

# sigma

World insurance  
in 2026: shock  
absorbers in  
a fragmenting world

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# Executive summary

The global insurance industry is at an inflection point, with real premium growth slowing to 1.3%.

In 2026, the global insurance industry finds itself at an inflection point, slowing from cyclical highs yet more relevant than ever in a world of recurring shocks and deepening fragmentation. We forecast total real premium growth (life and non-life) to ease to 1.3% in 2026 and 1.6% in 2027, from 3.9% in 2025, before returning to its long-term trend of 2%. The slowdown is uneven: global non-life real premium growth is softening to 0.6% in 2026 due to competitive pricing and slowing economic momentum, while life insurance growth will stay robust at 2.3% in real terms, supported by higher yields. Beneath the slowdown lies a structural shift as the world becomes more shock-prone and divided. In this environment, protection becomes more valuable even as fragmentation makes risk harder to pool. The US and China remain the world's largest insurance markets by nominal premium volume, while India is the fastest-growing of the world's top 20 (7.1% in real terms in 2026).

The Middle East conflict has been a stagflationary supply shock, but it's not a repeat of 2022.

The Middle East conflict has been the fourth major global supply shock in six years. In our view, even with the recent ceasefire, the risk of recurring supply-side shocks is likely to remain elevated, as countries increasingly prioritise national security, strategic autonomy and supply-chain resilience over efficiency. Assuming energy flows through the Strait of Hormuz recover, we nonetheless expect global consumer price inflation (CPI) to average 4.0% in 2026 – 1.0 ppt above our pre-crisis expectation – before moderating to 3.3% in 2027. We forecast real GDP growth to slow to 2.5% – a relatively mild 0.3% downward revision compared to our outlook at the start of the year – and interest rates to stay higher-for-longer. The AI buildout provides a meaningful tailwind, supporting growth in the US and several Asian economies and creating new demand for risk solutions. But it also adds to near-term inflation through rising demand for energy, electronic components and construction.

Non-life premium growth bottoms out in 2026, with claims inflation keeping the soft cycle shallow.

Supply shock-led inflation feeds through to the two segments differently. For non-life insurers, the effects are felt largely through claims. After bottoming in 2026, real premium growth edges up to 1% in 2027, with ample capacity and intensifying competition keeping prices soft. Price risks are to the upside, as second-round effects could feed through to repair, replacement and liability costs. This suggests that the current cycle may be shallower than past soft markets, with insurers likely to reprice more sharply if large losses, inflation and capital signals deteriorate beyond expectations. Profitability is robust but past its peak with return on equity (ROE) forecast to ease to 11.4% in 2026 (from a 14% peak in 2025) and to 7.7% in 2028. Still-elevated investment returns provide the main cushion against the underwriting cycle downturn.

Life insurance is more insulated, with growth still above trend.

Life insurance, by contrast, is more insulated. Growth sits above its long-term trend (2015–2024: 1.9%). In advanced markets, annuity momentum has slowed and affordability pressures will likely weigh on protection demand, while emerging markets still see robust structural growth due to favourable demographics and regulatory support. Life insurers' savings business is shifting towards capital-light, unit-linked (UL) products and higher-yielding private assets. Private credit exposure is also growing, with life insurers among the largest holders.

Re/insurance matters more than ever in a fragmenting world.

The world economy is entering a large capex cycle, with major new investments in insurable assets across data centres, energy infrastructure and advanced manufacturing. These assets carry complex risk profiles and are often concentrated in regions exposed to natural hazards. This underscores the role of re/insurance in deploying global pools of capital for local recovery and recapitalisation. For example, when hurricanes Wilma, Rita and Katrina struck the US in 2005, global re/insurance payments covered more than half of the insured loss, enabling households and insurers to recover. Global capital movement is vital to an efficient supply of re/insurance capacity and sustaining this capacity to absorb and share risk is key to global resilience.

# Key takeaways

## We have lowered our 2026 growth forecasts but still expect a decent global expansion

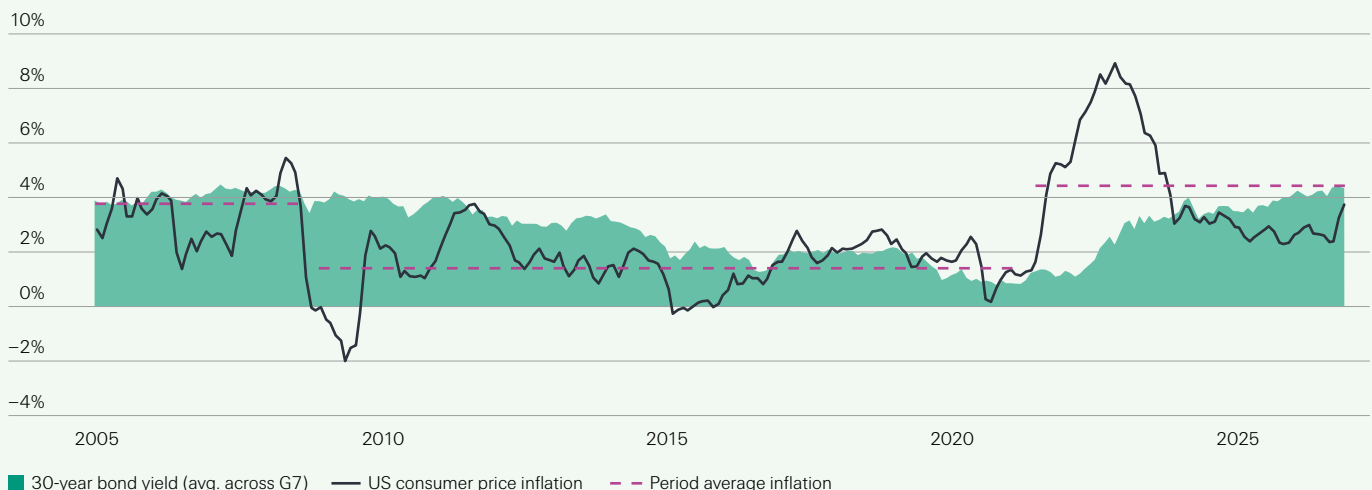
Inflation eases in 2027 after an energy-driven bump in 2026. The US and China prove more resilient than Europe and parts of Asia.

	2025	Swiss Re Institute Forecasts*		Consensus	
		2026	2027	2026	2027
<b>Real GDP (% change)</b>					
US	2.1	2.2	2.1	2.1	2.0
Euro area	1.5	0.4	1.3	0.8	1.2
UK	1.3	0.9	0.8	1.0	1.1
Japan	1.2	0.5	0.8	0.6	0.8
China	5.0	4.7	4.3	4.6	4.4
<b>CPI (% change)</b>					
US	2.7	3.3	2.8	3.5	2.4
Euro area	2.1	3.1	2.6	2.9	2.2
UK	3.4	3.3	2.5	3.3	2.6
Japan	3.3	2.4	2.1	2.0	2.1
China	0.0	0.9	1.0	1.1	1.1
<b>Central bank rate (%)</b>					
US	3.6	3.6	3.1	3.5	3.2
Euro area	2.0	2.3	2.3	2.5	2.1
UK	3.8	3.8	3.3	3.9	3.3
Japan	0.8	1.3	1.5	1.2	1.4
China	1.4	1.2	1.3	-	-
<b>10-year gov. bond yield (%)</b>					
US	4.2	4.4	4.2	4.3	4.2
Euro area	2.8	3.2	3.1	3.0	2.9
UK	4.5	4.7	4.6	4.8	4.4
Japan	2.1	2.7	2.8	2.7	2.8
China	1.9	1.9	2.1	1.7	1.8

GDP and CPI are annual averages. 10-year and central bank rates are end-of-year forecasts (consensus as of 15 June 2026).  
 \*SRI baseline forecasts assume an average Brent price of 78 USD/bbl in H226 and 70 USD/bbl in 2027 (Scenario 1 in Table 3).  
 Source: Bloomberg, Swiss Re Institute

## Interest rates to stay higher and more volatile than in the pre-COVID-19 decade

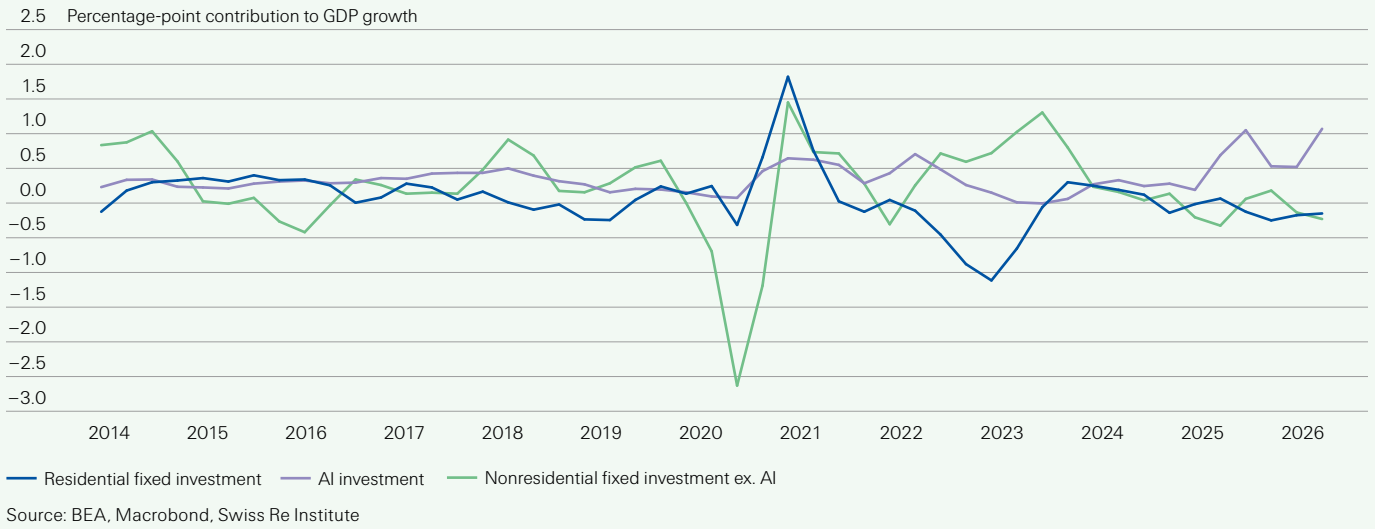
Fragmentation is associated with higher inflation, fiscal concerns and elevated political uncertainty. We expect this to keep interest rates higher than in the pre-COVID-19 decade.



Source: BLS, Macrobond, Swiss Re Institute

## The AI buildout drives growth, especially in the US and parts of Asia, and adds to inflation

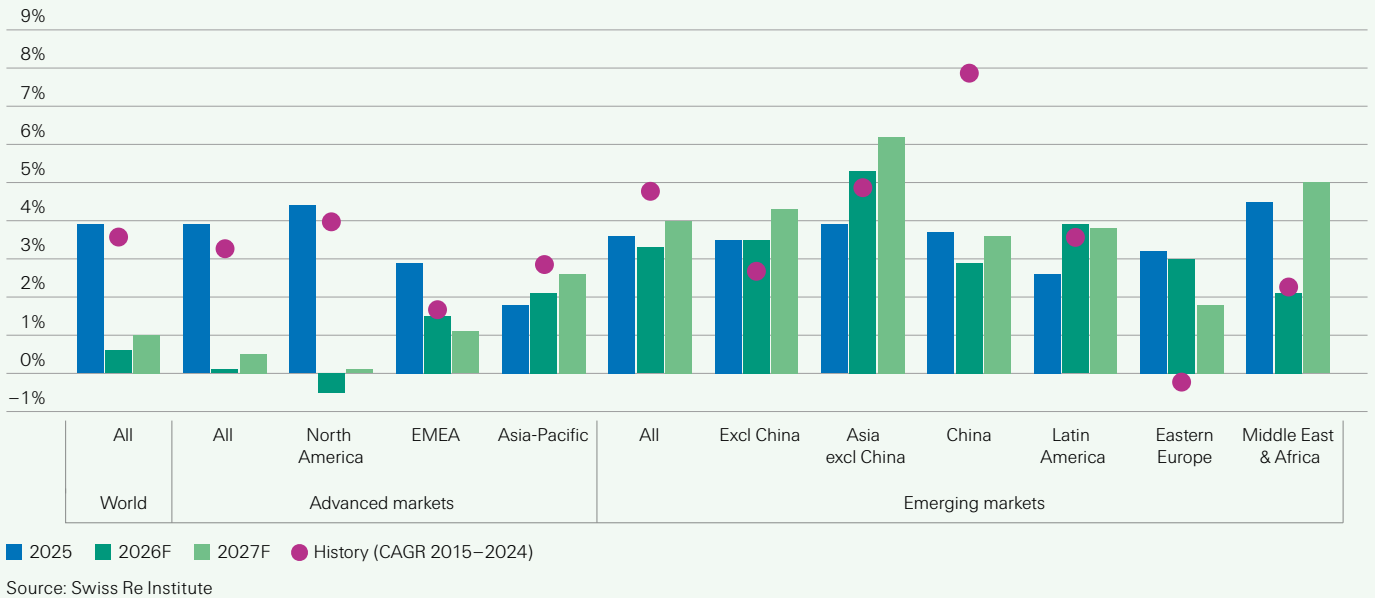
AI investments contributed 0.5–1ppt to US GDP growth recently and should continue supporting solid but uneven growth



## Non-life insurance real premium growth hits a cyclical bottom in 2026

We expect global non-life real premium growth to hit a cyclical low of 0.6% in 2026, below the long-term trend (2015–2024: 3.6%). Nominal growth slows less sharply (5% in 2026), inflated by higher inflation and FX effects.

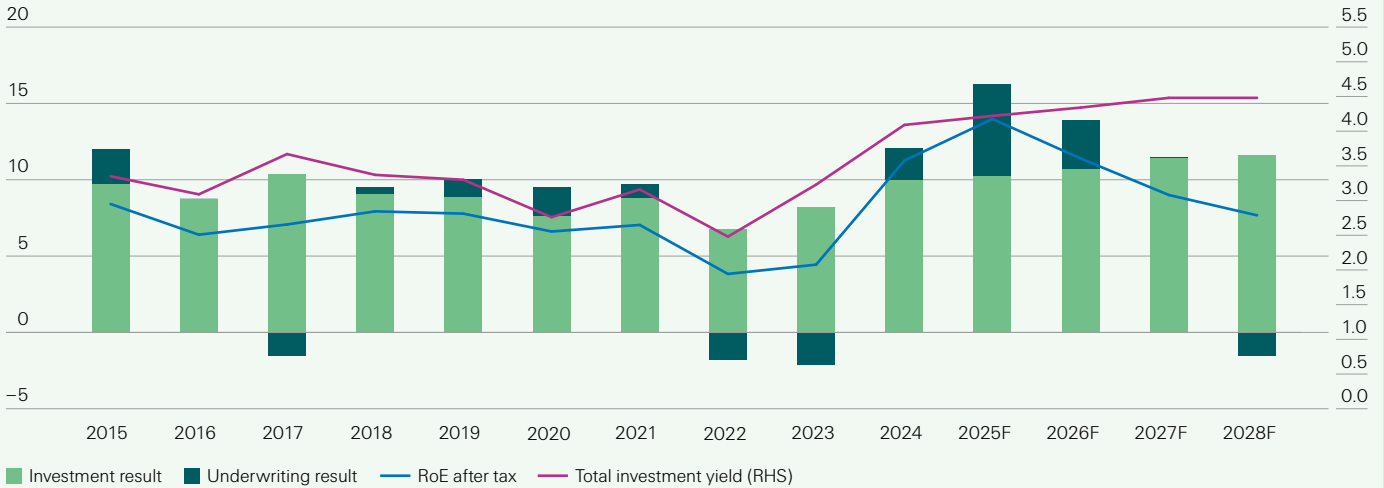
Non-life insurance real premium growth, by region



### Non-life profitability stays above the cost of capital

Non-life profitability is expected to remain resilient in the near-term as higher interest rates elevate investment income. Aggregate ROE is projected to be above the cost of capital<sup>1</sup>, reaching 11.4% in 2026, normalising to 7.7% by 2028.

Non-life insurance underwriting and investment results (in % of NPE, left axis), ROE (%), and investment yield (%), seven major non-life markets

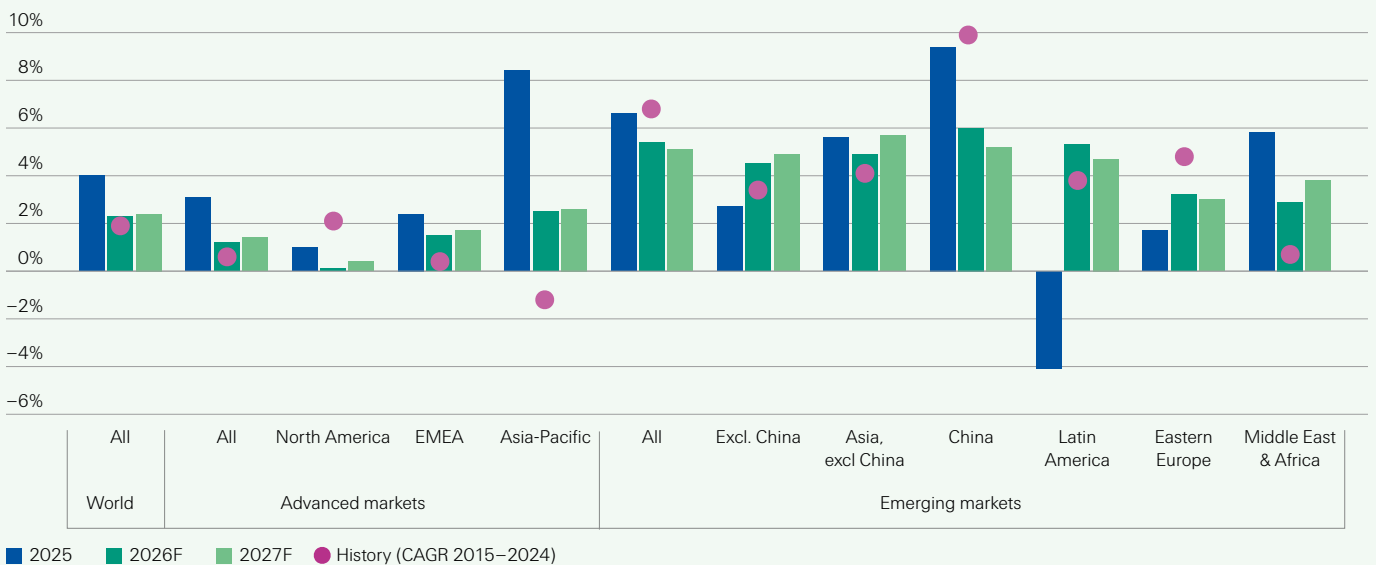


Source: Swiss Re Institute

### Life insurance real premium growth to remain robust and above long-term trend

We expect global life premiums to grow by 2.3% in 2026 in real terms (7.0% nominally), above the long-term trend (2015–2024: 1.9%). The high-yield environment will continue to support savings business.

Life insurance real premium growth, by region



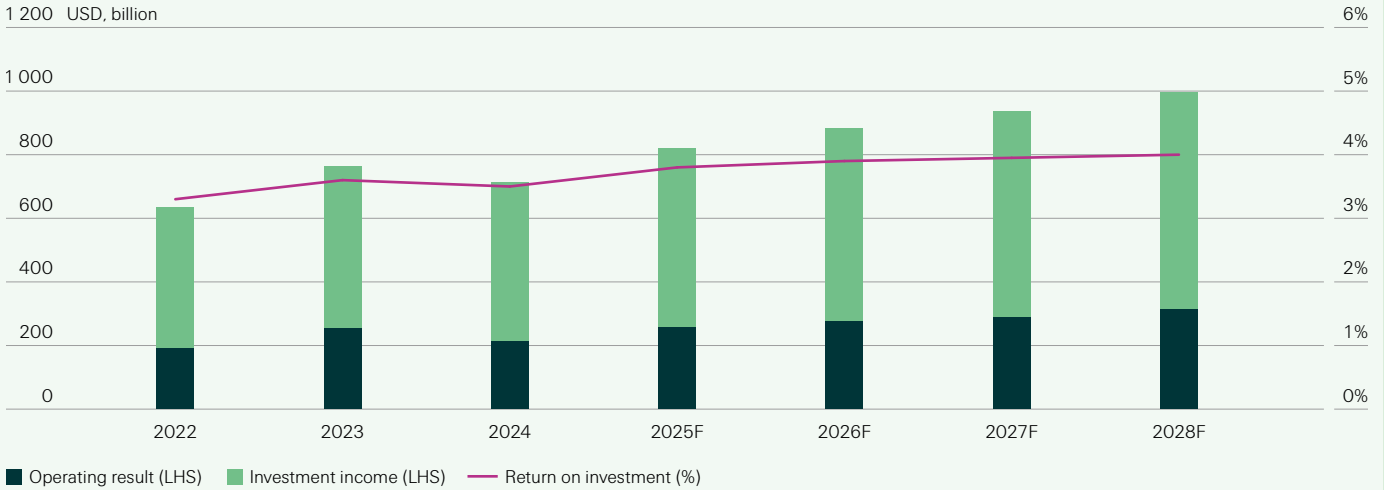
Source: Swiss Re Institute

<sup>1</sup> Swiss Re Institute defines the cost of capital as the minimum return that insurers must earn on equity to compensate investors for the risks of providing capital. We focus on equity cost of capital rather than debt, given the relatively low debt leverage of the P&C industry and the fact that only equity serves the primary purpose of risk-bearing capital. For more details look at sigma 4/2023 – Raising the bar: Non-life insurance in a higher-risk, higher-return world.

## Higher reinvestment yields continue to support solid life insurance profitability

The life sector profitability outlook remains solid over the medium term, as structurally higher reinvestment yields continue to support investment income and profit margins. We project aggregated ROI to reach 3.9% in 2026 and gradually converge towards 4.0% by 2028.

Aggregate life insurance operating and investment profitability of key seven markets



Source: Swiss Re Institute

# Macroeconomic environment for insurers

The world economy is fragmenting along geopolitical lines, as governments increasingly turn to statecraft, prioritising national security and pursuing strategic autonomy. This is making supply shocks more frequent and disruptive, a dynamic visible in both the recent Middle East conflict and the AI buildout race. These shifts cut both ways, bringing new risks but also new opportunities. Amid these cross-currents buffeting the world economy, we forecast global real GDP growth to stay resilient at 2.5% in 2026, supported by AI investment in the US and parts of Asia. Inflation, meanwhile, accelerates to around 4% on average in 2026 even if oil flows through the Strait of Hormuz normalise, before likely moderating again to 3.3% in 2027. Interest rates in major economies are likely to stay higher for longer, as investors seek compensation for inflation risks, fiscal sustainability and in some cases political concerns.

## More frequent supply shocks are becoming the new norm

A pivot towards national security, strategic autonomy and supply-chain resilience.

The world is pivoting towards a greater emphasis on national security, strategic autonomy and supply-chain resilience. This is leading to global economic fragmentation and, we believe, to more frequent supply-side shocks to the global economy. Supply disruptions typically raise inflation, weigh on growth in the near term and increase the likelihood of tail-risk scenarios playing out. As (geo)political fragmentation hampers globally coordinated solutions to overlapping challenges, policymaking is also becoming less predictable.

The Middle East conflict is the fourth major global supply shock in six years.

The Middle East conflict that dominated the first half of 2026 represents the fourth major supply shock to the global economy in the past six years. The global supply outlook remains fragile despite the recently signed ceasefire, with several negotiation issues unresolved. Energy prices are likely to stay volatile, as the normalisation of energy supply from the region will take time and the rebuilding of global inventories and strategic reserves could keep upward pressure in energy markets.

Large-scale investment in physical capital cushions the conflict shock.

On the other hand, the world is entering a period of large-scale investment in physical capital and infrastructure, driven by AI adoption, electrification, the energy transition and industrial policy. Global energy investment is expected to reach USD 3.4 trillion in 2026<sup>2</sup>, 65% of it in clean-energy technologies<sup>3</sup>. Governments and firms are also investing in areas such as supply-chain diversification, energy security, cybersecurity and defence. In the semiconductor sector alone, the US has announced more than USD 645 billion of private investment since 2020<sup>4</sup>. These investments are creating a new generation of large, capital-intensive and technologically complex assets, including data centres, power networks, battery storage facilities and advanced manufacturing capacity. As the stock of insurable assets grows, so does the demand for insurance.

We forecast global real GDP growth at a still-solid 2.5% in 2026.

These investments are partly offsetting the negative growth impacts of the Middle East conflict. We have consequently lowered our global real-terms GDP forecast by only 0.3 pts, to a still-robust 2.5% in 2026, and raised our inflation outlook by 1.0 ppt, to average 4.0% over 2026 (see Table 1). Overall inflation is set to be higher this year even as oil prices normalise, assuming the current ceasefire holds. Wider industrial investments also create upside risks for inflation over the medium term. Against this backdrop, major central banks are set to keep policy tighter than previously forecast this year, before some of them resume rate cuts in 2027.

<sup>2</sup> *World Energy Investment 2026*, International Energy Agency, 28 May 2026.

<sup>3</sup> Clean-energy technologies are technologies that generate, store, transmit, or use energy with little to no greenhouse-gas emissions, including renewables, energy storage, electric vehicles, grids, and energy-efficiency solutions.

<sup>4</sup> *Semiconductor Supply Chain Investments*, Semiconductor Industry Association, 4 May 2026.

**Table 1**

Key economic indicator forecasts

	2025	Swiss Re Institute Forecasts*		Consensus		Market pricing	
		2026	2027	2026	2027	1Y Ahead	2Y Ahead
<b>Real GDP (% change)</b>							
US	2.1	2.2	2.1	2.1	2.0	–	–
Euro area	1.5	0.4	1.3	0.8	1.2	–	–
UK	1.3	0.9	0.8	1.0	1.1	–	–
Japan	1.2	0.5	0.8	0.6	0.8	–	–
China	5.0	4.7	4.3	4.6	4.4	–	–
World	2.9	2.5	2.7	2.4	2.7	–	–
<b>CPI (% change)</b>							
US	2.7	3.3	2.8	3.5	2.4	2.8	2.6
Euro area	2.1	3.1	2.6	2.9	2.2	2.7	2.4
UK	3.4	3.3	2.5	3.3	2.6	–	–
Japan	3.3	2.4	2.1	2.0	2.1	–	–
China	0.0	0.9	1.0	1.1	1.1	–	–
World	3.4	4.0	3.3	4.0	3.3	–	–
<b>Central bank rate (%)</b>							
US	3.6	3.6	3.1	3.5	3.2	4.2	4.1
Euro area	2.0	2.3	2.3	2.5	2.1	2.6	2.6
UK	3.8	3.8	3.3	3.9	3.3	4.2	4.3
Japan	0.8	1.3	1.5	1.2	1.4	1.6	1.8
China	1.4	1.2	1.3	–	–	–	–
<b>10-year gov. bond yield (%)</b>							
US	4.2	4.4	4.2	4.3	4.2	4.6	4.8
Euro area	2.8	3.2	3.1	3.0	2.9	3.1	3.3
UK	4.5	4.7	4.6	4.8	4.4	5.0	5.2
Japan	2.1	2.7	2.8	2.7	2.8	2.9	3.1
China	1.9	1.9	2.1	1.7	1.8	–	–

GDP and CPI are annual averages. 10-year and central bank rates are end-of-year forecasts (consensus and market pricing as of June 15 2026).

\*SRI baseline forecasts assume an average Brent price of 78 USD/bbl in H2 2026 and 70 USD/bbl in 2027 (Scenario 1 in Table 3).

Source: Bloomberg, Swiss Re Institute.

We expect the impact on inflation to be less severe than in the 1970s or in 2022.

Different demand and supply conditions from the post-pandemic period.

Current geopolitical pressures suggest inflation will likely stay elevated.

### Inflation outlook: elevated, reflecting geopolitical pressures

We do not expect a repeat of 1970s-style structural stagflation from the recent energy shock<sup>5</sup>. Global CPI inflation is likely to moderate in H2 2026 and into 2027 from its energy-driven peaks. In particular, base effects from lower year-on-year energy prices should put downward pressure on headline inflation rates in 2027.

In the near term, we expect smaller pass-through of energy inflation into broader core price pressures because both supply and demand conditions differ significantly from the inflation wave four years ago. Most economies entered this year's oil shock with less disrupted supply chains, less accommodative fiscal and monetary policy, and looser labour markets compared to the post-pandemic period (see Figure 1, right). We expect US core CPI to peak at around 3% (yoy) in the summer of 2026, while in the euro area, we have yet to see the peak as the inflation pass-through will occur more slowly.

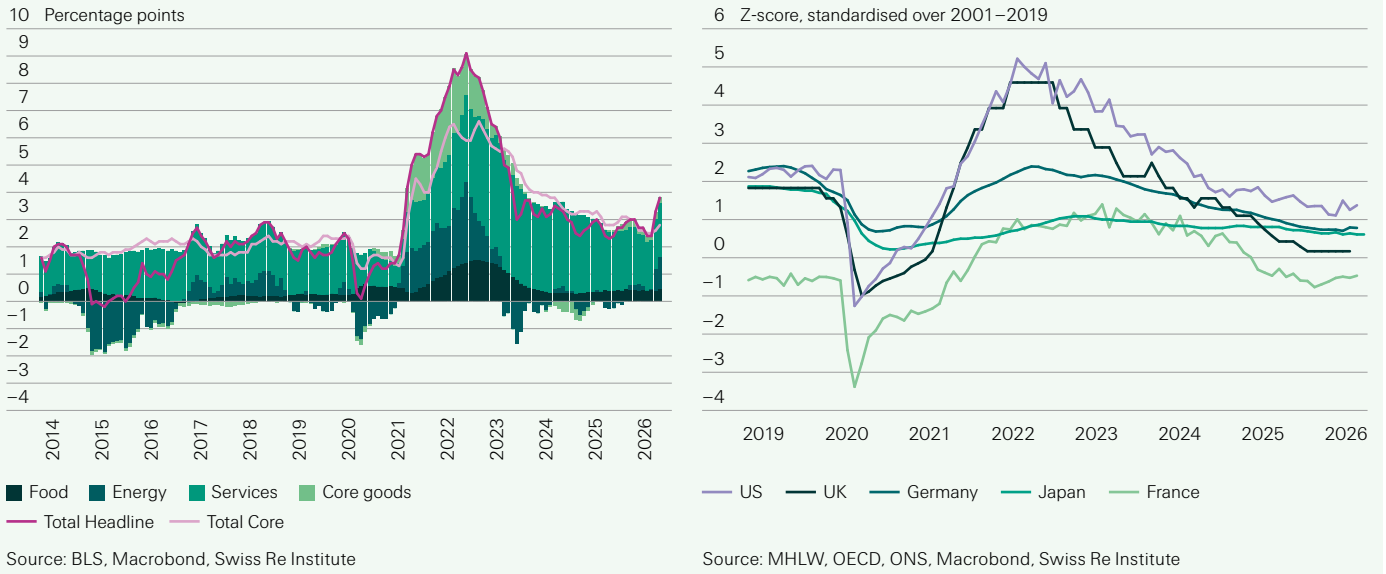
Current geopolitical pressures suggest inflation will likely stay elevated compared to the pre-COVID-19 decade. The risk of recurring supply shocks driving periods of higher inflation is that firms and consumers start to anticipate persistently higher inflation (see Figure 2). Memories of the pandemic inflation spike may have caused a degree of "scarring", changing wage negotiations and firms' price-setting behaviour<sup>6</sup> and resulting in broader and more persistent inflation. For insurers, this would increase claims-cost

<sup>5</sup> *sigma* 2/2022 – Stagflation: the risk is back, but not 1970s style, Swiss Re Institute, 27 April 2022.

<sup>6</sup> *Post-Pandemic Price Flexibility in the U.S.: Evidence and Implications for Price Setting Models*, Montag, Hugh, and Daniel Villar (Federal Reserve Board), March 2025, and *Consumer price stickiness in the euro area during an inflation surge*, Gautier et al. (ECB), February 2026.

pressures well beyond energy-sensitive lines in the near term, feeding inflation more broadly into wages, motor repair, construction, healthcare and liability costs.

**Figure 1**  
US CPI inflation category contributions (left); Vacancies over unemployed ratio (right)



**Figure 2**  
US inflation expectations (break-even rates)



Energy costs hit construction hardest, lifting input prices 7% in the US and 11% in Germany by 2027.

The recent energy and commodity price shocks from the Middle East conflict are affecting sectors differently. Construction materials are hit harder and faster by rising energy costs than most other input categories. This upward pressure is compounded by demand from data centre capex in the US and by Germany’s fiscal infrastructure and defence package. We forecast construction input prices to rise by 7% in the US and by 11% in Germany by 2027 (see Figure 3)<sup>7</sup>. Multiple construction projects are already stalling across Europe and Asia.<sup>8</sup> Meanwhile, higher aluminium prices are likely to put

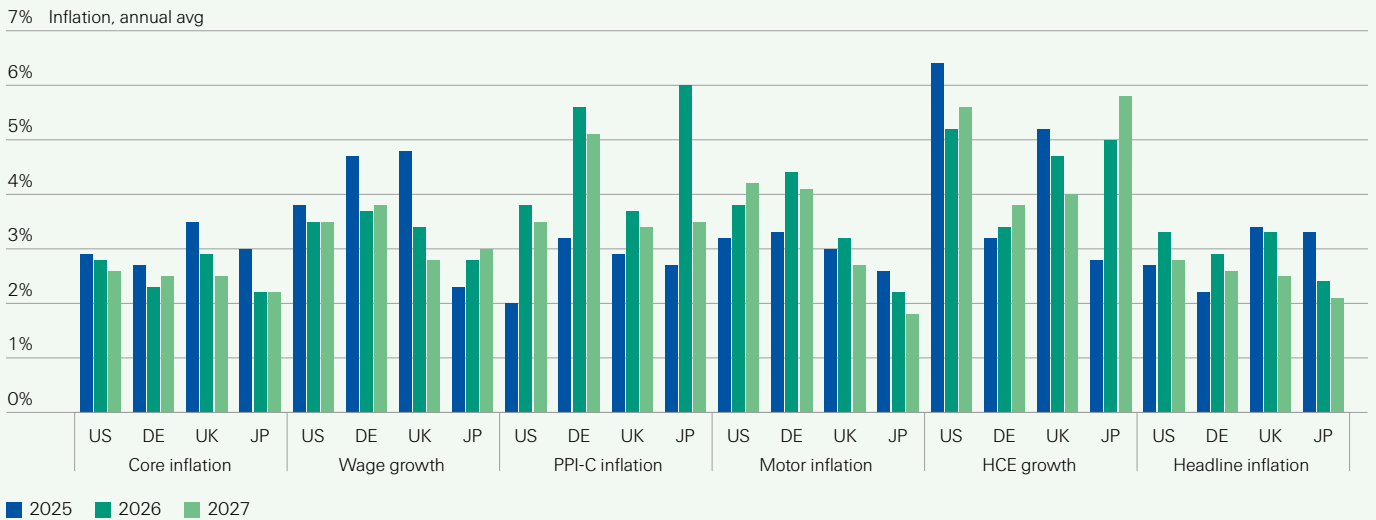
<sup>7</sup> Percentage change of the PPI construction index between end of 2025 and end of 2027.

<sup>8</sup> *Hormuz closure stalls construction projects as material costs soar*, Financial Times, 13 May 2026.

upward pressure on motor repair costs. Aluminium is widely used in vehicle body panels and structural components, and its smelting process is highly energy intensive.

**Figure 3**

Core inflation, wage growth, PPI-C, motor inflation and HCE growth, by country, 2025-2027



Note: SRI forecasts for 2026 and 2027.

Source: national statistical offices, Swiss Re Institute

The AI buildout is one of the biggest offsets to the energy supply disruption this year.

**AI buildout adds upside growth and inflation risks**

The ongoing buildout of AI capabilities is now one of the biggest offsets to the potential drag on growth from energy supply disruptions in 2026 – especially in the US and across main Asian beneficiaries such as South Korea and Taiwan. AI is no longer just a technology story: it has become a macroeconomic force, a source of new risks as well as a driver of new demand for risk solutions. In the US, growth has become increasingly concentrated in sectors benefiting from AI-related capital expenditure. Investment in information-processing equipment, software, R&D, and data centres accounted for close to 40% of US GDP growth in the first three quarters of 2025<sup>9</sup> (see Figure 4, left). Capital expenditure on AI by hyperscalers – the tech companies building large-scale internet infrastructure – should reach USD 750 billion in nominal terms in 2026,<sup>10</sup> which we estimate will contribute around 0.2–0.3 percentage points to US growth. Near-term productivity gains, however, remain concentrated in a relatively narrow group of sectors, particularly IT, finance and professional services<sup>11</sup>. In the near term, the AI expansion is generating new supply-side pressures: rising demand for energy, power infrastructure and industrial inputs are already pushing up costs, while data-centre buildout is adding to inflation in construction and skilled labour markets.

Asia’s benefits from AI are diverse.

Across Asia, exposure to the AI cycle is deepening but unevenly distributed. In China, AI development is being shaped by integration into industrial policy, broad-based user adoption and open-source innovation, alongside heavy investment in semiconductor self-sufficiency and supply-chain resilience. The links between AI, manufacturing, credit and broader macro-financial conditions are deepening, while the risk of cyber vulnerabilities spilling over into physical infrastructure is rising. Elsewhere in Asia, the AI hardware cycle is more than offsetting the Middle East oil shock. Strong US AI investment has supported

<sup>9</sup> Tracking AI’s Contribution to GDP Growth, Federal Reserve Bank of St. Louis, 12 January 2026.

<sup>10</sup> Tech: Raising Hyperscaler Capex 2026 Estimates, CreditSights, 09 February 2026.

<sup>11</sup> A New U.S. Productivity Chapter? What Industry Data Say About AI, Federal Reserve Bank of Kansas City, 11 February 2026.

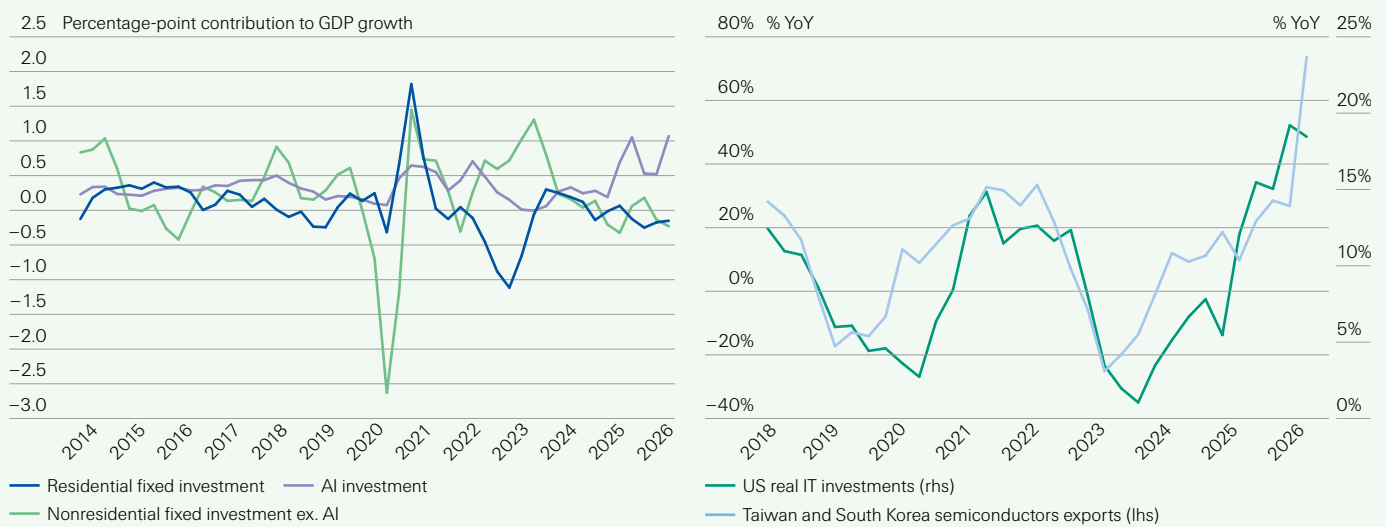
a 74% increase in Asian semiconductor exports compared to a year earlier (Figure 4 right). Taiwan and South Korea are the main beneficiaries; Japan benefits through industrial equipment, materials, and policy support, while Singapore and Malaysia are strengthening their positions as semiconductor and data-centre hubs.

AI investments create new demand for risk solutions.

The rapid buildout is creating new demand for insurance and risk transfer solutions. Investment in data centres, power infrastructure and always-on digital operations is expanding the universe of insurable assets and generating new exposures across property, engineering, liability, cyber and business interruption lines. As data centres grow larger and more complex, they also create concentrated risks that require increasingly sophisticated protection and reinsurance capacity (see section on Data centre construction is adding large-scale insurance demand).

**Figure 4**

US GDP growth contribution from investment categories (left), US IT investment and Asian semiconductor exports, YoY (right)



Source: BEA, Macrobond, Swiss Re Institute

The 2026 energy price shock will hit some economies less than others.

**Global growth resilient in 2026, with mild acceleration in 2027**

The energy price shock in the first half of this year is expected to propagate unevenly across and within economies. The outcomes will be shaped by factors such as energy import dependence, exposure to Middle East supply routes, domestic inflation dynamics, trade linkages, and fiscal and monetary policy flexibility (see Table 2). If renewed escalation is avoided, global growth is expected to re-accelerate in 2027.

US consumers remain relatively resilient.

For the US, we reduced our real GDP growth forecast for 2026 to 2.2%, from 2.5% pre-crisis. The rise in gas prices is a sizeable drag on consumption so far this year, but wealth effects from solid equity market gains and tax refunds provide some offset. We believe US headline CPI inflation is nearing its peak. US growth should remain roughly stable in 2027 at 2.1%, supported by resilient private consumption and the ongoing AI investment boom.

Europe faces a larger growth shock than the US.

We project euro area real GDP growth to slow to 0.4% over 2026, although this is also due to distortions in Q1 GDP data. Still, Europe’s higher dependence on gas, coupled with a sizeable energy-intensive manufacturing sector, leaves the region particularly sensitive to sustained energy price increases. On the other hand, the German infrastructure and defence package will increase fiscal spending and provide additional momentum going into 2027. Assuming the Middle East conflict does not flare up again, we expect growth in the euro area to recover to 1.3% next year. This could add to a further gradual build up in core inflation pressures going into 2027.

While China is well insulated, other parts of Asia will be heavily impacted by the shock.

China is better insulated from energy supply shocks than most economies, owing to its diversified energy import mix and substantial strategic oil reserves. China’s GDP growth should reach 4.7% in 2026, while inflation is expected to exit deflationary conditions.

Weak domestic and external demand conditions should limit the risk of an upward price spiral. The ongoing rebalancing of the Chinese economy will continue, and growth is likely to moderate further to 4.3% next year. Japan, Singapore and South Korea each run large trade surpluses in other goods and services. Exports linked to the global AI capex boom – including semiconductors, electronics and other data-centre equipment – more than offset the energy shock.

**Table 2**

Advanced and emerging markets vulnerability: balance of payments and energy exposure

Country	Oil dependency	Sectoral trade & current account balances (% of GDP)			Energy intensity		Primary energy mix by source				
	Imports of oil from major Gulf exporters (% of oil consumption)	Oil & gas trade balance (% of GDP)	Agricultural products balance incl. fertilizers (% of GDP)	Current account balance (% of GDP)	Energy intensity (MJ/\$2017 PPP GDP)	Energy intensive manufacturing (% of total GVA)	Oil share of primary energy consumption	Gas share of primary energy consumption	Coal share of primary energy consumption	Nuclear share of primary energy consumption	Renewables share of primary energy consumption
Australia	6%	0.5%	1.7%	-1.7%	4.1	3%	37%	22%	25%	0%	6%
Canada	3%	1.1%	0.2%	-0.4%	6.4	4%	31%	33%	2%	7%	12%
France	23%	-2.0%	-0.3%	-0.3%	2.8	3%	31%	13%	2%	46%	8%
Germany	5%	-1.4%	-0.8%	6.0%	2.5	6%	37%	25%	14%	0%	13%
Italy	23%	-1.7%	-0.9%	1.3%	2.3	5%	42%	35%	2%	0%	13%
Japan	96%	-0.6%	-0.2%	4.7%	3.2	5%	37%	19%	26%	5%	7%
Singapore	54%	-4.8%	-1.2%	17.6%	2.5		87%	12%	0%	0%	0%
South Korea	84%	-4.1%	-1.2%	4.5%	5.1	8%	43%	18%	22%	16%	3%
Spain	7%	-1.7%	0.6%	3.2%	2.5	4%	46%	17%	2%	10%	13%
Switzerland	0%	-0.6%	-0.5%	2.9%	1.5	3%	32%	10%	0%	21%	17%
Taiwan		-2.8%	-0.9%	14.0%		8%	36%	24%	32%	3%	3%
United Kingdom	3%	-1.0%	-0.8%	-2.8%	2.0	3%	38%	32%	2%	6%	13%
United States	4%	0.1%	0.0%	-3.8%	4.2	5%	38%	34%	8%	9%	7%
Brazil	1%	1.5%	3.0%	-2.6%	3.9	6%	36%	8%	4%	1%	27%
Chile	0%	-3.1%	3.9%	-1.9%	3.2	4%	46%	14%	7%	0%	16%
China	25%	-1.8%	-0.4%	1.7%	6.3		18%	9%	52%	3%	8%
Colombia	0%	1.4%	1.4%	-1.9%	2.2	7%	41%	22%	10%	0%	12%
India	44%	-3.1%	-0.4%	-0.7%	4.2	9%	27%	6%	56%	1%	4%
Indonesia	11%	-1.6%	2.1%	-0.7%	3.0	6%	29%	16%	44%	0%	14%
Malaysia	45%	2.1%	1.3%	1.7%	4.5	8%	36%	33%	22%	0%	4%
Mexico	0%	-0.2%	-0.1%	-0.9%	3.0	6%	43%	43%	3%	2%	5%
Philippines	37%	-3.5%	-0.7%	-3.4%	2.8	3%	41%	5%	42%	0%	20%
South Africa	40%	-0.8%	0.2%	-0.8%	6.6	7%	20%	4%	72%	2%	2%
Thailand	53%	-6.3%	0.7%	2.3%	4.4	10%	46%	34%	12%	0%	6%
Turkey	10%	-0.5%	0.1%	-0.8%	2.3	8%	31%	24%	24%	0%	14%

Note: Color scale reflects relative vulnerability/exposure: purple indicates greater vulnerability/exposure, while blue indicates lower vulnerability/exposure. The color scale is reversed for coal, nuclear and renewables share in primary energy mix. Energy intensity (MJ/\$2017 PPP GDP) is an indication of how much energy is used to produce one unit of economic output and lower ratio indicates that less energy is used to produce one unit of output. Oil imports from major Gulf exporters include refined oil products too. The data above is based on the latest available year.

Source: Macrobond, World Bank, Swiss Re Institute

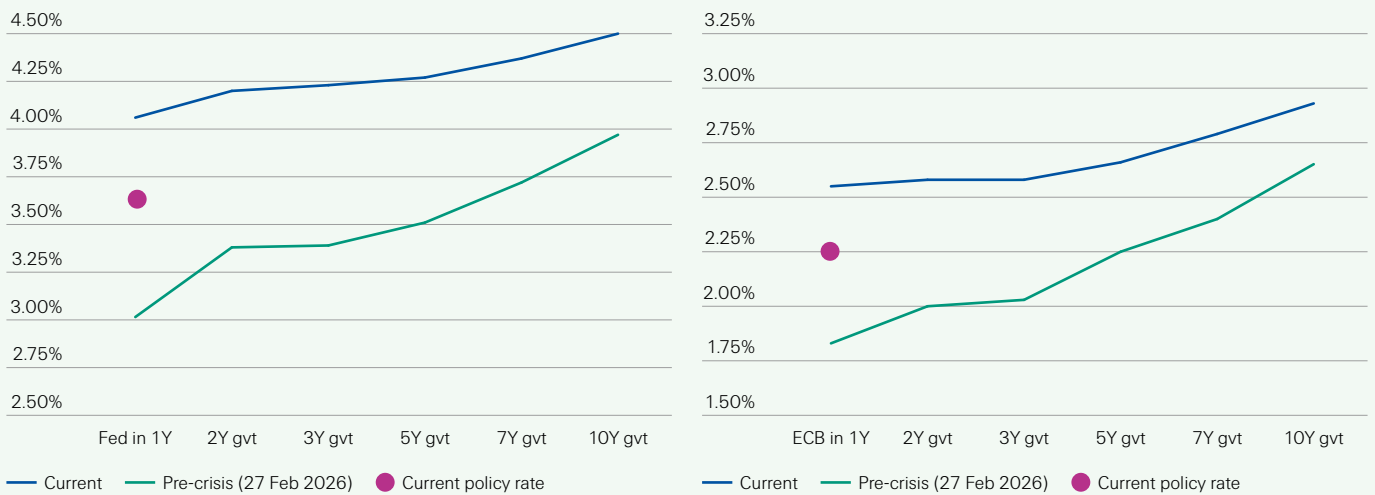
Our baseline is for rates to stay higher for longer.

**Interest rates: higher for longer**

With memories of the post-pandemic inflation surge still fresh, the succession of supply shocks is changing how central banks respond. In theory, monetary policymakers can “look through” one-off supply shocks, since their effects on inflation are expected to be temporary. However, the risk of higher inflation expectations reduces central banks’ willingness to accommodate “one-offs”. Persistent realised inflation – particularly with US inflation above the Fed’s 2% target for a fifth consecutive year – has shifted market pricing away from rate cuts and toward further tightening in many jurisdictions.

**Figure 5**

The US Treasury yield curve (left); the German yield curve (right)



Source: Macrobond, Swiss Re Institute

Contrary to market pricing, we expect the Fed to stay on hold in 2026.

Contrary to market pricing currently suggesting chances of a Fed rate hike (see Figure 5 left), we expect the US Federal Open Market Committee (FOMC) to keep the policy rate unchanged in 2026 before delivering the last two cuts of the cycle next year. The European Central Bank (ECB) has already responded to rising inflation pressures with a rate hike, bringing forward the tightening cycle relative to our pre-conflict outlook. We expect the ECB to keep its policy rate at the current upper bound of the neutral range (at 2.25%) in 2027. In economies where inflation started low or below target (e.g. China), policymakers can afford to wait for evidence of persistently higher price increases.

A persistent blockade of the Strait of Hormuz would trigger severe macro scenarios.

**Alternative scenarios: watch for compounding risks**

As of our June editorial deadline, a ceasefire is under way and flows through the Strait of Hormuz are showing signs of recovery. Importantly, the economic impact of the conflict could last longer than the disruption itself, as inventories and trade flows take time to adjust, even if shipping gradually resumes.

The shock opens pathways to adverse stagflation and recession scenarios.

In adverse scenarios, a sustained oil price surge – pushing Brent to an average of USD 125/bbl. over the next six months – could trigger a sharp tightening in financial conditions and a global recession (Scenario 3 in Table 3). Such an outcome may involve rapid demand destruction that eventually causes oil prices and inflation to fall. At the same time, the risk of sustained stagflation has increased, especially if higher energy prices coincide with price controls and a shift toward fiscal dominance or financial repression.

**Table 3**  
Middle East alternative scenarios

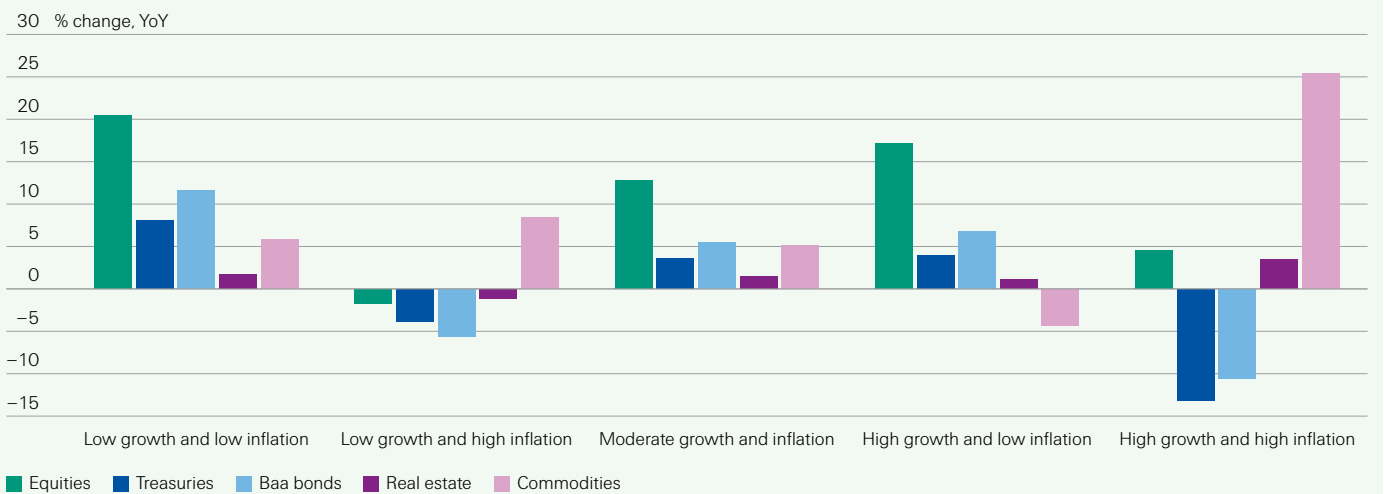
	Scenario 1	Scenario 2	Scenario 3
<b>Status of conflict</b>	<b>Negotiated stabilisation</b> Strait of Hormuz transit partially recovers during this summer	<b>Prolonged stalemate</b> Strait of Hormuz transit remains severely disrupted through the summer	<b>Renewed escalation</b> Strait of Hormuz transit disrupted throughout the year
<b>Likelihood</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<b>Strait of Hormuz transit</b>	Recovers gradually in Q3 (to ~50% of pre-crisis avg by end of quarter) as normalisation of oil flows takes at least 6–8 weeks; full normalisation by autumn	Severely disrupted through Q3 (well below 50% of pre-crisis avg), with partial recovery into year-end	Essentially blocked (<10% of pre-crisis avg) remainder of 2026
<b>Oil infrastructure damage</b>	Remains largely intact	Ongoing risks but limited damage	Significant upstream damage
<b>Expected average oil price over the next 6 months (Brent in USD/bbl)</b>	78 USD/bbl Oil price remains volatile due to a potentially bumpy normalisation of flows.	100 USD/bbl Oil prices peak in Q3, reducing global energy demand significantly.	125 USD/bbl Severe oil price spike accelerates demand destruction, partially offsetting the physical supply disruption.
<b>Macro impact</b>	Manageable	Stagflation	Recession

Source: Swiss Re Institute

Stagflation hurts both stocks and bonds; only commodities tend to hold up.

More volatile and persistent inflation will have important implications for asset allocation. Historically, financial market returns have differed significantly depending on the combination of growth and inflation regimes (see Figure 6). Stagflation environments are particularly challenging for traditional financial assets. In such regimes, both equities and fixed income tend to generate negative real returns, as weaker earnings coincide with rising discount rates and persistent inflation erodes bond valuations, while corporate credit also weakens as default risks rise. Commodities stand out as the only asset class delivering positive returns in the past. However, financial markets are more responsive to the direction of change than to the level of growth and inflation. Even in weak growth environments, risk assets need only forward-looking signs of improvement to start to rally.

**Figure 6**  
Average returns of US assets in different macro regimes



Equities are represented by the S&P 500 from 1957 onward; prior to 1957, returns are based on other indices of large-cap US equities. Treasuries are represented by 10-year US Treasury bonds. Real estate returns are based on Robert Shiller’s US home price index and reflect price appreciation only, excluding rental income. Commodities are proxied by the S&P GSCI Index, available from 1969 onward.  
Source: Aswath Damodaran, S&P Global, Macrobond, Swiss Re Institute

Uncertainty raises new demand for risk transfer but undermines the means to provide it.

Fragmentation weakens the mechanisms that make insurance efficient.

Global risk diversification via re/insurance materially reduces the cost and impact of large loss events.

### Fragmentation, resilience and the role of global insurance

The same forces fragmenting the global economy are expanding demand for insurance and undermining the means to provide it. Companies may increasingly have to shift their focus from pure efficiency to resilience, adapting their business models to survive an era of shifting policy-driven risks and threats to supply chains. For insurers, this cuts both ways. It creates new demand for risk transfer solutions, opening new opportunities for insurance. At the same time, the sector must adjust to the regime shift through more sophisticated risk modelling and monitoring, and revised asset-risk management.

Fragmentation may weaken the mechanisms that make insurance efficient and affordable. Cross-border diversification is central to re/insurance markets, but capital controls, regulatory divergence, sanctions and financial system segmentation could encourage local retention of risk and capital. Measures such as limits on intragroup reinsurance and local collateral requirements would erode the diversification benefits on which reinsurance, retrocession and alternative capital markets depend.

Nowhere is the value of a globally integrated re/insurance market clearer than in the aftermath of a major catastrophe. Global risk diversification has enabled coverage of, on average, more than 60% of large loss events since 2000.<sup>12</sup> International re/insurers covered around 64% of the claims related to the terrorist attack on World Trade Centre in 2001, about 60% of claims related to Hurricane Wilma, Rita and Katrina in 2005<sup>13,14</sup>, and roughly 72% of insured costs from the 2010–11 Canterbury earthquakes.<sup>15</sup> Global risk pooling protects local insurers' solvency and claims-paying capacity, and also supports a rapid recapitalisation of the market, with around USD 30 billion of new capital entering the re/insurance sector following the 2005 hurricane season.<sup>16</sup> A more fragmented financial system would weaken these shock-absorbing mechanisms and increase the local cost of covering catastrophe risk.

<sup>12</sup> *World insurance in 2025: a riskier, more fragmented world order*, Swiss Re, 2025.

<sup>13</sup> *U.S. 9/11 Losses as Reported by Re/insurer Headquarters*, Dowling & Partners, 2008.

<sup>14</sup> *The Bermuda Insurance Market, An Economic Analysis*, J. David Cummins, 6 May 2008.

<sup>15</sup> *Funding and reserving Canterbury earthquake insurance claims*, Reserve Bank of New Zealand, 2021.

<sup>16</sup> *Additional Capital Mitigates Hurricane Factor*, Aon, 10 September 2006.

# Trends in global insurance markets

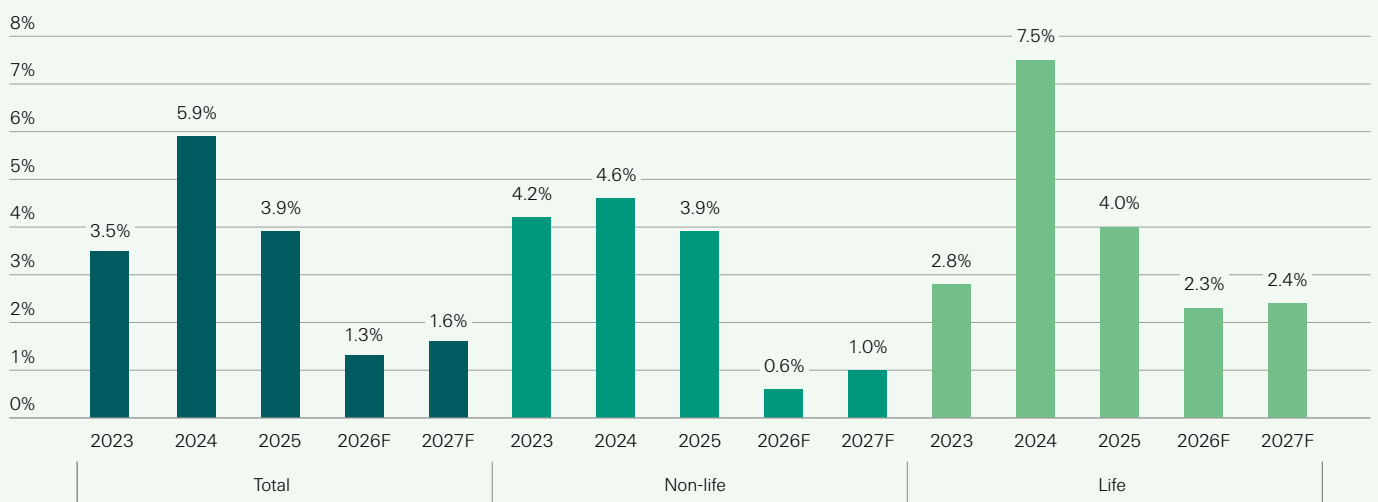
The global insurance industry is navigating a cyclical slowdown, but profitability is holding up. We forecast total real premium growth (life and non-life) of 1.3% in 2026 and 1.6% in 2027, down from 3.9% in 2025, as the global economy slows and geopolitical uncertainty remains elevated. The Middle East conflict did not materially alter the premium growth trajectory for either segment. However, its effects on claims severity, through renewed inflationary pressures, are more consequential particularly in non-life lines of business. For life insurers, the surge in savings and annuity demand that powered growth in advanced markets is normalising as the interest rate uplift fades. Higher-for-longer interest rates, reinforced by the conflict's inflationary impulse, remain an important stabiliser, supporting investment income across segments even as underwriting margins face increasing pressures. Beyond the cycle, a more fragmented and shock-prone world is opening new opportunities for insurers to enable resilience. As risk rises, insurance gains relevance and the pools of risk that need insuring are expanding, positioning the sector as a shock absorber that helps the real economy withstand recurring volatility.

## Soft market meets geopolitical headwinds

Global real premium growth is estimated at 1.3% in 2026, below 2.8% in the last decade.

The global insurance sector is entering a more competitive environment over 2026–2027 as real growth and profitability normalise from their 2024–2025 peaks. We estimate total premium growth (life and non-life) of 1.3% in real terms (2025: 3.9%) before a modest recovery to 1.6% in 2027 and a return to the long-term trend of 2% thereafter (see Figure 7). While the growth slowdown in non-life is more pronounced than in life, higher-for-longer interest rates remain a critical earnings stabiliser across both segments. This cyclical softening sits against a structural backdrop of more frequent, more correlated shocks. In that environment, insurance's core values lie in absorbing volatility, positioning insurers as a stabilising force. The medium-term outlook is broadly constructive, as insurance gains more relevance in a riskier world and exposure growth picks up on the back of energy transition, the AI data centre buildout and rising demand for protection products in emerging markets.

**Figure 7**  
Real premium growth, total, non-life and life, 2023–2027F



Source: Swiss Re Institute

Profitability remains solid for both segments, supported by higher investment incomes.

Global insurance profitability and capitalisation remain robust, though with notable nuances between life and non-life segments. Non-life ROE peaked at 14% in 2025 and is expected to decline to 11.4% in 2026 and 9% in 2027 (2015–2024: 7%) as underwriting margins compress further. Elevated reinvestment yields provide a meaningful buffer but cannot fully offset the drag from a softening underwriting cycle.

Life profitability is on firmer ground, with aggregate ROI converging towards 4.0% by 2028 (2021–2025: 3.8%), underpinned by higher reinvestment yields supporting spread-based business. The rising share of fee-based products increases sensitivity to market volatility, while growing exposure to alternative assets adds valuation uncertainty and liquidity risks in times of stress.

The Middle East conflict is primarily an inflation shock with the greatest impact on claims severity.

The Middle East conflict is showing signs of de-escalation, but associated supply chain uncertainty remains the most significant near-term risk for insurers, with the potential to elevate loss costs and compress real incomes through second-round inflationary effects. For non-life insurers, the dominant transmission is higher claims severity; for life insurers, it is through eroding real incomes, dampening savings capacity and rising lapse risk.

Broad based softening across regions due to robust profitability.

### Non-life insurance

#### Pricing outlook: softening deepens as ample capacity competes for growth

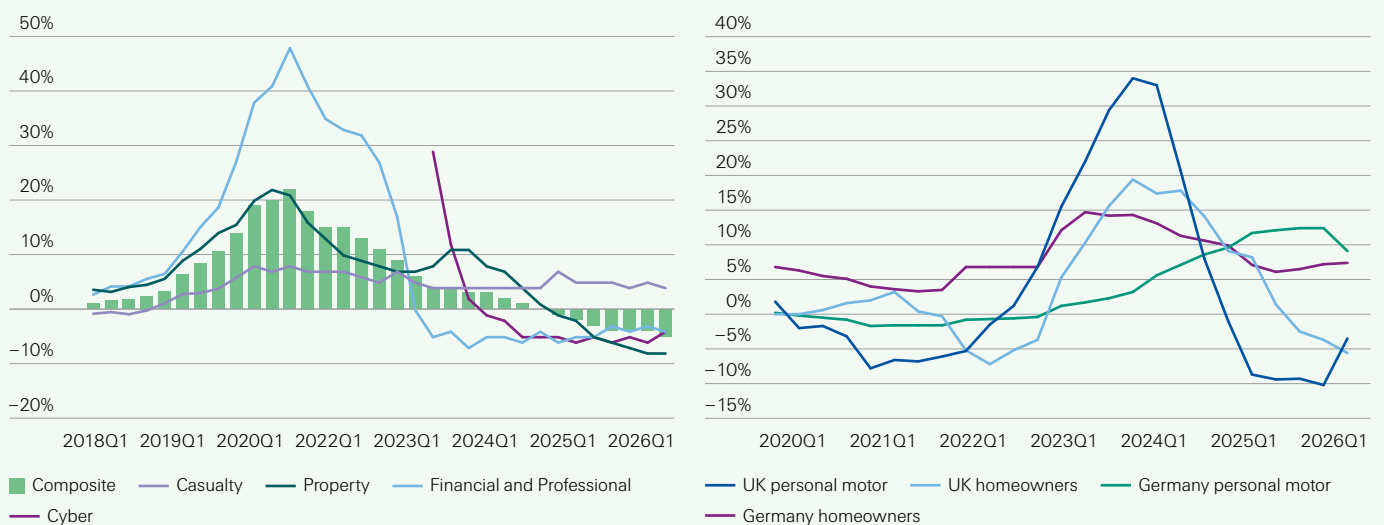
We expect global commercial and personal lines prices to remain soft through 2026–2027, supported by robust profitability, abundant capital and easing reinsurance costs. Rates could be pressured further as insurers compete for top-line growth amid a muted economic outlook, while still improving investment income sustains price competition by supporting overall profitability (see P&C profitability section). Natural catastrophe exposure growth and inflationary impulse from the Middle East conflict may slow the pace of softening in select portfolios, but the overall direction of pricing remains downward, as capacity is ample and profitability still exceeds the cost of capital.

Commercial insurance pricing softens further, with casualty remaining firm on elevated loss costs.

Marsh commercial insurance index (composite) was down 5% (yoy) in 1Q26, the seventh consecutive quarterly decline.<sup>17</sup> All regional indices were also in negative territory except Japan, where catastrophe loss potential, regulatory factors and inflation continue to keep prices firm, though some softening is expected there from late 2026. Property is leading the decline as global property index was down by 9% in 1Q26 (–7% in 2025), followed by financial and professional lines and cyber, which were both down by 5% (Figure 8 left). Casualty pricing rose 3% in 1Q26 (+4% in 2025), driven by persistent loss-cost trends from large jury verdicts in the US, where rates were up 12% (excluding workers compensation) while other regions registered declines. However, casualty pricing pressures could broaden beyond the US as liability excess inflation begins to emerge in other regions, especially continental Europe.<sup>18</sup>

**Figure 8**

Rate developments in commercial lines (left) and personal lines insurance (right)



Source: Marsh Global Insurance Market Index, ABI, GDV, Swiss Re Institute

<sup>17</sup> Marsh’s composite price index had previously fallen for 18 straight quarters, from 2Q2013 to 3Q2017, then rebounded after Hurricanes Harvey, Irma and Maria caused about USD 130 billion in insured losses.

<sup>18</sup> Liability excess inflation: remains a key challenge for insurers and their clients, Swiss Re Institute, January 2026.

Personal lines pricing also softens as insurers compete for growth after strong profitability.

Personal lines prices have started softening across major markets as prior rate actions have restored profitability. Growth is shifting from rate-driven to volume-driven, as insurers compete on price and terms rather than riding rate increases. US personal motor price changes are on the verge of turning negative, while homeowners insurance is still seeing mid-single-digit gains and may stay firm for longer given expanding natural catastrophe exposure and sticky rebuilding-cost inflation. UK motor price changes have already turned negative from end of 2024 (see Figure 8 right). Personal motor profitability in the UK is fragile, and rates could re-accelerate if claims severity stays high. Prices in the rest of Europe are also softening, but more gradually, reflecting delayed repricing relative to the UK and lower price sensitivity among customers.

Underwriting cycle is softening, but geopolitical spillovers may limit the downside.

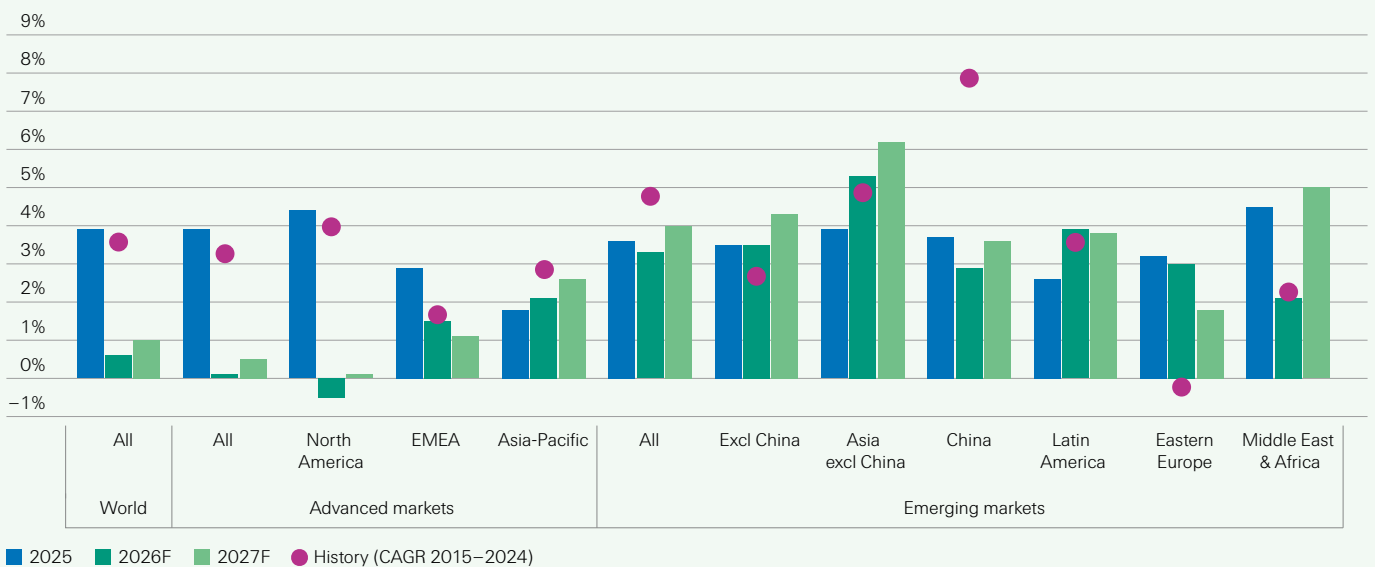
Underwriting cycle has gone deeper into the softening phase in 2026, with varied pace across markets and lines of business. However, pricing is unlikely to return to pre-2022 levels within the forecast horizon, as softening is constrained by structural pressures including loss-cost inflation, natural catastrophe exposure and uncertainty around long-tail reserves. The longer the inflationary pressures from Middle East conflict persist, the greater the risk that its effects feed through to repair, replacement and liability costs, thereby partially offsetting downward pressure on pricing. This suggests that the current cycle may be shallower than past soft markets, with insurers likely to reprice more sharply if large losses, inflation and capital signals deteriorate beyond expectations.

Global non-life premium growth to touch a cyclical low of 0.6% in 2026.

**Premium outlook: growth to bottom out in 2026 before normalising to trend**

The non-life premium<sup>19</sup> growth outlook for 2026–2027 is cyclically weaker, reflecting competitive P&C pricing, slowing economic momentum and policy-driven headwinds in key health markets, particularly the US. We expect global non-life premium growth (real) to fall below the historical trend, reaching a cyclical low of 0.6% in 2026 (see Figure 9) before recovering modestly to 1% in 2027 (2015–2024 Compound Annual Growth Rate (CAGR): 3.6%).<sup>20</sup> Advanced markets drive the slowdown, while emerging markets remain relatively resilient. Global nominal growth is expected to slow less sharply (5% in 2026 vs. 7.3% in 2025), as inflation (+3.3 ppts) and elevated FX effects (+1.1 ppts, the highest in recent years) inflate headline growth and mask weaker underlying momentum.

**Figure 9**  
Non-life insurance (real) premium growth, by region



Source: Swiss Re Institute

<sup>19</sup> Health business is allocated to non-life insurance premium, independent of whether it is written by life, non-life, health or composite insurers.

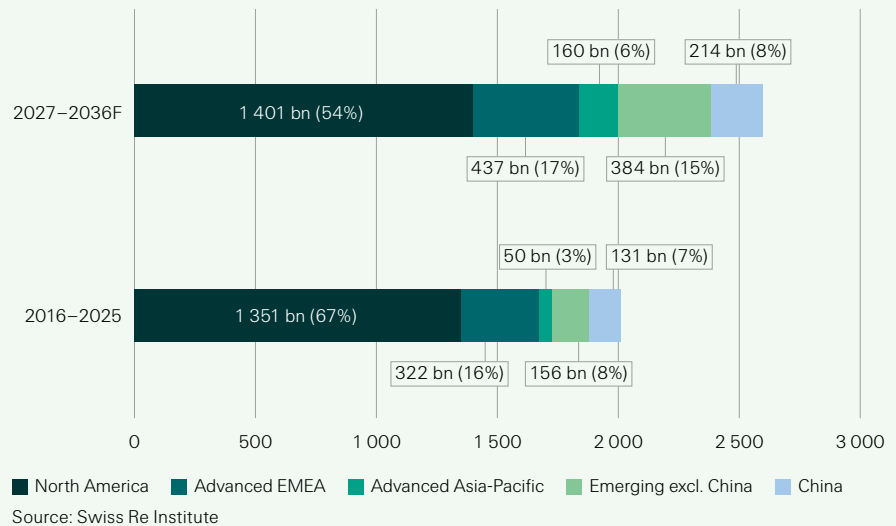
<sup>20</sup> The long-term trend remains broadly unchanged at 3.7% when the COVID years (2020–2021) are excluded.

North America’s relative importance in incremental premium growth is declining.

In volume terms, global non-life premiums will increase to USD 5 trillion in 2026 (USD 4.8 trillion in 2025), with advanced markets accounting for 85% of total volumes. North America will continue to generate the bulk of additional premiums written globally over the next decade (54% of total USD 2.6 trillion), though its share of incremental growth is declining compared to 67% in the previous decade (see figure 10). The emerging markets’ share of new premiums will rise to 23% (from 14%) driven primarily by emerging Asia and Latin America.

**Figure 10**

Non-life insurance business: forecast additional premiums 2027–2036F compared to previous decade 2016–2025 (USD billion)



Premium growth in advanced markets bottoms out in 2026.

**Premium growth by region**

**Advanced markets (AM)** are seeing a sharp deceleration in 2026, with real premium growth slowing to near zero (vs. 3.9% in 2025), marking the weakest expansion in almost two decades. The US could slip into contraction (–0.5%), reflecting rate softening across most lines as competition intensifies among insurers. Advanced EMEA is expected to moderate further (1.5% in 2026 vs. 2.9% in 2025) as pricing support fades, though more gradually than the US. The UK is an outlier, with the personal motor pricing cycle appearing to pass through the soft market trough ahead of its peers, driven by sustained claims growth and poor profitability. UK premium growth bottomed out in 2025 and is expected to recover gradually over 2026–2027. Advanced Asia diverges from the broader trend, with growth improving to 2.1% in 2026 (from 1.8% in 2025), supported by natural-catastrophe-driven property repricing in Australia and firmer motor pricing in South Korea amid rising claims inflation. The region also benefits from the AI-led semiconductor and export cycle, particularly in South Korea and Taiwan.

Growth dynamics for EMs continue to shift away from China to emerging Asia and Latin America.

**Emerging market (EM)** premium growth is expected to moderate marginally to 3.3% in 2026 (from 3.6% in 2025), mainly reflecting weaker momentum in China. We expect China’s non-life premium growth to slow to 2.9% in 2026 (3.7% in 2025), well below its historical trend of 7.9%, as a muted economy and soft consumer confidence continue to weigh on personal lines, particularly motor. In Latin America, growth is becoming increasingly volume-driven as abundant capacity drives rate declines across commercial lines, with pricing support limited to loss-affected and natural catastrophe exposed risks. India is likely to be one of the fastest-growing markets in the region, with strong health insurance demand supported by recent tax and regulatory changes as well as continued expansion in motor.<sup>21</sup>

<sup>21</sup> India’s economic and insurance market outlook 2026–2030, Swiss Re Institute, January 2026.

Premium growth by line of business:

Table 4

Summary of global non-life (real) premium growth by line of business

Line of business	Outlook	Key trends	Key message
Health	Sharp slowdown in 2026 to 0.5% (2025: 5.6%; 2015–2024 CAGR: 4.4%)	Policy headwinds in the US	US drives the slowdown: ACA subsidy expiry and tighter Medicaid rules weigh on enrollment and premiums.
Motor	Weak growth in 2026 at 0.6% (2025: 2.4%; 2015–2024 CAGR: 2.9%)	Softening personal auto pricing and weaker demand	Premium growth slows further as personal auto pricing weakens across advanced markets; UK is an outlier with pricing cycle normalising ahead of peers.
Property	Mild contraction in 2026 (–0.4%) (2025: 3.5%; 2015–2024 CAGR: 3.8%)	Continued softening of commercial property pricing	US and Europe see strongest rate pressure; homeowners remain firmer in Nat Cat-exposed markets.
Liability	P&C outperformer in 2026: 2.6% (2025: 3.7%; 2015–2024 CAGR: 4.2%)	Firm US casualty pricing due to reserve uncertainties	US remains the key driver supported by litigation costs, large jury awards and claims severity; Europe remains competitive but liability excess inflation risks are rising.
Specialty & others	Broadly slowing across regions in 2026	Price softening driven by ample capacity	Softening pricing constrains premium growth even as underlying exposure growth remains supportive; war-exposed lines are the exception amid the Middle East conflict risk.

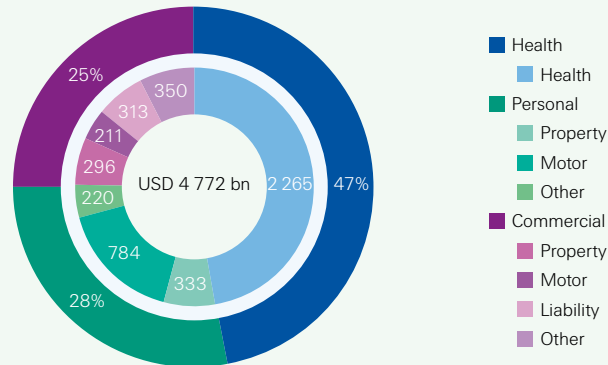
Source: Swiss Re Institute

Global health premium growth to slow sharply to 0.5% in 2026.

Private health insurance accounted for 47% of global non-life premiums in 2025 (see Figure 11). We expect global private health premium growth to slow sharply to 0.5% in 2026 (from 5.6% in 2025), reflecting policy-driven headwinds and affordability pressures in key markets. The US, which accounts for 80% of global health premiums (USD 1.8 trillion in 2025), is expected to see a mild contraction (–0.6%) in 2026 (vs. 5.8% growth in 2025), as the Affordable Care Act (ACA) subsidy expires and tighter Medicaid funding and eligibility weigh on enrolment and premium growth.

Figure 11

Global non-life market share and volumes in 2025, by lines of business (USD billion)



Source: Swiss Re Institute

Softening personal auto pricing and weaker demand weigh on motor growth.

Motor premium growth is expected to dip further to 0.6% in 2026 and 0.4% in 2027 (vs. 2.4% in 2025) as personal auto pricing weakens in advanced markets, led by the US, amid competition from robust profitability and reserve releases (See US P&C reserve development). Conversely, growth in the UK could turn positive in 2026 as the pricing cycle normalises and insurers respond to still-elevated repair and parts inflation. Japan also remains firmer than its AM peers due to claims inflation and repair cost pressures, although demographic headwinds constrain overall growth. While cyclical factors dominate the near-term outlook, structural trends of electric (EV) and autonomous vehicle (AV) adoption could reshape the motor premium pool over the medium to long term. EV penetration is the most prominent premium-supportive force, as repair complexities drive higher damage severities. AV adoption, a longer-term dynamic, is expected to weigh on personal motor premium growth as third-party liability gradually shifts from drivers to manufacturers and software providers through product liability and cyber covers.

Property weakens further (at –0.4%) led by softening commercial pricing.

**Property** will see the sharpest slowdown among P&C lines, with premiums slightly contracting (–0.4%) in 2026 followed by muted growth of 0.8% in 2027 (3.5% in 2025). Commercial property is increasingly soft across regions with the most pronounced impact in the US, followed by Europe. Regulatory driven natural catastrophe surcharges and mandatory catastrophe coverage in France and Italy supported property growth in 2025, but that boost is fading as the market absorbs these changes. By contrast, homeowners remain firmer in catastrophe-exposed markets such as the US, UK, Australia, Japan and parts of Latin America, where severe weather events and construction-cost inflation continue to support pricing and premium growth. In the US, for example, natural catastrophes accounted for more than half of homeowners insurance claims between 2021 and 2025.<sup>22</sup>

US continues to drive global liability premium growth.

**Liability** premium growth is expected to outpace other P&C lines in 2026–2027 (2.6%), underpinned by firm US casualty pricing amid persistent liability excess inflation. We forecast US liability premiums to grow by 3.2% in 2026 as rising litigation costs, large jury awards, and increasing claims severity continue to exert upward pressure on rates. In contrast, Western Europe will likely see modest growth of 0.8%, reflecting generally more competitive market conditions. Nevertheless, liability excess inflation is expected to become increasingly relevant in Europe in the coming years, and remains significant in Australia, alongside evolving legal frameworks and rise of collective redress in varying degrees.<sup>23</sup> This could lead to selective repricing of liability risks over the medium term in these markets.

Specialty growth weakens, while demand grows in some war-exposed lines.

Across the broader **specialty** market, pricing remains largely soft, reflecting abundant capacity, war exclusions in standard policies and contained insured losses. The US, largest specialty market globally, will likely see a contraction (–2% in 2026 vs. +2.5% in 2025), driven by continued rate declines. In Europe and China, growth remains positive but subdued, as the impact of softer pricing is increasingly offset by robust underlying demand. The key exception is war-exposed specialty lines, where the Middle East conflict supports firm pricing and higher demand though the impact on overall specialty premiums is moderate given the small share of these niche lines (*see Geopolitical uncertainties section*).

Non-life profitability robust but past its 2025 peak of 14% as underwriting margins deteriorate.

#### **Profitability outlook: gradual descent ahead as underwriting margins weaken**

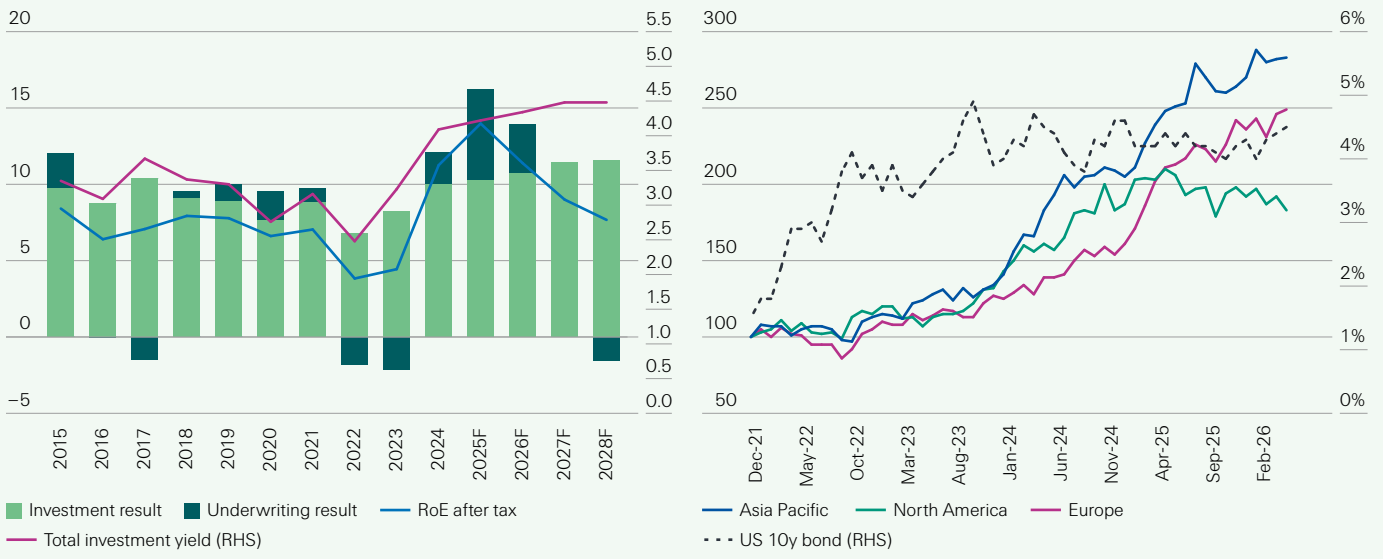
Global P&C profitability reached a cyclical high in 2025, with primary P&C industry ROE estimated at 14%, well above the 7.5% cost of capital and the 2015–2024 average ROE of 7.1% (see Figure 12 left). We expect profitability to remain robust but normalise steadily, with ROE easing from 11.4% in 2026 to 7.7% in 2028. Still-elevated investment returns should cushion earnings but cannot fully offset the impacts of a softening underwriting cycle. Geopolitical uncertainties and associated supply shocks add downside risk by lifting economic inflation in 2026–2027, weighing on premium growth, raising claims severity across physical damage lines such as property and construction, and potentially generating losses in war-exposed specialty lines (*see Inflation outlook: elevated, reflecting geopolitical pressures*). Listed P&C insurers' valuations had already weakened before the Middle East conflict, suggesting investors were pricing in the softer underwriting cycle (Figure 12 right).

<sup>22</sup> *sigma* 1/2026 – Natural catastrophes in 2025, Swiss Re Institute, 2026.

<sup>23</sup> *Liability excess inflation remains a key challenge for insurers and their clients*, Swiss Re Institute, January 2026.

**Figure 12**

Profitability of seven major non-life markets, % (left); Non-life insurance total shareholder return relative to market index (Dec 2021 = 100) (right)



Note: Aggregate of seven major advanced markets (Australia, France, Germany, Italy, Japan, the UK and US). Underwriting and investment results are in % of net premiums earned; ROE and total investment yields are in %.  
Source: Swiss Re Institute

Underwriting margins compress from 3.2% in 2026 to -1.6% by 2028 as pricing softens and loss-cost trends rise.

Underwriting profitability is expected to deteriorate further as insurers increasingly compete to gain market share in an elevated loss-cost environment. We forecast global P&C net underwriting margin falling from 3.2% of net premiums earned in 2026 to 0% in 2027 and -1.6% in 2028, against a cross-cycle 2015–2024 average of 0.3%. This reflects broad-based price softening, weaker commercial premium momentum and loss cost pressures amid a challenging macroeconomic backdrop. Favourable US P&C reserve development supported the recent profitability peak through releases in short tail lines, but those tailwinds have started to fade (see: *US P&C reserve development*).

Investment returns provide an earnings buffer, but underwriting is the main driver of ROE volatility.

Investment results will remain an important stabiliser for P&C earnings. Higher long-term interest rates are expected to lift investment results to 10.7% of net premiums earned in 2026 and 11.4% in 2027, a greater increment than the 0.2ppts gain in 2025, partly offsetting weaker underwriting margins. Reinvestment yields may improve further from already high levels, supported by fiscal expansion and inflationary pressure in Europe, rate hikes in Japan and the oil price shock linked to the Middle East conflict. Even so, while investment income contributes materially to ROE, underwriting remains the main driver of profitability variation over the cycle.

US profitability under pressure, while Australia and the UK prove more resilient in 2026.

The profitability outlook shows a regional divergence. Among the largest markets, ROE is expected to deteriorate most in the US, Japan and Italy in 2026, with the US facing the sharpest pressure as 2025 was light in natural catastrophe losses, its softening cycle started earlier, and claims inflation is more severe. Continental Europe is likely to see underwriting margins remain close to record levels in 2026 before weakening from 2027, although the inflationary impact of the Middle East conflict could bring deterioration forward. Australia and the UK should see ROE improve in 2026, supported by still-robust price increases in Australia and a turning cycle in UK personal lines, while France is expected to be broadly stable. Across key markets, elevated investment yields should continue to provide support.

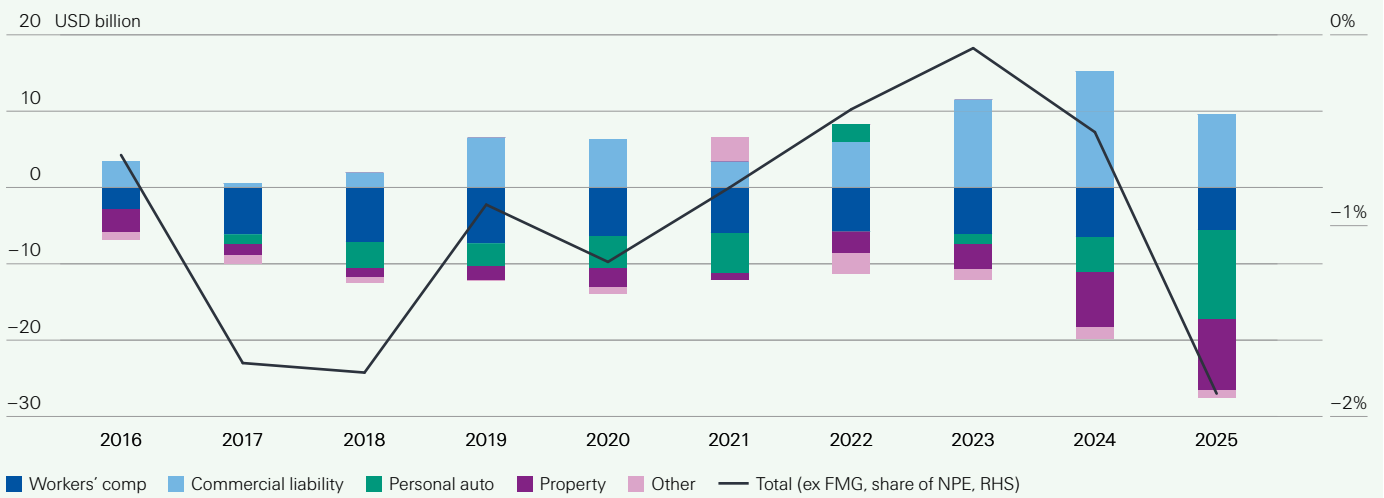
US P&C reserve releases continue to support earnings.

**US P&C reserve development: very favourable due to releases in short tail lines**

2025 marked the 20<sup>th</sup> consecutive year of reserve releases for the US P&C industry. Favourable reserve development in 2025 was a meaningful driver of record profitability for the US P&C segment and improved industry combined ratio by nearly 2 ppts. Around USD 10 billion of adverse development in liability lines was more than offset by favourable development in short tail lines such as personal auto, property and workers' compensation (see Figure 13). Personal auto benefited from improved frequency due to driver-assistance technology, telematics and Florida tort reform<sup>24</sup>, while workers' compensation remained a consistent source of redundancy, with more than USD 5 billion of favourable development for the ninth consecutive year. Excluding workers' compensation, 2025 was also the first year of net favourable development since 2020.

**Figure 13**

Changes in US P&C reserves (left axis; positive implies strengthening); total reserves development (right axis)



Source: Swiss Re Institute

Benefits come mostly through short tail lines, while casualty remains deficient.

Reserves adequacy is sharply bifurcated as short-tail lines are still redundant, while liability lines remain structurally deficient after several years of adverse development driven mainly by liability excess inflation. Adverse development in liability appears to have slowed for accident year 2024, with 12–24-month development more favourable than for accident years 2015–2019 and 2021–2023. This is only tentative ground for optimism, as additional development periods are needed before a sustained improvement can be confirmed. The pricing implications are clear with reserve releases in short-tail lines supporting softer pricing, while persistent casualty reserve uncertainty sustains firmer rates. US P&C reserve releases are likely to continue over 2026–2027, but with a weaker and more uneven earnings contribution as loss ratios trend upward and reserve cushions decline in workers compensation, while new risks emerge such as California cumulative trauma claims<sup>25</sup> with the potential to add pressure on loss costs.

<sup>24</sup> Florida enacted tort reforms in 2022–2023, including caps on attorney fees, shorter statutes of limitation, and changes to bad faith rules. These measures reduced litigation in property and casualty claims and contributed to an estimated 14.5% decline in insurance costs in the state. See *The Economic Benefits of Effects of Tort Reform on Property and Casualty Insurance Rates in the State of Florida*, The Perryman Group, February 2026.

<sup>25</sup> Cumulative trauma (CT) claims include work-related injuries resulting from repetitive mentally or physically traumatic activities over multiple years. In California the share of CT claims under Workman's Compensation insurance has risen rapidly since 2022. See *September 1, 2026 Pure Premium Rate Filing*, The Workers' Compensation Insurance Rating Bureau of California, April 2026.

## Geopolitical uncertainties: supply shocks, inflation and uneven impact on lines of business

A rise in supply shocks asks for greater resilience and not just cost optimization.

With the rise in geopolitical uncertainties and frequency of supply shocks in recent years, a fragmenting world has brought a constant reimagining of supply chains. As companies move from “just-in-time” efficiency to “just-in-case” resilience, insurance coverages help manage exposure to chokepoints, sanctions, export controls, conflict zones and supplier concentration – rather than only optimising for cost. First, COVID-19 showed how supply-chain bottlenecks can raise insured repair and replacement costs broadly across lines of business. McKinsey estimates that supply-chain disruption and inflation added around USD 9bn to US auto physical-damage loss costs in 2021.<sup>26</sup> The Russia-Ukraine war showed how geopolitical shocks can become direct specialty losses, especially in aviation war, marine, political risk, trade credit and cyber.<sup>27</sup> The Middle East shock combines both mechanisms: direct war-risk repricing and accumulation risk in marine/aviation, plus delayed claims inflation and default risk through higher energy, logistics and input costs.

**Table 5**  
Effects of previous major supply shocks on supply chains.

Event	Evidence / data	Impact on specialty lines	Lesson
COVID	<ul style="list-style-type: none"> <li>Supply-chain disruption and inflation added an estimated <b>USD 9bn</b> to US auto physical-damage loss costs in 2021.</li> <li>Vehicle parts and equipment prices rose <b>22.8%</b> between June 2021 and June 2022.</li> </ul>	Specialty impact was indirect but material: <ul style="list-style-type: none"> <li>Marine cargo and logistics disruption, BI/CBI uncertainty.</li> <li>Longer settlement duration.</li> <li>Pressure on trade credit where working-capital stress rose.</li> </ul>	<ul style="list-style-type: none"> <li>Supply-chain shocks do not need a large insured physical-damage event to affect insurers.</li> <li>Severity can rise through parts shortages, repair delays, replacement-cost inflation and claims-duration extension.</li> </ul>
Russia-Ukraine war	<ul style="list-style-type: none"> <li>The war exposed vulnerabilities in energy, food, fertilisers and critical raw materials.</li> <li>Aviation war became a major direct specialty loss, with lessor claims involving more than <b>USD 4bn</b> of aircraft stranded.</li> </ul>	<ul style="list-style-type: none"> <li>Direct specialty pressure in aviation war, marine, political risk and trade credit.</li> <li>Broader P&amp;C pressure through energy and materials inflation.</li> <li>Coverage disputes and sanctions amplified uncertainty around policy response.</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical shocks create both immediate specialty claims and lagged impact on other lines through macro-inflation effects.</li> <li>Wording, clauses, and cancellation rights become central to loss outcomes.</li> </ul>

Source: Swiss Re Institute

Supply shocks lifts P&C claims more than it weakens insurance demand.

The immediate effect of Middle East conflict is a rise in oil and energy prices, which feeds into broader commodity costs such as petrochemicals, fertilisers and metals, all of which are key inputs in construction, manufacturing and transport. This dynamic creates an asymmetric macro impact: energy inflation responds quickly, while second-order price and economic growth effects materialise more gradually and at a lower magnitude than inflation (see Table 6). The resulting higher inflation expectations are expected to reinforce the “higher-for-longer” interest rate outlook and prolong the tighter monetary policy stance from central banks. While weaker growth and tighter financial conditions may weigh on exposure growth, higher reinvestment yields support investment income and provide a partial offset to underwriting pressures.

**Table 6**  
Supply shock transmission timeline by impact area in non-life

Impact area	Immediate	Short term	Medium-term
Claims	<ul style="list-style-type: none"> <li>Higher frequency in specialty lines (Marine, Aviation, Credit &amp; Surety, Strikes, Riots, &amp; Civil Commotion).</li> </ul>	<ul style="list-style-type: none"> <li>Higher auto/homeowners’ loss severity due to repair/rebuild inflation from higher servicing costs.</li> <li>More Business Interruption (BI) and Delay in Start Up (DSU) losses in property and engineering due to supply shocks.</li> </ul>	<ul style="list-style-type: none"> <li>Higher severity in long-tail lines if inflation broadens to wages.</li> <li>Higher cyber loss uncertainties.</li> </ul>
Premiums	<ul style="list-style-type: none"> <li>Marine/Aviation reprices faster in war-exposed lines.</li> </ul>	<ul style="list-style-type: none"> <li>Additional demand for war risk covers.</li> <li>Broader prevailing force is a marginal compression on real premium growth due to weaker economic activity and higher inflation.</li> </ul>	<ul style="list-style-type: none"> <li>Higher demand for lines tied to Strikes, Riots, &amp; Civil Commotion (SRCC), and trade...</li> <li>...while lower for other cyclical lines of business such as construction and commercial property.</li> </ul>

Source: Swiss Re Institute

<sup>26</sup> *Countering inflation: How US P&C insurers can build resilience*, McKinsey, August 2022.

<sup>27</sup> *Lessors succeed in Russian aviation insurance claims*, Clifford Chance, June 2025.

Supply shocks have uneven impact, with specialty lines most directly exposed.

Sustained cost pressures increase insolvencies with a lag.

The geopolitical conflicts trigger a greater need for cover in specialty lines.

Broader P&C market effects may vary depending on pricing conditions.

Supply-chain disruptions make claims servicing costlier in motor insurance.

Growth is only modestly affected, with limited impact on overall demand.

### Specialty: frequency and severity pressures, and a greater need for protection

The Middle East conflict has been confined principally to risks within the region, with exposed-lines facing a dual shock through both severity and frequency. Marine, aviation and trade credit are directly affected by disruptions to trade routes, airspace and energy infrastructure.<sup>28</sup> Rates in aviation, hull and political violence have increased sharply, with insurers issuing war-risk notices of cancellation and repricing.<sup>29, 30, 31</sup>

Trade credit is exposed with a lag that can go from 3–24 months, depending on the severity and persistence of the shock, as cost pressures weaken corporate balance sheets and get exposed to second-order effects.<sup>32, 33</sup> While immediate impacts on defaults remain limited, sustained energy-driven cost pressures can erode corporate margins and increase insolvencies and payment defaults, particularly in energy-importing regions. Allianz Trade, for example, expects a 6% increase in global business insolvencies in 2026, with one-third of the increase attributable to the Middle East conflict.<sup>34</sup> This points to a delayed but potentially meaningful increase in claims frequency which will be persistence dependent.

Heightened uncertainty can sustain demand for coverage and improve underwriting conditions where capacity remains disciplined.<sup>35</sup> This two-sided effect — higher risk alongside stronger pricing — means that the impact on specialty lines is not uniformly negative. “Just-in-case” supply-chain reconfiguration can support demand for marine cargo, marine war, aviation war, political violence, SRCC, trade credit, surety, BI/CBI, DSU and cyber, as firms seek protection for rerouting, delayed inputs, supplier failure and geopolitical volatility. These forces create conditions that are supportive of higher nominal premium growth and net income.

### Outside specialty, the impact is primarily transmitted through claims severity

The broader P&C impact from supply shocks is indirect rather than through large direct losses, particularly in current situation when market conditions are buyer friendly.<sup>36</sup> Property is always exposed via higher construction costs which are highly sensitive to energy and raw materials. For example, depending on the severity of the Middle East supply shock, construction-related claims severity could increase by 40–220bps in the US and 180–450bps in Germany, relative to pre-conflict assumptions. Germany, like most of Europe, is more exposed to the commodity shock than the US given its lower energy diversification and likely more limited fiscal support to cushion the shock.

In Casualty, motor insurance is similarly affected through higher repair and parts costs driven by supply chain disruptions. In the US, for example, inflation for overall motor repair and replacement costs may be between 20bps and 250bps higher in 2026 compared to the pre-conflict case. Severity pressures are, however, partially offset by lower frequency as higher fuel prices reduce usage. Casualty lines are less directly linked to oil but remain sensitive to broader inflation dynamics, including wages and healthcare costs. While those categories face a limited direct impact from the oil price shock, they could increase more in a higher-for-longer inflation environment due to second-round effects.

### Premium growth and profitability: muted demand effects, contained outcomes

In contrast to claims, the impact on premium growth is more muted from the Middle East conflict. Higher oil prices weigh on economic activity and affordability, particularly in energy-importing regions, but the broader effect on insurance demand is limited overall. We expect a slight reallocation of growth across lines this year, rather than a broad-based contraction. War has risen to become the top political violence risk for companies worldwide, and conflict persistence could accelerate demand for political violence and terrorism insurance, as supply chain risk management strategies are once again reimagined.<sup>37</sup>

<sup>28</sup> *Geopolitical Risk: Middle East Conflict*, Marsh, 2026.

<sup>29</sup> *Global Insurance Market Index*, Marsh, 1Q 2026.

<sup>30</sup> *Insurance Marketplace Realities 2026 Spring Update: Marine Cargo*, 2026.

<sup>31</sup> *Insurance Marketplace Realities 2026 Spring Update: Global Aviation and Space*, 2026.

<sup>32</sup> *Risks for Global Insurers Could Rise Under Protracted Iran Conflict*, Fitch Ratings, 2026.

<sup>33</sup> *Allianz Trade Insolvency Report*, Allianz, March 2025.

<sup>34</sup> *Global Insolvency Outlook 2026–27 – Brace for Middle East spillovers*, Allianz Trade, 2026.

<sup>35</sup> *1Q2026: Global Insurance Market Overview*, Aon, 4 May, 2026.

<sup>36</sup> *Ibid.*

<sup>37</sup> *War becomes the number one political violence risk for more than 50% of companies globally*, Allianz, May 2026.

Growth shifts across lines, with specialty outperforming more cyclical segments.

In specialty lines we expect greater risk awareness and pricing support. However, insurers are already expressing willingness to meet this renewed demand for war coverages, which in turn limits the upside to the hardening in rates.<sup>38,39</sup> Other cyclical segments such as construction-related business could see weaker demand as activity slows. At the aggregate level, premium growth is expected to remain broadly aligned with pre-conflict expectations, with only modest downside from macroeconomic headwinds. This reinforces the view that the shock is not primarily a demand shock for insurance, but a repricing and cost-driven adjustment across portfolios.

Profitability faces pressure but remains supported by investment income.

Other things equal, we expect small increases in loss ratios. More severe scenarios could raise loss ratios by several percentage points, contingent on a prolonged energy shock. The net impact of the conflict on profitability is therefore nuanced. Rising claims severity creates headwinds, but these are partly offset by stronger investment income.

The data centre build out is adding new risk.

### Data centre construction is adding large-scale insurance demand

The global investment boom in AI-related physical capital and infrastructure is reshaping the commercial risk pool. Re/insuring data centres is complex, both during construction and, especially, during the operational phase. While construction risk is primarily about creating the asset (challenges include physical perils, subcontractor interdependencies and delay), operational risk is about keeping a high-value, multi-tenant critical system continuously available. Once GPUs, tenants, and services are in place, both the value and the operational complexity increase, making business interruption (BI), loss of rent, and service interruption critical.

AI data centres present scale and complexity challenges for insurers.

The data centres being built to support AI workloads today are larger and far more complex to engineer than the traditional builds of the past. Those were familiar risks for insurers, whereas the new data centres are built as campuses, with dense systems and tight operational interdependencies that concentrate risk within single sites. These capital-intensive projects require advanced cooling systems, high-voltage power and back-up infrastructure, sophisticated hardware and robust security software.<sup>40</sup> The full cost of construction can exceed USD 20 billion, which can double once GPUs and other technology is installed. Insurance cover for these large projects is driven by their multi-billion financing. This creates demand for very high insurance limits at a single data centre location. Financing institutions require limits that cover the full cost of construction, even as maximum probable loss scenarios are much lower.<sup>41</sup> The re/insurance industry can currently only support a fraction of this limit at competitive rates for traditional construction risk policies.

Building boom in high natural hazard locations.

In the US, the extensive land and renewable energy requirements of new data centres are increasingly driving their development in more natural catastrophe-exposed locations. This is an increasing risk, given *sigma* data shows insured losses from natural catastrophes are rising by 5–7% annually on average in real terms over the long term.<sup>42</sup> These include areas at risk of severe convective storm (SCS). Using Swiss Re's CatNet<sup>®</sup> tool for assessing catastrophic risks, we analysed data on planned and existing data centre capacity (available by county from the US Department of Energy), and estimate that ~40% of US data centre capacity could sit in significant-to-very-high tornado-day zones ( $\geq 3$  days in a year with tornadoes  $\geq$  (E)F1, or Enhanced Fujita 1, see Figure 14 right). The issue is compounded when developers build large clusters of data centres, as is occurring in locations such as Abilene, Texas, and in Virginia. Placing multiple sites within a ~20-mile radius means a regional natural catastrophe event can cause a significant accumulation of insured values.

<sup>38</sup> Lancashire 'open for business' for war exposures: CUO Gregory. Insurance Insider, April 2026.

<sup>39</sup> AIG Chief: Middle East conflict increased demand in related commercial lines. AM Best, May 2026.

<sup>40</sup> The role of surety in the development and operation of data centres, Marsh, 11 May 2025.

<sup>41</sup> Data centres construction risk trends, Allianz Commercial, November 2025.

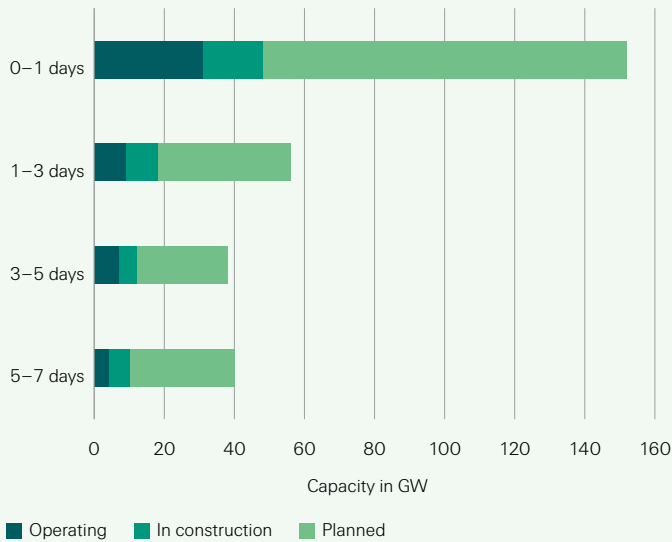
<sup>42</sup> *sigma* 1/2026: Natural catastrophes in 2025: the persistent rise of wildfire and storm risk, Swiss Re, March 2026.

Hail is a major risk for data centres due to their location and construction.

A substantial portion of US data centre capacity may also sit in places with elevated severe hail potential. Using the same methodology, we find that over a quarter of US data centre capacity could be in locations experiencing  $\geq 3$  large-hail days per year, averaged over a 64-year period (Figure 14 left). The concentration is similar when modelled under current climatic conditions. This is particularly important because of how data centres are built. Key factors include large footprints, low-sloped roofs, numerous surface penetrations for building services infrastructure and the high sensitivity of equipment to humidity all make them susceptible to water damage. The campuses also include critical outdoor equipment which can be directly exposed to hail and debris.

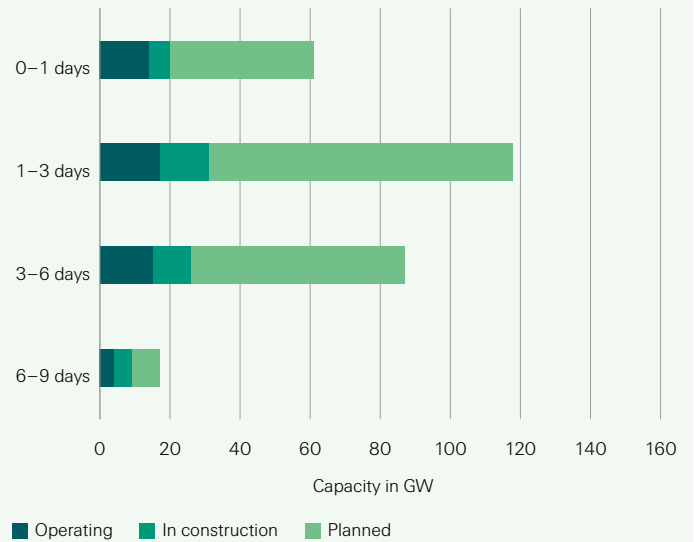
**Figure 14**

US data centre capacity (GW) by large-hail days per year



Note: Historical 64-year (1959–2022) average large hail (diameter >2.5cm) days per year related to an area of 25km x 25km; a hail day has hail probability of  $\geq 50\%$ . The hazard footprint is extrapolated using county centroids, with GW aggregated to the county total, not mapped to individual data centre coordinates.  
Source: US Department of Energy<sup>40</sup>, Swiss Re CatNet®, Swiss Re Institute

US data centre capacity (GW) by  $\geq EF1$  tornado days per year



Note: 30 years (1994–2024) mean annual number of days with tornadoes  $\geq$  (E) F1 (Enhanced Fujita scale), with wind speeds 86–110 mph (3-second gust), within a grid cell of 25km x 25km. The hazard footprint is extrapolated using county centroids, with GW aggregated to the county total, not mapped to individual data centre coordinates.  
Source: US Department of Energy, Swiss Re CatNet®, Swiss Re Institute

## Life insurance

We expect above-trend life premium growth in 2026.

We forecast robust 2.3% real terms premium growth for the global life insurance sector in 2026, above the long-term trend (2015–2024: 1.9%).<sup>44</sup> Though this is a moderation from 4.0% in 2025 as customer demand softens in some markets (see Figure 16), the life segment is now much larger after several high-growth years. Saving business will benefit from the now higher-yield environment this year and a continued shift toward unit- and index-linked products. The impact of supply shocks, such as Middle east conflict, on life insurers is generally indirect and reaches through macroeconomic spillovers (see Table 7), unlike the non-life sector where dominant transmission is through higher claims severity. As of June (our editorial deadline) our expectation is for savings and annuity business to benefit from higher yields in the near term, helping the life sector remain a relative stabiliser. However, real returns and household savings capacity could be dented if inflationary pressures from the conflict remain elevated for long.

<sup>43</sup> *Speed to power data viewer*, National Laboratory of the Rockies, U.S. Department of Energy, accessed 12 March 2026. Data Centre Demand Capacity (by county, operational, in construction, and planned)/ Developed by the National Laboratory of the Rockies (NLR) on behalf of the U.S. Department of Energy. The website noted a high degree of uncertainty in completion rate of planned projects.  
<sup>44</sup> The long-term trend increases to 2.3% when the COVID years (2020–2021) are excluded. On this basis, the 2026 global life premium growth forecast is broadly in line with the long-term trend in real terms.

Protection business should remain relatively resilient, but affordability pressures may weigh on growth.

Protection business should be relatively resilient, but affordability pressures may weigh on growth in the medium-to-long term. We forecast risk premium growth to stabilise at a modest pace of 2.0% over 2026–2027, with emerging markets remaining the primary growth engine. As populations age in advanced markets, mortality risk pools are contracting, whereas morbidity and longevity risk pools continue to expand. Over the medium to long term, demographic trends are expected to create structural growth opportunities for life insurers.<sup>45</sup>

Solid profitability outlook underpinned by higher reinvestment yields and investment income.

The profitability outlook is also solid, underpinned by higher reinvestment yields and investment income even as underwriting margins normalise. In addition, private credit is becoming an increasingly important source of spread income and asset-liability matching, while AI-driven investment demand is likely to shape the next phase of growth and risk management for the life sector.

**Table 7**  
Risks faced by life insurers under macroeconomic supply shocks

Macroeconomic conditions	Life insurance impact (short- and long-lived effects)		Channels of impact
Higher inflation, lower growth	ST	<ul style="list-style-type: none"> <li>Premium</li> <li>Profitability</li> <li>Lapses</li> </ul>	LT <ul style="list-style-type: none"> <li>Higher inflation erodes disposable incomes and heightens uncertainty, though this may support precautionary savings among higher- and upper-middle income cohorts in the short-term. Combined with an economic slowdown, this would disproportionately affect low/middle-income earners.</li> <li>These conditions would slow new saving business inflows, weaken protection and credit-life demand, and pressure group business.</li> <li>If inflation proves more persistent than expected, the initial benefit of higher yields could become a headwind as inflation, softer growth and tighter financial conditions outweigh higher reinvestment income, creating pressure on earnings.</li> <li>Over time, weaker labor markets could raise lapse risks as policyholders surrender policies to access funds, particularly in markets where surrender penalties are lower.</li> </ul>
Higher-for-longer interest rates & yields	ST	<ul style="list-style-type: none"> <li>Premium</li> <li>Profitability</li> <li>Lapses</li> </ul>	LT <ul style="list-style-type: none"> <li>Higher rates can support savings premium inflows when crediting rates align with market conditions. They can strengthen investment returns and margins and may improve solvency.</li> <li>However, higher borrowing costs may weigh on credit life demand and some protection lines linked to lending activity. A higher-for-longer rate environment can also expose insurers to valuation pressure and credit stress in parts of the portfolio, including private credit.</li> <li>A higher-interest-rate environment could increase surrenders, particularly in guaranteed savings portfolios with lower crediting rates, as higher sovereign bond yields could trigger investment arbitrage by policy holders, as seen in Italy during 2022–23.</li> </ul>
Volatile financial market conditions (higher financial market volatility & widening credit spreads)	ST	<ul style="list-style-type: none"> <li>Premium</li> <li>Profitability</li> <li>Lapses</li> </ul>	LT <ul style="list-style-type: none"> <li>Adverse wealth and confidence effects may weaken demand for market-linked savings products, particularly when surrender barriers are low.</li> <li>Lower equity valuations could pressure recurring fee income, particularly in index-linked business.</li> <li>Higher volatility could increase hedging costs.</li> <li>Higher credit downgrade and default risk could lead to balance sheet impairments and higher capital requirements, although insurers' generally high-quality investment portfolios provide resilience.</li> </ul>
<ul style="list-style-type: none"> <li>Positive</li> <li>Neutral</li> <li>Moderately negative</li> <li>Negative</li> </ul>			

ST: Short-lived effects; LT: Long-lived effects  
Source: Swiss Re Institute

Advanced markets premiums to grow at an above-trend 1.2% in 2026.

**Premium outlook: moderating global growth with regional divergence**  
**Advanced markets will remain on an above-trend (2015–2024: 0.6%) growth,** despite the fading annuity boom. Life premium growth is forecast at 1.2% in 2026 and 1.4% in 2027, supported by savings demand and product innovation, with Europe and advanced APAC outperforming a broadly flat North American market.

North America subdued as annuity demand normalises.

**Annuity demand normalisation leaves North America with 0.1% growth in 2026** in real terms, subdued after the strongest growth in a decade in 2024 (11.4%). Growth in **the US** will likely stay flat in 2026 (–0.1%), as fixed-rate annuity demand stabilises and protection premiums show little momentum.

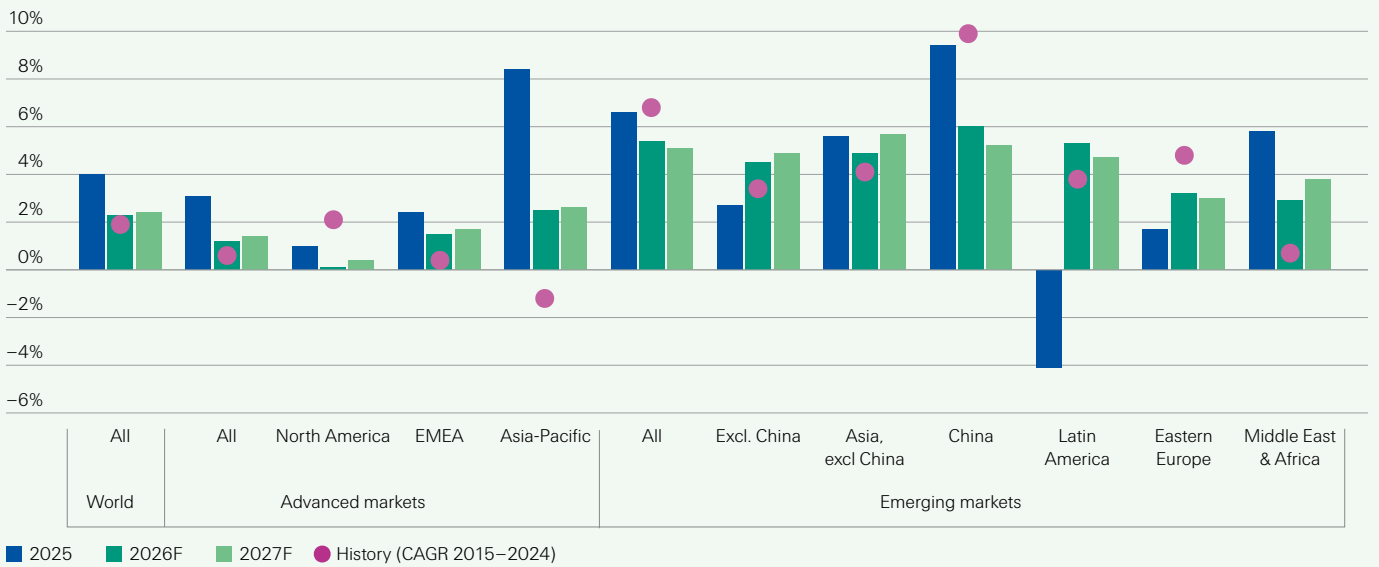
<sup>45</sup> sigma 4/2025: Life (span) insurance, Swiss Re institute, October 2025.

Advanced EMEA to see moderate growth, with some affordability pressure in the UK.

**Advanced EMEA life growth to moderate to 1.5% in 2026 but stay above trend** (2015–24: 0.4%), supported by higher yields, recovering mortgage markets and broad demand for both savings and protection products. In **continental Europe**, growth is becoming increasingly capital-light, reflecting ongoing demand for index-linked policies. In the **UK**, we forecast broadly flat premiums (2026: 0.1% versus –2.9% in 2025), as pension risk transfer (PRT) activity and individual annuity demand recovers. Protection products should see some support from inheritance-tax reform and a recovering mortgage market, although affordability pressures are likely to continue constraining demand.

**Figure 15**

Life insurance real premium growth by region



Source: Swiss Re Institute

Advanced Asia-Pacific growth to moderate to 2.5% in 2026.

**Advanced Asia-Pacific growth is set to moderate sharply to 2.5% in 2026** (2025: 8.4%), though still above the 10y trend of –1.2%. The volatility comes after Hong Kong changed its premium reporting format, leading to significant volatility in premium growth reported from 2024 to 2026. In Japan, premiums are likely to stay almost flat at 0.3% in 2026 (2025: 0.9%), as a shrinking mortality risk pool continues to constrain protection business. In Australia, higher inflation is expected to reduce real terms life premium growth to 0.7% in 2026 (2025: 2.5%), offsetting support to the risk business from rising household incomes and continued immigration.

China life growth will ease but remains solid at 6.0% in 2026.

**In emerging markets (incl China), growth will ease yet remain solid at 5.4%** in 2026 and 5.1% in 2027 (2025: 6.6%). **China's** premium growth is expected to moderate to around 6.0% in 2026 as the effect of pre-emptive life insurance purchases during 2023–2025 fades (2025: 9.4%).<sup>46</sup> Demand for participating savings products is expected to remain supportive, reflecting attractive product design and a near-term liquidity boost from maturing deposits in 2026.<sup>47</sup> Savings business should remain resilient as life insurers accelerate product innovation to mitigate spread compression while maintaining attractive yields.

Growth in emerging markets excl China strengthen, with regulatory tailwinds and higher yields.

**By contrast, growth in emerging markets ex-China is strengthening**, rising to 4.5% in 2026 from 2.7% in 2025 and above trend (2015–2024: 3.4%), supported by regulatory measures and higher yields. In Latin America, life growth is expected to

<sup>46</sup> Consumers rushed to buy older higher-return products ahead of regulators and insurers lowering guaranteed rates on savings-type life policies as market interest rates declined.

<sup>47</sup> In January 2025, China's National Financial Regulatory Administration (NFRA) applied a market-referenced guideline rate. L&H insurers are required to lower their guaranteed rates for new filed products if their guaranteed rates remain above the guideline by 25 bps for 2 consecutive quarters. As of January 2026, guaranteed rates were higher than fix-term deposit rate, making life products more attractive.

Saving premium growth above trend on annuity replacement and emerging market strength.

Risk premium growth to slow as advanced market demand eases.

rebound to 5.3% in 2026 from -4.1% in 2025 after weaker savings business. The recovery should be led by Brazil, where growth is forecast to rise from -16.6% in 2025 to 5.3% in 2026, driven by base effects, favourable economic fundamentals and resilient protection demand. In emerging Asia ex-China, growth should remain solid but moderate slightly, with India expected to grow by around 7.0% in 2026, helped by regulatory and tax reforms.

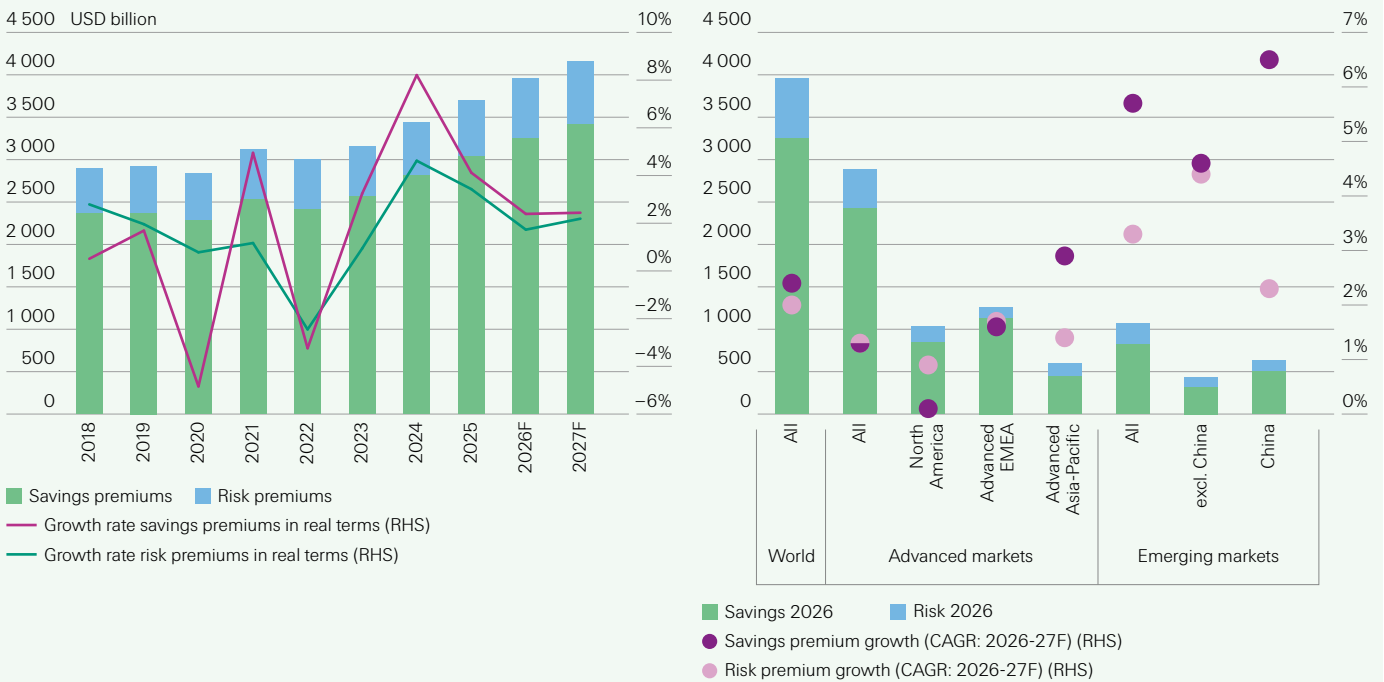
**Moderation in both savings and risk premium growth**

Global savings premium growth is moderating to 2.4% in 2026 (2025: 4.1%), and broadly stable in 2027 (see Figure 16, left). US fixed-rate individual annuity sales are expected to stabilise, with demand gradually shifting toward index-based products. In France, we expect robust 3.4% growth in 2026 (2025: 8.0%) due to high consumer confidence and attractive life yields. In contrast, in Italy we see growth declining substantially to 0.5% in 2026 (2025: 7.3%) as consumer confidence in acquiring savings products weakens. Emerging markets' growth will likely outperform, helped by robust demand as their younger consumer base is in the accumulation phase,<sup>48</sup> alongside regulatory tailwinds (eg. India)<sup>49</sup> and favourable domestic conditions in some markets.

Risk premium growth is also set to decline, to 1.7% globally in 2026 (2025: 3.4%). Demand in emerging markets is robust, but advanced markets' scope for growth in mortality protection is limited by ageing demographics. Advanced EMEA faces modest 1.9% growth in 2026 (2025: 2.7%), aided by mortgage market recovery, ageing-related longevity and long-term care demand, and regulatory tailwinds (see Figure 16, right). Japan's protection premiums will contract by 0.2% in 2026 amid declining mortality exposure. However, protection growth in emerging Asia (2.6%) and emerging Europe (2.3%) will rise year-on-year in 2026 as their relatively younger populations drive demand.

**Figure 16**

Global L&H market by risk and savings products' premiums and growth (left); Savings and risk insurance premium volume and growth forecasts, by region (right)



Source: Swiss Re Institute

<sup>48</sup> sigma 4/2025: Life (span) insurance, Swiss Re Institute, October 2025.

<sup>49</sup> India's economic and insurance market outlook 2026-2030: Resilient and rising amid global shifts, Swiss Re Institute, January 2026.

The global life sector should grow at an above-trend 2.3% in the next 10 years.

We forecast advanced markets to drive volumes, while emerging markets will lead growth.

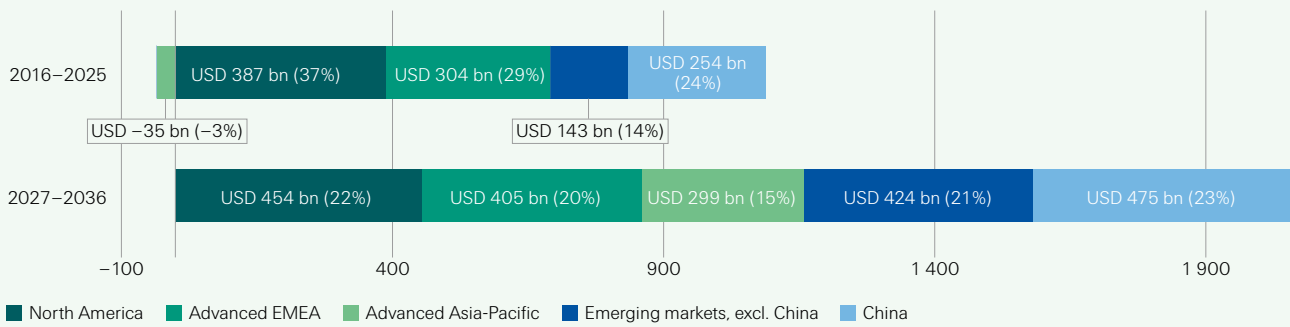
**An above-trend growth outlook for the decade ahead**

We forecast the average annual global life premium growth over the next decade to remain above the historical trend (2027–36 CAGR: 2.3% vs 2016–25 CAGR: 1.9%). The sector is moving from a short-term, rate-driven savings cycle toward a broader structural growth phase, driven by rising later-life and retirement-related needs in advanced markets, stronger protection demand in emerging markets, and product innovation across markets.

Advanced markets will contribute 56% of the additional premium volumes, led by North America and Western Europe (see Figure 17). Emerging markets are likely to deliver the strongest growth rates, supported by rising protection penetration and expanding middle-income populations. In China, structural demand for long-term savings and retirement-related products is expected to remain resilient amid demographic ageing, elevated precautionary savings, and gradual development of private pension markets.

**Figure 17**

Life insurance business: forecast additional premiums 2027–2036F vs previous decade 2016–25



Source: Swiss Re Institute

Higher reinvestment yields continue to support life insurance profitability, with ROI reaching 4% by 2028.

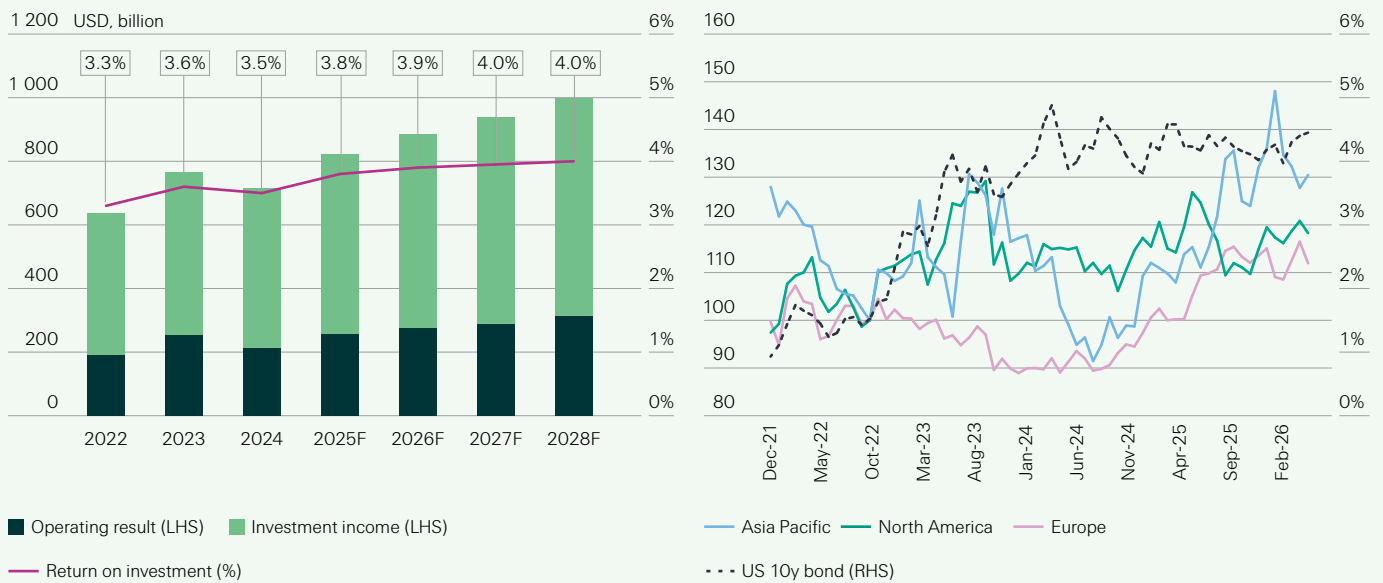
**Robust reinvestment yields underpin positive profitability outlook**

Higher reinvestment yields are set to support life insurers’ investment income and profit margins in the coming years, creating a solid medium-term profitability outlook. In our model,<sup>50</sup> and given the elevated interest rate outlook, we project reinvestment yields to stay above running portfolio yields until at least 2028. This suggests about a 3.9% aggregated ROI in 2026, gradually reaching 4.0% by 2028 as the portfolio-to-market yield gap narrows. Moderating underwriting profitability is leading to a more stable operating earnings profile (see Figure 18, left), reflected in a flatter shareholder return profile in the US and Europe (see Figure 18, right). APAC shareholder returns are outperforming due to favourable yield dynamics and stronger demand growth.

<sup>50</sup> Based on data from seven major life markets (US, UK, Germany, Italy, France, Japan, and Australia).

**Figure 18**

Key seven markets' aggregate life insurance operating and investment profitability (left); Life insurance total shareholder returns relative to market (Dec 2021 = 100) and US 10-year bond yields (right)



Note: indices: US = Dow Jones US Life Insurance Index, Europe = STOXX Europe Life Insurance Index, UK = FTSE 350 Life Insurance Index, APAC = BI APAC Life Insurance Valuation Peers.  
Source: Bloomberg, Swiss Re Institute

Resilient equity markets support the shift towards unit-linked products and more fee-driven earnings.

Life insurers' savings business is structurally shifting to more capital-light and unit-linked (UL) products and to greater allocation to higher-yielding private assets. Demand for unit and index-linked products is sustained by resilient equity markets that are supported by structural themes such as AI-driven growth, despite the elevated macro uncertainty. In the US, demand for registered index-linked annuities (RILAs) is rising<sup>51</sup>, as pre-retirees seek upside market participation, supporting growth in assets under management (AUM) and recurring fee income.<sup>52</sup> However, growing reliance on UL products raises the sensitivity of fee income to equity market performance and AUM volatility. In the US, increased exposure to private credit, and higher surrender risk in rate-sensitive and shorter-duration individual annuity products, are moving risks more towards liquidity pressure, asset quality and funding resilience under market stress.

Resilient demand and portfolio repricing continue to support Asia-Pacific life insurance profitability.

Germany's profitability outlook is supported by expected future Zinszusatzreserve (ZZR) reserve releases.<sup>53</sup> In Italy, lapse dynamics are easing, although margins may be constrained by competition, tax changes and value-for-money pressures in unit-linked business. In the UK, pension risk transfer (PRT) and annuity business are contributing to new Contractual service margin (CSM)<sup>54</sup>, but margins face pressure from rising competition, increased buy-in capacity and tighter spreads. In China, product innovation and operational efficiency gains support profitability, despite lower rates. In Japan, foreign exchange hedging costs and elevated rate volatility remain a drag on profitability, while higher exposure to savings products increases surrender tail risk.

<sup>51</sup> LIMRA: U.S. Annuity Sales Notch Tenth Consecutive \$100 Billion+ Quarter, LIMRA, 07 May 2026.

<sup>52</sup> Annuity Premium Growth Moderate in 2025, AMBest, 13. May 2026.

<sup>53</sup> Zinszusatzreserve is translated as additional interest reserve.

<sup>54</sup> CSM is the metric used to show the stock of future profits under IFRS17.

Riester 2.0 is likely to intensify competition for German life insurers.

The change will likely accelerate their shift towards capital-light, fee-based products.

UL savings products support recurring fee income but increase sensitivity to market performance.

### Germany's "Riester 2.0" pension reform heightens competitive pressure

Germany's "Riester 2.0" pension reform intensifies competitive pressure in the life insurance sector. The reform shifts private pension funds into more flexible, capital market-oriented savings solutions than the former guarantee-based insurance products. From 1 January 2027, the new Altersvorsorgedepot introduces a standardised pension account that can invest in investment funds, ETFs and other market instruments, with no mandatory capital guarantees and the option to offer varying guarantee levels. The reform also simplifies subsidies, introduces cost caps and expands the use of low-cost investment products, while allowing greater flexibility in the payout phase and transfers from existing "Riester" contracts.

For German life insurers, the change will likely accelerate their shift towards capital-light, fee-based products. Improved transferability and stronger competition may reduce policy persistency, increase lapse risk and pressure margins, particularly for insurers with high-cost legacy portfolios and traditional guarantee-based business models. However, insurers with scalable, investment-oriented product platforms are well positioned to capture new business opportunities arising from the reform.<sup>55</sup>

Globally, rising investment income and productivity gains such as from AI will likely outweigh downside risks, such as from the Middle East conflict. Capitalisation is strong across major markets,<sup>56</sup> with sufficient buffers to absorb market volatility, widening spread and elevated credit losses.

<sup>55</sup> S&P believes the reform could unlock additional net annual inflows in the private pension space in Germany of EUR 26–56 billion after a 12–24-month onboarding period.

<sup>56</sup> European insurers' average solvency ratio was 224% in April 2026. *Solvency monitor: Positive Markets over April*, UBS, 11 May 2026.

# Appendix

## Global insurance market rankings

The US and China remain the world's largest and second-largest insurance markets in 2025. The US market with total premiums of USD 3.8 trillion in 2025 is roughly 4.4 times larger than China's, according to *sigma* data (see Table 8). Its global market share edged down slightly to 44%, reflecting softer pricing conditions. China maintained a stable 10% share, with premiums reaching USD 851 billion. The UK retained third place (USD 491 billion, including from Lloyd's), while France moved up to fourth, surpassing Japan due to stronger property insurance volumes. Among other top 10 markets, Italy climbed to seventh, overtaking Canada. India retained its 10<sup>th</sup> position and remained the fastest-growing insurance market among the world's top 20 markets.

**Table 8**

The world's 20 largest insurance markets by nominal premium volumes, 2025 vs 2024

Rank	Markets	Total premium volume (USD bn)			Global market share	
		2025	2024	% change	2025	2024
1	United States	3 763	3 542	6.3%	44.4%	44.9%
2	China	851	792	7.5%	10.0%	10.0%
3	United Kingdom	491	472	4.1%	5.8%	6.0%
4	France	384	343	11.9%	4.5%	4.3%
5	Japan	327	310	5.4%	3.9%	3.9%
6	Germany	296	268	10.7%	3.5%	3.4%
7	Italy	205	182	12.7%	2.4%	2.3%
8	Canada	191	182	5.4%	2.3%	2.3%
9	South Korea	186	176	5.8%	2.2%	2.2%
10	India	151	143	5.8%	1.8%	1.8%
11	Netherlands	112	100	12.0%	1.3%	1.3%
12	Hong Kong	99	76	31.3%	1.2%	1.0%
13	Taiwan	93	84	10.5%	1.1%	1.1%
14	Spain	89	81	8.9%	1.0%	1.0%
15	Brazil	81	86	-6.4%	1.0%	1.1%
16	Australia	77	75	2.5%	0.9%	0.9%
17	Switzerland	68	63	7.2%	0.8%	0.8%
18	Sweden	58	52	11.6%	0.7%	0.7%
19	Mexico	54	51	5.6%	0.6%	0.6%
20	Belgium	54	49	9.6%	0.6%	0.6%
<b>Sum of Top 20 Markets</b>		<b>7 631</b>	<b>7 128</b>			
<b>World</b>		<b>8 479</b>	<b>7 896</b>			

Note: Growth rates may differ due to rounding-off.

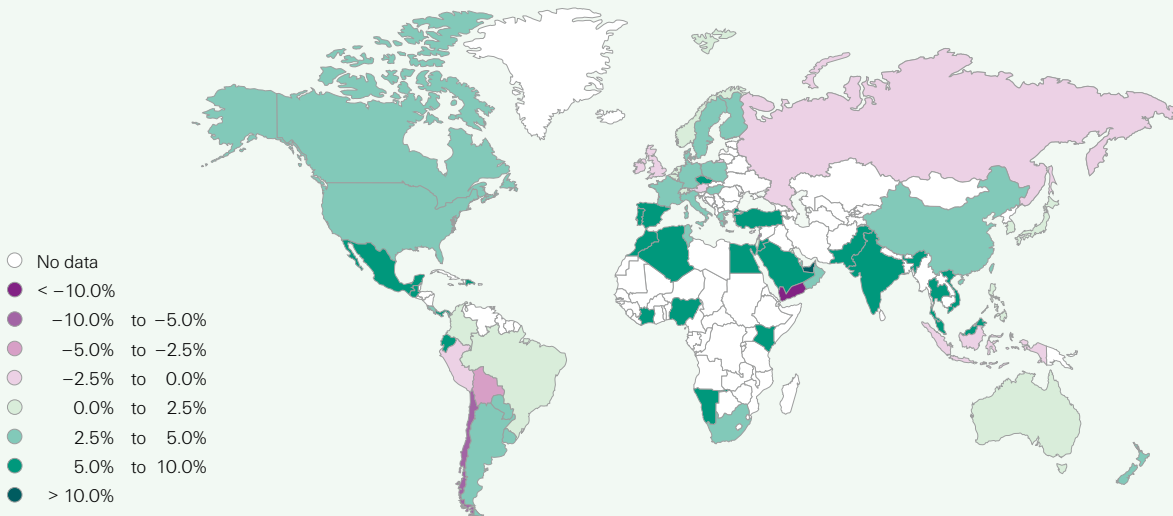
Source: Swiss Re Institute

## Non-life insurance sector growth in 2025

Real premium growth in advanced markets remained robust at 3.9% in 2025, although momentum softened after the strong rate-driven expansion of 4.4% in 2024. Growth was still above the previous 10-year average of 3.3% between 2015 and 2024. North America sustained solid premium growth of 4.4%, only slightly below 4.6% in 2024, supported by continued firm pricing in personal lines and US casualty. In continental Europe, premiums also grew strongly by 3.8%, underpinned by natural catastrophe-related reforms in France and Italy that lifted property insurance premiums, alongside firm pricing in personal lines. By contrast, growth in advanced Asia was muted at 1.8% (4.7% in 2024) as rate increases faded in Australia and demographic headwinds continued to drag premium volumes in Japan.

Non-life premiums in emerging markets grew by 3.6% in 2025, down from 6.2% in 2024 and below the previous 10-year average of 4.8%. China remained a key source of weakness, with premium growth slowing to 3.7%, less than half its historical trend of 8% between 2015 and 2024. Softer economic conditions and weak consumer confidence continued to weigh on growth, particularly in personal lines. Outside China, growth was mixed but increasingly supported by emerging Asia and Latin America. India expanded by 5.7%, with premiums benefiting from continued growth in motor and health insurance. In Latin America, growth slowed to 2.6% from 6.4% in 2024, as the earlier rate-hardening tailwind faded and competition intensified across key markets.

**Figure 19**  
Non-life real premium growth, 2025



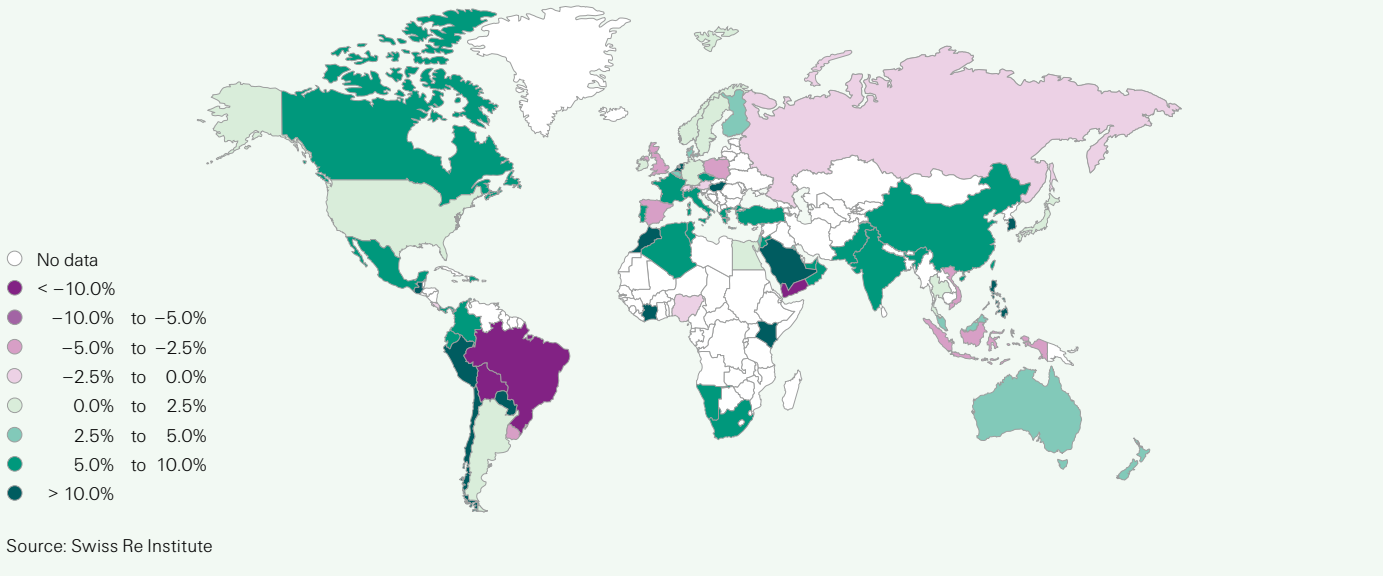
Source: Swiss Re Institute

## Life insurance sector growth in 2025

Life premium growth in advanced markets remained strong at 3.1% in real terms in 2025, well above the previous decade average of 0.6%, but slowed from the 6.3% surge in 2024 as savings and annuity momentum normalised. In North America, premiums grew by 1% as demand for annuities eased after exceptionally strong fixed-rate sales in the previous year. The UK contracted 2.9%, reflecting weaker savings market conditions, only partly offset by continued pension risk transfer activity and individual annuity demand. Advanced Asia-Pacific was the clear outperformer, with premiums rising by 8.4%, supported by savings demand and product innovation. Japan recorded modest growth of 0.9%, as demographic headwinds continued to limit protection premium expansion.

Life premiums in emerging markets grew by 6.6% in 2025, led by China, where premiums expanded by 9.4%. Strong demand for savings products was the main driver, supported by attractive product features and precautionary household savings. Excluding China, emerging market growth was more subdued at 2.7%, with performance varying significantly across regions. Latin America contracted by 4.1%, weighed down by weaker savings business, particularly in Brazil, where premiums fell by 16.6%. Emerging Asia excluding China remained more resilient, supported by regulatory reforms, higher yields and solid underlying demand, with India continuing to benefit from favourable tax and regulatory developments.

**Figure 20**  
Life real premium growth, 2025



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