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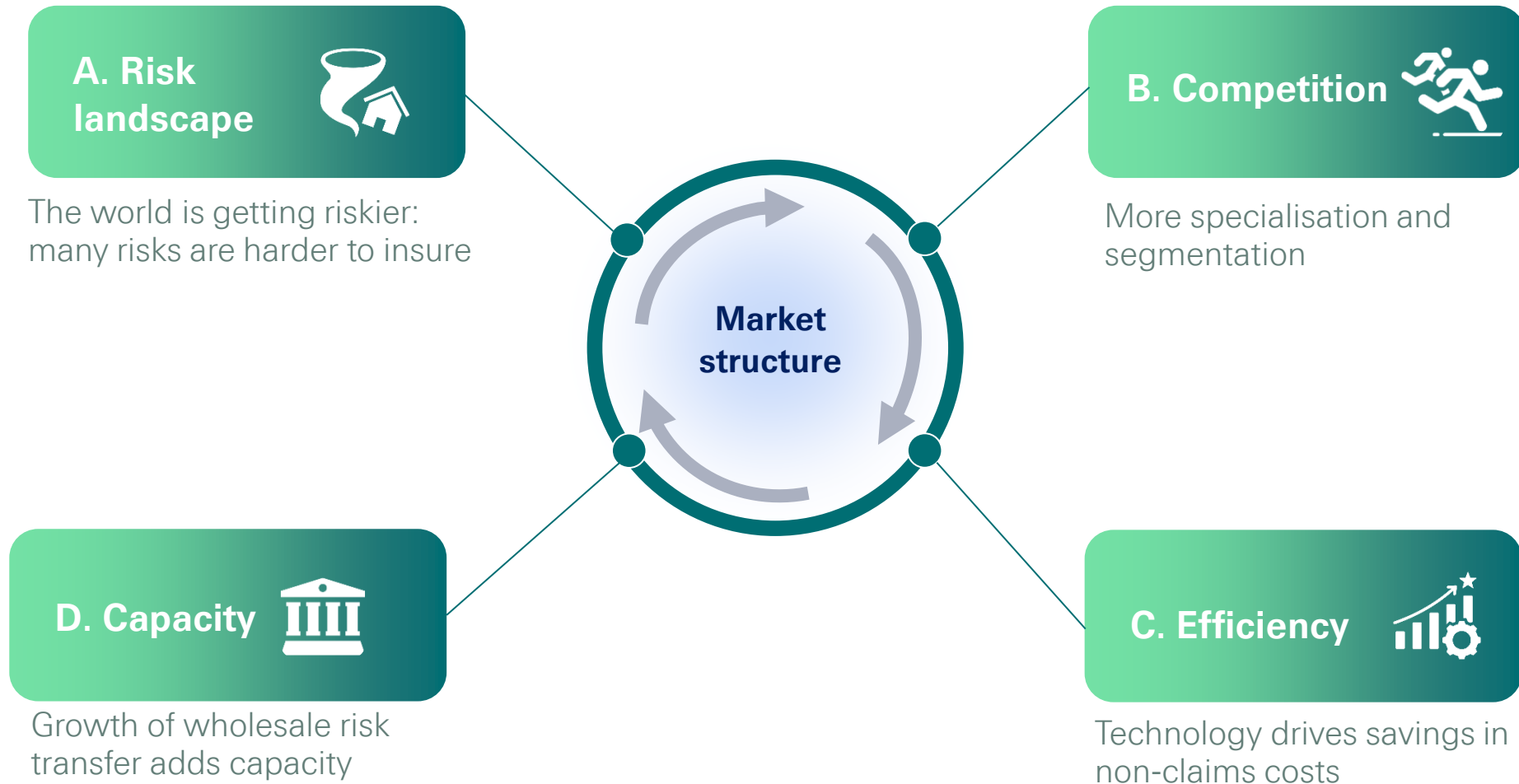
Monte Carlo press conference: sigma 3/2025

Dr. Jérôme Haegeli, Head Swiss Re Institute & Group Chief Economist
September 2025

Key figures

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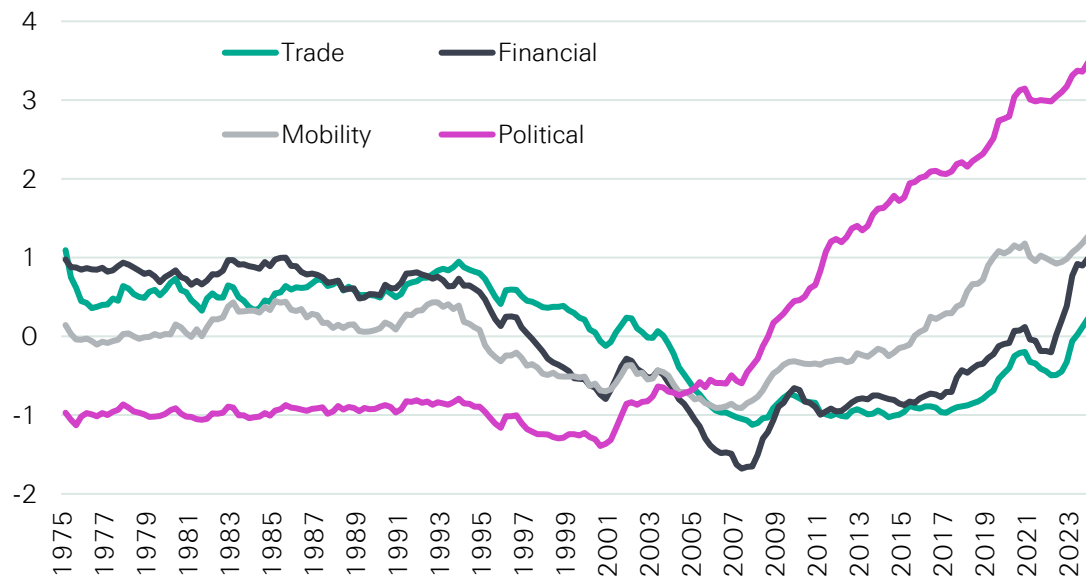
A dynamic and competitive P&C insurance market is critical to successfully mitigate complex global risks, close protection gaps and maintain resilience



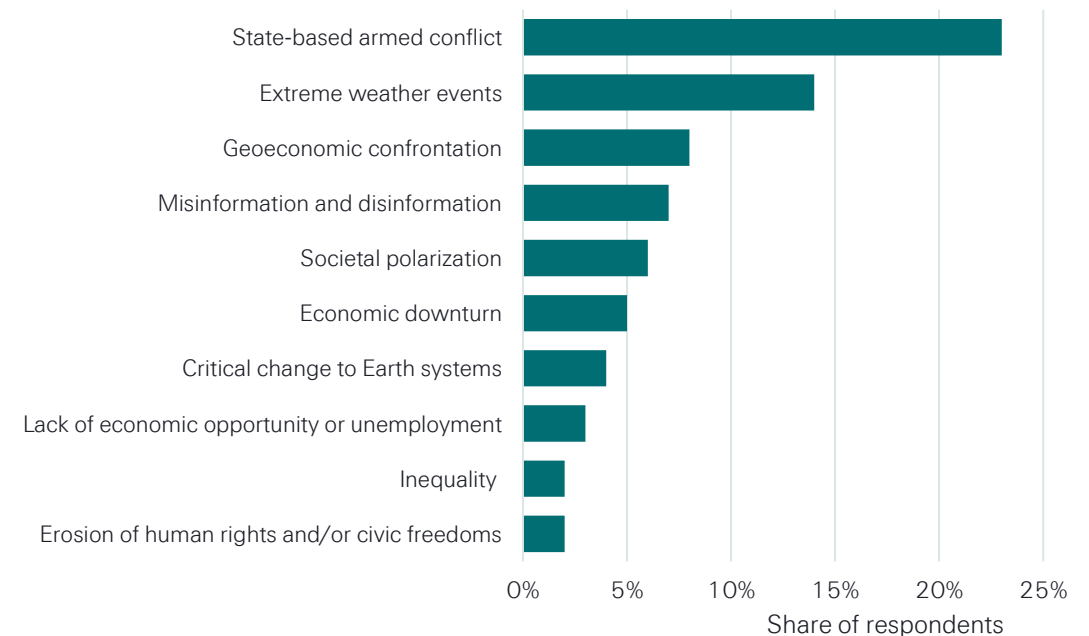
A. Risk landscape (I/II): the world is becoming more fragmented, creating a more complex risk environment

- **Global fragmentation is on the rise**, led by policy changes. Trade and financial links are also breaking at a time when global cooperation is more needed than ever over armed conflict, extreme weather and other interlinked risks.
- This **will create demand for more diverse and specialised insurance solutions**.

Geopolitical fragmentation index



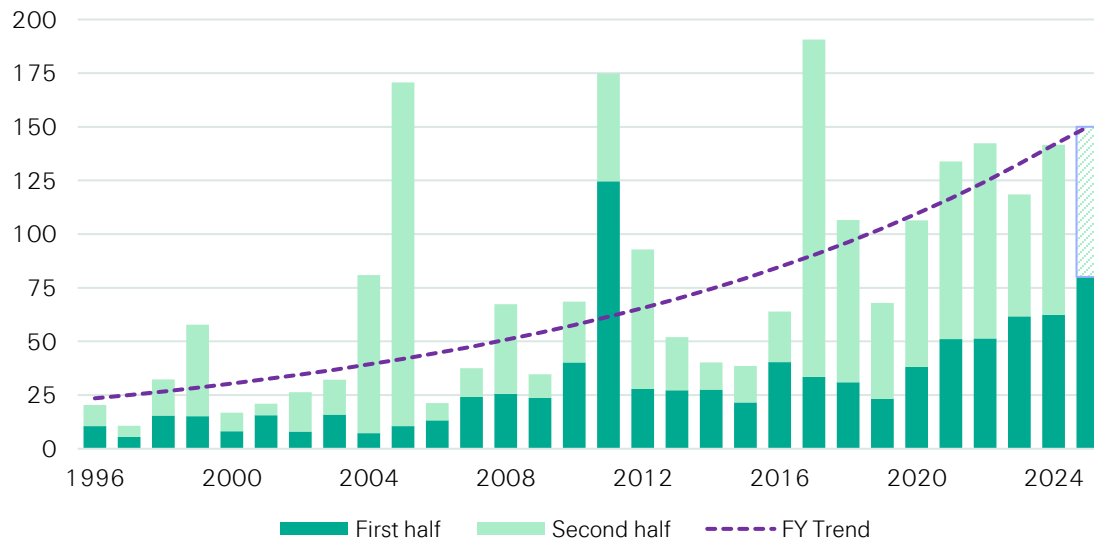
Current risk landscape



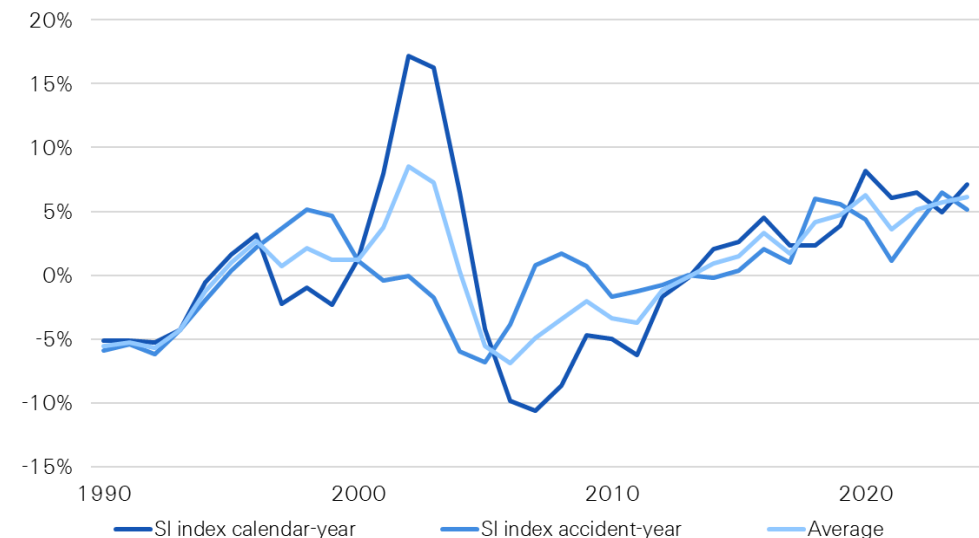
A. Risk landscape (II/II): the world is getting riskier, and many risks are becoming harder to insure but new and specialised companies bring capacity into the market

- **Natural catastrophe insured losses are growing by 5–7% annually** (real terms), with a 1-in-10 probability of a USD 300 bn + year
- **Liability claims inflation challenges the insurability of liability risks**, especially in the **US** (we estimate at 6%)
- **Shifts in market structure** fostered specialised and responsive insurance coverage and developed innovative alternative risk-transfer to maintain insurability

**Growth in natural catastrophe insured losses
(USD bn, 2025 prices)**



**Calendar and accident year estimates of
liability claims inflation in the US P&C
market**



B. Competition: new and more specialised carriers raise capacity via product, modelling and process innovation, and fuel positive competitive pressures

- The P&C market is **finding solutions to maintain insurability and affordability** even in high-risk lines of business
- Rapid growth of **MGA and alternative risk transfer (ART)** carriers introduce **new competition**
- **9 of 11 major markets** show **lower concentration today** than in 2004

Top-five insurer concentration



Change in US Top 5 shares 2004–2024

Line of business	Δ 2004–24 (ppts)
Personal lines	10.6 ▲
Private passenger auto	17.3 ▲
Homeowners multiple peril	4.3 ▼
Commercial lines	7.4 ▼
Commercial property	1.9 ▼
Other liability	16.8 ▼
Commercial auto	1.9 ▲
Workers' compensation	13.3 ▼
Specialty	18.1 ▼

C. Efficiency: in competitive markets, carriers' efficiency gains are passed on to customers

- In the P&C value chain, **insurance carriers improved their efficiency in the last 10 years** (3 ppts of premiums). The **efficiency gains flowed to policyholders**
- **Commercial insurers increased commission expenses due to expanding role of brokers and MGAs**; this contrasts the developments in personal lines*

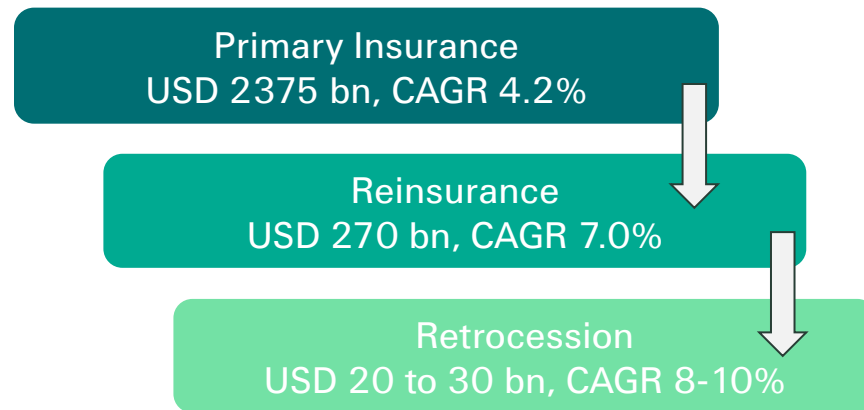


		Broker	Traditional risk carrier			
			MGA			
USD (2024)	1,050	121	131	92	640	
% of DPW		12%	13%	10%	64%	
10-yr. change		+0.6	-1.8	-1.8	+3.4	
		-3.0 ppts				

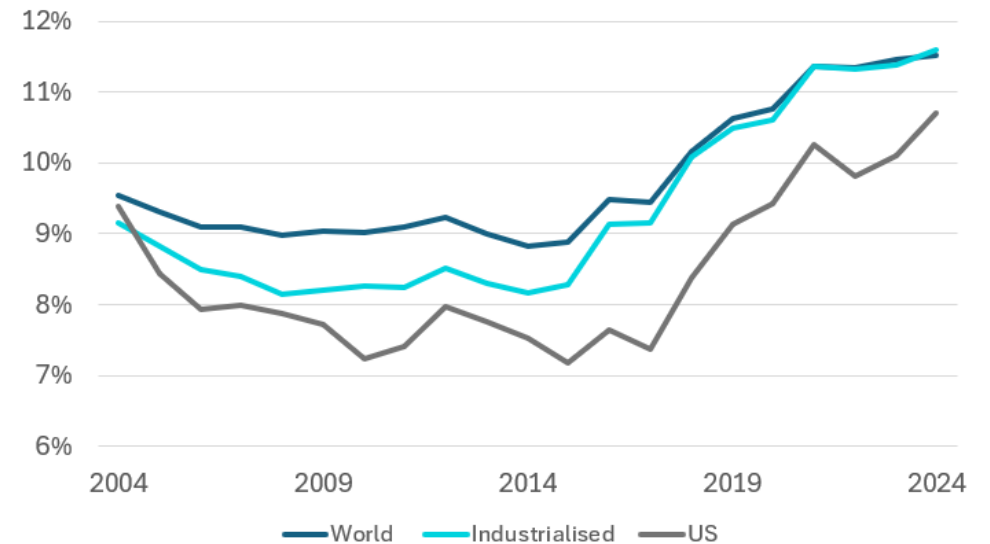
D. Capacity: more granular underwriting by carriers is being supported by higher rates of wholesale risk transfer

- **Cession rates are increasing structurally, as the risk pool becomes riskier** (e.g. faster ceded business growth in US property and liability) and also as more fragmented carriers cede proportionally more
- **Taxes, limitations to intragroup reinsurance** and other barriers to capital movements **threaten the essential mechanism of risk transfer and market-based diversification**

Risk chain, global premium volumes 2024, CAGR 2014–2024



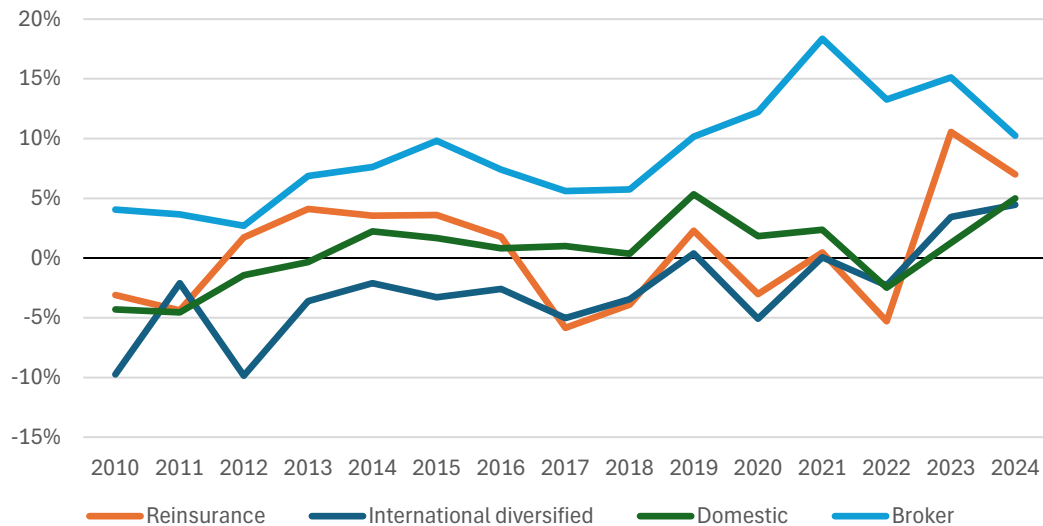
P&C cession rates, 2004–2024



Market outcomes: underwriter profitability only just meets cost of capital, while brokers consistently report profits above cost of capital

- **Brokers' profitability benefited strongly** from the recent hard market while re/insurance carriers bore all the claims surprises from nat cat losses, liability claims inflation and legal system abuse.
- **Carriers' efficiency gains** (~ USD 30bn over last decade in the US) have been fully **passed on to insurance clients**.

Only brokers have consistently exceeded cost of capital (RoE minus cost of capital)



Brokers

- Outperformed re/insurance carriers
- Outperformed their cost of capital by 8 ppts on average
- Consolidation and margin expansion



Re/insurance carriers

- Carriers merely earned their cost of capital
- Increasing competitive pressures in diffuse markets
- Efficiency gains were passed on to clients

What's next for the P&C market?



More competitive underwriting cycle

Less tailwinds for MGA and wholesale broker segment

More importance placed on underwriting quality



Growth of complex risks

Challenges to insurability continue

Need for improvements in risk modelling and underwriting



Technology – AI

Driver of future efficiency gains

Enabler of disaggregation

Advanced risk assessment and modeling



A broad and efficient risk transfer market remains a critical enabler for all carriers

Market access and free capital flows are essential to capture global and sectoral diversification and sustain capital efficiency



sigma explorer is open to media.

There is a lot to discuss at this year's Monte Carlo Rendez-Vous. A lot to bring back to the office.

One very valuable takeaway is our **sigma explorer** portal. This offers access to Swiss Re's economic and insurance market data, and sigma research, all under one roof, on demand.

Get your exclusive **sigma explorer** media login here:



The key takeaways



The **P&C insurance market** has become **more competitive** as **market concentration decreased** for many countries and commercial lines of business.



More segmented value chain with specialised and innovative carriers, MGAs and alternative risk-carrying structures.



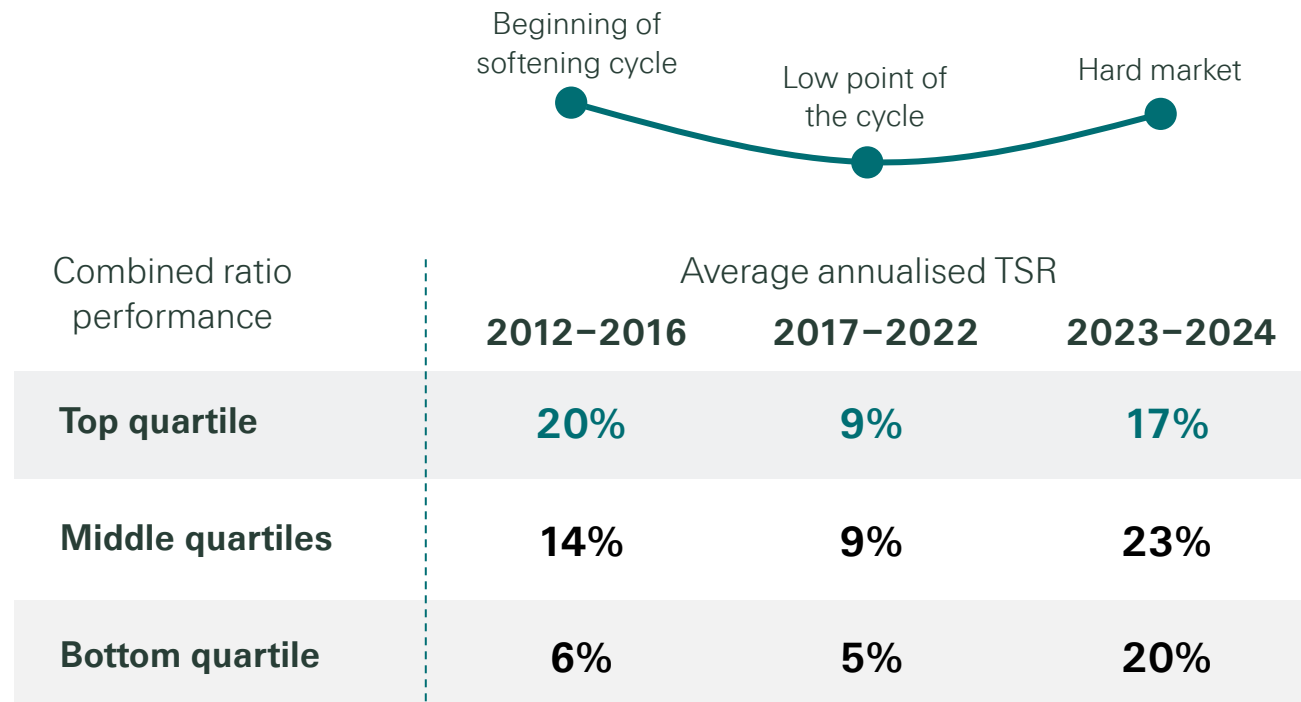
Global capacity is increasingly relying on wholesale risk transfer. Need for free flow of capital and retrocession.



Re/insurers merely earned their cost of capital while **brokers far outperformed risk carriers over the last cycle.** Insurers' efficiency gains were fully passed on to customers.

Underwriting becomes even more important in a competitive environment as market sees further segmentation and specialisation

Combined ratio and total shareholder return performance through cycles¹



Brokers and non-risk bearing market players

have consistently outperformed risk bearing and capital players



Insurance services are the only sector that show an **increase in forward-looking P/E** valuation since 2014²



Factors like underwriting capabilities and risk selection account for **60% of the success** of the best performing carriers³



Clear underwriting strategies that align with current market dynamics and are forward looking remain crucial for investor confidence



Risk exposure understanding and holistic underwriting sets top performers apart throughout the cycle



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