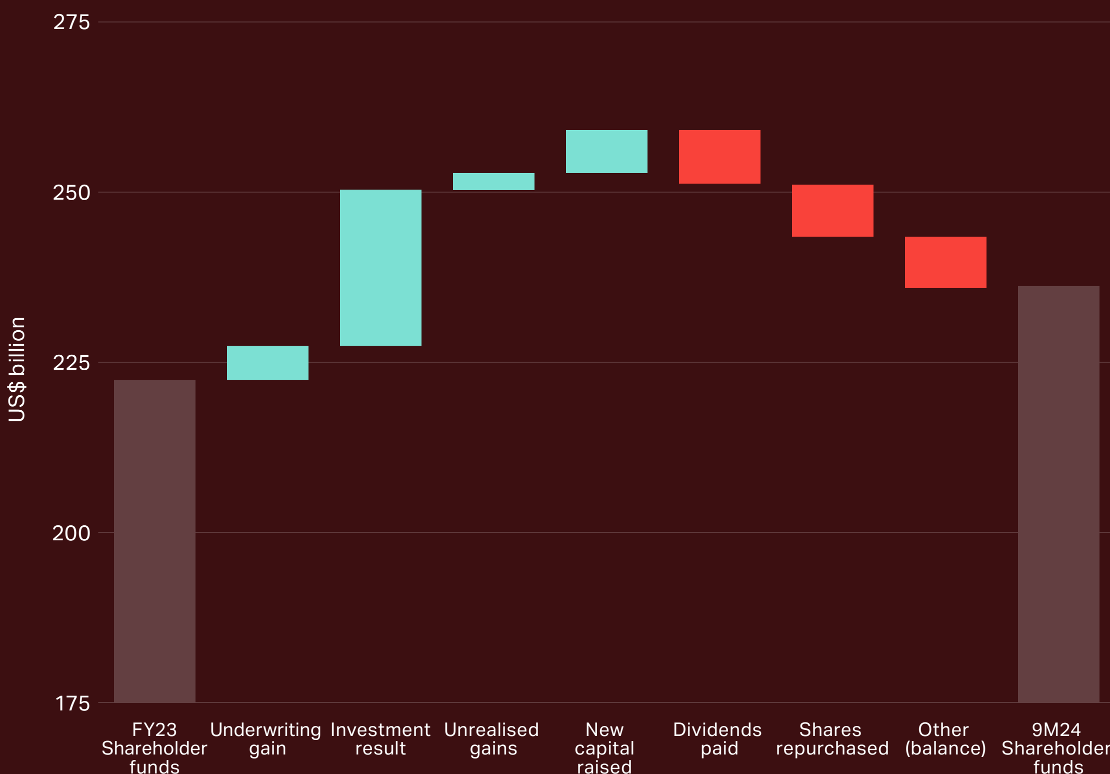
Figure 4: Two-year and ten-year government bond yields for select economies in 2024
(Source: Howden, Bloomberg)



All of which is impacting (re)insurers' balance sheets. After significant asset-side impairments in 2022, capital rebounded in 2023, driven by technical profits and investments gains. This momentum persisted into 2024, with strong underwriting performance and robust investment income further boosting balance sheets. Figure 5 shows that shareholders' funds for a composite of (re)insurance carriers rose by 6% in the first nine months of the year after sizeable capital returns were factored in.

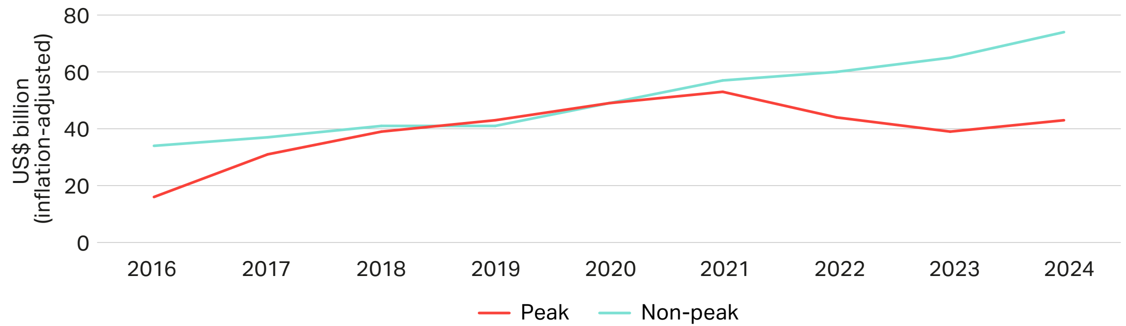
Dividend payouts and share buybacks surged towards the end of the year, reflecting the sector's healthy capital position amidst strong earnings (despite material catastrophe losses). Robust balance sheets and underwriting actions post-Hurricane Ian left carriers better positioned in 2024 to absorb a similarly expensive catastrophe year.

Figure 5: Breakdown of balance sheet components for (re)insurance composite – FY23 to 9M24 (Source: Howden, NOVA)



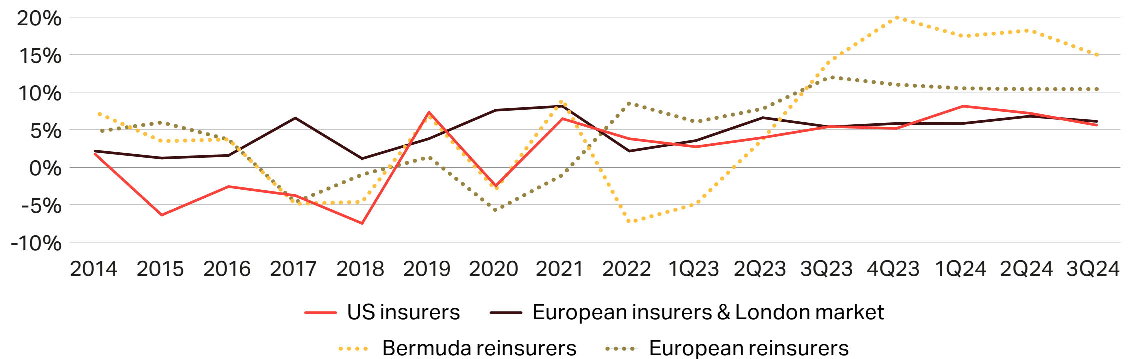
Structural changes in the catastrophe market have nevertheless resulted in higher earnings volatility for insurers as they have absorbed the lion's share of claims in a period marked by frequent low-to-mid-size losses from non-peak events (see Figure 6). Reinsurers' underwriting margins have improved concurrently, and 1 January renewals indicated that there is little sign of attachment points returning to pre-correction levels any time soon.

Figure 6: Five-year running average for peak vs non-peak insured natural catastrophe losses – 2016 to 2024[1] (Source: Howden, NOVA)



This shift in the loss burden and significant turnaround in performance marks a pivotal moment for investors looking to commit to the reinsurance sector, as demonstrated by substantial inflows into the catastrophe bond market last year. It also puts carriers in a stronger position to meet the needs of clients as more capacity is unlocked. Figure 7 shows that both insurers and reinsurers are earning returns above their cost of capital, with reinsurers achieving levels of economic value not seen in well over a decade.

Figure 7: Economic value added for insurers and reinsurers – 2014 to 3Q24
(Source: Howden, NOVA)



Healthy capacity from incumbents, along with attractive investment opportunities in other asset classes, have moderated new capital inflows relative to previous market cycles. Already high return expectations from capital providers have been amplified by an active 2024 hurricane season and large flood-related international losses.

Recent value creation has been positive but follows years of elevated losses driven by inflationary pressures, growing populations in high-risk areas, climate change and heightened geopolitical risk. As a result, investors are seeking evidence of strong underwriting performance over a sustained period and across market cycles. Exceptional reinsurance performance in 2023/24 and the prospect of another strong year in 2025 (even with the rate reductions at 1 January 2025 renewals) provide a solid foundation for future capital inflows.

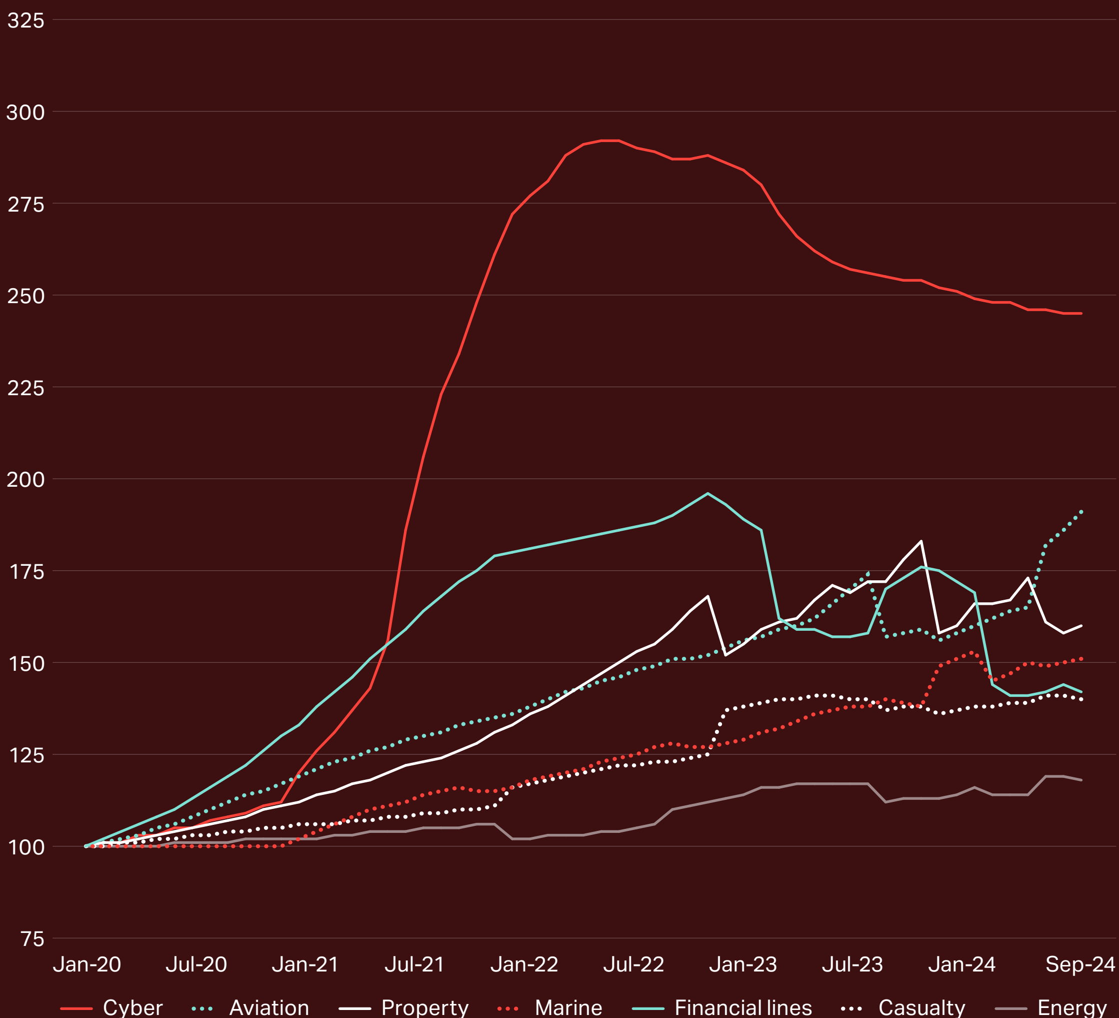
[1] Peak perils = tropical cyclones, earthquakes, European windstorms. Non-peak perils = severe convective storms, floods, wildfires, winter (freeze) storms, other.

Global insurance market

Price increases across most commercial insurance lines continued to moderate throughout 2024, with several areas seeing rate reductions by year-end. Howden data shows that global commercial insurance pricing across all classes came in at a weighted average of -0.9% during the first three quarters of the year, the first negative reading since 2017.

This figure masks variability in specific areas of the market, as shown by the pricing trajectories of different product lines in Figure 8. The effects of macro uncertainty, geopolitical risk, a new normal for catastrophe losses and higher attaching reinsurance cover are likely to support pricing in 2025.

Figure 8: Commercial insurance pricing – 1Q20 to 3Q24 (Source: Howden, NOVA)



Commercial carriers continue to report strong underwriting performance in most areas. After a prolonged run of rate increases in the property market, strong results and increased capacity from both incumbents and new entrants yielded a moderating or even negative pricing environment for much of 2024. After some uncertainty, loss quantum for Hurricanes Helene and Milton ultimately did little to change the direction of travel in 4Q24.

Claims from Milton were triggered across a variety of classes of business, property most extensively (even if the storm's late shift south reduced commercial losses due to less exposure around the landfall area) but also aviation, marine, energy and motor.

Whilst a sizeable portion of losses from Milton was ceded to the reinsurance market, claims elsewhere in the United States were mostly retained by primary carriers. Large natural catastrophe losses in Canada, Europe, Brazil, the Middle East, Caribbean and Asia also had a meaningful impact on local markets.

Casualty lines took centre stage for much of 2024, as earnings and conference season were dominated by commentary on litigation trends for US liability lines and potential impacts to pricing and reserve adequacy.

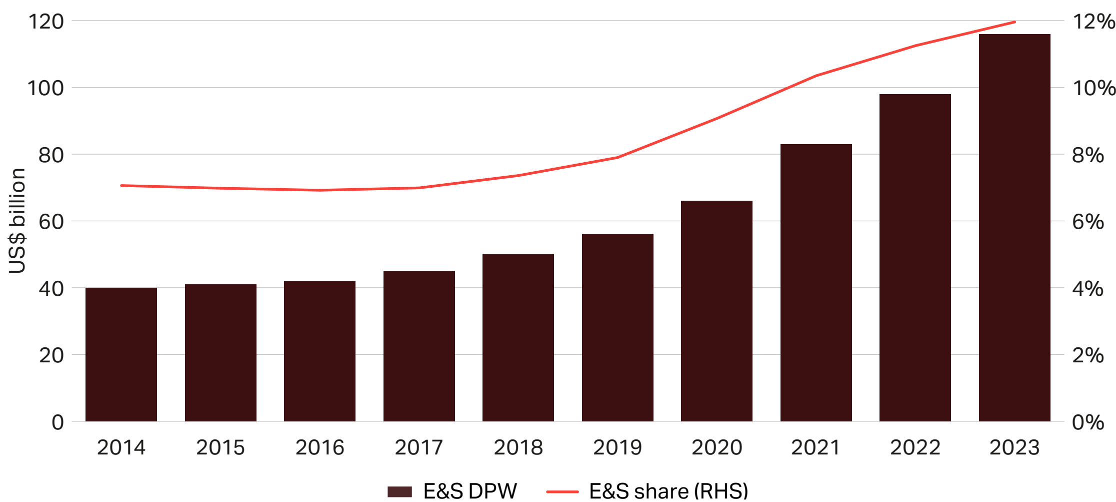
Prior-year reserve deterioration reported by select carriers last year reinforced the cautious sentiment, driving rate increases and reduced limits for impacted accounts, especially in excess liability, umbrella and commercial auto. The market's ability to differentiate nevertheless saw better-performing risks, including those without US liability exposures, achieve more favourable outcomes. Higher yields also continue to provide a meaningful boost to reserve discounting and earnings.

Cyber, financial and professional lines and workers' compensation again saw rates decrease in 2024, driven by plentiful capacity and strong competition (despite several high-profile losses in the case of cyber). Positive performance in the workers' compensation market has been a crucial offset for deterioration in US liability lines, and whilst profits may subside as rates and wage growth wane, results are likely to remain strong this year.

Buyers can expect existing market conditions to persist in 2025, with insurers pursuing growth in areas perceived to have achieved rate adequacy whilst pulling back from those that have not. In the US, this has been demonstrated by rapid inflows into the excess and surplus (E&S) market, where insurers have greater licence to push for price and adjust terms and conditions. Figure 9 shows that premium volume has more than doubled since 2019 to reach US$116 billion in 2023, corresponding to 12% market share of the total US P&C market.

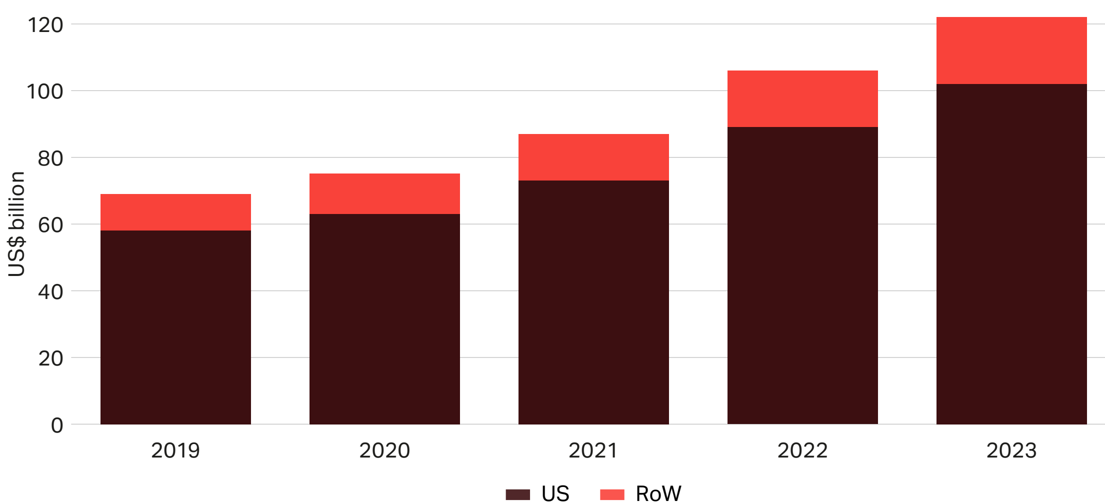
> “Price increases across most commercial lines moderated in 2024, with several areas seeing rate reductions by year-end.

Figure 9: E&S direct premiums written and share of US P&C market – 2014 to 2023
(Source: Howden, AM Best)



This not only reflects the E&S market's ability to meet an increasing array of large and / or esoteric risks that fall beyond the admitted market's risk appetite, but also the intensifying risk landscape with property exposed to climate change, liability lines affected by adverse litigation trends and cyber revealing systemic traits (60% of cyber premiums are underwritten by surplus lines writers). Concerns around rate and reserving adequacy for casualty will likely push more business into the wholesale market this year as insurers move to address rising loss costs.

Figure 10: Global MGA gross written premiums – 2019 to 2023 (Source: Howden)



All of which is expected to sustain impressive growth in the managing general agent (MGA) market, which has attracted a strong flow of talent, capacity and investment in recent years. Figure 10 shows that global premium levels for MGAs reached US$125 billion by year-end 2023. In what appears to be a structural change, these nimble, innovative and tech-savvy underwriting vehicles are enhancing the market's ability to address more volatile risks and fill capacity gaps across the value chain.

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Concerns around rate and reserving adequacy for casualty will likely push more business into the wholesale market, as insurers move to address rising loss costs.

Reinsurance market

2024 was a year of strong performance for the reinsurance market, with near-record returns reported for much of the period. Working within the pricing and attachment parameters set in 2023, supply was more than sufficient to meet increased demand through the 2024 renewal cycle across all lines.

Underwriting discipline was upheld around retentions and scope of cover, although increased competition in the property-catastrophe market did yield risk-adjusted rate decreases for higher layers. There was more caution for longer-tail lines, amidst scrutiny on price and reserving adequacy.

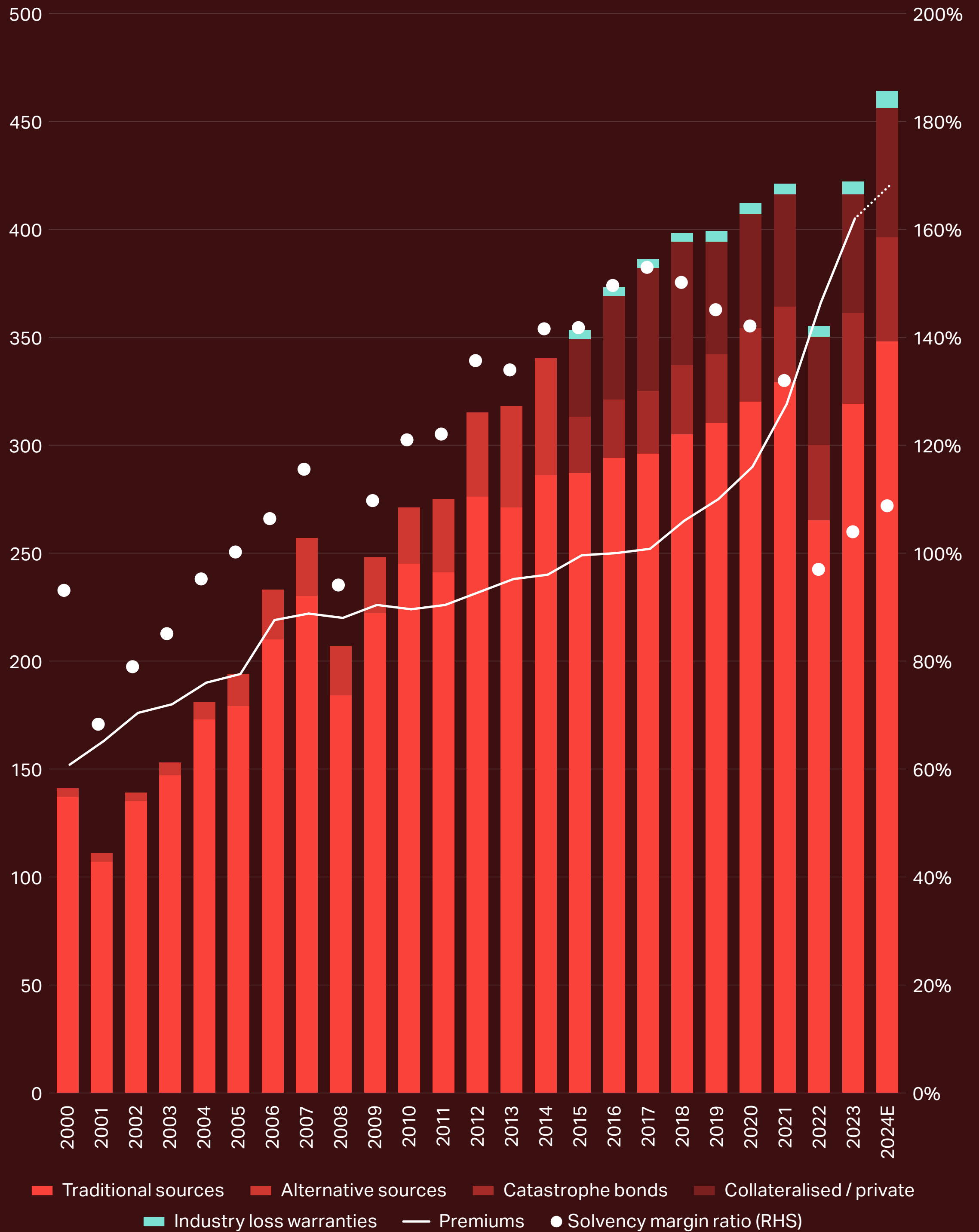
Whilst catastrophe losses were again elevated in 2024, the bulk was retained by insurers. Claims from some events were ceded to reinsurers in the second half of the year, from Hurricanes Milton most prominently, as well as Hurricanes Beryl (Caribbean) and Helene, Typhoon Yagi, European floods and a series of losses in Canada, but these proved to be limited, sustaining strong returns in the property-catastrophe space.

Improved profitability and growth have shored up the sector's capital base, with Figure 11 showing estimated dedicated reinsurance capital at record highs of US$463 billion by year-end 2024, up 10% year-on-year. Growth in capital was driven by higher asset values, retained earnings and new inflows (into the catastrophe bond market predominantly), although a significant portion was returned to shareholders via buybacks and dividend payments (2H24 especially, which some interpreted as a signal for softening).

Increased capital, together with high demand, saw the solvency margin ratio (capital divided by premiums) rise to 107%, which is reflective of supply and demand dynamics in the reinsurance market.

> "Growth in reinsurance capital was driven by higher asset values, retained earnings and new inflows.

Figure 11: Dedicated reinsurance capital and global gross reinsurance premiums (all lines) – 2000 to 2024E (Source: Howden, NOVA)



Catastrophe bond market

Significant growth in the catastrophe bond market was a key supply-side driver in 2024 and 1 January 2025. Pricing peaked in June ahead of what was forecasted to be an active hurricane season, only for strong investor appetite and various catastrophe bond maturities ($3.8 billion in the second half of 2024) thereafter to put pressure on rates, which were down in the double-digit percentage range towards the end of the year. They nonetheless remain at attractive levels for both sponsors and investors.

The catastrophe bond product has become a key building block of many reinsurance programmes, and the current market environment can in many cases provide more attractive pricing than traditional reinsurance protection, creating further interest from sponsors (as borne out in the second half of 2024).

Hurricanes Helene and Milton had little impact on the catastrophe bond market, and whilst secondary spreads widened in the low single-digit-range at the time of landfall, no material principal reduction was recorded. The overall impact of such events further fosters confidence from investors that, even following an active hurricane season, the impact to overall returns has been relatively small given overall high pricing levels.

Average transaction sizes increased to US$262 million at the end of 2024 from US$218 million in 4Q23, catapulting new issuance in 2024 to ~US$17.5 billion, which marks a new issuance record since the market's inception. Catastrophe bonds continue to be the preferred ILS product due to where they transact (i.e. higher layers with specific named perils) and the liquidity provided to investors.

Insurance loss warranties (ILW)

The ILW market has performed strongly through the hard cycle, with trade size, count and limit transacted increasing as more buyers (reinsurers and insurers) integrate the product into their wider purchasing strategies.

The highly responsive nature of the market (which grew by ~10% from 2023 to 2024 to reach US$7.7 billion in limit) has seen it successfully navigate a period of market-moving losses (including Hurricane Ian), historically high pricing, fluid supply and demand dynamics and, most recently, a forecasted hyperactive 2024 hurricane season that ultimately resulted in limited ILW losses.

For all the uncertainty around loss development for Hurricanes Helene and Milton and steep adjustments to initial estimates from an index provider, buying behaviours were relatively unchanged given that most ILWs provide capital protection, which is triggered at significantly higher levels of loss. Some clients motivated by earnings protections are reviewing their purchasing strategies.

This backdrop explains significant market movements since 2022. After a period of constrained capacity, low losses (aided by favourable development from Hurricane Ian) and a more positive supply environment (with core markets prepared to increase deployments) sets the scene for reduced pricing and an offering that utilises the full suite of products (e.g. aggregate covers, subsequent events, state- and county-weighted ILW instruments, multi-year contracts) across a broad range of perils and geographies.

2024 already stood out for increased trades in international ILW markets, predominantly for the perils of EU wind and flood (at a trigger level of ~US$10 billion). The market is also open to exploring the even more challenging issue of earnings protection from US severe convective storms, with client demand and executed transactions steadily increasing. Parametric solutions are also being explored, with limits likely to scale up rapidly with successful proofs of concept.

Such flexibility, combined with more competitive pricing relative to competing products – US peak peril ILWs incepting at 1 January 2025 showed 20-30% nominal rate reductions from the mid-year 2024 trading period and 5-10% nominal rate reductions from January 2024 – has sparked considerable interest from a growing demographic of buyers. In addition to traditional retrocession purchasers (who are increasingly attracted by healthy supply, a broadening product suite and competitive pricing), interest from insurers is also growing as they become more confident in the management of basis risk.

Momentum persisted into 1 January 2025 renewals as strong demand and abundant supply drove high trading levels, portending well for further growth this year.

1.1.25 reinsurance renewals

Strong fundamentals saw risk-adjusted pricing fall from a high base during 1 January 2025 reinsurance renewals overall, reflecting a desire for growth on the part of reinsurers. Demand for reinsurance was driven by volatile loss experience, rising exposures and model changes whilst increased appetite from traditional reinsurers and capital markets generated healthy supply. Client differentiation was a key feature this year, as markets took a more granular approach to renewals, underlining the need for data transparency and portfolio context.

Pricing in the property market saw meaningful reductions from last year's corresponding renewal, with loss-free risk-adjusted rate change typically falling within a range of down 5% to down 15%. Any major deviation from this range was informed by loss experience (loss-affected programmes saw sizeable increases) and performance.

As Hurricanes Helene and Milton ultimately proved be modest earnings events for reinsurers, impacts were limited for programmes renewing at 1 January 2025. Large losses elsewhere in Asia, Latin America, Canada and Europe created meaningful upward pressure for affected accounts.

Competition was strongest further up programmes, with some higher-attaching layers oversubscribed and priced competitively. Capacity for lower layers and frequency protection was narrower, although there was a noticeable increase in appetite to support cedents compared to last year.

Buyers benefitted from further improvements to concurrency, building on progress made last year.

Casualty renewals were marked by differentiation, with outcomes reflecting performance, reserve development and portfolio mix. Cedent-specific data on pricing, loss cost trends, claims and settlement patterns informed capacity deployments.

For all the focus on price and reserve adequacy in the US market in the run-up to renewals, cedents able to satisfy reinsurers' criteria around claims development and underwriting performance achieved as-expiring or even improved terms. Commissions fell (modestly) elsewhere, and renewals proceeded in a relatively orderly manner, with supply and demand dynamics fairly balanced. International casualty programmes continue to perform well and were rewarded with favourable renewals.

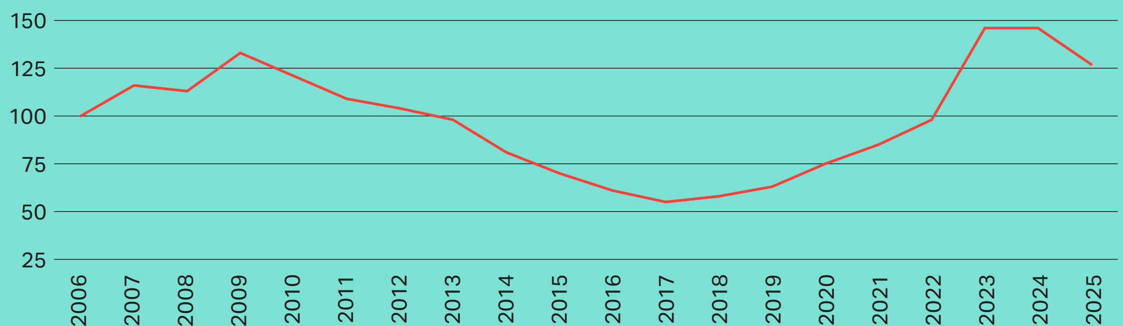
Despite heightened geopolitical risks globally and uncertainty around war-related losses from ongoing conflicts, several specialty lines continue to perform well and saw risk-adjusted rate reductions at 1 January 2025 renewals. This was true in marine and energy, cyber, aviation, war, political violence and terrorism, where strong results in underlying portfolios, combined with robust capacity, tilted conditions in buyers' favour. Despite a continued lack of capacity in the trade credit and political risk market, renewals here saw modest changes to pricing and terms on XoL and pro rata programmes overall.

Property retrocession

Another profitable and largely clean year for the retrocession market in 2024 put pressure on price and signings at 1 January 2025. Despite Helene and Milton making landfall in Florida as major hurricanes in quick succession, there were minimal retrocession recoveries after the former hit a largely unpopulated region of the state (the market was less exposed to the inland damage in Georgia and the Carolinas) and Milton avoided a worst-case scenario when it tracked just south of Tampa Bay. The structural changes imposed in 2023 also insulated retrocessionaires from these levels of loss.

Trapped capital from Milton was negligible and supply dynamics increasingly favoured buyers as additional capacity entered the market. As a result, risk-adjusted retrocession catastrophe XoL rates-on-line fell by between 10% and 20% at 1 January 2025.[2]

Figure 12: Howden Risk-Adjusted Property Retrocession Catastrophe Rate-on-Line Index – 2006 to 2025 (Source: Howden, NOVA)



Supply was sufficient to complete placements across all products. Strong competition further up programmes resulted in significant risk-adjusted reductions. Capacity for low-attaching occurrence layers and aggregate covers remained limited, although reinsurers were more supportive relative to last year at certain price levels. Terms and conditions were generally stable.

Coverage and attachment points were important inputs into purchase decisions, as reinsurers were more willing to give on price and maintain the same attachment points, region and peril coverage. Demand was supported by extreme weather, vendor model changes and lingering inflationary pressures, although some buyers assumed more net exposure off the back of improved profitability. Buyers are expected to explore additional protections in 2025 to enhance their purchases through buy-downs or aggregate products.

Most traditional and alternative markets maintained commitments through the renewal, with deployments focused on mid-to-top layers of programmes, reflecting the strong preference for remote risks. They also leveraged their position by supporting across multiple placements. New markets struggled to deploy capital but pushed terms and conditions early in the renewal cycle. Capital providers continue to explore allocation opportunities in the retrocession space but are looking for a sustained run of good performance before adding to existing allocations.

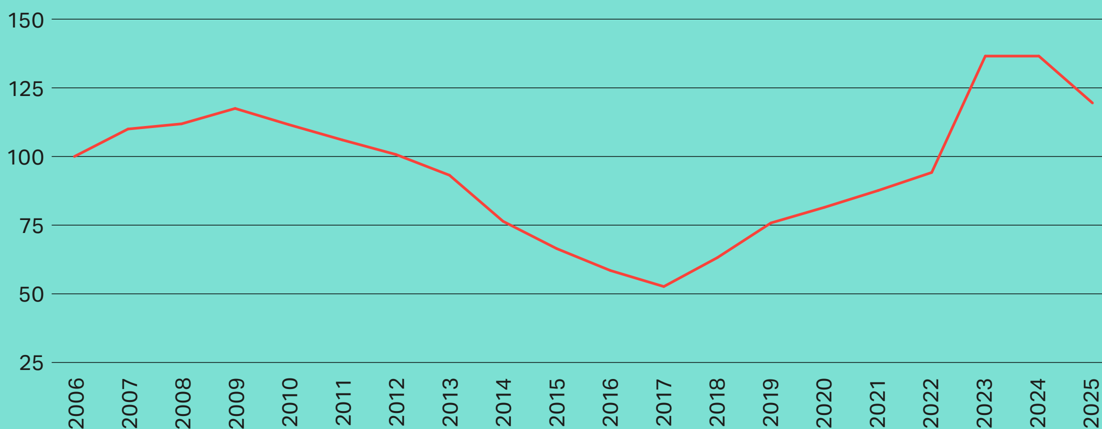
[2] This is a point estimate within ranges depending on loss experience, exposure, territory and other client-specific conditions.

Global direct and facultative reinsurance

Similarly to retrocession, the global D&F reinsurance market performed strongly in 2024, with Hurricanes Helene and Milton barely registering any claims as they fell below cedents' retentions. Another year of modest attritional losses for the D&F market sustains its strong record through what has been a period of heightened catastrophe activity and historically high pricing. Within this context, the global D&F market continues to differentiate itself by finding capacity for increased business flow whilst displaying underwriting skill and delivering strong results.

Following a flattish reinsurance renewal in 1 January 2024, pricing started to fall in the mid-year renewal cycle and that momentum accelerated at the 1 January 2025 renewal with risk-adjusted pricing typically down by between 10% and 15% on average.[2]

Figure 13: Howden Global Direct and Facultative Reinsurance Pricing Index – 2006 to 2025
(Source: Howden, NOVA)



Demand for D&F catastrophe cover was stable at 1 January 2025, with several buyers taking advantage of the pricing environment by purchasing similar levels of vertical limit at discounted prices.

Healthy supply reflected reinsurers' strong appetite to write D&F business. Heightened competition across all layers exerted significant downward pricing pressure. Reinsurers were more willing to engage lower down programmes relative to last year, with cedents successfully leveraging the higher layers to secure full coverage at so-called first layer levels.

Traditional reinsurers remained the dominant players, as they did in 2024, although some ILS sellers continued to deploy significant capacity. These core markets looked to increase their market share alongside some new entrants to the class, resulting in increased signings.

Discipline largely held for coverage and terms, although there was some movement for preferred cedents. Increased exposures resulted in reduced retentions on a modelled basis, even as they remained flat in dollar amounts.

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[2] This is a point estimate within ranges depending on loss experience, exposure, territory and other client-specific conditions.

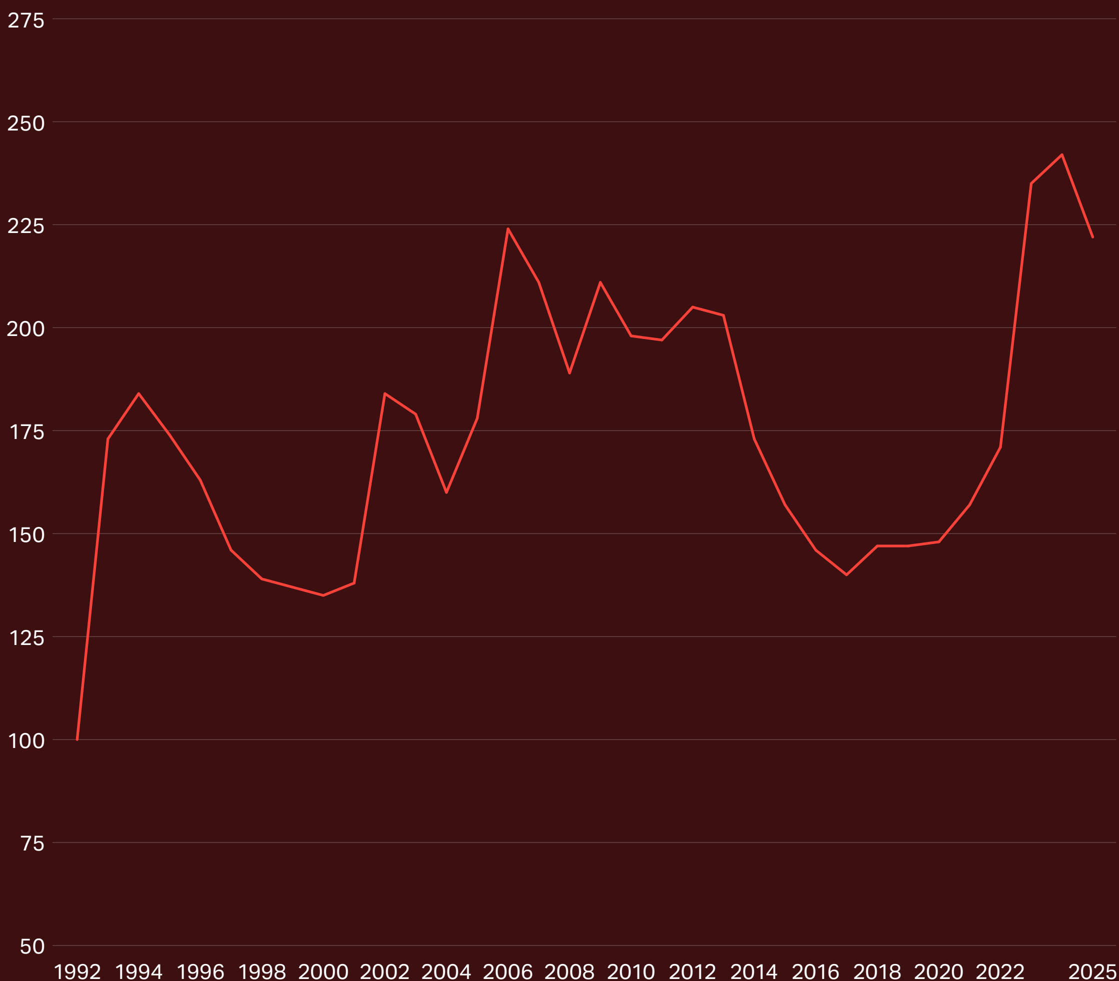
“The D&F market continues to differentiate itself by finding capacity for increased business flow whilst displaying underwriting skill and delivering strong results.

Property-catastrophe reinsurance

Despite another year of elevated catastrophe loss activity, compounded by the relatively late arrivals of Hurricanes Helene and Milton, favourable market conditions helped insurers to navigate the uncertainty around loss quantum to see property-catastrophe placements over the line, typically with sizeable rate decreases.

Demand was strong once again, driven by higher exposures and asset values, and increased appetite across traditional and alternative markets drove an even bigger increase in supply. Figure 14 shows that risk-adjusted global property-catastrophe reinsurance rates-on-line decreased by 8% on average.[2] This compares to +3% recorded last year.

Figure 14: Howden Global Risk-Adjusted Property-Catastrophe Rate-on-Line Index – 1992 to 2025 (Source: Howden, NOVA)

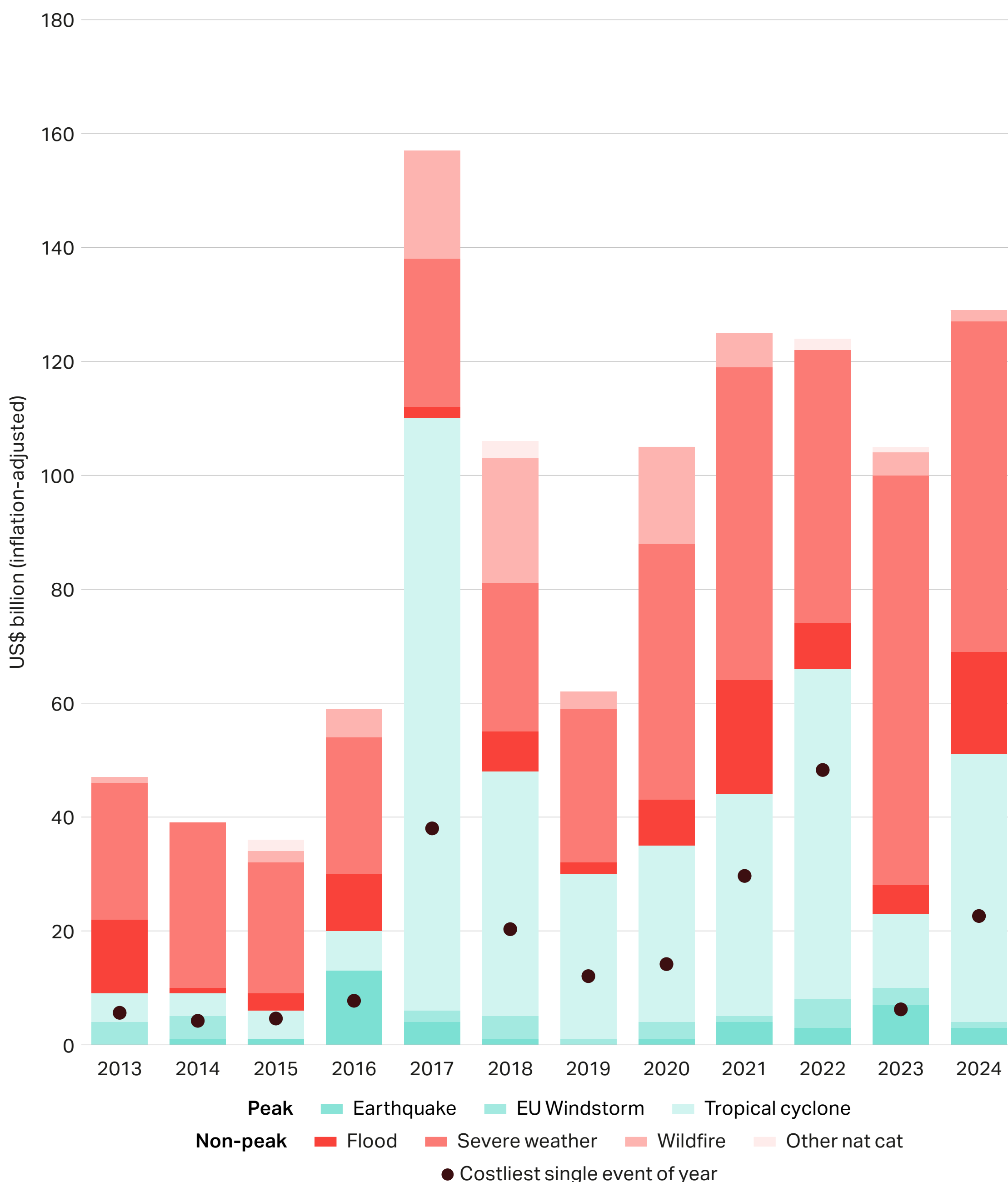


[2] This is a point estimate within ranges depending on loss experience, exposure, territory and other client-specific conditions.

Several cedents again took the opportunity to purchase more tail coverage. Terms and the scope of coverage were broadly stable, with any meaningful changes focused on improving concurrency.

2024 marked another year of strong performance for the catastrophe market, despite an active year of losses. Annual insured natural catastrophe losses to the private market in 2024 approached US$130 billion, extending the run of every year in the 2020s breaching the US$100 billion threshold in real-terms (see Figure 15).

Figure 15: Annual global insured natural catastrophe losses vs single biggest annual loss – 2013 to 2024 (Source: Howden, NOVA)

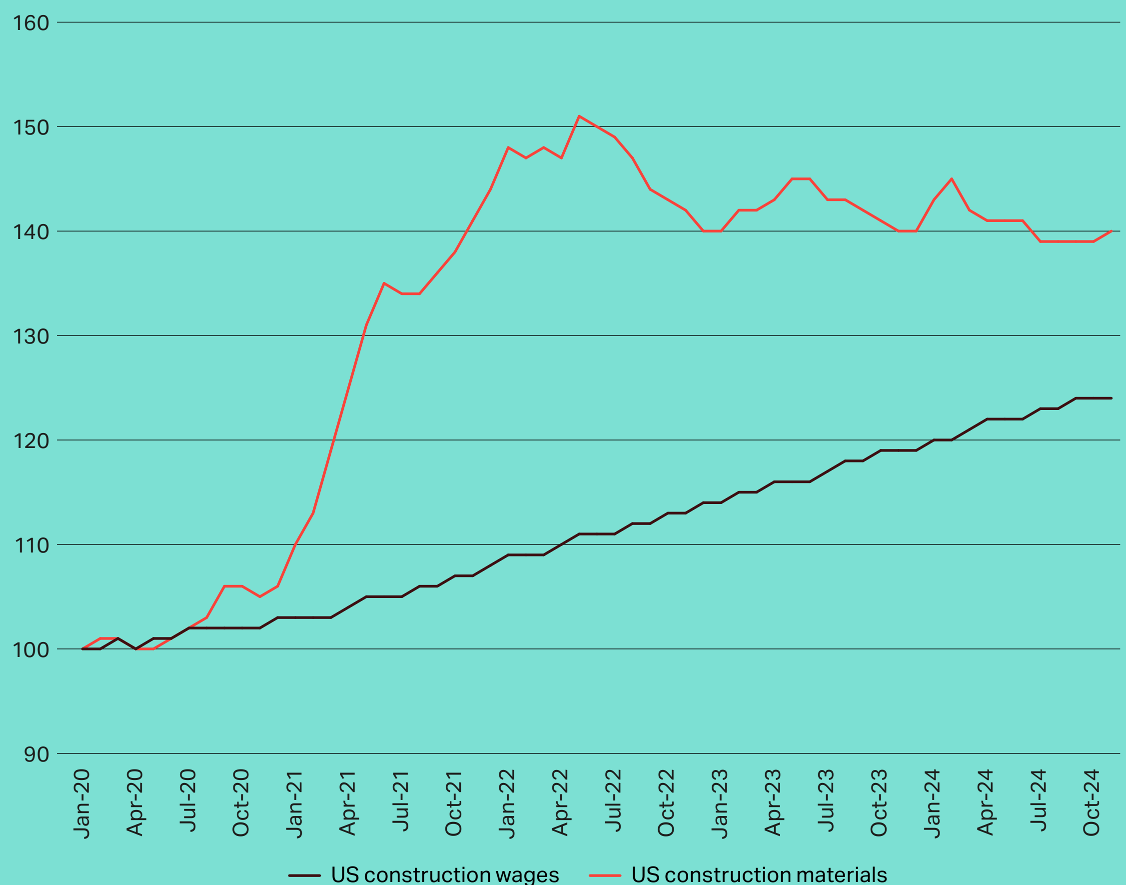


Whereas much of the first three quarters of 2024 were defined by low-to-mid-sized losses with significant local impacts – including another costly severe convective storm season in the US, three major flood events in Europe, four summer storms in Canada and outsized losses in Brazil, the UAE and Vietnam – Hurricanes Helene and Milton dominated the last few months of the year.

Reinsurers' reticence to write frequency risks manifested not only in the series of smaller (non-peak) direct market losses that characterised the first half of the year, but also in the distribution of costs from larger events like Helene and Milton, where insurers also retained the majority of claims.

This mix of frequency and severity, coinciding with historically elevated construction costs (materials and labour – see Figure 16) and replacement values, confirms a new normal for the catastrophe market, with reinsurers playing a traditional capital protection role.

Figure 16: Wages vs cost of materials in the US construction sector – 1Q20 to 4Q24
(Source: Howden, BLS)



United States

Early expectations for rate reductions for US property-catastrophe renewals ultimately prevailed despite a period of uncertainty after Helene and Milton hit Florida (and inland states in the case of the former) as major hurricanes late in the season. Sentiment for hardening in the initial days and weeks after landfall fell in line with diminishing market loss expectations for Milton in particular.

Another year of heightened severe convective storm activity also brought large-scale damage, with 15 individual events triggering insured losses over the billion-dollar threshold. Several Midwest mutual insurers suffered losses as a result (compounding elevated 2023 losses), creating challenged renewals for impacted programs at 1 January 2025.

A high proportion of US hurricane landfalls (Beryl, Debby, Francine as well as Helene and Milton) resulted in an aggregated insured loss of approximately US$40 billion (excluding NFIP losses). Combined with the elevated losses from severe convective storms (of more than US$50 billion), the market once again navigated a highly active loss environment.

The structural changes made in 2023 meant reinsurers were left largely unscathed from these losses.

Supply was more than sufficient to meet high demand, in part due to significant fund raising / reinvestment of retained earnings in the traditional and ILS markets and a few new entrants entered at 1 January 2025. Increasingly favourable conditions for buyers typically yielded price decreases, moving within a risk-adjusted range of down 7.5% to down 15%. Performance and loss experience informed outcomes, with cedents scoring highly in both areas often securing bigger discounts.

Attachment points remained largely unchanged and capacity for frequency cover continued to be at a premium, although cedents' strategies to leverage access to higher layers were often successful in securing lower-layer protection, particularly for strong performers. Many cedents saw improvements in underlying terms and conditions, including minimum premiums and enhanced coverage for secondary perils.

Competition further up programmes (driven by both traditional and ILS markets) brought attractive pricing for mid-to-top layer risk. Demand continued to be strong, as a number of buyers (armed with budgets bolstered by rising underlying prices) sought additional protection to absorb higher exposures and sums insured.

Early expectations for rate reductions in the US ultimately prevailed.

Europe

Loss experience and oversupply shaped European property-catastrophe renewals at 1 January 2025, with loss-free programmes recording rate decreases of between 3% and 15% on average whilst recoveries in loss-affected regions resulted in a variety of pricing outcomes.

Insured catastrophe losses of US$12 billion in the region last year, including three major flooding events in Germany, Central Europe and Spain (the bulk of which was covered by the catastrophe pool, Consorcio de Compensación de Seguros), added to the US$50 billion sustained between 2021 and 2023. Following significant rate increases in 2023 and further, albeit marginal, rises in 2024, supply dynamics continued to improve, with ample capacity available to cedents seeking additional cover as markets leaned in to leverage growth and geographical diversification opportunities.

Demand for top-end protection remained strong and was met with ample capacity. This typically resulted in meaningful rate reductions for higher layers, which had previously been driven up in the aftermath of Hurricane Ian. There was increased appetite from reinsurers to engage lower down programmes and to write aggregate deals, although capacity was more limited for cedents looking for frequency-based solutions. Some cedents were also able to reduce core catastrophe attachment levels to those bought prior to 2023.

The corollary was price reductions in the mid-single digit range overall, albeit with some significant variances around this average that reflected margins and loss experience. Flood affected countries in Central Europe (including Poland and Czech Republic) saw rate increases, for example. In Italy, however, cedents were able to achieve flat renewal outcomes, and even reductions in some cases, despite experiencing loss deterioration from last year's severe hail event.

Terms were broadly stable, with some cedents improving core elements of coverage, and whilst there was an initial focus on SRCC following the New Caledonia loss, this ultimately faded as market softening became more evident.

Retentions and attachment points were prominent discussion points after insurers were again left footing the bill for the bulk of losses. Reinsurers, on the other hand, entered negotiations looking to hold ground in countries where programmes had already been restructured.

Cedents in Europe continue to benefit from strong appetite for European business as reinsurers look to rebalance portfolios and diversify away from the United States.

Casualty reinsurance

Differentiation drove casualty reinsurance renewals at 1 January 2025. Amidst considerable focus on litigation risk and loss cost trends in the US, outcomes were ultimately determined by loss experience, underlying rate change and reserve development on individual portfolios. Abundant supply and strong underlying fundamentals set the scene for international renewals, which was reflected in placements.

Casualty covers a high number of product lines and underlying performance remains strong in several areas of the market. Rates on original business accelerated in several areas last year, whilst investment portfolios continued to yield significantly improved returns.

United states

US casualty and professional lines renewals were a focal point for reinsurers, with a focus on loss cost trends and reserving risk for general liability, commercial auto and excess, leading to increased information requests on cedents' claims experience and underwriting practices.

Insurers perceived to have taken adequate action to tackle adverse litigation trends by, for example, implementing above-trend rate increases and adjusting terms accordingly, achieved better terms. Performance and long-standing relationships remained important differentiators.

Despite mixed appetite from reinsurers to deploy capital at 1 January 2025 (often explained by differing perceptions of price and back book positions), supply was sufficient to meet demand for most / several placements.

Following muted changes at last year's corresponding renewal, loss development for accident years 2016-19 again featured in negotiations but with increased focus on recent years' development (2021-23) following some notable instances of reserve strengthening in 2024.

For cedents able to satisfy reinsurers' requirements around performance and underlying pricing, programmes renewed broadly flat. Beyond this cohort, ceding commissions on proportional business came under pressure, as reinsurers looked to be compensated for higher claims severity. Financial lines programmes saw slight decreases, with steeper reductions in areas where underlying pricing deteriorated more markedly.

Workers' compensation continues to evolve due to a mix of strong performance, competitive pressures and external challenges. The line remains profitable due to the decline in loss frequency and 2024 is expected to be another strong year of underwriting gains, marking a decade of projected combined ratios below 100%.

Workers' compensation catastrophe capacity remains abundant, with price remaining relatively flat. Pricing for reinsurance on single-life exposed risks is under consideration, as the market becomes more cautious about long-tail liabilities and individual high-severity claims.

International

International casualty saw more stable and consistent renewals, as placements were eased by the reduced scale of the issues driving the US market. Figure 17 shows that London market casualty reinsurance XoL rates reduced marginally at 1 January 2025.[2] Quota share commissions also typically saw small improvements. Any outlier outcomes were driven by individual account performance rather than overriding market sentiment.

Figure 17: Howden London Market Casualty Risk-Adjusted Reinsurance Rate Index – 1992 to 2025 (Source: Howden, NOVA)

For international programmes with US exposures, cedents with strong underwriting and claims management records saw modest changes to rates. Pricing was more volatile for programmes showing loss volatility from nuclear verdicts.

The direct market is working to neutralise the issue of PFAS by excluding exposures on original policies. Against this backdrop, reinsurers adopted differing strategies around renewals, with some declining business if PFAS exclusions were missing while others were more flexible and took a case-by-case approach.

The warranty and indemnity (W&I) market saw pressure mount in 2024, as surging claims (of up to US$2 billion) prompted reinsurers to respond with significant pricing increases at 1 January 2025. Large claims notifications are likely to be sustained in 2025, continuing to restrict capacity deployments in this area.

Differentiation was a prominent feature for renewals in continental Europe, as placements were conducted on a client-by-client basis. Claims activity, reserve positions, US exposure and underwriting behaviour (de-risking) drove price outcomes. Supply was plentiful, although new inflows were more limited than expected earlier in the year as core markets focused on margin goals. Despite the down turning economic cycle, which typically corresponds to heightened claims activity, markets moved to protect market share for D&O business.

Overall, strong demand was met by ample capacity for international casualty, including for product lines showing underlying rate decreases. With cedents looking to save money on reinsurance purchases, and income misses on a number of original portfolios, supply versus demand metrics shifted in buyers' favour, potentially representing an inflection point.

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[2] This is a point estimate within ranges depending on loss experience, exposure, territory and other client-specific conditions.

Specialty reinsurance

Marine & energy and war, political violence & terrorism

After hardening in 2023 (triggered by Russia's invasion of Ukraine), both the marine and energy (M&E) and war, political violence and terrorism (WPVT) markets have seen pricing and conditions ease gradually off the back of increased capacity coming into the specialty arena. The high-risk macro environment has nevertheless had a lasting impact on risk perceptions and reinforced views around price (in)adequacy.

Continued uncertainty around war-related losses, along with additional (and sizeable) claims in 2024, including the collapse of the Baltimore bridge and a refinery fire in Greece to name a few, had little impact on deployment appetite as an abundance of supply (follow capacity rather than lead capacity) characterised both markets.

This issue of oversupply prevailed into 1 January renewals, with new entrants (armed with ambitious growth plans) competing for the same business as incumbents, many of whom have also been seeking growth given the historical profitability of the classes. This competitive marketplace led to downward pricing pressure overall, with most programmes renewing in a risk-adjusted price range of flat to down 10%.

Differentiation was evident during renewals, with some larger, loss-affected programmes achieving reductions if backed by a record of strong historical and legacy performance. Terms were broadly stable, although cedents successfully pushed back against the applicability of escalation clauses which had failed to be triggered despite ongoing tensions and events in the Middle East. Where reinsurers looked to protect premium on slips, there were instances where event definitions were expanded, such as SRCC event definitions moving out from three cities to five cities, thereby widening available cover.

The highly uncertain loss environment is preventing any additional shift in underlying conditions. In the WPVT market, the fallout from an unprecedented election cycle last year, along with continued civil unrest around the world and upward revisions to modelled large losses, continues to shape sentiment without triggering any large-scale claims.

At €1 billion plus, losses from the rioting in New Caledonia (although shouldered by the all-risks market), alongside civil unrest in Kenya and Bangladesh, served as another reminder of loss potential from SRCC events. Likewise with war escalation in the Middle East, even though to date the losses in Israel have been borne by the country's war fund.

Similar dynamics prevail in the M&E market. Although the Baltimore bridge loss remains uncertain (with expectations ranging from US$1.5 billion to US$3 billion), claims were sufficiently diversified across markets to avoid more challenged renewals.

All of which underscores the importance of underwriting teams, track record and relationships. Core reinsurers are the backbone of the M&E and WPVT markets and have unparalleled influence in shaping conditions. Whilst the element of the unknown in today's world means this marketplace is unlikely to revert to amplified cycles any time soon, cedents with access to the best advice can still generate savings and / or more cover for their spend.

The market's increased willingness to embrace innovation is a trend that is expected to continue in 2025 after another round of generally poor signings at 1 January left many reinsurers open to new ideas and ways to service clients.

“The high-risk macro environment has had a lasting impact on risk perceptions and reinforced views around price (in)adequacy.

Credit and political risk

Set against a broader (re)insurance market facing a volatile loss environment, waning prices and exposure growth, credit and political risk (CPRI) is an often-overlooked opportunity in which a subset of insurers and reinsurers are currently achieving exceptional results.

Few (if any) other areas of the market have a comparable record of (out)performance and stability. Average loss ratios for the reinsurance market have run at a ~55% in the 15 years since the global financial crisis, which itself was only a mild catastrophe event for the credit and political risk market. Even the series of economic and geopolitical shocks in recent years – COVID-19, higher inflation, wars in Ukraine and the Middle East – has done little to hold back performance.

Why is this? Strong underwriting standards and alignment of interest with insureds are limiting losses flowing into the market despite the prevalence of conflicts around the world and a higher interest rate environment. High demand for protection is reflective of the utility and value that businesses and lenders globally see in these products both as a risk mitigant and importantly in credit an alternative source of capital. However, the perceived complexity of the underlying products and a desire to operate in only a very narrow window of volatility by insurers has led to a long-standing supply / demand imbalance (i.e. not enough supply to meet demand).

Despite the high demand, several entrenched barriers are preventing the CPRI market from reaching its full potential and expanding beyond its ~US$50 billion premium base. In addition to muted carrier appetite, many underwriters perceive the product as esoteric with high headline risk and perceived correlation to the asset side of insurer balance sheets. In addition, CPRI suffers from narrow reinsurance support with only a handful of recognised lead underwriters.

Several important developments have occurred post-COVID, which taken together, suggest that the CPRI opportunity is coming back into focus with accelerating speed. Several balance sheet start-ups have appetite to write the product, tapping into much needed new sources of committed capacity, though a leadership vacuum remains. Ratings upgrades, including for Lloyd's, have expanded the universe of counterparties that banks are most likely to seek protection from.

New underwriting talent is also entering the market, including from the banking sector (bringing an understanding of the loss environment that has held back commitments previously), often joining MGAs with the ability to leverage multiple sources of third-party paper. This new talent and new tools have coincided with the rise of structured credit, by far the fastest growing portion of the market, and a segment contributing a significant driver of outperformance in recent years.

The insurance sector has learned from past experiences and has grown by developing structures based on a strong alignment of interest with banks. This alignment ensures that both parties are equally invested in the success of the credit structures, leading to more robust and reliable outcomes for all parties.

Banks have also increasingly used structured credit insurance as an alternative and efficient source of capital, further enhancing its appeal to insurers and adding another important purchase motivation to that of risk management. The rise of structured credit has not only driven outperformance but also provided a framework for sustainable growth and resilience in the CPRI market.

Reinsurance renewals at 1 January 2025 proceeded as expected, with modest changes to pricing and terms on XoL and pro rata programmes. Quite rightly, results continue to dictate cedents looking for improvements in the economics or the structure of their reinsurance purchase. Although this remains a capacity constrained line of business, progress is being made as carriers look to lean into a market which has a strong (and long) track record of outperformance, brings diversification benefits and has an ability to manage losses through what remains an environment of perceived high-risk and strong fundamental demand.

Cyber reinsurance

Reinsurance buyers benefitted from improved supply and demand dynamics in 2024, driven by an oversupply of capacity, reduced demand and manageable large losses. Furthermore, nine new reinsurers entered the market for 1 January 2025, including seven established carriers and two balance sheet start-ups, adding ~US$250 million of capacity.

A slew of systemic events in 2024 (most notably a ransomware attack on Change Healthcare and a global IT outage) proved to be manageable on the loss front and had little impact on renewals. These events did however prompt reinsurers to ask additional questions of cedents on how contingent business interruption and systems failure cover are being underwritten. Some markets have also asked for further data on where these covers are being provided.

Growth in the global cyber insurance market slowed to approximately 5% of gross written premiums in 2024, compared to 26% CAGR recorded between 2018 and 2022, reflecting lower rates and high penetration in mature markets. For reasons of both improved diversification and growth potential, attention is turning to regions with lower take-up rates of the product, such as Central and Eastern Europe, the Middle East and South East Asia. However, increasing penetration will take time.

Against this backdrop, reinsurance renewals at 1 January 2025 progressed smoothly, with some notable price moderation. Reinsurers considered cedents on a case-by-case basis, with well-performing books achieving risk-adjusted rate reductions of up to 20% in the excess of loss market. For quota share programmes – which continue to be the structure of choice for most cedents – ceding commissions increased by a little more than one percentage point on (a weighted) average; however, there were notable variations, with increases of up to 5 percentage points in certain cases.

Perhaps indicative of the market conditions, or maybe reflective of reinsurers' greater confidence in their understanding of the class, we have seen greater willingness to offer risk excess of loss reinsurance products in support of cyber portfolios.

Given the ongoing spotlight on systemic events, an increasing proportion of cedents shifted their focus from proportional to non-proportional products more targeted at tail protection. Reinsurers matched this demand by proactively considering event structures. As a corollary they asked for increased data transparency into systemic exposures. All of which translates into an increasingly mature and efficient marketplace.

Aviation

'New normal' loss conditions in the aviation market persisted for much of 2024, with no major all-risk losses occurring but several significant incidents taking place without loss of life. However, a Jeju Air aircraft crashed in South Korea on 29 December, leaving all but two of the 181 passengers dead. This event represents South Korea's worst civil aviation accident ever and the biggest loss of life from a single aviation loss since 2018.

In addition to this tragic loss, January saw a collision between two aircrafts while taxiing at Haneda Airport in Japan and an Alaskan Airlines Boeing 737 Max 9 losing a door plug and decompressing mid-flight. It was clear that both of these events could have been as equally catastrophic as the Jeju crash under only slightly different circumstances, which underscores the importance of vigilance when assessing large loss scenarios and the ongoing need for reinsurance to protect portfolios.

Aviation attrition also continued to rise, as inflation and price increases impacted new aircraft, spare parts and labour costs. These pressures affected even the most profitable direct accounts and highlighted underperformance elsewhere. Shares in the best-performing accounts and new business were highly sought after throughout 2024. Direct airline lead terms were typically 8% to 15% lower on a risk-adjusted basis as there was invariably more than double the required capacity available. Following insurers aimed to match lead terms, although some were forced to accept terms significantly lower.

Conditions in the standalone war market started to moderate following substantial price hikes in the wake of Russia's invasion of Ukraine. Aviation hull war rates declined by up to 10% in 2024, as increased competition took hold. Excess war liability rates were largely stable, with little change due to ongoing capacity constraints and high original limits.

In the aerospace sector, risk-adjusted rate movements ranged from down 10% to up 15%. General aviation, with its wide variety of risk types and geographical territories, saw more variable rating changes. Despite competitive pressures across all sectors of general aviation, underwriters are still able to find profitable niches.

Pressure on airline ratings last year due to overcapacity, and the broader trend of diversification into areas like general aviation, aerospace and war is expected to continue into 2025. More clarity is also likely to emerge around the multi-billion-dollar legal cases filed by some of the world's largest aviation lessors. These cases, related to aircraft stranded in Russia following the invasion of Ukraine in 2022, are being heard in multiple jurisdictions and are complicated by the unique circumstances.

Initial loss estimates were as high as US$17 billion, but some confidential partial settlements have already been made between insurers and lessors, as well as aircraft purchases by Russian airlines. Whilst this could potentially reduce the loss quantum to US$6 billion to US$8 billion, it would still rank as the largest aviation / aviation war loss in history. Initial court rulings are expected early this year, and depending on the outcome, most insurers and reinsurers are likely to set reserves at this point.

Despite this overhang, risk-adjusted excess of loss rates remained stable or saw slight reductions in the reinsurance treaty market at 1 January 2025 as reinsurers adopted a 'wait-and-see' approach to the Russian leasing cases. Proportional capacity and commission levels stayed largely unchanged for the same reason.

2024: risk and resilience

The world today is radically different to the one at the turn of the decade. Long-held consensus around the demise of inflation and everlasting cheap capital has been replaced by a new macro regime characterised by higher prices and borrowing costs, elevated public and private debt, muted economic activity and heightened risk.

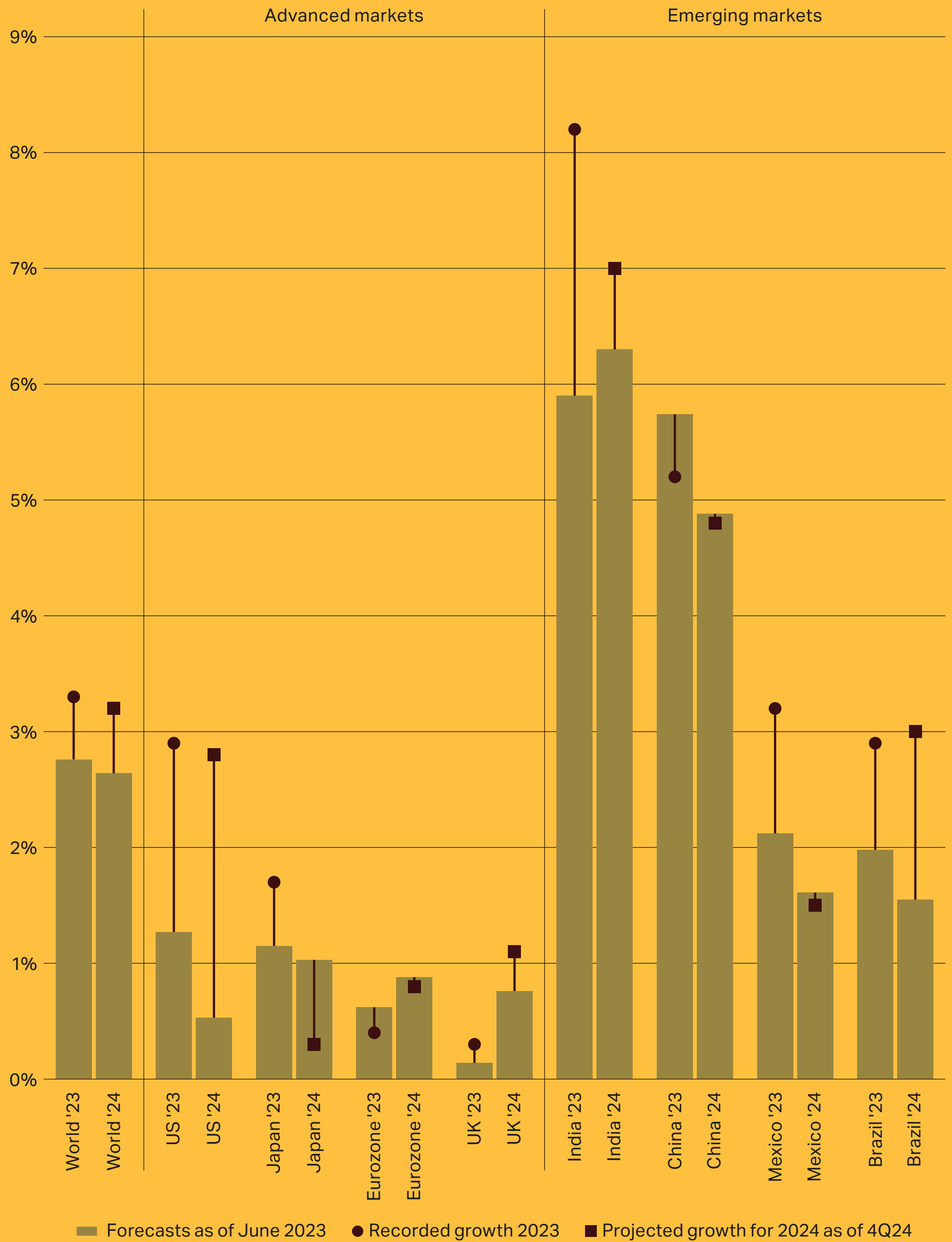
This new normal, alongside rising geopolitical tensions, with wars raging in Europe, the Middle East and Africa, and widening societal and political divides (exacerbated by populism and polarisation), means businesses and (re)insurers are operating in a high-risk environment where the threat of intensification is ever present.

The global economy has nevertheless proved to be resilient to this backdrop, with growth holding up better than expected and defying fears of recession. The US continues to outperform, along with several other large economies in the G20, including India, Mexico and Brazil (see Figure 18).

Growth in the Eurozone and UK, on the other hand, remains subdued, held back by energy and trade impacts, weak consumer confidence and structural challenges. China faces difficulties of its own, as a property crisis, weak domestic demand, regulatory uncertainty and a deteriorating external environment prompted the government to launch a major stimulus programme in 4Q24 to support growth.

China experienced deflation for a period in 2024, which, given its influence over global energy consumption and exports of goods, supported disinflation forces globally.

Figure 18: Realised vs projected GDP growth for 2023 and 2024 (Source: Howden, IMF, BIS)

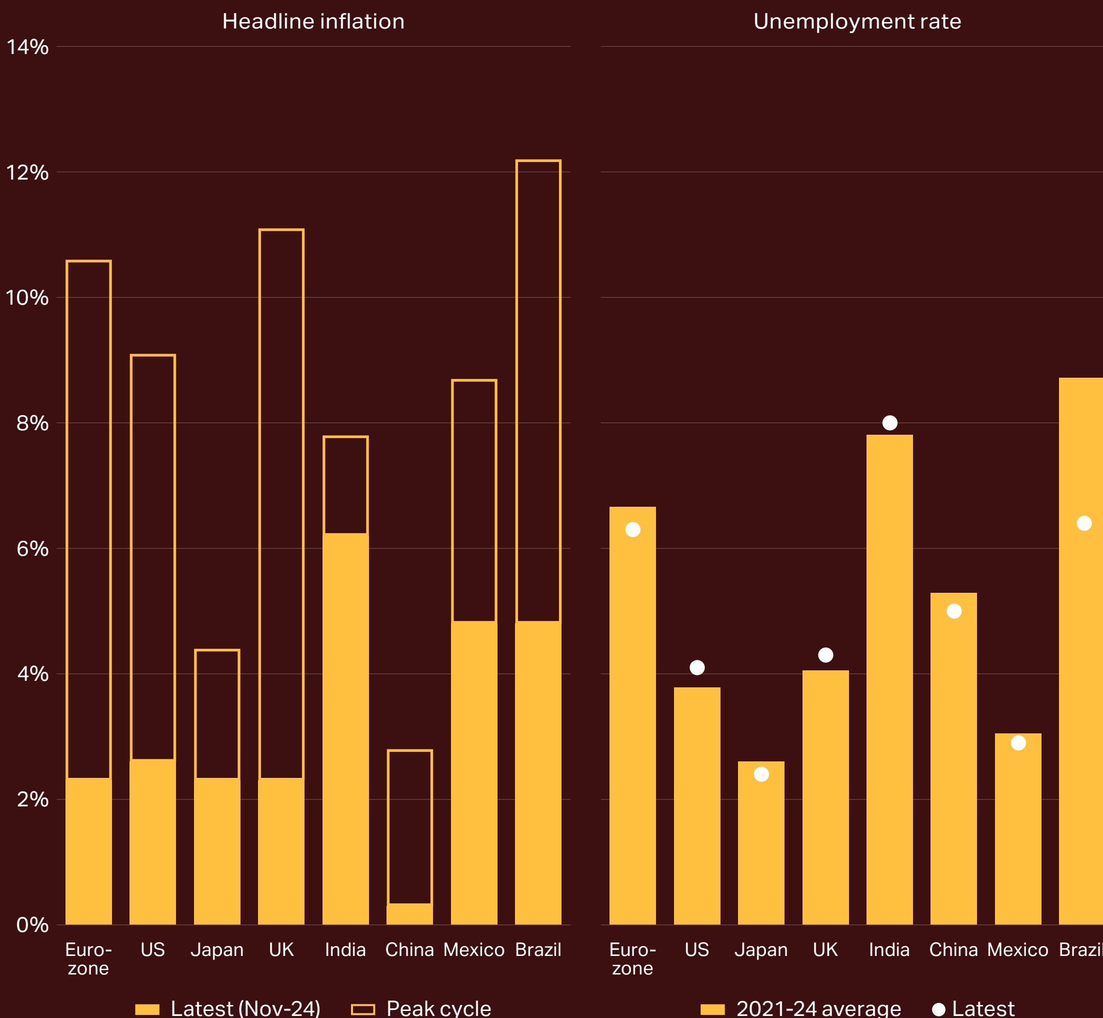


Soft landing

Supply chain normalisation, relenting commodity prices (oil breached the floor of US$70/bbl at various points in late 2024 despite geopolitical escalation), more balanced labour markets and reduced consumer demand saw inflation fall towards (but remain above in many cases) central bank targets last year (see Figure 19).

A pivot in monetary policy priority from price stability to supporting growth led to interest rate cuts in several advanced economies for the first time in four years, despite high services prices keeping core inflation elevated in most advanced economies.

Figure 19: Peak vs latest headline inflation and labour markets in major economies
(Source: Howden, IMF, BIS)



The shifting economic cycle has been accompanied by US yield curve normalisation after two years of inversion (see Figure 20). With monetary policy having more of a bearing at the shorter end of the curve and longer duration yields informed more by the macroeconomic outlook, steepening in 2024 reflects resilient growth as the threat of recession has receded and the prospect of structurally higher inflation linked to geopolitical risk, trade and fiscal pressures.

Figure 20: Spread between ten-year and two-year Treasury yield since 2014
(Source: Howden, Bloomberg)

Amidst a consensus view of low inflation and monetary policy easing persisting in the near-term for most advance economies, markets have priced in a soft landing at a relatively low cost to economic growth and employment. Increased divergence between regions will nevertheless complicate interest rate deliberations going forward whilst post-election policy implications in the US around trade and new tariff regimes are likely to have a meaningful bearing on growth, inflation and interest rates this year.

> Increased economic divergence between regions will complicate interest rate deliberations going forward.

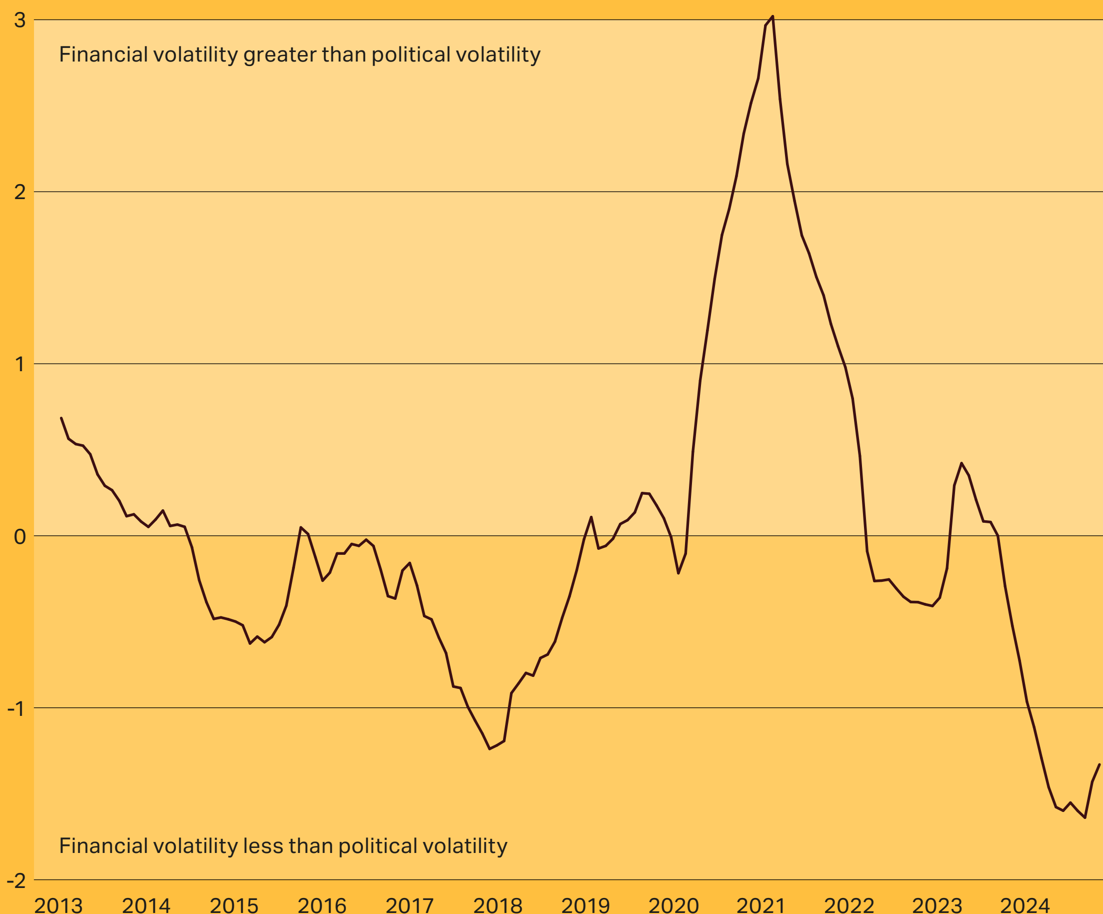
Risk disconnect?

Expectations for a soft landing helped to contain financial market volatility in 2024, despite elevated economic uncertainty and rising geopolitical tensions. The prevalence of hot conflicts around the world (and the risk of escalation) carries serious ramifications for global security and the world order, as well as a threat to disinflation in the event of a new commodity crisis.

The disconnect between heightened geopolitical risk and relatively low market volatility was a theme picked up by the IMF last year when it warned of potential sharp corrections in financial markets should any further shocks from wars or trade disputes occur.

Figure 21 compares standardised indices to show that financial volatility is at its lowest level relative to geopolitical risk in the past decade, despite escalating wars in the Middle East and elsewhere.[3]

Figure 21: Geopolitical risk relative to financial market volatility[3]
(Source: Howden, VIX, Geopolitical Risk Index)



[3] Data shows 12-month moving average of differences in z-scores of geopolitical risk (Geopolitical Risk Index from Caldara and Iacoviello) vs financial market volatility (VIX) and how the latter has fallen far below geopolitical risk.

"Expectations for a soft landing helped to contain financial market volatility in 2024, despite elevated economic uncertainty and rising geopolitical tensions.

(Re)insurance growth

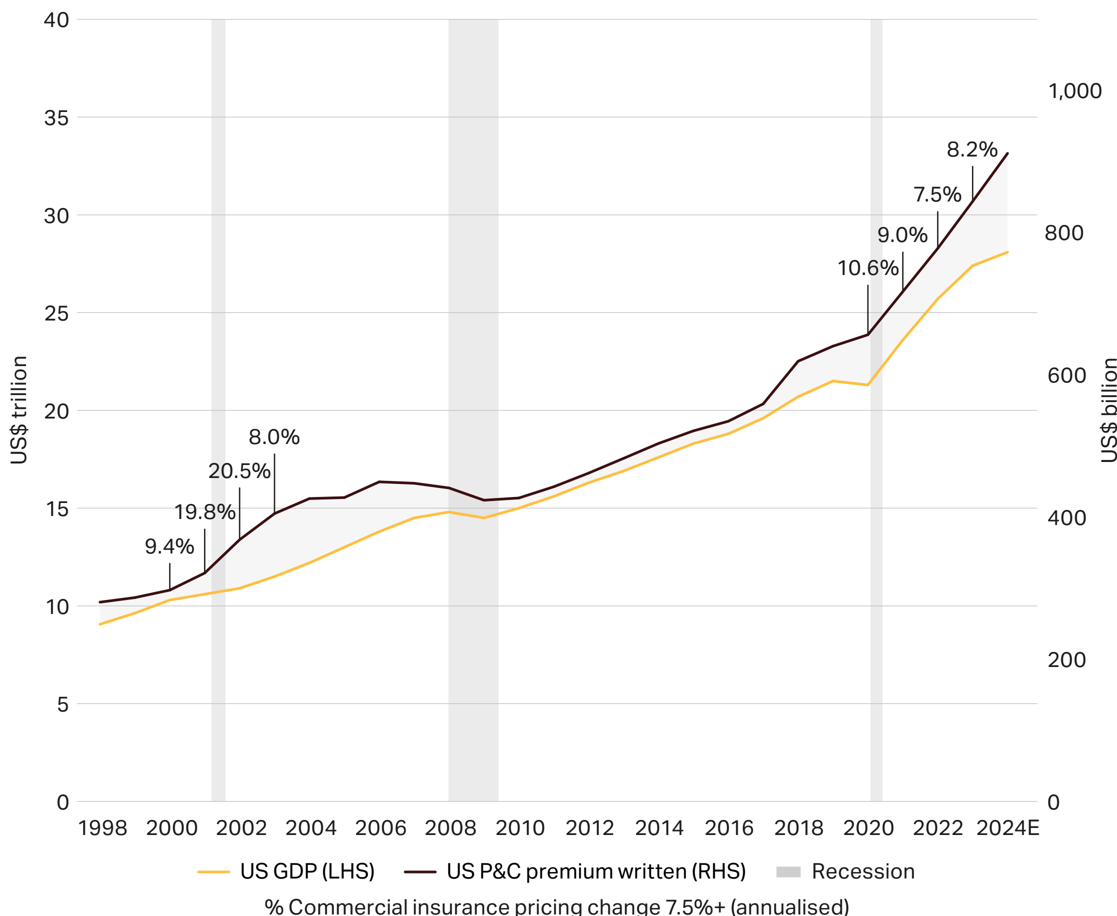
This backdrop – an underwhelming growth outlook, structurally higher inflation, a shifting yield curve and rising geopolitical risk – has major implications for the (re)insurance market. In such a volatile and uncertain environment, it is no surprise to see the sector continue to register strong premium growth.

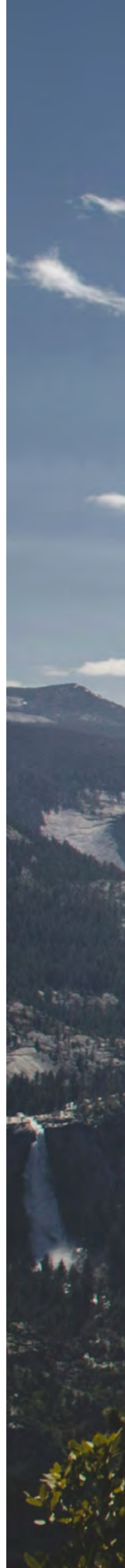
Cyclical and structural inputs on the demand side, including the changing risk landscape and inflation, supported by sustained price increases, saw US P&C premiums again surpass GDP growth last year (see Figure 22). The current market cycle stands out for its longevity, recording a sustained run of above trend premium growth.

Limits and exposures in commercial lines correlate closely to insureds' sales, fixed assets and payrolls, items that continue to support growth. This helped drive another sizeable increase in premiums in 2024, augmented further by rate rises.

Pressures remain, however. Several businesses struggling to absorb additional risk transfer costs have been forced to restructure programmes and increase retentions in order to contain premium increases and secure desired limits. Any economic shock that increases company bankruptcies, cuts payrolls and reduces asset values would likely constrain top line growth, particularly if it coincides with receding pricing tailwinds.

Figure 22: US GDP vs P&C insurance premiums – 1998 to 2024E
(Source: Howden, US Bureau of Economic Analysis, S&P Global Intelligence, CIAB)





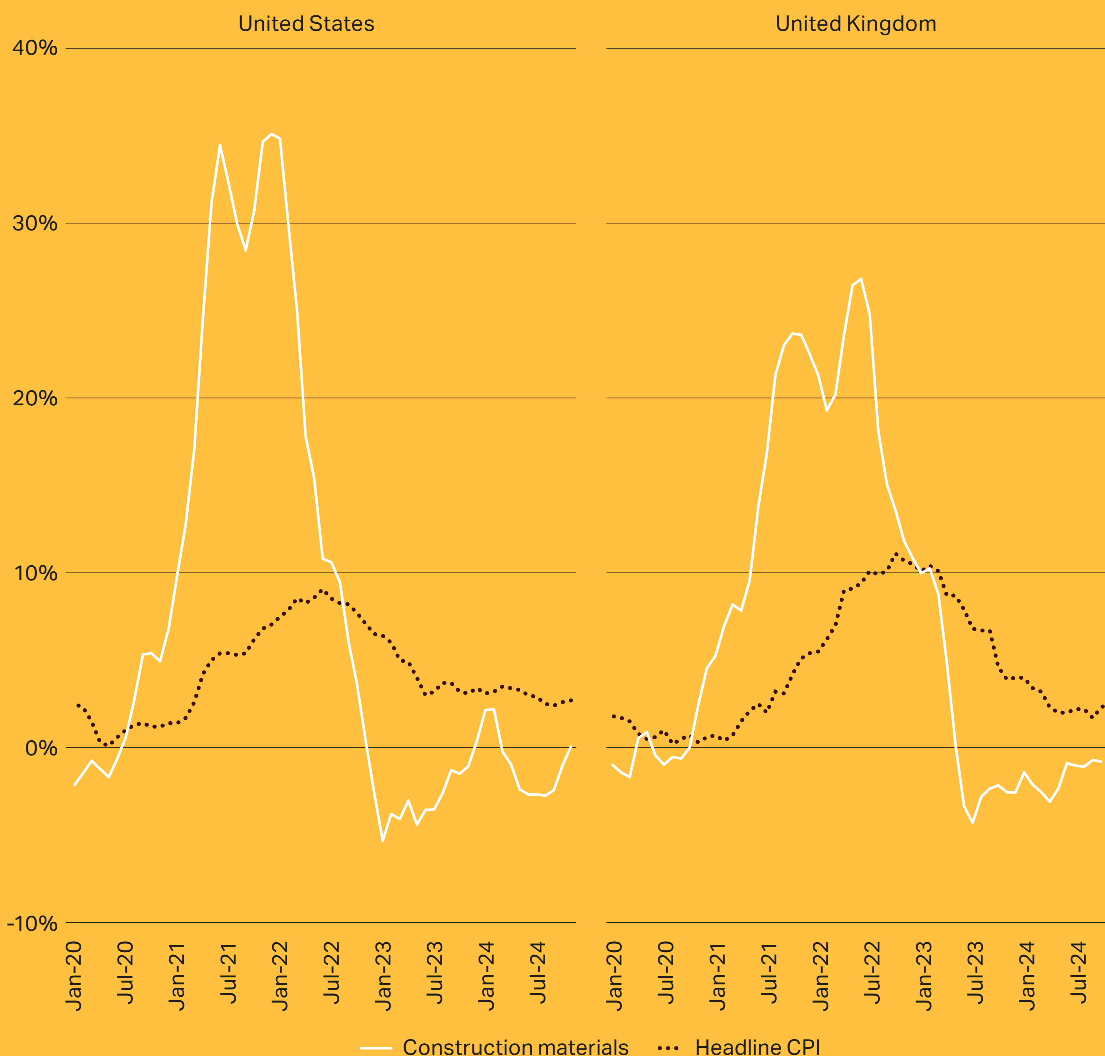
The low growth outlook, structurally higher inflation, a shifting yield curve and rising geopolitical risk have major implications for the (re)insurance market.

Economic inflation

Macroeconomics has changed the claims and investment environment too. As well as driving a significant increase in insured valuations, inflation has impacted claims costs, reserving and pricing. Shorter-tail lines suffered the most immediate and substantial impacts in 2020-22, as elevated costs (materials and labour) and replacement values, in addition to supply chain issues and longer repair times, exacerbated claims severity.

Figure 23 shows how construction material costs surged above headline inflation in the United States and United Kingdom during this period, before moderating and then declining in 2023. The positive trend continued last year, with broadly flat to modestly negative construction costs over the period providing some relief to (re)insurers.

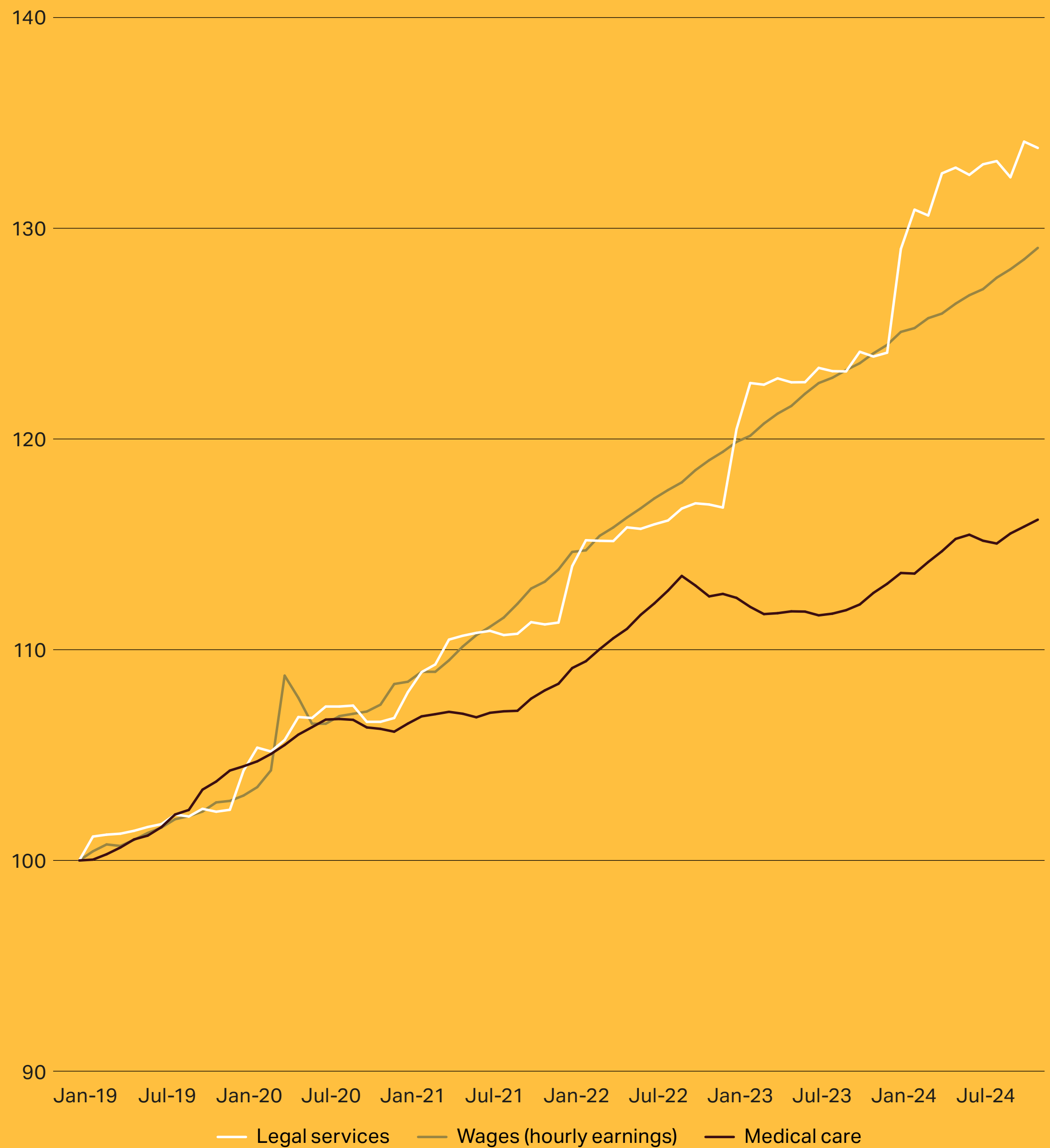
Figure 23: Construction material costs in United States and United Kingdom vs headline CPI – 1Q20 to 4Q24[4] (Source: Howden, BLS, ONS)



[4] US = PPI by Commodity: Construction Materials and U.K. = Construction Material Price Indices (All Work).

With impacts on shorter-tail lines relenting, and the performance of the property market holding up well during a period of volatility marked by major losses and pricing corrections, focus has shifted towards the liability market.

Figure 24: CPI categories relevant to liability lines in the United States – 1Q20 to 4Q24 (Source: Howden, BLS, CIAB)



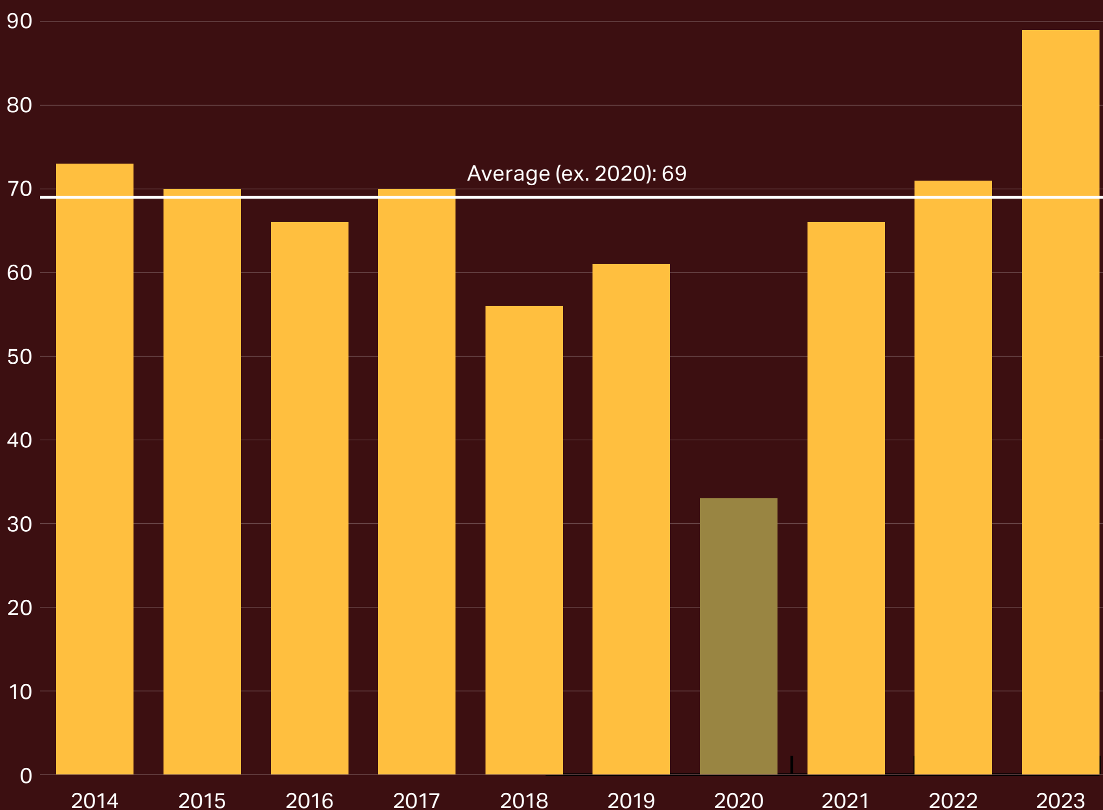
Whilst long-tail lines are typically more sensitive to inflation, with impacts accumulating over a longer period, Figure 24 shows that medical-related costs in the United States, an important loss indicator for an array of casualty classes, remained relatively benign in 2024 after registering modest increases through the year. Sustained wage growth in recent years has also provided significant premium tailwinds for certain classes such as workers' compensation and employers' liability.

Long-tail liability

Much of the concern centred around the US liability market stems from non-economic factors linked to so-called social inflation, including an active and aggressive plaintiffs' bar, higher litigation costs, increased attorney involvement in the claims process, growth of third-party litigation funding and anti-corporate sentiment.

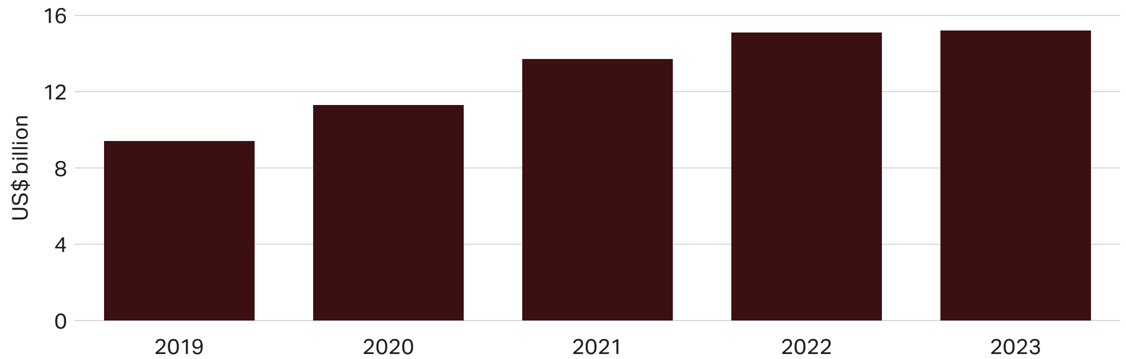
Adverse litigation trends are now manifesting in the large (and growing) size of jury awards. Figure 25 shows that the number of US nuclear verdicts (defined as awards greater than US$10 million) reached 89 in 2023, the highest level in the last 10 years and significantly above the average for the period.

Figure 25: Number of US verdicts against companies >US$10 million
(Source: Howden, Marathon Strategies)



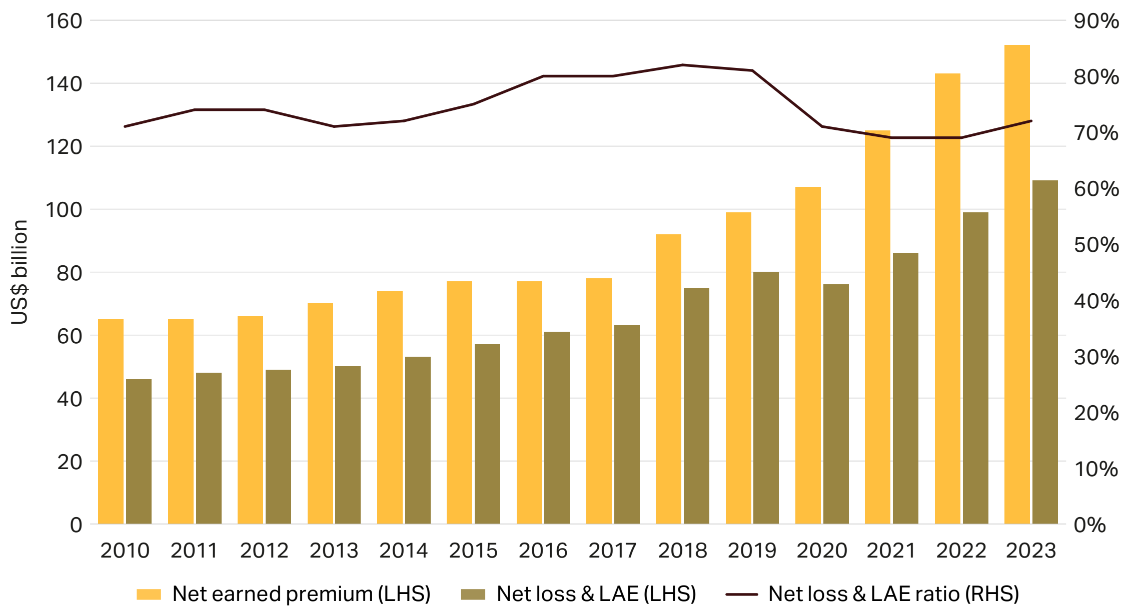
Outsized awards, along with expensive litigation costs and the rapid growth of litigation funding (Figure 26 shows a 62% increase in funders' assets under management between 2019 and 2023), are seeing a high proportion of US companies settle cases out of court. Approximately 81% of US businesses did so in 2023, according to Morgan Stanley.

Figure 26: US litigation funders' assets under management – 2019 to 2023
(Source: Howden, Westfleet Advisers)



All this has culminated in a deteriorating loss environment for (re)insurers. Figure 27 shows that the loss and LAE ratio for statutory US liability lines[5] increased to 72% in 2023 from 69% in 2022, equivalent to an aggregate US$10 billion increase in losses. This was driven in large part by other liability, which includes excess and umbrella coverage (accounting for 49% of the increase in losses), as well as commercial auto (33%).

Figure 27: Premiums and loss and LAE ratio for statutory US liability lines – 2014 to 2023[5]
(Source: Howden, NAIC)

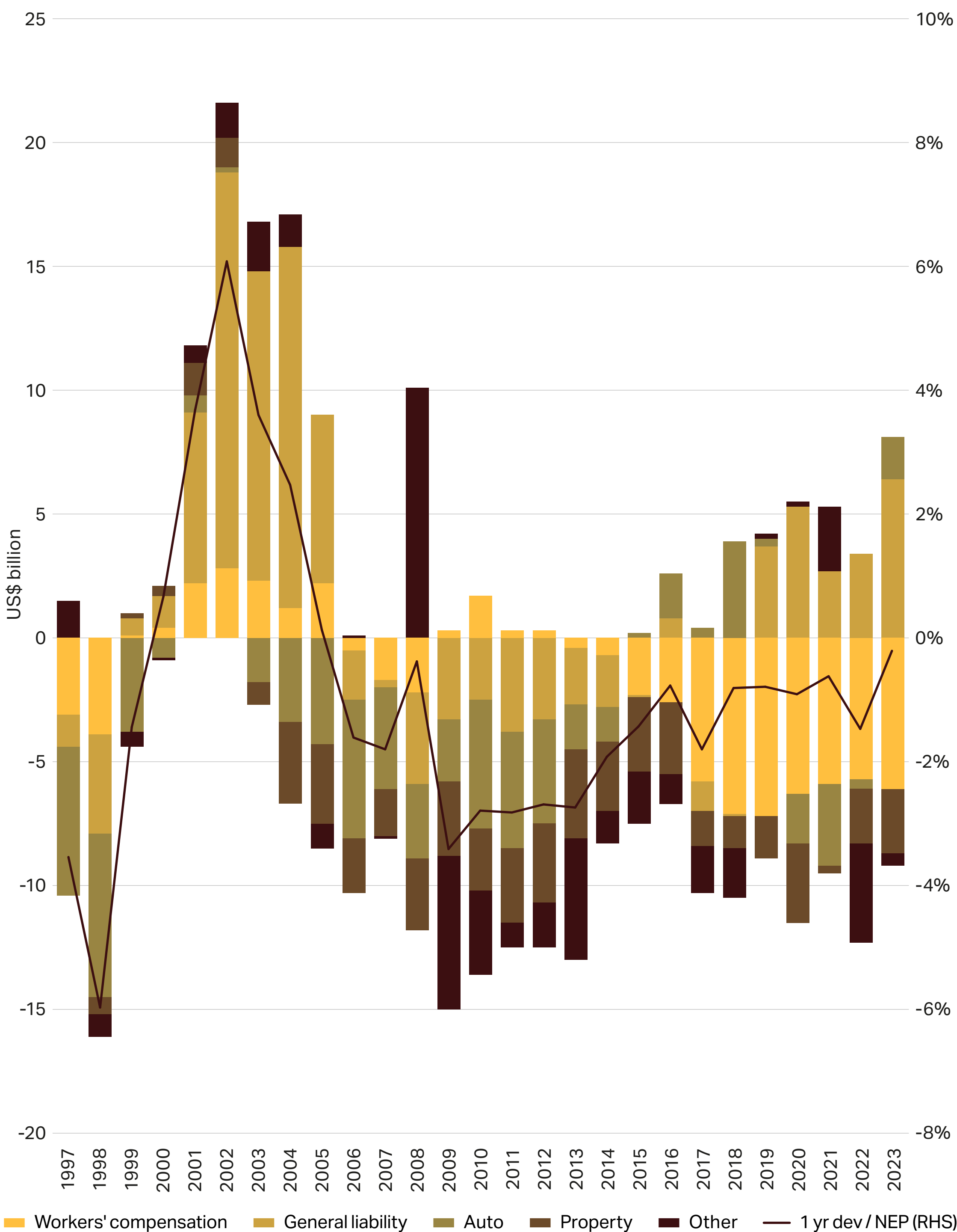


Loss deterioration to date in the liability market has emanated in large part from accident years 2016-19, although more recent years (2020-23) are now facing challenges as litigation costs rise. Statutory data shows that reserve strengthening of US$4.7 billion for other liability in calendar year 2023 was driven by adverse development for accident years 2017-19, whilst commercial auto saw US$3 billion of additions for accident years 2019 and 2021-22.

[5] Lines of business are commercial auto, medical professional, products liability and other liability.

Positive reserve development in non-liability lines has nevertheless provided a substantial offset (as shown by Figure 28). Strong results for workers' compensation in particular, aided by improvements in workplace safety and high employment, have been a consistent source of redundancies for the best part of a decade. Likewise for short-tail property.

Figure 28: Reserve movements by US P&C line of business – 1997 to 2023
(Source: Howden, NAIC)



Positive development for workers' compensation continued into 2023, with US$6 billion of releases accounting for the largest contribution of any line (42% of the total) and a bigger redundancy than the average recorded for the past ten years, portending well for sustainability.

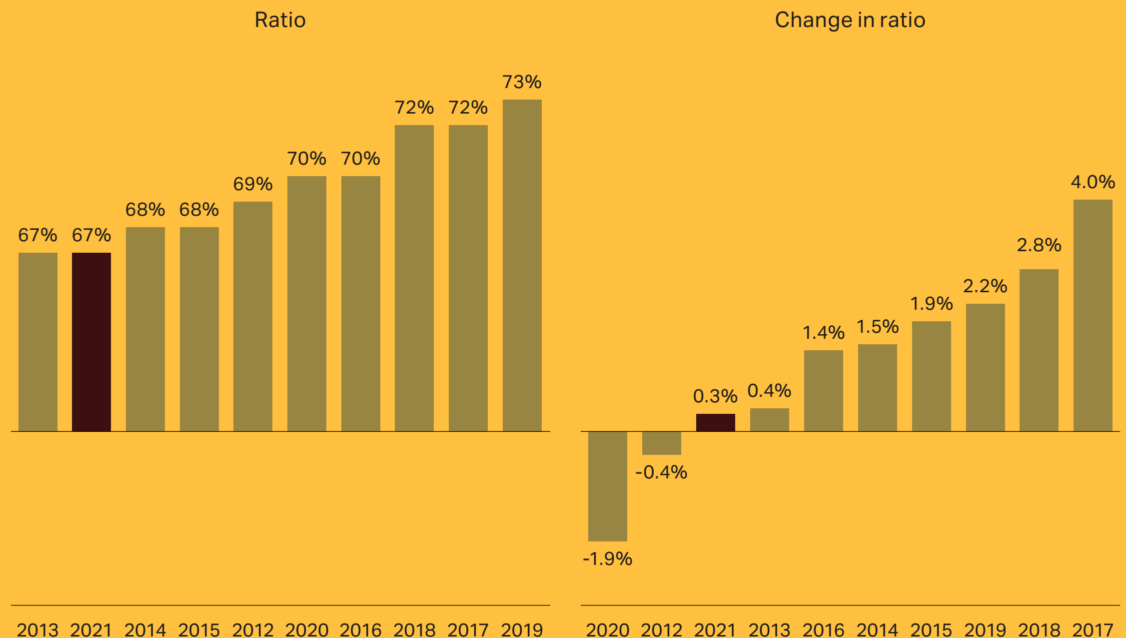
With experience in other lines of business factored in, overall reserve movement in 2023 was -0.2% of NEP, representing the 18th consecutive year of net releases, albeit at a moderated rate. The picture is even more positive globally, with releases on a calendar-year basis accelerating to a near-decade high during the first three quarters of 2024.

Previous additions have gone a long way to shoring up reserve adequacy for accident years 2016-19. As the focus switches to 2020-23, initial consensus that underwriting remediation (compressed limits, increased attachments and rate increases) and frequency benefits from COVID-19 would bring strong performance is being challenged.

Early development signs for these years are mixed. Commercial auto has recorded underlying losses for several years now, driven by higher claims costs and a shortage of experienced drivers. With recent accident years continuing to show deterioration, the product line will remain an area of focus, requiring additional rate to get ahead of loss costs.

Recent development trends for other liability, the most distressed product line previously, are more reassuring, with the net loss ratio for accident year 2021 (of 67%) comparing favourably to recent history and even previous 'good' years after three years' development (see Figure 29).

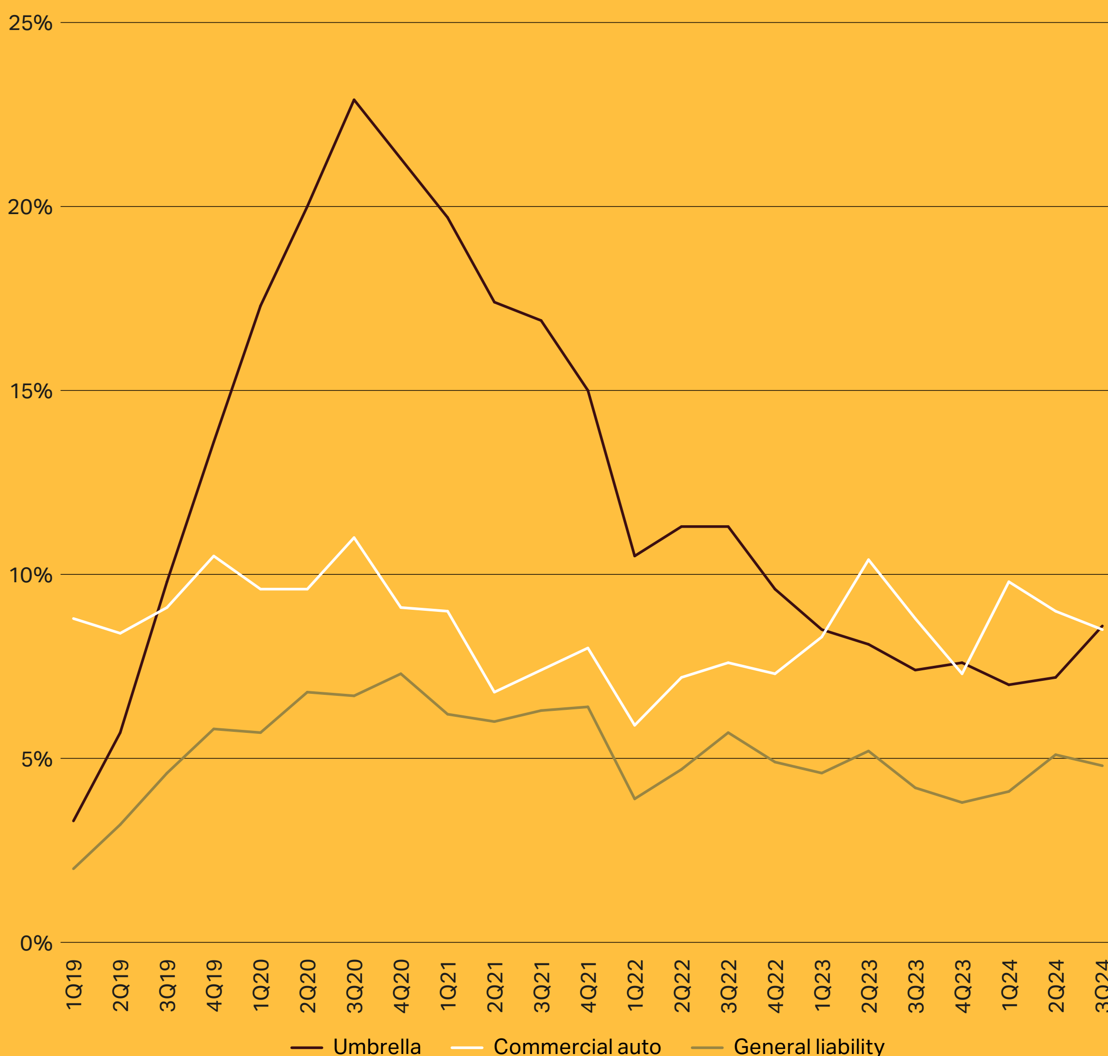
Figure 29: Net accident year loss and LAE ratio for other liability after three years' development (Source: Howden, NAIC)



Elevated pricing has been an important factor in maintaining buffers. Figure 30 shows how carriers have responded to pockets of deterioration by sustaining (or accelerating) compounded rate rises. These are expected to persist into 2025, especially with E&S submissions continuing to grow as carriers look to utilise the flexibility around pricing and terms in that market.

And with other casualty areas, including workers' compensation and international, continuing to register strong profitability, this is a market that is attracting ample supply and offers important growth opportunities in 2025.

Figure 30: US commercial casualty pricing movements – 1Q19 to 3Q24
(Source: Howden, CIAB)



“

Strong results for workers’ compensation have been a source of reserve redundancies for the best part of a decade.

Investment tailwinds

Investment portfolios continue to yield strong returns for long-tail writers. Despite easing monetary policy last year, yields on shorter and medium duration fixed income securities, which dominate (re)insurers' portfolios, remain significantly higher relative to three years ago.

Figure 31: Two-year and ten-year government bond yields – 2020 to YE24
(Source: Howden, Bloomberg)

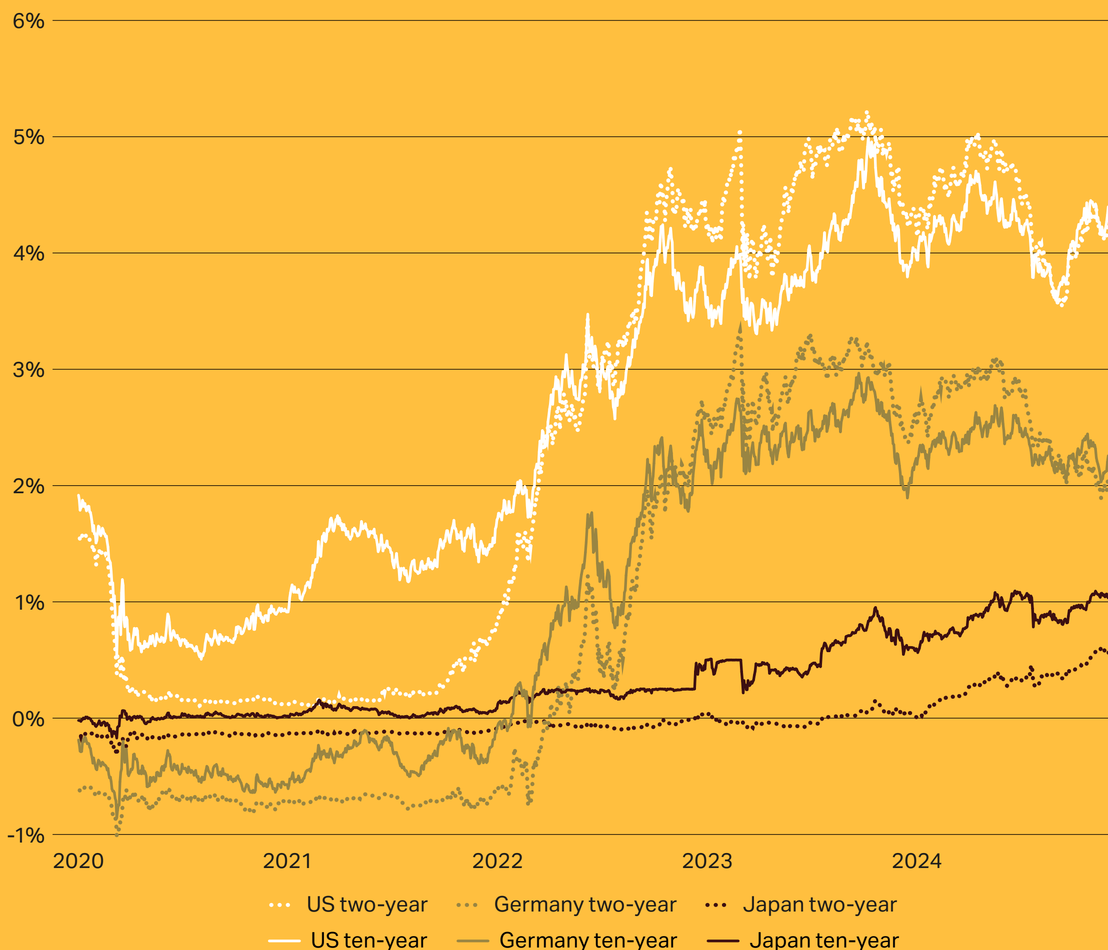
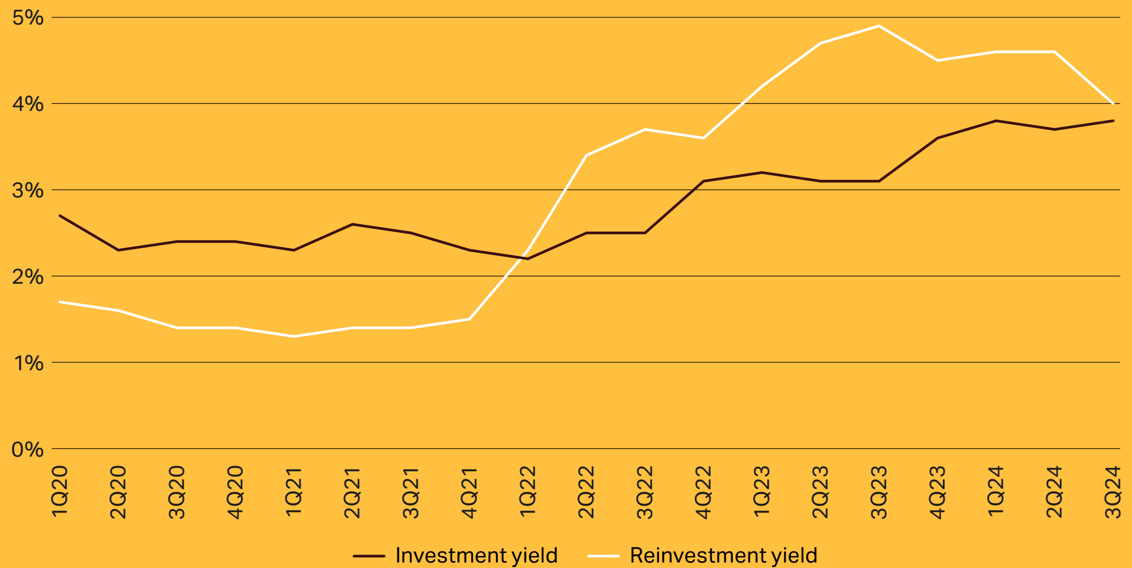


Figure 32 shows that average reinvestment yields across a composite of large insurers and reinsurers averaged more than 4% in the first three quarters of 2024, a modest reduction from the recent peak recorded in 2023 (of 4.6%) but well up on prior years. This continued to support investment returns, as higher yields on new investments relative to older bonds sent the overall investment yield up to an average of 3.8% in 2024, the highest level recorded in recent years by some distance.

Figure 32: Average investment yield for (re)insurance composite – 1Q20 to 3Q24
(Source: Howden, NOVA)



A number of carriers reported higher net investment income in 2024, as a result. With interest rates now expected to stay higher for longer in some advanced markets, investment is a source of income that will prove to be an additional (and sustained) offset to rising claims inflation for some time to come.

> “Higher investment incomes continues to offset underwriting pressure in long-tail lines.

2024: intensifying risks

Escalating threats have transformed the concept of risk and resilience. Every year so far this decade has seen real-terms insured natural catastrophe losses breach the US$100 billion threshold.

In addition to a succession of damaging hurricane landfalls in the United States in 2024, a series of major flooding events across several regions, including Europe, the Middle East and Latin America, tested historical precedent in terms of intensity and costs.

2024 was also set apart by an upsurge in armed conflict and a series of high-profile elections in what was framed as the ‘biggest election year in history’. Not only are businesses contending with the fallout following these polls, where several incumbent governments paid the price for high inflation, but escalating conflicts in the Middle East and Ukraine, coupled with persistent tensions across the Taiwan Strait, continue to threaten energy security, global supply chains, international trade and, by extension, resurgent inflation.

The convergence of these factors, in addition to ongoing instances of civil unrest and a series of large-scale cyber incidents that have exhibited systemic traits, highlight the wide spectrum of (new and old) risks confronting businesses and (re)insurers in this era of polycrisis.

Figure 33: Timeline of major events in 2024 (Source: Howden)

Environmental | Economic | (Geo)political | Societal | Technological

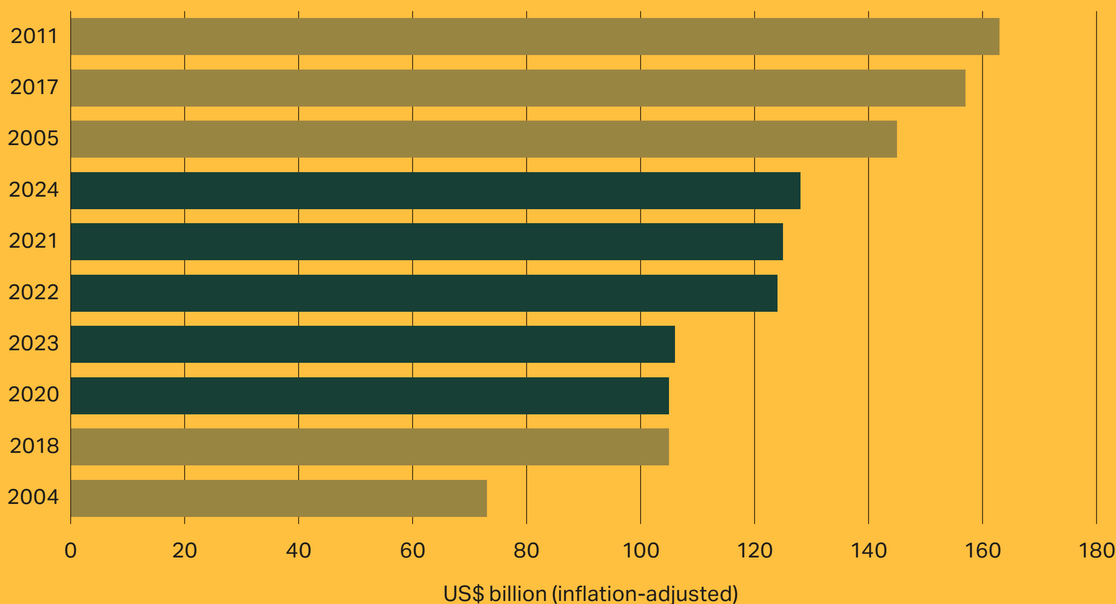
Month	Event	Event	Event
January	**Nat-cat** Japan Mw7.5 EQ causes insured losses of ~$2bn	**Plane crash** Runway collision at Haneda Airport in Tokyo	
February	**War** Houthi rebels attack tanker in Red Sea, causing 18-mile oil slick		
March	**Cyber** Systemic ransomware attack on Change Healthcare: $2bn+ economic, $0.25bn+ insured losses	**Man-cat** Container ship hits Francis Scott Key Bridge, causing $2-4bn of insured losses	
April	**Nat-cat** Taiwan EQ causes economic and insured losses of ~$28bn and <$1bn; semi-conductor supply chain disruption avoided	**Nat-cat** Record-breaking UAE flooding causes ~$2.5bn of insured losses (inc. $100m+ solar farm)	**War** Iran-Israel drone strikes
May	**Riots** New Caledonia riots due to proposed voting reform causes $1bn+ of insured losses	**Nat-cat** 24-hour record rainfall and flooding in Brazil causes losses of ~$2bn	
June	**Riots** Kenya parliament stormed amidst anti-tax protests (spread using AI) led by Gen Z, triggering political climbdown	**AI** Nvidia becomes most valuable company ($3.3tn) due to AI boom	
July	**Cyber** Non-malicious global IT outage causing ~$5.5bn in economic losses (<$1bn insured)	**Riots** Bangladesh student-led riots topple Prime Minister	
August	**Recession-fear** Sharp declines in stock markets following weaker than expected US jobs data	**Nat-cat** Most expensive cat loss year in Canadian history (wildfire, hail, floods)	**War** First invasion of Russian soil since WWII
September	**Recession-fear** US Fed cuts key policy rate by larger than expected 0.5ppt, starting post-pandemic US easing	**Nat-cat** Hurricane Helene hits Florida and inland states, causing up to $10bn of insured losses	**Nat-cat** Storm Boris hits Europe costing up to $3bn of insured losses
October	**Nat-cat** Flash floods and heavy rain hit Valencia, killing >200	**Nat-cat** Hurricane Milton hits Florida at category 3	
November	**Election bounce** US equity markets surge (and yields rise) following US presidential elections	**Trade war risk** Threat of new US tariffs, including 25% on Mexico & Canada, +10% on Chinese imports	
December	**French political crisis** PM resigns due to budget-driven no confidence vote	**Syrian civil war** Rebels overthrow Assad regime	

Climate: risk and retentions

2024 was another 'top ten' natural catastrophe loss year for the insurance market, featuring severe convective storms, major international flooding events and an impactful hurricane season that brought five US hurricane landfalls. Similarly to 2023, the bulk of the losses were retained by insurers, although reinsurers absorbed a portion of the burden for events that had sizeable impacts (e.g. Europe, Middle East, Canada, Caribbean, Florida).

Another year of high catastrophe activity in 2024 sustained a series of elevated annual losses that has been a running theme since 2017, driven by a myriad of factors from rising insured values and exposure growth in high-risk areas to climate change, demographics and even some randomness. Several events last year (e.g. European and Brazilian floods, Hurricane Helene) also highlighted the still substantial gap between economic and insured losses, adding to public purse burdens at a time of high debt.

Figure 34: Top ten largest insured natural catastrophe loss years on record[6]
(Source: Howden, NOVA)

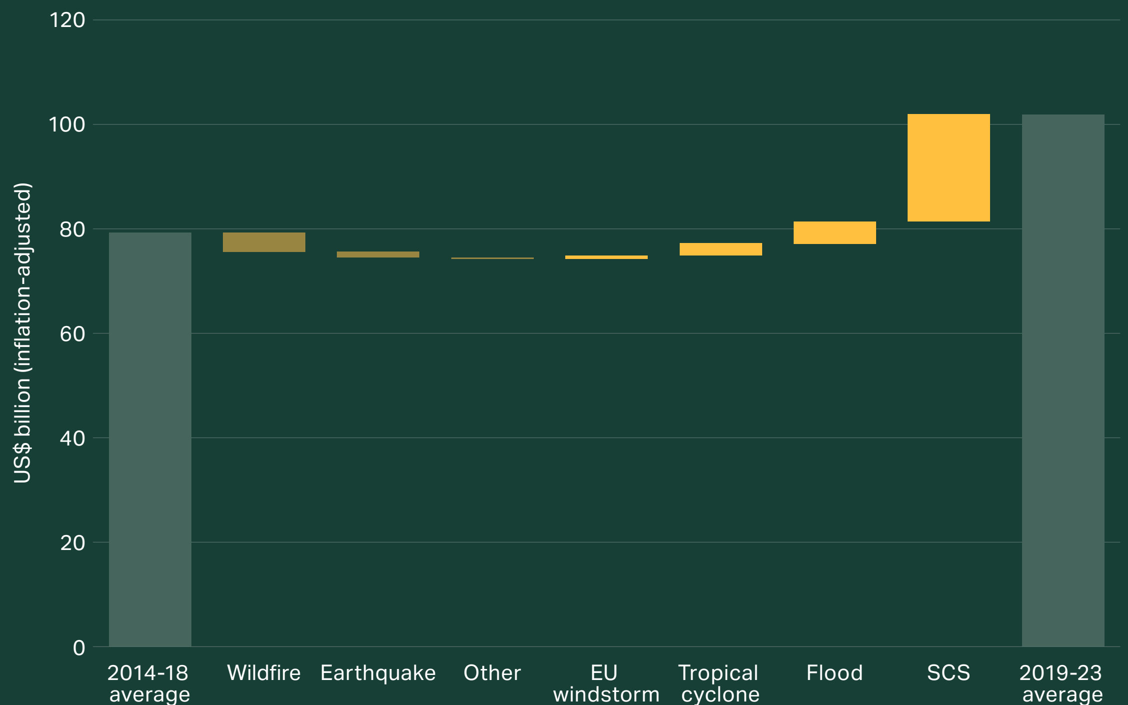


2024 was characterised by a mix of sizeable losses that had devastating impacts across several communities. Severe convective storms globally have become a major contributor to insured losses and this trend continued last year, with aggregated global claims from the peril reaching US$55 billion.

[6] Excludes losses from the National Flood Insurance Program in the United States.

By breaking down insured catastrophe losses over the last decade into two five-year periods, Figure 35 shows the outsized impact severe convective storms have had in driving annualised amounts higher, accounting for 90% of the increase. This resulted in insured natural catastrophe losses rising from an average of US$80 billion in 2014-18 to US$105 billion in 2019-23.

Figure 35: Insured natural catastrophe losses since 2014 broken down by peril contribution (Source, Howden, NOVA)



Other events last year triggered outsized insured losses relative to market size, including Canada, which suffered its most expensive catastrophe year on record following successive catastrophes through the summer (hail, flooding x2 and wildfires).

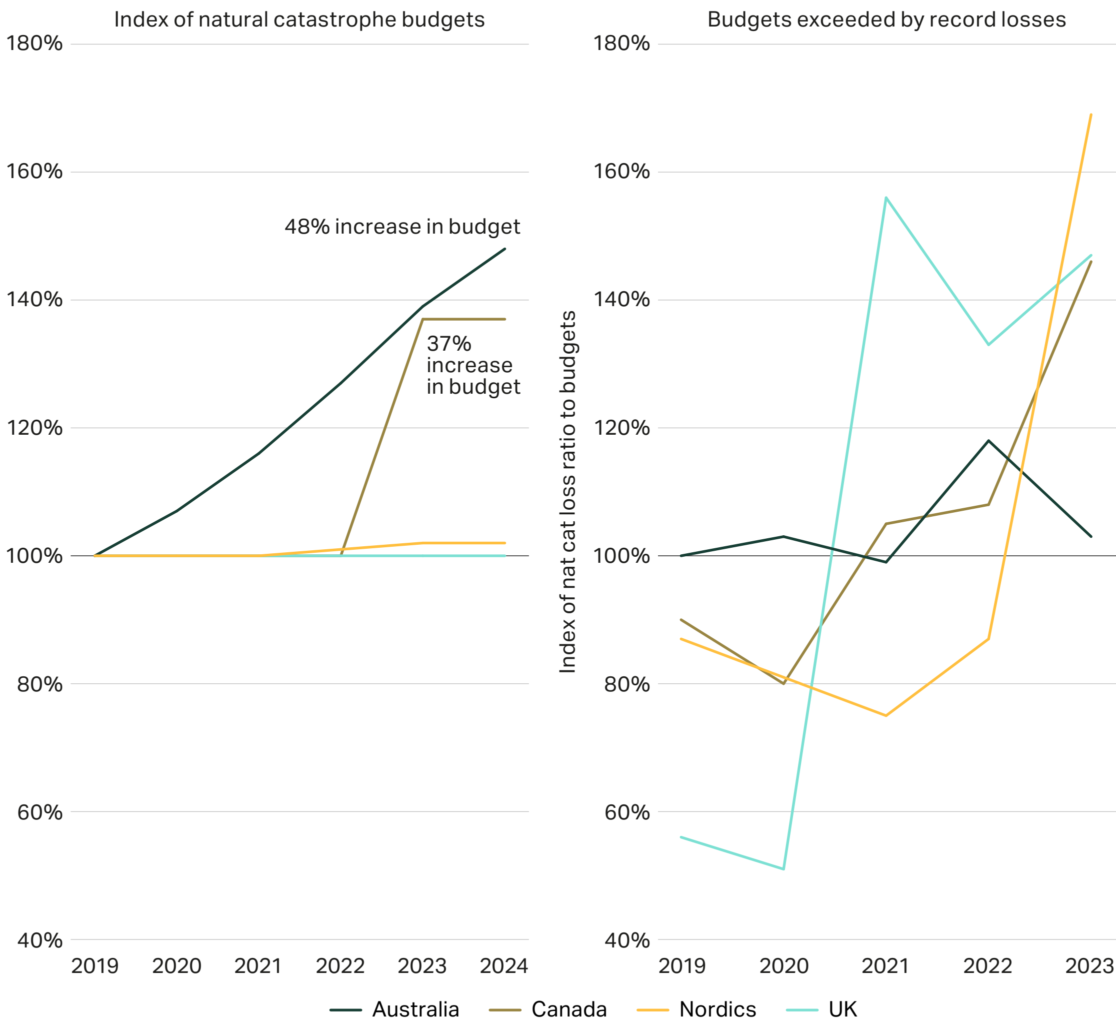
Europe was also hit by three major flooding events, with Germany, Central Europe (Austria, Czech Republic and Poland) and Spain all suffering massive damage and disruption. The floods in Spain caused the country's biggest loss ever at US$4 billion plus and raised concerns about more frequent events due to the warming of the Mediterranean.

Flood disasters occurred in more unexpected areas too, as record-breaking rainfall in Brazil and the United Arab Emirates caused (low) billions of dollars of insured losses. Climate change, along with growing exposures and increased market penetration in territories such as these, are likely to bring higher losses in future, as demonstrated by the biggest solar market loss to date after a concentrated farm in the UAE sustained significant damage during the floods.

Elevated risk at a time of higher retentions is causing increased earnings volatility for insurers. Figure 36 shows how loss budgets have fared for insurers operating in Australia, Canada, the Nordics and the UK against recorded claims since 2019. Despite substantial (and repeated) budget increases for Australian and Canadian insurers over the period, losses have come in higher.

Whilst the Australian composite has (marginally) exceeded its budget in four of the last five years, far more volatility was recorded for Canadian, Nordic and UK markets, with budgets not coming close to covering costs at various points in the timeframe (indicating they may need to rise further to keep pace).

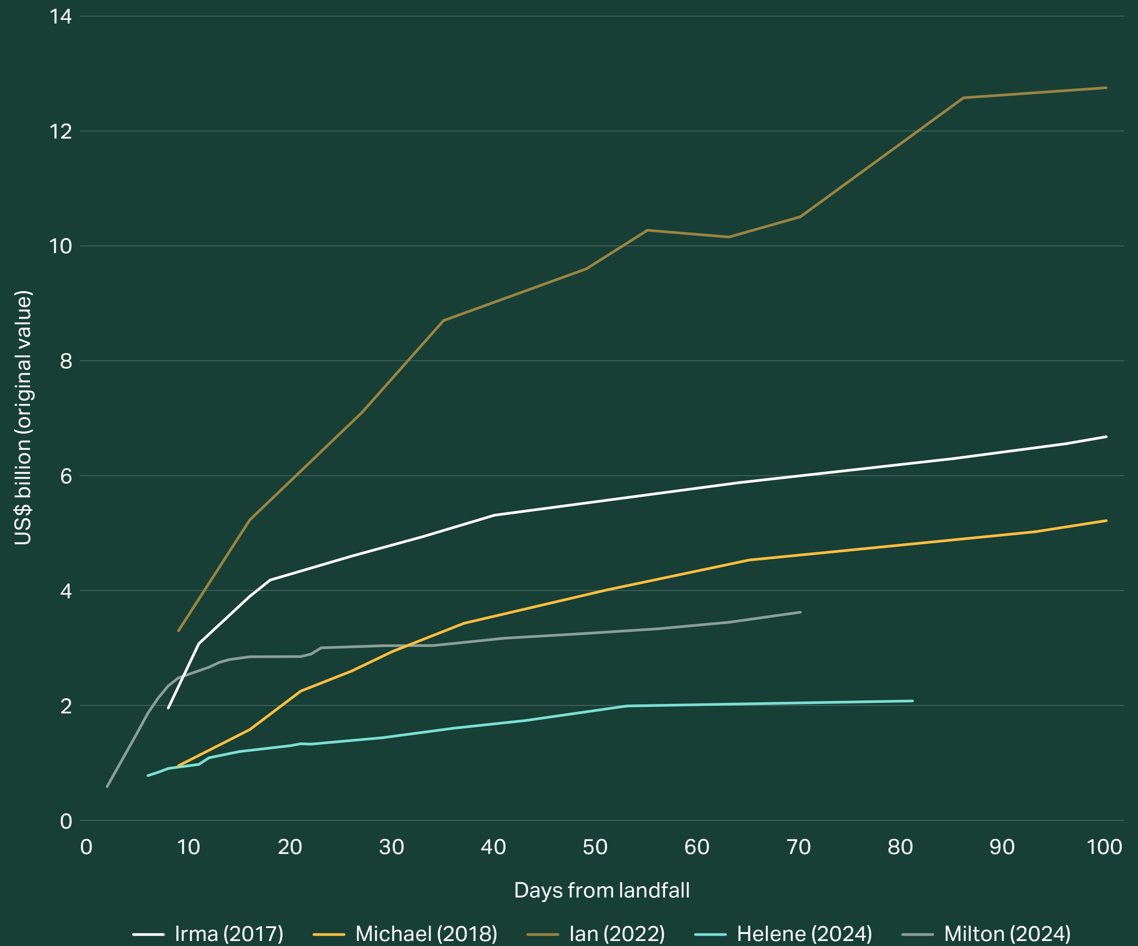
Figure 36: Natural catastrophe budgets vs recorded losses since 2019 for select international markets (Source: Howden)



The trend of retained losses and challenged insurer budgets was mirrored in the United States, where a lively hurricane season (early start, quiet middle and active end) brought five landfalling storms in total – Beryl, Debby, Francine, Helene and Milton. Whilst losses from the first three (lower category) hurricanes were contained, the late arrivals of Helene and Milton as major hurricanes in Florida (the latter only avoiding a Tampa Bay direct hit by a matter of miles) introduced uncertainty into the property market as carriers tallied claims.

Although meaningful enough to trigger reinsurance recoveries, market losses for both Helene and Milton trended below levels seen for Hurricanes Ian or Irma ahead of reinsurance renewals at 1 January 2025 (as shown by Figure 37), which contributed to the outcome of reduced pricing overall.

Figure 37: Paid claims development in Florida for Helene and Milton vs other major hurricanes[7] (Source: Howden, Florida Office of Insurance Regulation)



All of which leaves property insurers confronting a challenging outlook of high risk and high retentions. Increased earnings volatility has prompted some carriers to pull out of catastrophe-exposed areas, compounding the shortage of supply at a time of elevated demand.

The dramatic shift in loss distribution is cascading down the value chain to direct clients, who face historically high pricing without the certainty of cover being available. This raises questions around future relevance, particularly in the face of the changing climate and enabling the net zero transition, which can only be addressed by focusing on the end-customer and innovating to bring more capacity to market.

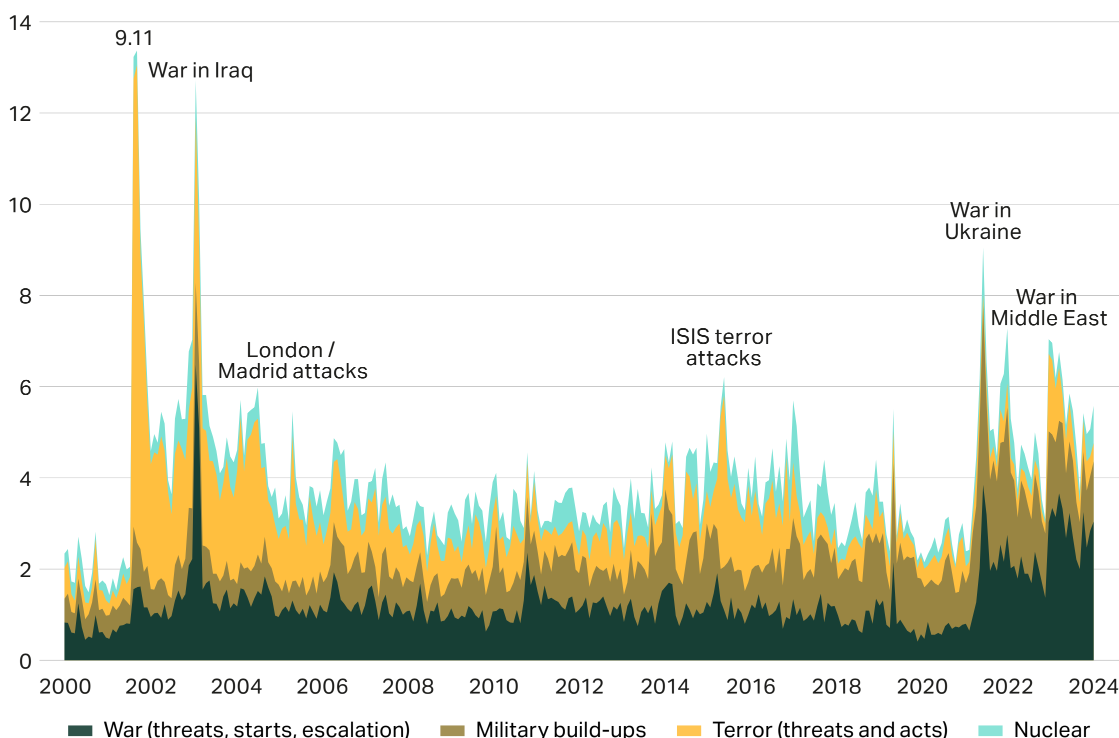
[7] Data in Figure 37 shows estimated insured losses released by the Florida Office of Insurance Regulation based on paid claims data filed by insurers to the regulator.

(Geo)politics: escalation and elections

Geopolitics has played a dominant role in shaping the macro and loss environment in recent years, as a complicated new world order has raised the risk of conflict, political turbulence and civil unrest whilst also fuelling inflation. These issues remained front and centre in 2024 as wars escalated and consequential political transitions followed the 'biggest election year in history'.

The Global Geopolitical Risk Index in Figure 38 visualises the shift from the outsized terrorism threat at the start of the century to war and military build-ups in more recent years. The prevalence of hot conflicts around the world correlate directly to supply chain security and inflation volatility.

Figure 38: Geopolitical Risk Index by category – 2000 to 2024[8]
(Source: Howden, Geopolitical Risk Index)

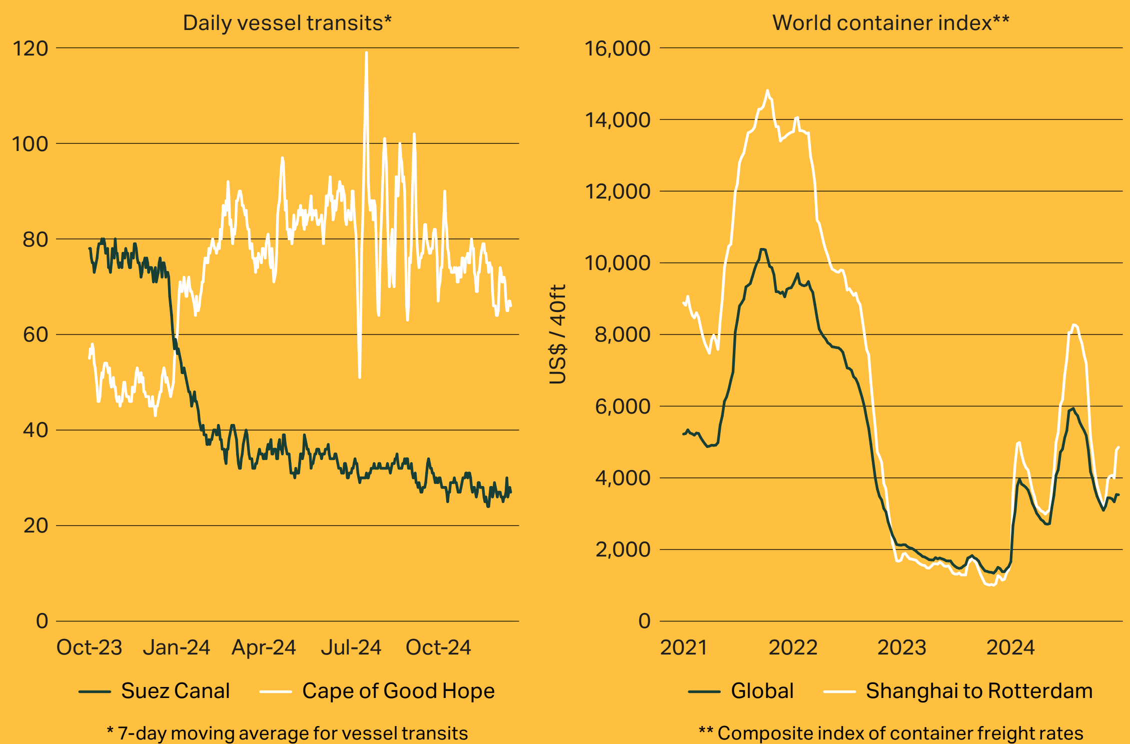


With the war in Ukraine now approaching its fourth year and 2024 bringing direct military exchanges between Iran and Israel, as well as the fall of the Assad regime in Syria, the risk of escalation is rising. Indeed, last year saw the first deployment of foreign troops in Ukraine with North Korean involvement and subsequent approval for Ukraine to use US-and UK-made long-range missiles to attack Russia. Contagion in the Middle East also enhanced the risk of a broader regional war and further disruption to shipping.

[8] Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk," American Economic Review, April, 112(4), pp.1194-1225. Data downloaded from https://www.matteoiacoviello.com/gpr.htm on 20 December 2024.

Such instability reinforces the need for coverage clarity, a theme that featured prominently during 1 January 2025 renewal negotiations. Cedents challenged the extension of escalation clauses placed into certain treaties in 2024 and were successful in narrowing their applicability this year in return for increased transparency around underwriting appetite, strategy and execution in some of the more challenging territories. Relationships and collaboration are key to this market's future, as insurers can only offer war coverage to businesses if they have confidence in their reinsurance.

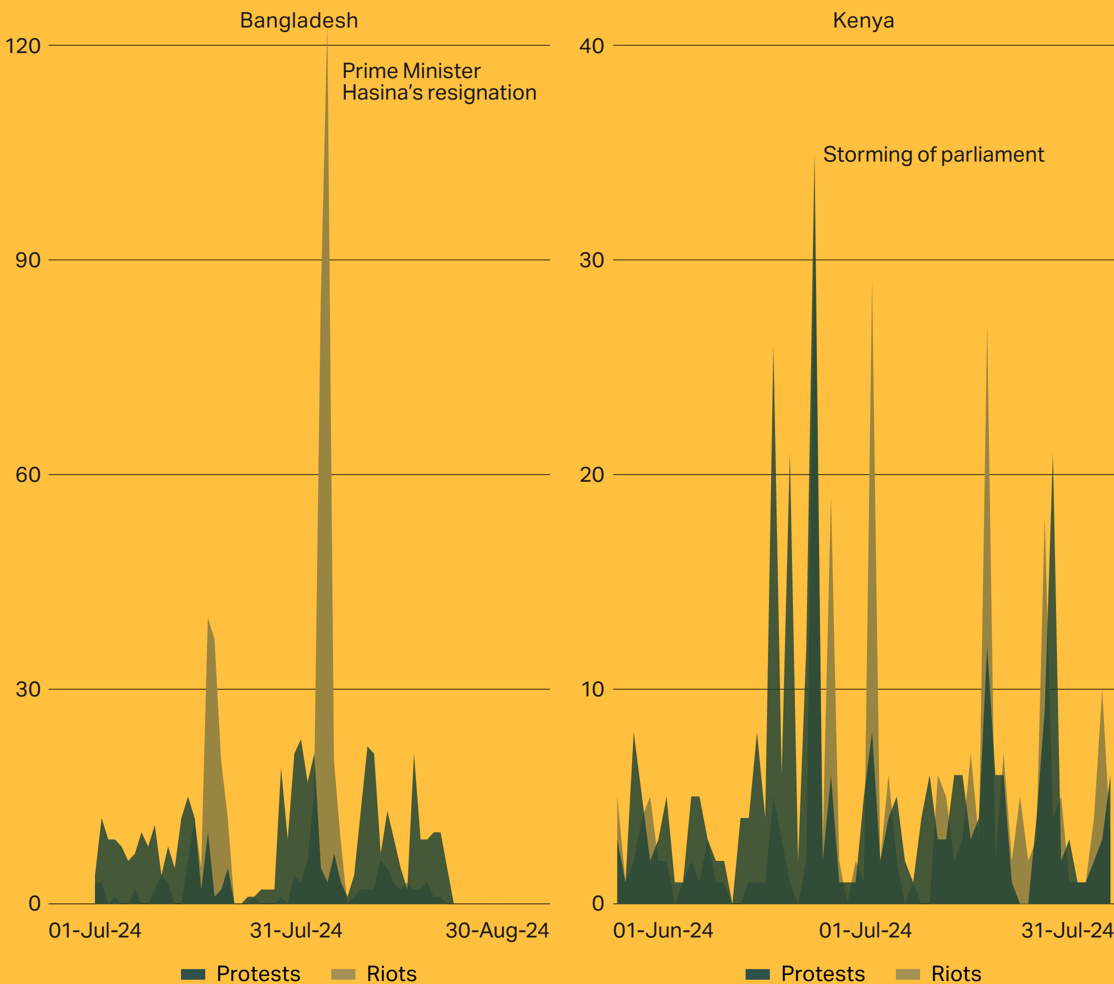
Figure 39: Shipping disruption in Red Sea (Source: Howden, Drewry WCI, IMF Portwatch)



The upsurge in armed conflict coincided with a busy election cycle in 2024, the US being most prominent. The hostile economic and geopolitical conditions of recent years meant several incumbent governments were voted out of power or forced into coalition / cohabitation, often with substantial swings in vote share. The fallout from these elections is likely to continue to manifest in 2025, with potentially significant implications for global trade and security.

Grievances tied to the rising cost-of-living, food and energy insecurity, falling real incomes, high levels of debt and perceived poor governance and corruption, inflamed further by populism and polarisation, are testing social cohesion. This led to episodes of civil unrest in several countries last year, with riots in Bangladesh and Kenya leading to the resignation of Prime Minster Hasina and a reversal of fiscal (tax) policy, respectively. Other countries, including, Georgia, South Korea and the United Kingdom, also saw widespread protests or unrest.

Figure 40: Number of recorded riots and protests in Bangladesh and Kenya in 2024
(Source: Howden analysis using ACLED data)



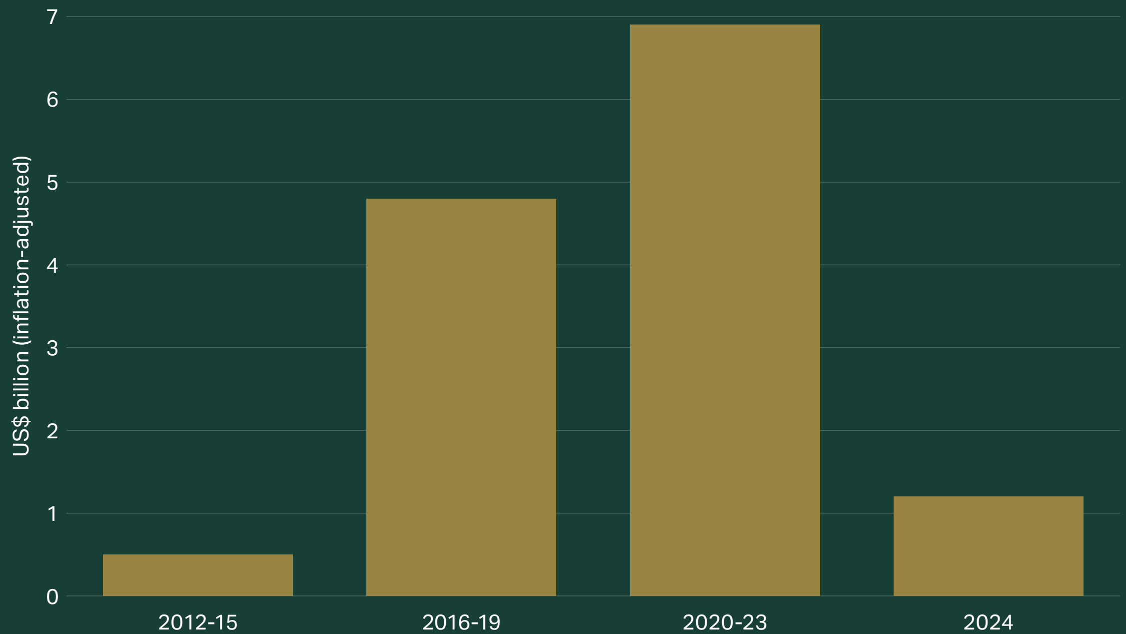
Attempted electoral reforms in the French overseas territory of New Caledonia sparked widespread violence too, destroying hundreds of businesses and homes. More than US$1 billion of insured losses (mostly from embedded exposures in property policies) in a territory with a population of just 300,000 lays bare the potential magnitude of costs in larger, more developed economies in the current environment.

Rising insured losses from civil unrest over the last 12 years (as shown by Figure 41) is indicative of how the scale of events is now spiralling. Rather than a series of random acts, recent events are a manifestation of a highly challenged macro-environment, fuelled further by the proliferation of technology and the reach provided by smartphones and social media.

Given a sizeable portion of losses from recent civil unrest events have been shouldered by property carriers (including Hong Kong, Chile, BLM, South Africa and France), an increasing number of carriers within that market are now reassessing their exposures. For the standalone market to fill the void, work needs to be done around aggregations and reinsurance recoveries. Existing definitions (e.g. a 250-metre capped radius) expose direct insurers to multi-retention losses if damage occurs in multiple, dispersed locations and / or over protracted timescales (as it has done in most recent SRCC events), creating sizeable horizontal net exposures.

Old approaches designed to respond to a 9.11 vertical-type event will not suffice for threats that carry significant aggregated risks. This is the time for the market to collaborate and innovate. Howden is leading the charge by finding solutions to create more ground-up protection through quota-share arrangements and / or parametric products.

Figure 41: Rising insured losses from civil unrest by four-year period from 2012
(Source: Howden)



> Rising outbreaks of civil unrest are a manifestation of a highly challenged macro-environment.

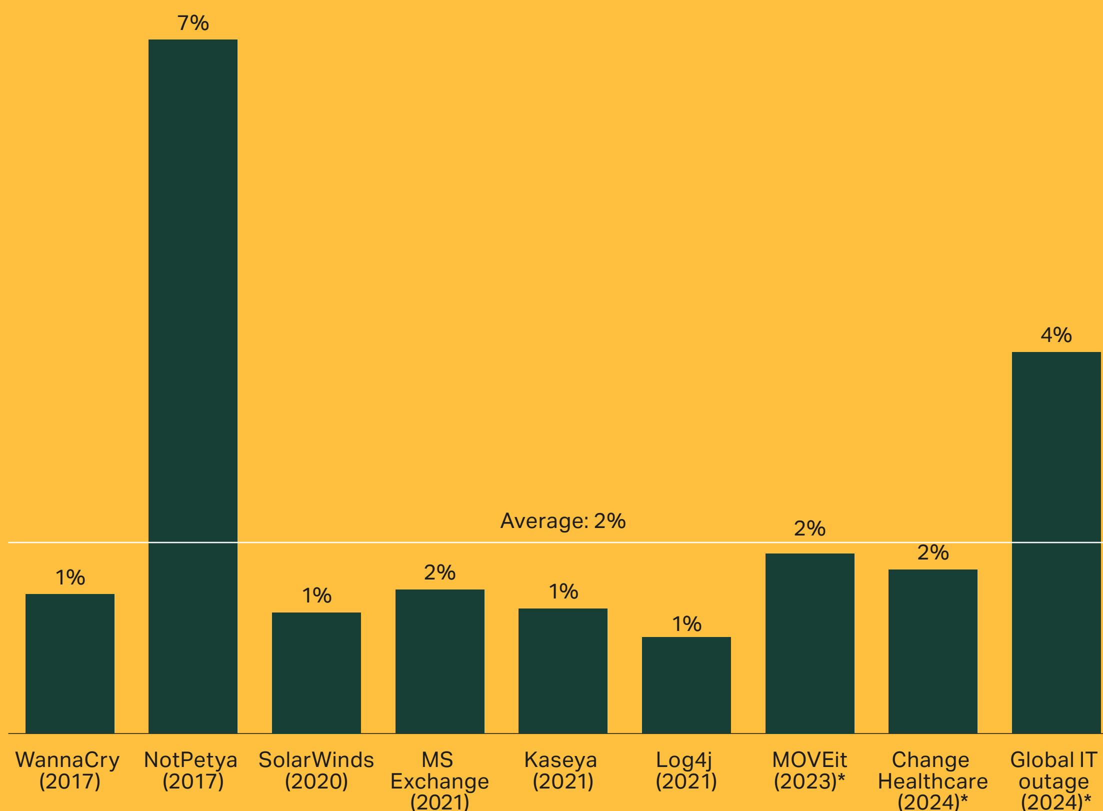
Cyber: risk, resilience and relevance

2024 was a milestone year for cyber insurance. Despite a heightened threat landscape, exacerbated by geopolitical tensions and technological change, the market emerged stronger through an unprecedented sequence of losses that reinforced the value of its offering.

Last year was set apart by multiple high-profile attacks on systemically important institutions, including the UK's National Health Service and Change Healthcare in the US. The costs from these events were subsequently superseded by a non-malicious IT outage that crashed ~8.5 million systems globally.

Insurance was key to accelerating recovery for businesses impacted by these incidents, not only by paying claims but also providing access to incident response experts that made a real difference in restoring operations and limiting damage. Covered SMEs especially benefitted from the recovery services embedded in their policies.

Figure 42: Insured loss estimates for high-profile cyber events as a percentage of GWP for global cyber market – 2017 to 2024 (Source: Howden)



Note: Affirmative cyber only. Loss development based on a range of market estimates.

Resilience amongst impacted companies helped to limit the flow of claims into the insurance market, driving down industry loss estimates associated with the outage. Even with the additional loss burden from the Change Healthcare incident factored in, strong market growth in recent years meant catastrophe losses equated to just 6% of global cyber premiums (see Figure 42).

Attritional losses also appeared to be under control last year. Whilst global ransomware activity again increased in 2024 (up around 10% on 2023 according to figures from NCC Group), driven by the splintering of groups, the relentless professionalisation of hackers and tacit support from hostile governments, data showed a more nuanced picture on the severity front.

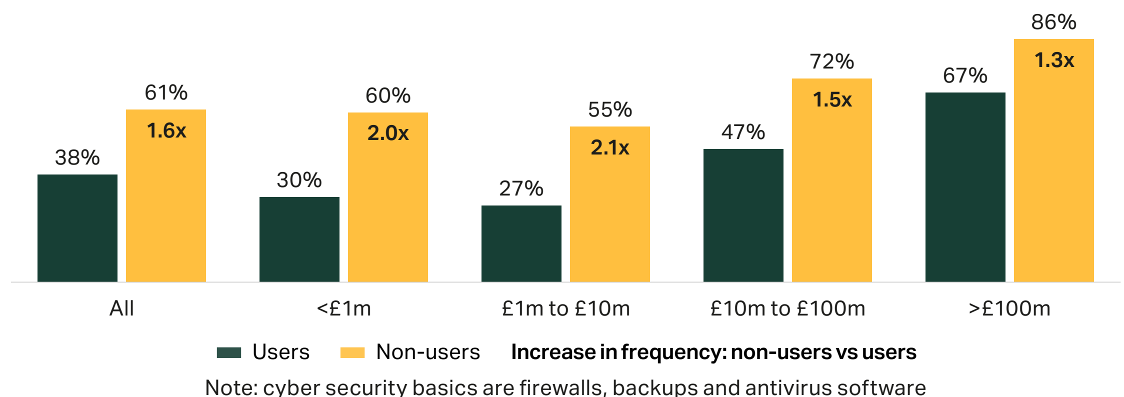
The fall in the proportion of victims paying ransoms (a key component of overall ransomware costs alongside business downtime) to an average of 32% in the first nine months of 2024 (from 70% in 2020), was counterbalanced by some of the largest payments on record for certain companies involved in high profile cases. Improvements in cyber security are nevertheless proving highly effective in making organisations more resilient overall.

The proliferation of Gen AI was the major new technology-based cyber threat development of 2024. Although this powerful technology is already enhancing threat actors' capabilities, Howden research[9] points to how the impact may be mitigated.

Whilst the least skilled hackers will see the biggest uplift to their capabilities, they are likely to occur in vectors that are relatively predictable and straightforward to protect against (phishing emails generated by chatbots, for example). In addition, defenders are piloting Gen AI to address key vulnerabilities (e.g. pre-release software scanning), with early signs of transformative potential.

Bringing everything together, 2024 triggered an acceleration in cyber risk awareness, which is the key driver of demand for security and insurance. As more organisations invest in basic prevention measures (and more sophisticated companies shift their focus to operational resilience), as well as purchasing cyber insurance, they are improving their ability to intercept breaches early in the attack chain and recover more quickly. This is reinforced by new Howden research, which underlines the efficacy of basic cyber security measures at the macro level, as well as the value of cyber insurance.

Figure 43: Proportion of UK businesses to have suffered a cyber attack by revenue band and users vs non-users of cyber security basics – 2019 to 2024 (Source: YouGov, Howden)



Note: cyber security basics are firewalls, backups and antivirus software

[9] Cyber insurance: risk, resilience and relevance, Howden, July 2024.

Figure 43 shows that the combination of firewalls, backups and antivirus software reduced the frequency of attacks on UK businesses by 1.6 times (more amongst businesses at lower revenue bands) over 2019-24. In addition, these measures lowered the severity of attacks by ~6% of revenue, or £6 million on average.

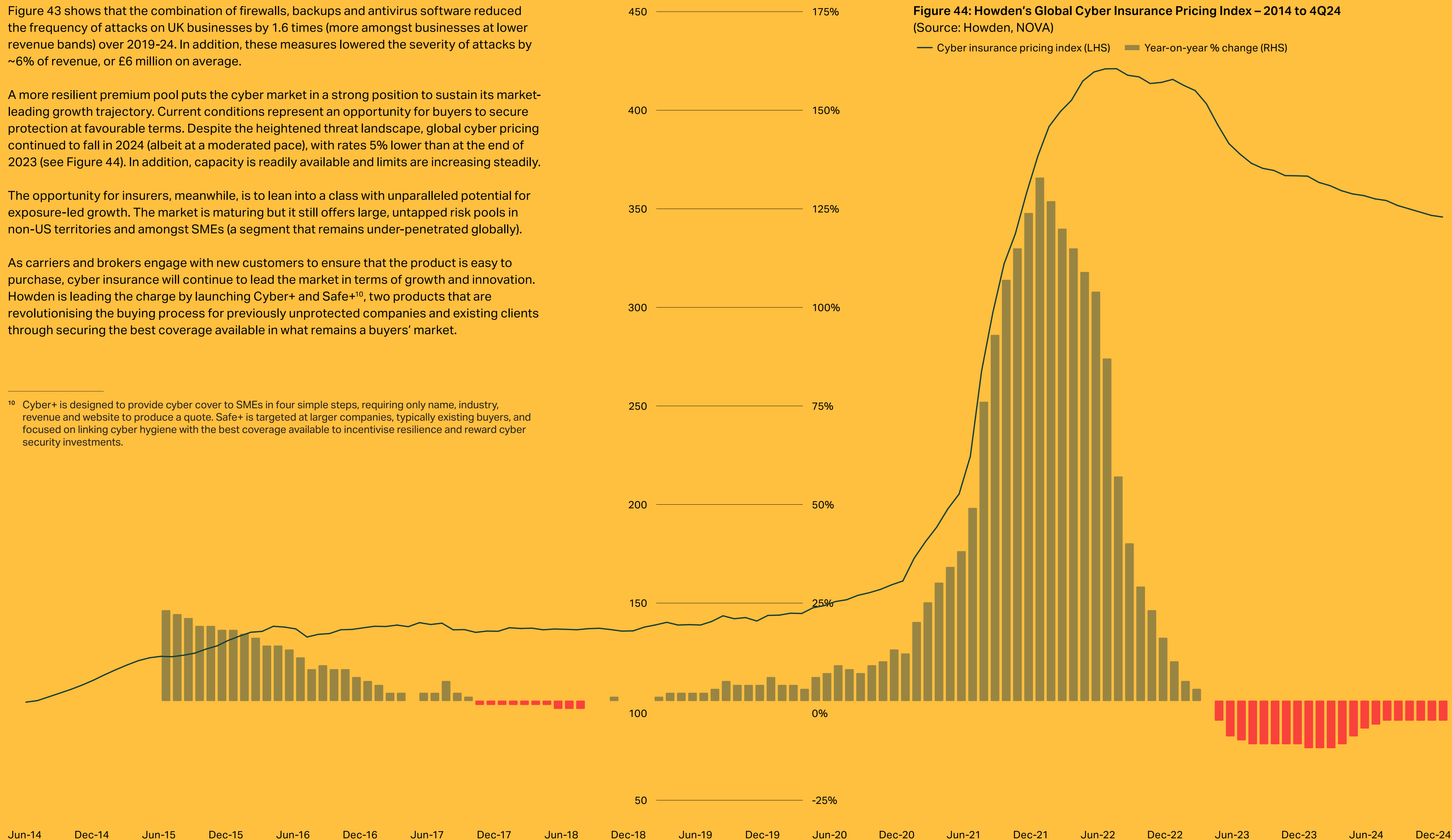
A more resilient premium pool puts the cyber market in a strong position to sustain its market-leading growth trajectory. Current conditions represent an opportunity for buyers to secure protection at favourable terms. Despite the heightened threat landscape, global cyber pricing continued to fall in 2024 (albeit at a moderated pace), with rates 5% lower than at the end of 2023 (see Figure 44). In addition, capacity is readily available and limits are increasing steadily.

The opportunity for insurers, meanwhile, is to lean into a class with unparalleled potential for exposure-led growth. The market is maturing but it still offers large, untapped risk pools in non-US territories and amongst SMEs (a segment that remains under-penetrated globally).

As carriers and brokers engage with new customers to ensure that the product is easy to purchase, cyber insurance will continue to lead the market in terms of growth and innovation. Howden is leading the charge by launching Cyber+ and Safe+[10], two products that are revolutionising the buying process for previously unprotected companies and existing clients through securing the best coverage available in what remains a buyers' market.

[10] Cyber+ is designed to provide cyber cover to SMEs in four simple steps, requiring only name, industry, revenue and website to produce a quote. Safe+ is targeted at larger companies, typically existing buyers, and focused on linking cyber hygiene with the best coverage available to incentivise resilience and reward cyber security investments.

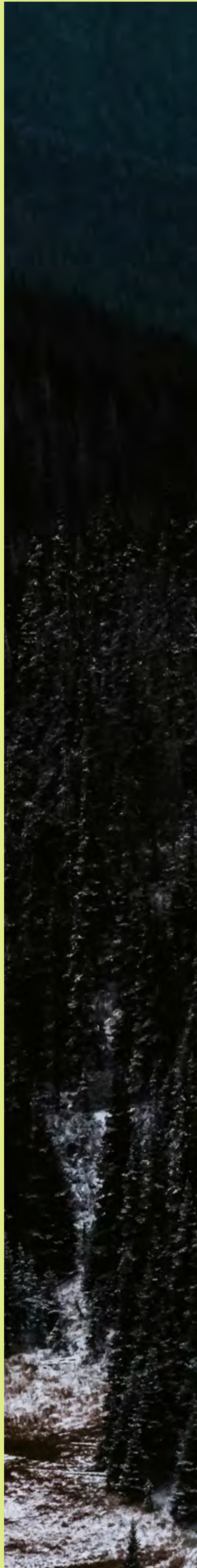
Figure 44: Howden's Global Cyber Insurance Pricing Index – 2014 to 4Q24
(Source: Howden, NOVA)



2025: shifting cycles

2024 was always going to be a milestone year. Given the high stakes, Howden framed it as a potential turning point in a report published early in the year.[11] And so it was, with repercussions from escalating conflicts, the 'biggest election year ever' and economic divergence shaping the global landscape for years to come.

2025 looks set to be defined by post-election policy implementation and new cycles. Finding risk transfer solutions to sustain market growth and close protection gaps will become increasingly important as price momentum wanes, albeit from high levels.



[11] Howden, A turning point, March 2024.

Macro outlook

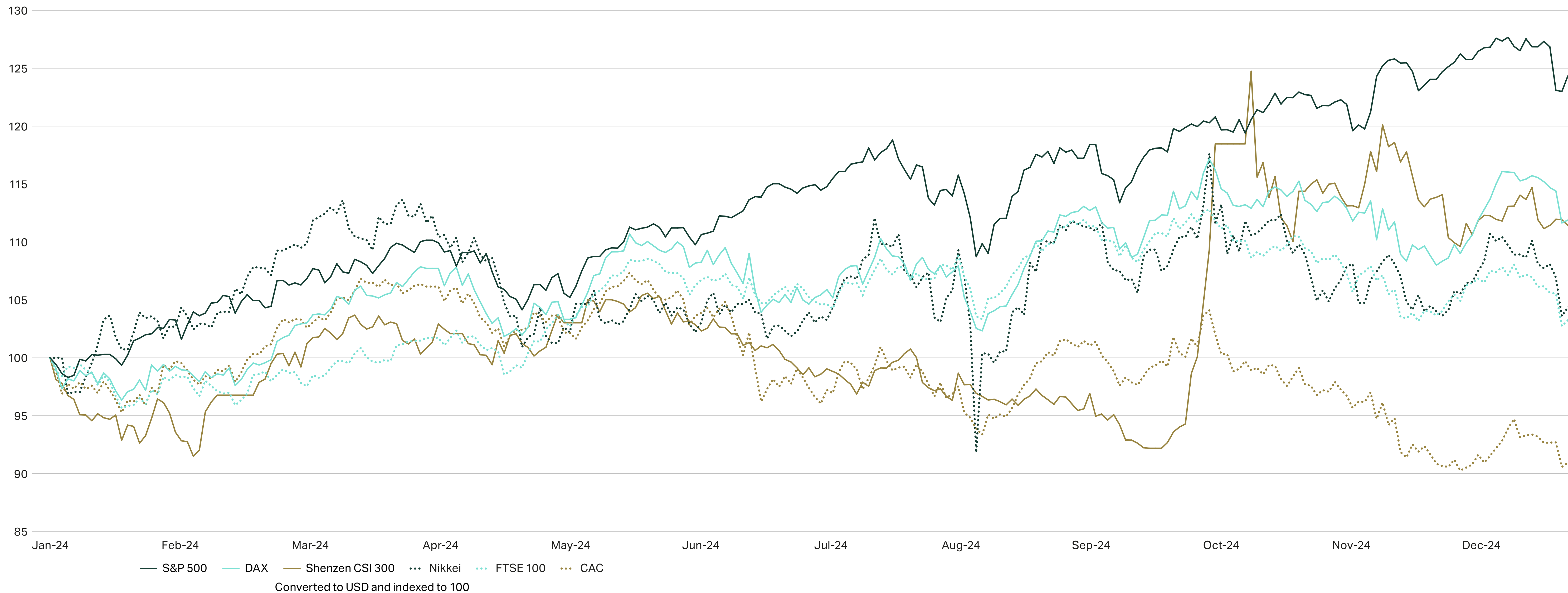
The economic outlook for 2025 is uncertain, reflecting the overhang provided by geopolitical instability and trade uncertainty, paving the way for a wide range of outcomes that will likely bring uneven growth and inflation across major economies.

Figure 45 shows that the S&P 500 ended 2024 up around 25%, reflecting investor optimism in the run up to and following the US election about potential regulatory rollbacks and lower corporate tax rates, as well as big gains in technology stocks. Although the index fell back briefly in mid-November and late December as markets digested the implications of fiscal policy easing and the prospect of tariffs, alongside the prospect of higher interest rates, it did little to dent its considerable outperformance relative to other major indices.

A series of stimulus packages in China to revive the economy led to a surge in the CSI 300, although structural headwinds and tariff uncertainty are likely to constrain growth in 2025.

> “The S&P 500 outperformed all other major equity markets in 2024.

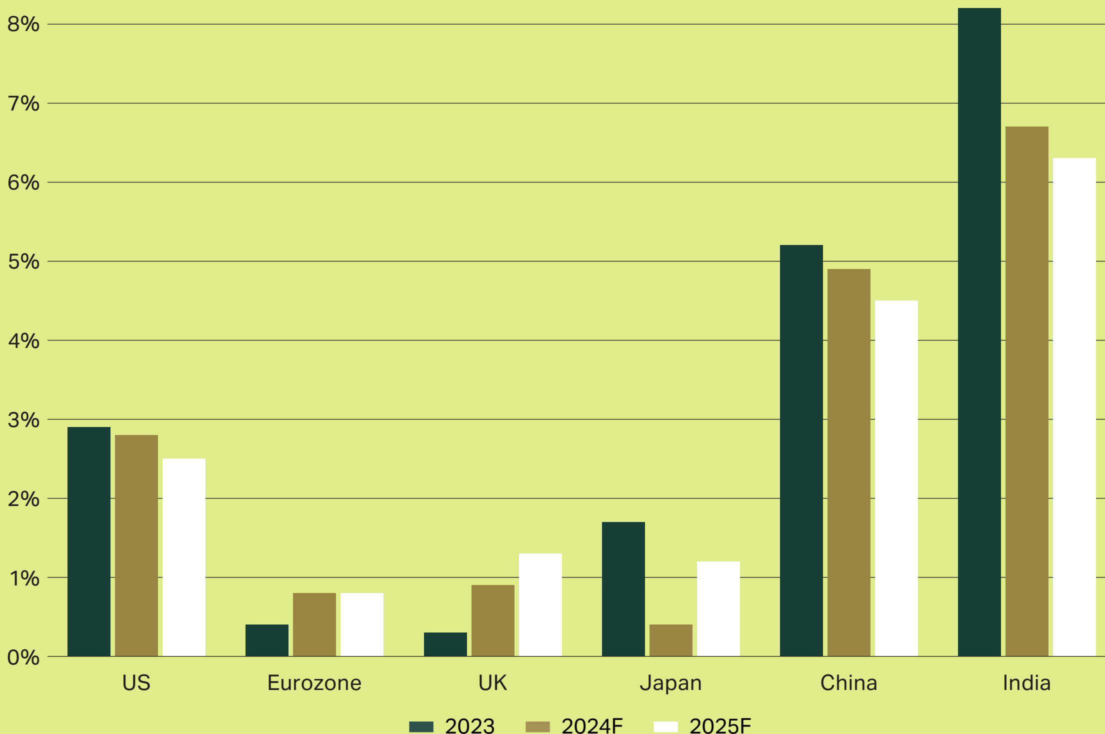
Figure 45: Performance of major equity markets in 2024 (Source: Howden, Bloomberg)



Mixed equity performance reflects the increasingly divergent economic prospects of major economies (see Figure 46). The US is expected to continue to outperform other developed markets in 2025, even as momentum slows marginally, with projected growth rates revealing a divide that will see monetary policy worldwide become more complicated and desynchronised.

Growth expectations between key economic regions have deviated further following the US election, reflecting upside potential to US growth in the near-term and downside trade impacts in export-heavy economies like the Eurozone due to the spectre of tariffs.

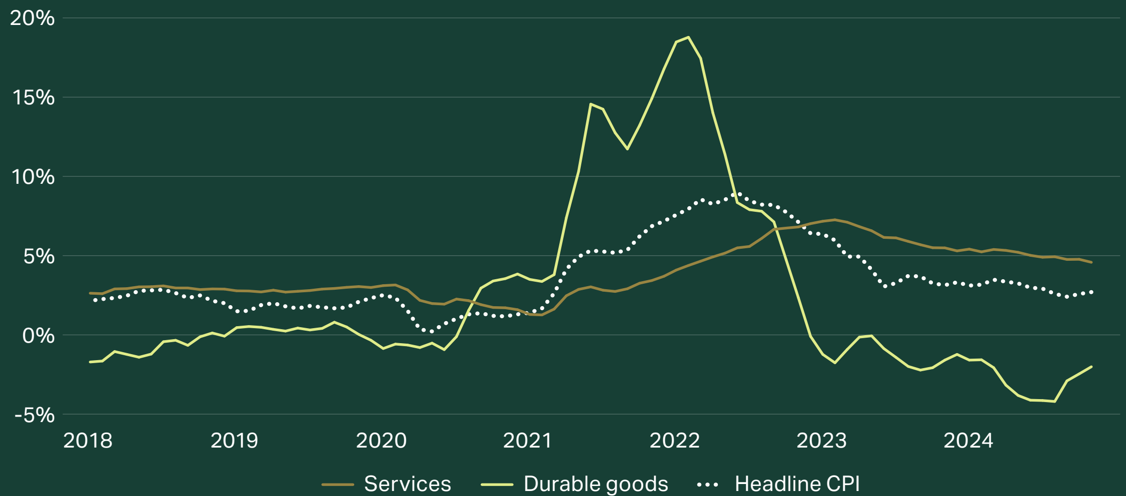
Figure 46: Recorded and projected GDP growth for major economies – 2023 to 2025
(Source: Howden, Goldman Sachs, IMF)



Inflation, interest rates and currency movements are also likely to be affected by trade policy changes, with impacts dependent on implementation (tariff rate and timing) and any reciprocal measures. Geopolitical flashpoints and associated supply chain impacts add to upside inflation risks this year. Figure 47 shows that any increase to benign goods inflation, currently running negative in the US, would collide with higher (domestically driven) services inflation.

Such a scenario could reverse recent global disinflationary trends and feed claims severity due to higher replacement costs.

Figure 47: Goods vs services inflation in the US – 2018 to 2024 (Howden, BLS)

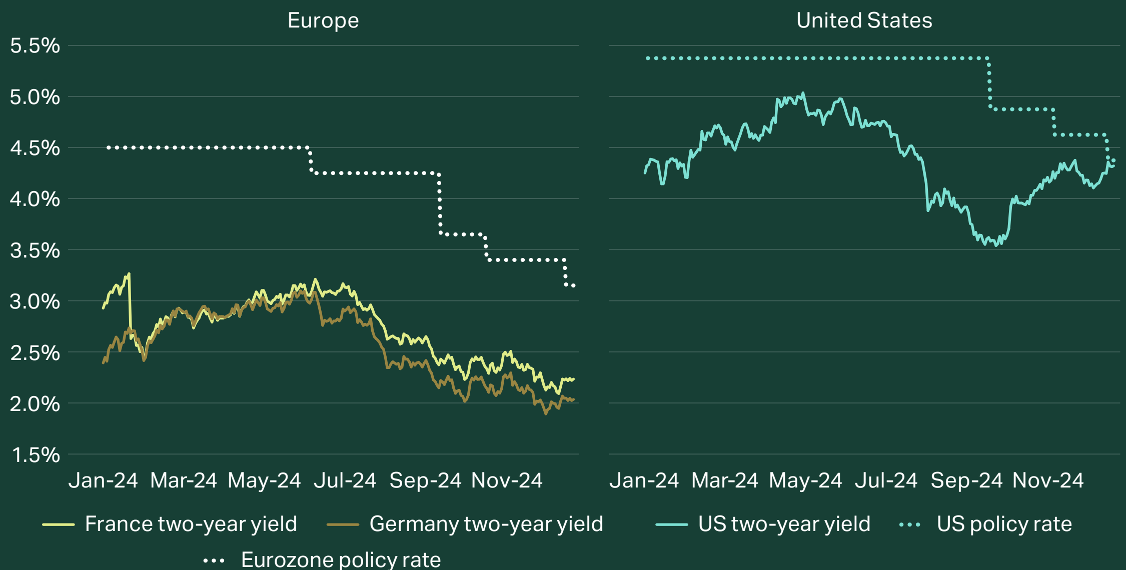


Whereas higher inflation expectations in the US looks set to limit how far the Federal Reserve can cut interest rates this year, weaker growth and inflation in the Eurozone could see interest rates fall more rapidly than previously expected.

Figure 48 charts the trajectories of two-year government bond yields in 2024 for the United States, France and Germany relative to central bank policy, which reinforces the regional divergence in growth momentum and, by extension, interest rate expectations heading into 2025.

The divergent course of inflation and interest rates will be an important input into (re)insurance supply, loss costs, investment income and pricing this year, as carriers with differing portfolio biases navigate amplified regional disparities.

Figure 48: Two-year government bond yields vs central bank policy – Europe vs US in 2024 (Source: Howden, Bloomberg)

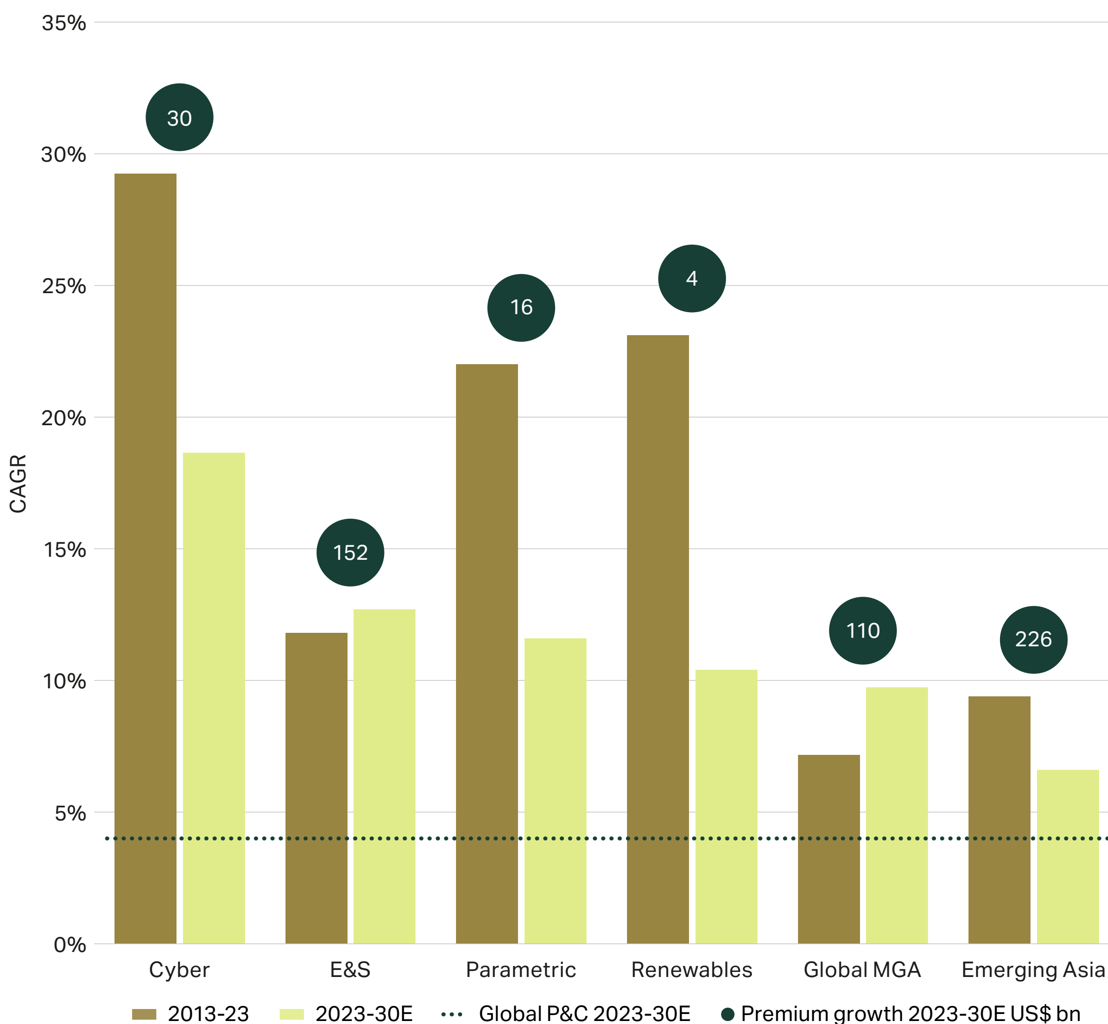


Risk brings opportunity

The macroeconomic backdrop is just one of several factors that will shape market developments in 2025. Others, such as litigation trends, cyber risk, climate change, the net-zero transition, civil unrest and war, are equally important and difficult to predict. Elevated levels of debt and higher interest payments mean that governments are less willing and able to backstop risk, forcing businesses and consumers to reexamine their risk profiles.

(Re)insurance has long played a crucial role in shoring up economic resilience, and there are now new opportunities to support clients navigating this historic period of change. Figure 49 shows that areas of the market renowned for agility, innovation and an unrelenting focus on clients' needs have outgrown the broader P&C sector over the last decade and are projected to continue to do so up to 2030.

Figure 49: Fast growing areas of the (re)insurance market (Source: Howden)

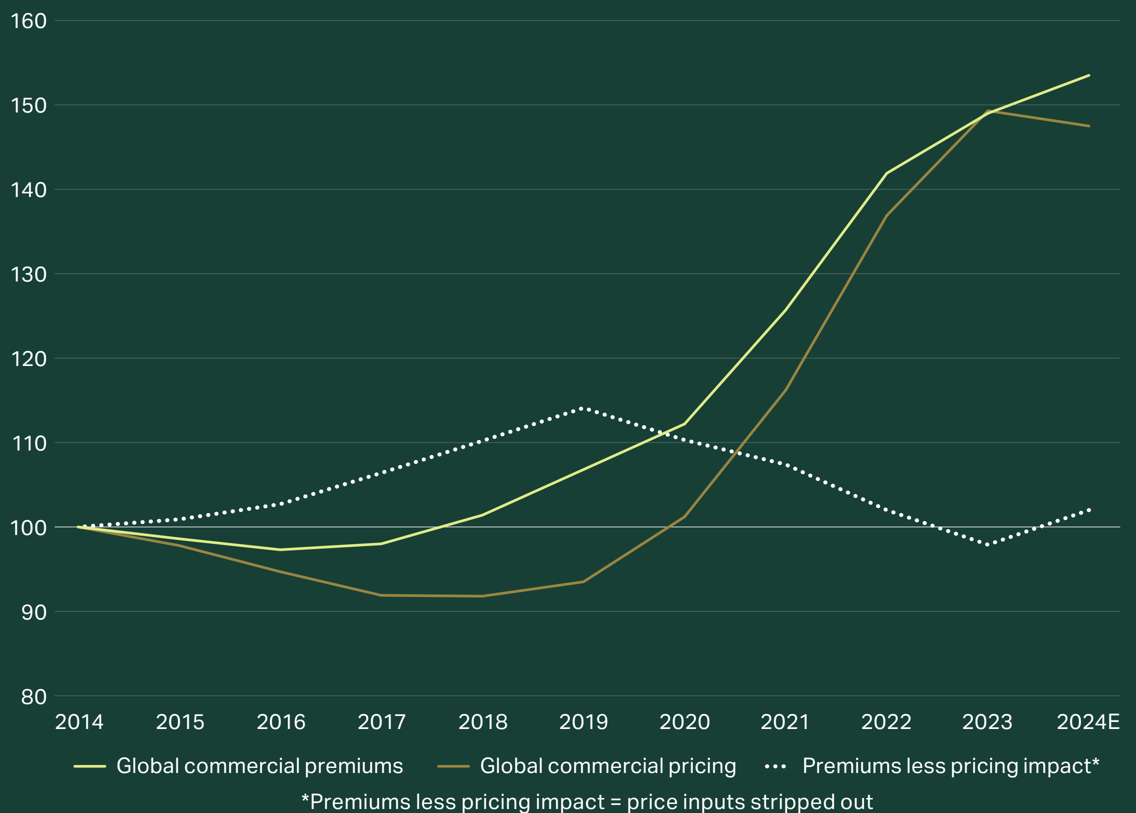


The drive for innovation and organic exposure growth, as exemplified by lines such as cyber, renewables and parametric, is not only tied to the crucial task of meeting clients' changing needs but now also maintaining top-line momentum as price increases moderate.

The commercial market has a mixed record in keeping pace with risk exposures and has been overly reliant on pricing for expansion in recent years. It also reflects the rapid growth in the use of captives through the hard market cycle.

Figure 50 shows that rate hardening in global commercial insurance has driven virtually all premium growth since the market correction that started in 2018/19. This means price-adjusted premiums, which strip out pricing inputs, have barely moved from levels recorded a decade ago, although the uptick in 2024 is a promising signal for greater insurance coverage from here.

Figure 50: Index of global commercial insurance premiums vs global commercial pricing – 2014 to 2024 (Source: Howden)



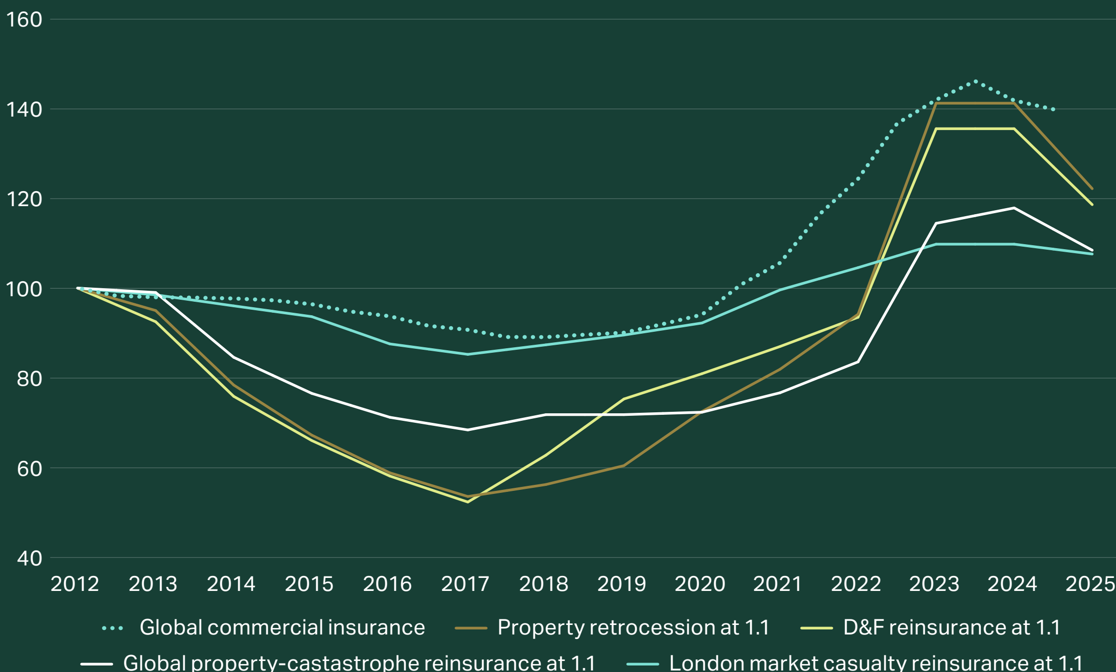
Providing new solutions to close protection gaps is crucial to long-term relevance. Whilst the indemnification element of insurance will, of course, continue to be crucial to shoring up resilience and expediting recovery in the event of a loss, advances in data and analytics are also opening up opportunities to accelerate adaptation measures. Deeper collaboration and data sharing between clients, insurers, reinsurers and capital providers is the route to new possibilities.

Risk and reward

The market is strongly placed to deliver. Capital positions are robust, and incumbents are demonstrating strong appetite for growth having reported stellar results and generated additional capital from strong earnings.

In a cycle set apart by longevity and checked underwriting appetite (rather than capital destruction), the degree of deployable capacity now available marks an important break with the recent past and offers more favourable conditions for buyers as competition builds. This was evident in 2024 for the commercial market as well as during 1 January 2025 reinsurance renewals, where healthy supply dynamics in several lines of business led to risk-adjusted rate reductions for the first time since 2017 (see Figure 51).

Figure 51: Howden pricing index for primary, reinsurance and retrocession markets – 2012 to 2025 (Source: Howden, NOVA)

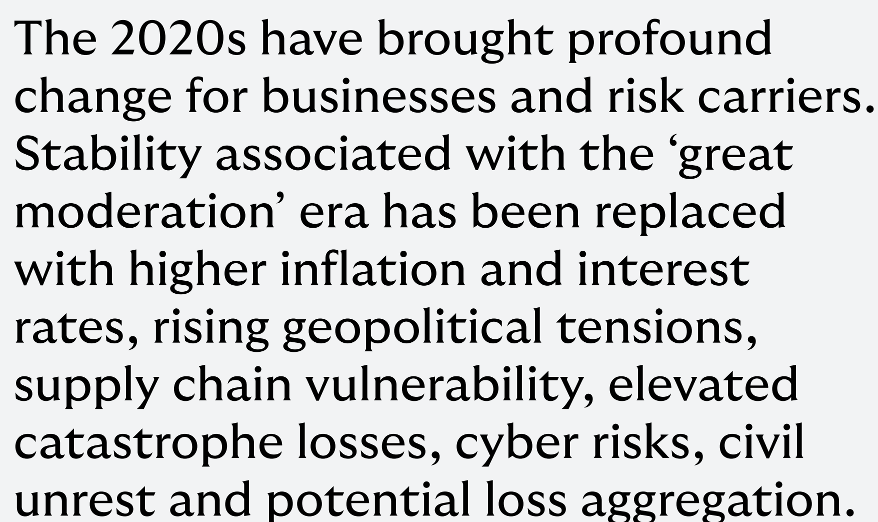


Pricing nevertheless remains well above pre-correction levels and strong margins in what continues to be one of the best underwriting environments in years are now attracting investment. The launch of two balance sheet reinsurance start-ups for 1 January renewals (the first since 2020), along with long-standing investor interest in the ILS market, is testament to the compelling proposition provided by current conditions, especially given the attractive returns available in other asset classes. One area of focus for the reinsurance market this year will be helping insurers manage earnings volatility.

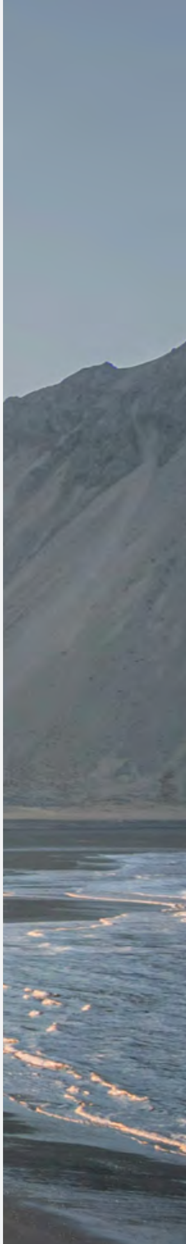
Inflows are accelerating in other areas like casualty, MGAs, cyber ILS and sidecars too, as capacity providers look to grow existing premium pools. Deployments will be focused on areas where sustainable underwriting returns align with acute, unmet client need. This plays to the strategic investments Howden has made in recent years in order to facilitate inflows, create capacity and find solutions for clients across the (re)insurance value chain.

“ The degree of deployable capacity now available in the marketplace marks an important break with the recent past.

Expert advice for extraordinary times



The 2020s have brought profound change for businesses and risk carriers. Stability associated with the ‘great moderation’ era has been replaced with higher inflation and interest rates, rising geopolitical tensions, supply chain vulnerability, elevated catastrophe losses, cyber risks, civil unrest and potential loss aggregation.



The importance of (re)insurance comes to the fore in such an uncertain and volatile environment. No sector can rival the market's expertise in understanding, measuring and mitigating risk.

As market conditions start to move, with the impetus for growth shifting from price to exposure, innovation is being prioritised as (re)insurers look to address coverage gaps. The availability of longer-term capacity is also needed to address long-term problems. By taking a longer view and guaranteeing insurance availability and capacity over multi-year horizons, the market will provide businesses with the certainty needed to thrive.

As an intermediary, we are conscious of our position in the market and our responsibility to inform the discussion in the interests of clients. This report attempts to do just that. By bringing important sector trends to the fore, Howden is leading the discussion, enabling us to facilitate the most innovative client solutions.

We look forward to working closely with insurance and reinsurance carriers in this endeavour and supporting clients in managing change and securing the best coverage available in the marketplace.

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