

Commentary

Global Property and Casualty Reinsurers 2025-26: From Peak Returns to Geopolitical Headwinds

Morningstar DBRS

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Key Highlights

- The Reinsurers reported a record aggregate net income of \$25.2 billion in 2025 because of strong underwriting results and solid investment income, despite the brutal start to 2025 with large losses from California wildfires.
- Property catastrophe pricing is leading the softening of the global reinsurance market in 2026 with capacity oversupply while certain specialty lines may see greater volatility from global geopolitical tensions.
- Investment income remained a major earnings driver in 2025, supported by larger asset bases, strong portfolio yields and market gains on investments, but this tailwind is set to narrow in 2026 as reinvestment yields fall.

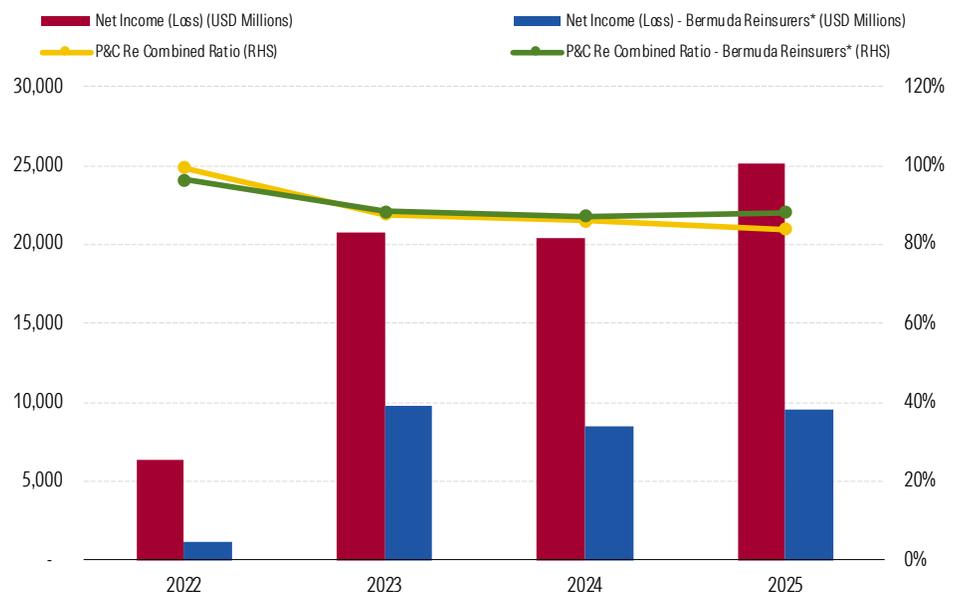
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Overview

In 2025, our selected top global property and casualty reinsurance (P&C Re) companies (Reinsurers)¹ delivered another strong year, reaching a record aggregate net income of \$25.2 billion, up from \$20.5 billion in 2024 (Exhibit 1). Specifically, the Reinsurers reported strong underwriting profitability benefitting from benign major catastrophe losses in 2025 while investment income was also strong. Despite an overall softening in the market, risk-adjusted pricing was adequate. Pricing in property catastrophe lines has decreased further in 2026 amid excess capacity, narrowing profit margins. However, the recent escalation of geopolitical tensions in the Middle East has increased pricing and volatility across several specialty lines, including marine, aviation, and political risk. Nonetheless, ample reinsurance capacity and disciplined risk selection have kept rate movements modest overall, except for war-risk related lines. With narrower underwriting margins expected across many reinsurance business lines in 2026, appropriate risk selection and disciplined underwriting will become decisive differentiators for the Reinsurers' 2026 performance.

Exhibit 1 Average P&C Re Combined Ratio and Aggregate Earnings of Eight Selected Global Reinsurers



* Selected Bermuda-based Reinsurers include Arch Capital Group Ltd., RenaissanceRe Holding Ltd., Everest Re Group Ltd, and AXIS Capital Holdings Limited
 Sources: Morningstar, Inc. and company documents.

¹ Morningstar DBRS tracks eight selected global reinsurance companies, including Munich Reinsurance Company, Swiss Re Ltd., Hannover Re, SCOR S.E., Everest Re Group Ltd, AXIS Capital Holdings Limited, Arch Capital Group Ltd., and RenaissanceRe Holding Ltd.

Excess Capital Contributes to Continued Softening of Reinsurance Market

The Reinsurers' P&C Re topline revenue/premium² remained relatively flat in 2025 primarily reflecting rate reductions in many business lines offset by selective volume growth. Moreover, the January 1, 2026, renewals indicate further rate reductions driven by abundant reinsurance capacity. Stronger traditional reinsurance capital and the influx of alternative capital have pushed global reinsurance capital to a record of \$735 billion as of June 30, 2025, according to Aon. Market softening was most notable in property-catastrophe lines, with rate reductions averaging 10% to 15% at the January 1, 2026, renewals, with further easing expected through the rest of year. Nonetheless, rate adequacy remains broadly stable in our view, benefiting from significant rate increases and tightened terms and conditions in 2023. In the U.S., the demand for property reinsurance is increasing, with several Reinsurers announcing plans to deploy excess capital. Traditional risk-prone areas, such as Florida and California, have also attracted additional capital amid favourable legislative changes. While prices are broadly appropriate, the increasing competition in loss-prone areas may result in material rate reductions in 2026–27.

Casualty Holds Firm, Specialty Faces Middle East Conflict-Driven Volatility

Casualty reinsurance results remain nuanced, with rates in the U.S. staying ahead of the underlying loss trend, but social inflation and reserving risk persist. The industry is increasingly competing for cedents that have strong claims handling and disciplined underwriting, narrowing the gap between the price and loss trend. Meanwhile, specialty market conditions were broadly stable through 2025, with pockets of softening in marine, energy, and terrorism lines, until the significant escalation of geopolitical risks in 2026. The ongoing conflict in the Middle East has further heightened volatility across marine, aviation, and political risks, prompting near-term repricing, particularly in war risk-related lines. However, abundant capacity and disciplined underwriting from the Reinsurers are likely to continue to push rates downward for lower-risk businesses in the long term, making geopolitical rate spikes temporary and localized rather than structural.

Reinsurers Pocketed Record Earnings Despite the Divergence in Europe and Bermuda

The Reinsurers reported a robust 23% year-over-year growth in aggregate net income to \$25.2 billion in 2025, driven by benign catastrophe losses and strong investment returns. The average combined ratio decreased to 83.9% in 2025 from 86.1% in the prior year, indicating resilient underwriting profitability despite rate softening across many lines. Swiss Re reported the largest improvement at more than 10 percentage points in its combined ratio, benefiting further from the strengthening of its U.S. casualty portfolio and relatively low losses from California wildfires.

However, we noticed a clear divergence between Bermudan and European Reinsurers in 2025, with the average combined ratio for Bermudan Reinsurers marginally deteriorating to 88.1% from 87.2% in 2024. While they all operate globally, Bermudan Reinsurers generally hold larger exposures to North American property catastrophes, which were hit by the year's major multibillion-dollar events: the California wildfires and Hurricane Melissa. Their heavy U.S. casualty exposure also continued to suffer elevated

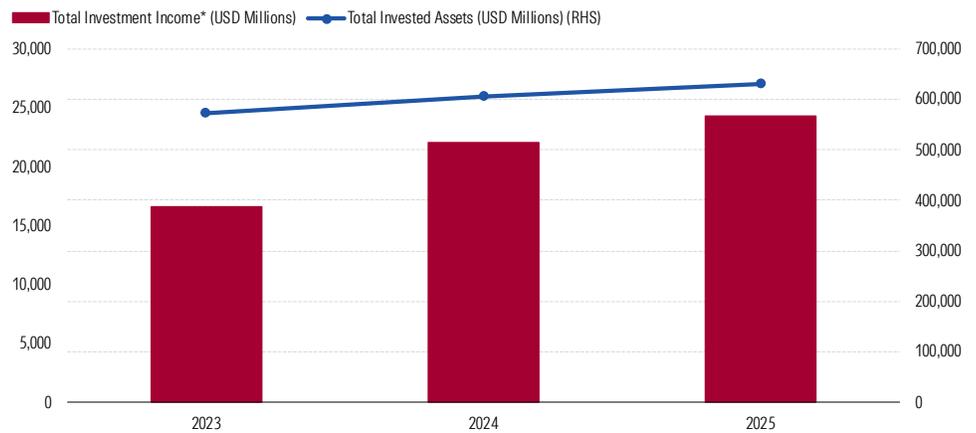
² Topline revenue is a measure of gross premium written for reinsurers report under U.S GAAP and by insurance revenue for reinsurers that report under IFRS accounting standard.

underwriting losses due to high U.S. social inflation. Arch Capital Group was a notable outlier with an improved combined ratio supported by its significant global specialty footprint. Despite all the headwinds, the Reinsurers maintained a robust average return on common equity of 18.7%, up from 16.5% in 2024.

Investment Income at Peak as High-Interest Rate Tailwind Fades

A total of \$24.2 billion in investment income provided a material boost to the Reinsurers' results in 2025, driven by larger asset bases, high portfolio yield and realized and unrealized investment gains (Exhibit 2). However, with interest rates declining into 2026, the reinvestment yield advantage over existing portfolio yields has diminished. Some Reinsurers with shorter durations have already seen modest drops in their investment portfolio yield. As a result, Reinsurers are shifting marginally toward higher-yielding fixed-income and alternative investments to preserve returns within conservative risk parameters. We note that investment portfolios that match longer-tail casualty liabilities are potentially best positioned to take advantage of liquidity and market risk premiums while bearing lower liquidity requirements.

Exhibit 2 Aggregate Invested Assets and Total Investment Income of Eight Selected Global Reinsurers



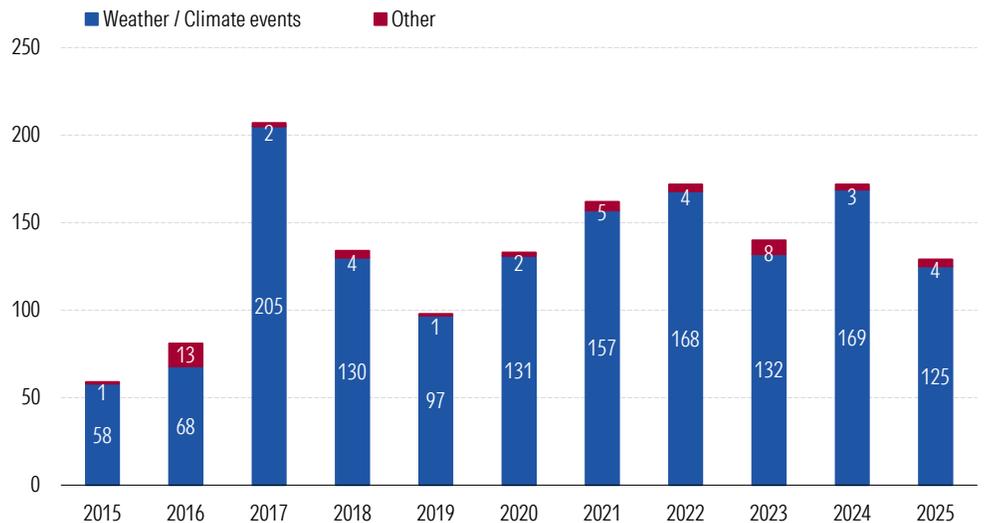
*Total Investment Income includes realized and unrealized investment gains/losses recognized through income statements. Sources: Morningstar, Inc. and company documents.

Lower interest rates have also created some one-time valuation gains in the Reinsurers' fixed-income portfolios. RenaissanceRe Holding, which reports nearly all its fixed-income valuation changes through its income statement, saw a 77% (\$1.3 billion) increase in total investment income attributable to \$0.5 billion of valuation gains related to fixed-income investments. It also reported a significant realized and unrealized gain of \$0.4 billion from its gold derivative contracts, which it intended to hedge against the increasing global geopolitical tensions and high inflation. A few other Reinsurers have also disclosed similar tactical investment and hedging strategies, which have proved prudent given the escalation of geopolitical risks.

\$100 Billion Catastrophe Losses Are the Norm

Natural catastrophe losses remain structurally high, with insured losses of more than \$100 billion per year now the norm. Estimated weather-related catastrophe losses were \$125 billion in 2025 (Exhibit 3), marking the sixth consecutive year losses were above the \$100 billion threshold. The Reinsurers generally stayed within their catastrophe budgets, thanks to elevated attachment points and tightened program structures that continued to shift a larger share of frequent losses to primary insurers. In 2025, multibillion-dollar events were concentrated in the U.S. and Caribbean regions, led by the significant California wildfires and Hurricane Melissa, which accounted for roughly \$41 billion and \$2.5 billion in insured losses, respectively. In contrast, most other regions recorded insured losses materially below their recent annual averages, supporting higher than expected earnings. Looking ahead to 2026, Atlantic hurricane losses remain the largest risk, despite a relatively muted 2025 season. Early Atlantic hurricane forecasts³ point toward a below-average season in 2026, subject to further updated guidance in April. However, insured losses ultimately depend far more on landfall dynamics and exposure density than on the number of named storms.

Exhibit 3 Global Insured Losses Related to Natural Catastrophe Events, 2015–25 (USD Billions)



Sources: Gallagher Re - Natural Catastrophe and Climate Report: 2026 and Morningstar, Inc.

Outlook for 2026 and Capital Adequacy

Reinsurers' overall profitability is expected to remain solid but under pressure in 2026 as short-tail pricing declines and the investment tailwind fades. The record industry capital continues to outpace the adequately priced reinsurance opportunities, driving even higher competition for high-quality risks. In addition, geopolitical risks are becoming increasingly material in 2026. While we believe the current Middle East conflict is likely to produce temporary and localized price spikes within certain specialty reinsurance lines, the overall softening trend will likely remain unless loss patterns are significantly reshaped, discouraging capital deployment. In our opinion, the Reinsurers' 2026 profitability resilience

³ Early hurricane forecasts are from Tropical Storm Risk and WESH 2 First Warning Weather

will increasingly depend on continued underwriting discipline, including maintaining adequate terms and conditions, controlling aggregate exposures, and preserving rate integrity.

Related Research

- [U.S. Government's Current Insurance Proposal May Be Insufficient to Restart Commercial Navigation in the Strait of Hormuz](#), March 5, 2026
- [Geopolitical Shock in the Gulf Raises Underwriting Volatility Across Insurance Lines](#), March 2, 2026
- [Impact of Storm Nils and Heightened Climate Losses on the French NatCat Framework](#), February 19, 2026
- [Climate Risk Navigator: Can Insured Losses Become a Proxy to Climate Costs?](#), February 3, 2026
- [Venezuela and the Shifting Map of Insurance Risks in the Caribbean](#), January 8, 2026
- [One Year Later: Consequences of the Los Angeles Area Wildfires for the Insurance Sector](#), January 6, 2026
- [When Trade Flows Falter: How Procyclicality Affects Trade Credit Insurance During Economic Downturns](#), November 20, 2025
- [Commercial Property Insurance Prices Are Softening Despite Escalating Insured Losses—but for How Long?](#), September 15, 2025
- [Global Reinsurers H1 2025: Solid Results Despite Elevated Catastrophe Losses](#), August 26, 2025
- [Wildfires in Southern Europe Highlight Growing Importance of Secondary Perils for the Insurance Industry](#), August 18, 2025
- [Middle East Tensions Add Underwriting and Investment Risks for Global Insurers and Reinsurers](#), June 24, 2025
- [Line of Fire: How Wildfires Threaten Utility Credit](#), July 2, 2025
- [Aftermath of Los Angeles Wildfires: A Wake-Up Call for Property & Casualty Insurers and Regulators](#), April 7, 2025

Note:

All figures are in U.S. dollars unless otherwise noted.

Appendix 1— Combined Ratio, Total Investment Income, and Net Income of Select Reinsurers

	Combined Ratio (%) (P&C Reinsurance)			Total Investment Income* (\$ Millions)			Net Income (Loss) to Common Shareholders (\$ Millions)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Munich Reinsurance Company	85.2	77.3	73.5	5,813	7,779	8,490	4,982	6,171	6,913
Swiss Re Ltd.	85.0	89.9	79.4	3,572	4,551	4,532	3,111	3,241	4,740
Hannover Re	94.0	86.6	84.0	1,718	2,169	1,890	1,974	2,519	2,985
SCOR S.E.	85.0	86.3	82.3	968	984	1,047	878	4	962
Everest Re Group Ltd	86.4	89.7	91.7	1,158	1,973	1,981	2,517	1,373	1,591
AXIS Capital Holdings Limited	107.6	91.8	92.6	537	621	826	346	1,052	979
Arch Capital Group Ltd.	81.4	83.2	80.8	1,136	2,272	2,593	4,403	4,272	4,359
RenaissanceRe Holding Ltd.	77.9	83.9	87.2	1,668	1,626	2,885	2,526	1,835	2,647
Average Combined Ratio	87.8	86.1	83.9						
Aggregated Income				16,570	21,976	24,244	20,737	20,467	25,174
Average Combined Ratio -Bermuda Reinsurers**	88.3	87.2	88.1						
Aggregated Income - Bermuda Reinsurers**				4,499	6,492	8,285	9,792	8,532	9,576

*Includes realized and unrealized investment gains/losses reported through income statement.

** Selected Bermuda-based Reinsurers include Arch Capital Group Ltd., RenaissanceRe Holding Ltd., Everest Re Group Ltd and AXIS Capital Holdings Limited

Sources: Morningstar, Inc. and company documents.

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