

Viewpoint: Competition to Drive ‘Deteriorating’ Reinsurance Market, More M&A in 2026

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Pricing and returns in the reinsurance market are expected to gradually come off recent highs, with the market facing moderately weaker, but still sound, operational and business conditions in 2026.

Abundant capacity and rising competition across most property lines will gradually erode prices, while rising claims costs, notably from more frequent and severe catastrophe losses and persistent social inflation, will pressure underwriting margins.

Fitch Ratings expects market pricing to soften further and terms and conditions to somewhat loosen at the 2026 renewals. However, risk-adjusted returns will remain

favorable and above the cost of capital, as underwriting discipline is maintained in the face of rising loss costs and heightened catastrophe risk.

This environment led Fitch to recently revise its global reinsurance outlook to “deteriorating” for 2026 from “neutral” for 2025.

The 2025 renewals demonstrated that the reinsurance market cycle is past its peak, with stable to softening property and specialty pricing. Increased supply from accumulated earnings was more than adequate to meet higher demand for these coverages. Casualty rates increased to keep pace with higher loss costs from social inflation and litigation finance funding.

Nevertheless, pricing remains high by historical standards, and resilient investment income still supports strong, albeit off-peak, profitability. Strong reserve adequacy provides a buffer, allowing reinsurers to use favorable reserve developments in most business lines to support earnings. Capitalization is projected to remain very strong, allowing sustained high levels of capital repatriation while providing ample headroom to absorb unexpected large losses.

Fitch expects combined ratios to deteriorate slightly in 2026. The financial impact of lower pricing since mid-2024 will become increasingly apparent, with overall un-



derwriting margins declining due to reduced profitability on new business. However, continued property price adequacy, conservative loss picks in 2025 and slightly improved retrocession costs should help offset pressures from declining rates, rising claims costs and more relaxed policy terms.

Competitive Environment Pushes Softening

Fitch expects highly competitive market conditions in 2026 will result in continued softening of the market, particularly in property catastrophe on non-proportional treaties. Only a very significant loss event in the second half

of 2025 could halt or reverse this trend. Competition is likely to remain price-driven, rather than focused on changes to terms and conditions.

We expect reinsurers to be more flexible in negotiations, offering protection at lower attachment points and for more frequent return periods, including through aggregate covers. Overall, we anticipate that underwriting discipline will slowly start relaxing from the very high standards established in 2023.

Casualty Keeping Up With Loss Costs

Casualty pricing will continue to be influenced by heightened U.S. risk from social

inflation and litigation finance trends, with elevated damage awards from nuclear verdicts. Concerns remain regarding commercial auto and general liability lines in the more recent 2021-2024 period that have seen reserve strengthening, following adverse development in the 2015-2019 soft

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market accident years.

These factors will help to drive casualty rates to keep pace with loss cost trends. Favorably, U.S. tort reform is expanding across several states, and efforts to limit third-party litigation funding are gaining traction, which could improve the liability market environment.

Weaker Economy Could Hit Reinsurance Demand

P/C reinsurance demand growth is driven by the increasing values of insured assets and greater risk awareness, further fueled by geopolitical tensions and climate

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change. However, policy uncertainty, slower economic growth and lower prices may moderate premium growth in the near term, particularly in the U.S. and for specialty lines linked to economic activity. Concerns on U.S. casualty risk also weighs on the sector's revenue growth.

Growth in life and health reinsurance is also supported by rising demand for protection, financial solutions, longevity and mortality coverage. The rise of offshore reinsurance platforms and sidecar vehicles owned by alternative investment managers has boosted reinsurance transactions as life insurers offload capital-intensive legacy liabilities.

ILS Market Continues to Break Records

ILS capital continued to reach record highs in 2025. Investor supply to the sector remains very robust from both existing players and new entrants, particularly in the upper layers of reinsurance programs. This increased capacity supporting new and upsized transactions has resulted in spread tighten-

ing, benefitting sponsors, although expected returns are still attractive to investors.

The active ILS sector has more than offset reduced allocations from some traditional reinsurance carriers.

A record \$16.8 billion of catastrophe bonds were issued in H1 2025, just below the full-year issuance record of \$17 billion in 2024. H1 2025 included three catastrophe bonds of \$1 billion or more—Everest Group Ltd. (\$1 billion), Citizens Property Insurance Corporation (\$1.525 billion) and State Farm (\$1.55 billion) with the largest single catastrophe bond ever issued. Total catastrophe bonds outstanding reached a record \$54.3 billion.

Total alternative capital reached over \$121 billion, also a record high. In addition to catastrophe bonds, the market benefitted from growth in sidecars, both in property catastrophe and in non-catastrophe, including casualty risk.

Fitch expects continued growth in the alternative reinsurance capital market in 2026, with strong supply from investors, as loss activity has

been limited, and significant demand from sponsors, as they manage increased risk.

M&A Returns as Organic Growth Wanes

Over the last several years, favorable market conditions kept the focus on organic growth and away from M&A. Fitch expects that with organic opportunities subsiding in the softening market, companies with accumulated capital from sizable profits will look to acquire other re/insurers.

Indeed, the first sizable reinsurance M&A deal in several years was announced in August, with Sompo Holdings Inc. entering into a definitive merger agreement to purchase 100 percent of Aspen Insurance Holdings Ltd. for \$3.48 billion (1.3x book value). Aspen was acquired in February 2019 by Apollo Global Management LLC for \$2.6 billion (1.1x book value). Apollo currently owns 82.1 percent of Aspen, following Aspen's partial IPO in May 2025. Aspen has demonstrated notable earnings improvement following portfolio optimization efforts that

improved profitability and lessened volatility.

The acquisition of Aspen adds greater size and scale to Sompo, enhances global diversification and improves the combined company to a top 10 global reinsurer. Sompo International writes \$16.5 billion of global P/C premiums annually, with 73 percent insurance and 27 percent reinsurance. Proforma for the Aspen acquisition, Sompo annual premiums increase to \$21.1 billion, with 70 percent insurance and 30 percent reinsurance.

The acquisition also adds a successful Lloyd's syndicate and alternative reinsurance platform. Fitch views as a credit negative the execution and integration risk inherent in an acquisition. However, this risk should be manageable given Sompo's experience in acquiring companies and the similar lines of business written.

One recent strategic transaction is Markel Group Inc.'s sale of the renewal rights for its reinsurance business to Nationwide, which represents about \$1.2 billion of

gross premiums written. The transaction is part of Markel's strategy to focus on its core specialty insurance business, as the reinsurance operations were subscale and underperforming. Markel acquired the reinsurance platform via its purchase of Alterra Capital Holdings Ltd. in 2013.

The only recent non-life reinsurance startup is Mereo Insurance Ltd., as sufficient industry capital diminishes the need for new entrants. Industry veteran Brian Duperreault launched Mereo just after the January 2025 renewals to write property, casualty and specialty reinsurance, raising a modest \$650 million from several investors. Mereo also launched an ILS fund with \$250 to \$300 million of capital.

Other Ownership Changes

Other M&A in 2025 were ownership changes at Enstar Group Ltd. and SiriusPoint Ltd.

Enstar was [acquired in July for \\$5.1 billion](#) by Sixth Street Partners LLC, with Liberty Strategic Capital, J.C. Flowers & Co. LLC and other

institutional investors also participating in the transaction. Enstar is no longer a public company. Fitch viewed the transaction as neutral to Enstar's ratings, as the acquisition did not change Enstar's business profile, financial profile or operating strategy, although the new parent enhances Enstar's investment capabilities. Sixth Street also

owns fellow runoff specialist Talcott Financial Group, Ltd.

SiriusPoint [repurchased all remaining common shares and warrants](#) held by CM Bermuda Ltd. for \$733 million in February 2025, funded with existing capital. CM Bermuda's ownership interest was reduced to zero from 28 percent, with no board representation. CM

Bermuda's ownership dated to 2016 when it purchased Sirius International Group Ltd. Fitch viewed the transaction favorably, as it simplified the corporate structure and increased public float.

As organic growth continues to wane, Fitch expects elevated M&A activity in the coming years in the reinsurance sector. [CM](#)



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