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Searching for resilience: stronger economic growth but on narrower foundations and at a higher cost

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Executive summary

Growth remains firm, but its foundations are increasingly concentrated, costly and interconnected.

The global economy is still expanding at a solid pace, but the cost of economic growth has risen. Price levels have risen sharply following years of elevated inflation, while borrowing costs remain structurally higher. The economic expansion is being propelled by a narrow, interconnected set of growth drivers: artificial intelligence (AI) and associated infrastructure, non-tech strategic investments, wealth-supported household consumption and select regional growth pockets. The stronger headline growth numbers expected in 2027 should not be confused with greater economic resilience: a setback in one growth driver could quickly spread to others, leaving risks around the macroeconomic environment skewed to the downside.

Growth holds up, but the key test is whether AI gains broaden before refinancing pressures do.

We forecast global real GDP growth of 2.8% in 2027 and 2.6% in 2028, following an estimated 2.6% in 2026, even as employment growth and fiscal support contribute less. The key signpost for the resilience of the expansion is whether productivity growth and income gains from the AI build-out broaden before debt refinancing pressures and risk premia do. Headline CPI inflation should ease as energy prices fall later in 2027, but labour, repair and capital-intensive inputs will stay expensive, keeping claims costs elevated. Central banks are set to keep interest rates around current levels through 2027 and only cautiously lower policy rates through 2028 amid sticky inflation. Strong demand for capital and large sovereign financing needs should also keep long-term government bond yields above their 2010s levels, supporting insurers' investment income.

Non-life premium growth is shifting from pricing to exposure as investment creates new risk pools.

For non-life insurers, the same investment drivers raise demand for insurance, even as the underwriting cycle becomes less supportive. Investment in data centres, energy, infrastructure and advanced manufacturing is expanding the pool of insurable assets and creating new risks that require protection, shifting premium growth from pricing to exposure. We expect real non-life insurance premium growth to recover from 0.5% in 2026 to 1.0% in 2027 and 2.0% in 2028 (4.7%, 3.6% and 4.2% respectively in nominal USD terms). High non-life profitability driven among other factors, by strong investment income, is prolonging the soft market. But this support should fade as lower prices earn through portfolios and return on equity (RoE) converges towards the cost of capital. We expect RoE to ease to around 10.3% in 2027. As excess returns narrow and risks become more interconnected, insurers may become more selective in deploying capacity, despite abundant capital. This distinction between capital and capacity matters more as natural catastrophe, liability and other risks become more complex and correlated, leading to greater differentiation in pricing and growth across risk pools.

Higher yields, demographics and asset sourcing are reshaping life insurance growth and competition.

Beyond the boost from higher yields, demographic shifts are reshaping growth and competition for life insurers. Ageing and large pools of accumulated retirement wealth strengthen decumulation tailwinds, while shrinking mortality risk pools constrain traditional protection growth. In key European markets, private pension and annuity inflows through life insurers could exceed EUR 100bn annually by the early 2030s, approaching the record level of quarterly annuity sales in the US. Large pools of life insurance and retirement liabilities also underpin global risk-transfer activity, increasingly supported by asset-intensive reinsurance. We estimate global real life premiums will grow by 2.1% annually in 2027–28 (4.5% in nominal USD terms), led by savings and retirement lines. Asset sourcing, capital efficiency and in-force book management are becoming more important for profitable growth.

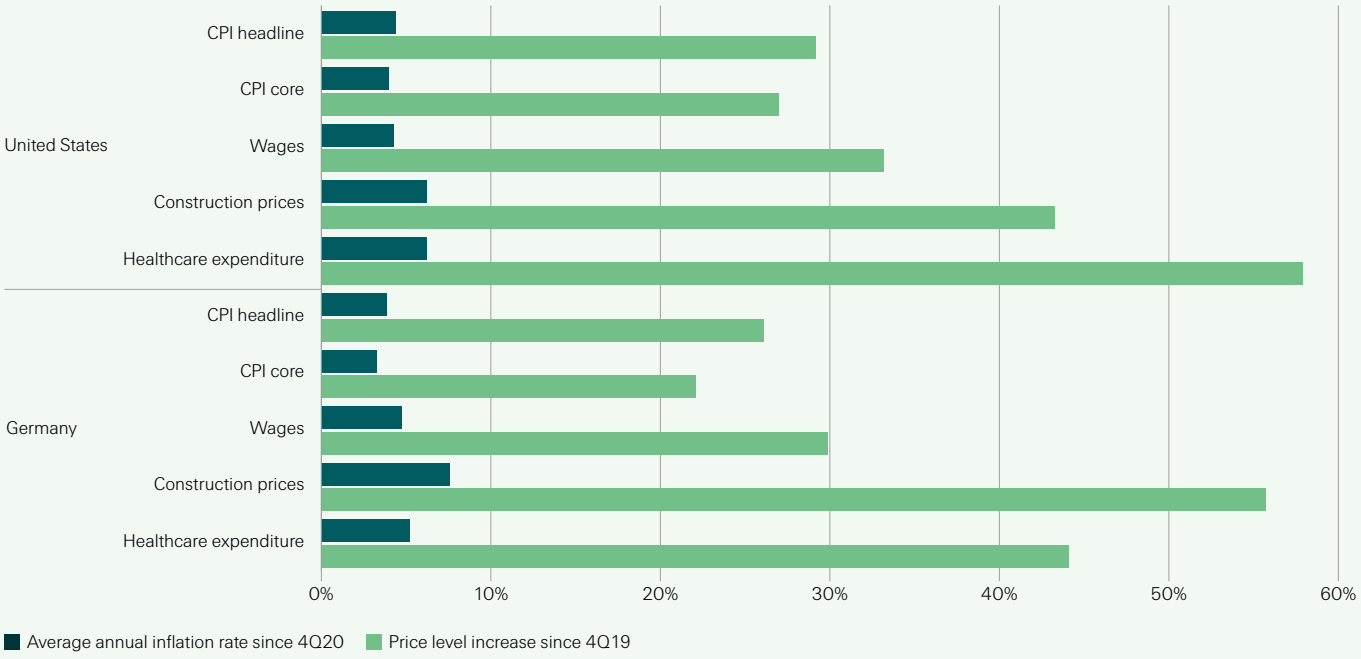
Understanding how shocks spread is key to keeping insurers future-ready.

Our alternative scenarios show how quickly these narrow foundations could be tested, from a severe global recession to a stagflationary supply shock. Such shocks could hit insurers' underwriting and investment results at the same time. Strong capital and liquidity buffers leave the industry well placed, but understanding how shocks spread will be key to staying future-ready.

Key takeaways

Price pressures in advanced economies are persistent.

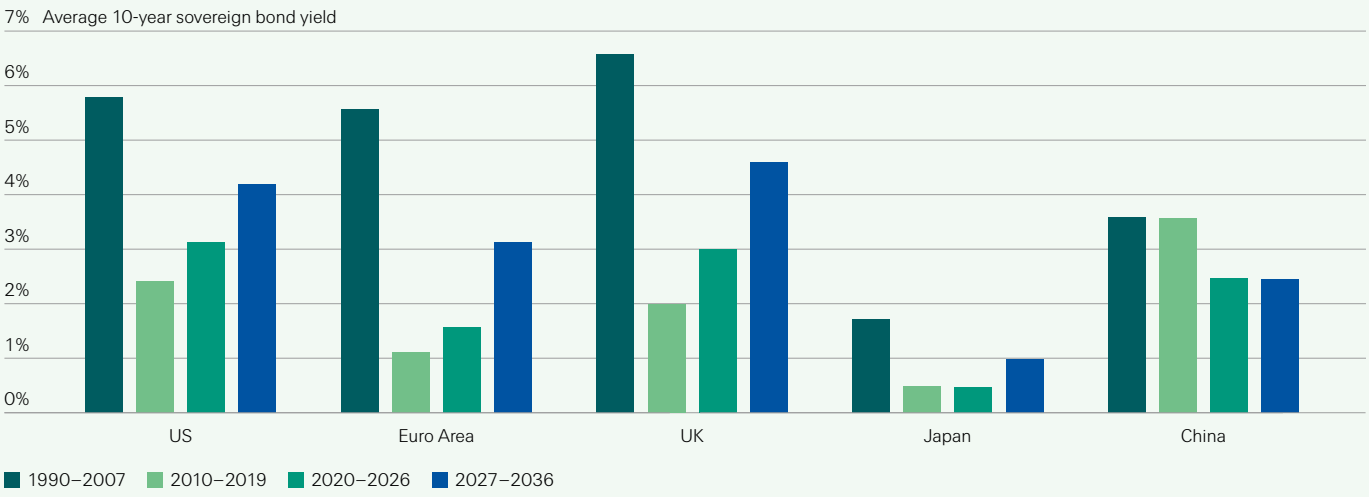
Price levels have risen sharply across labour, construction and healthcare intensive categories relevant for insurance claims costs, while ongoing inflation means these higher prices continue to compound from an already elevated base.



Price increases and average inflation rates are calculated through the latest available observation (either 2Q26 or 3Q26) for all variables except healthcare expenditure, for which partly estimated annual data through 2025 is used.
Source: BLS, DESTATIS, Macrobond, Swiss Re Institute

The higher-cost regime extends to capital itself.

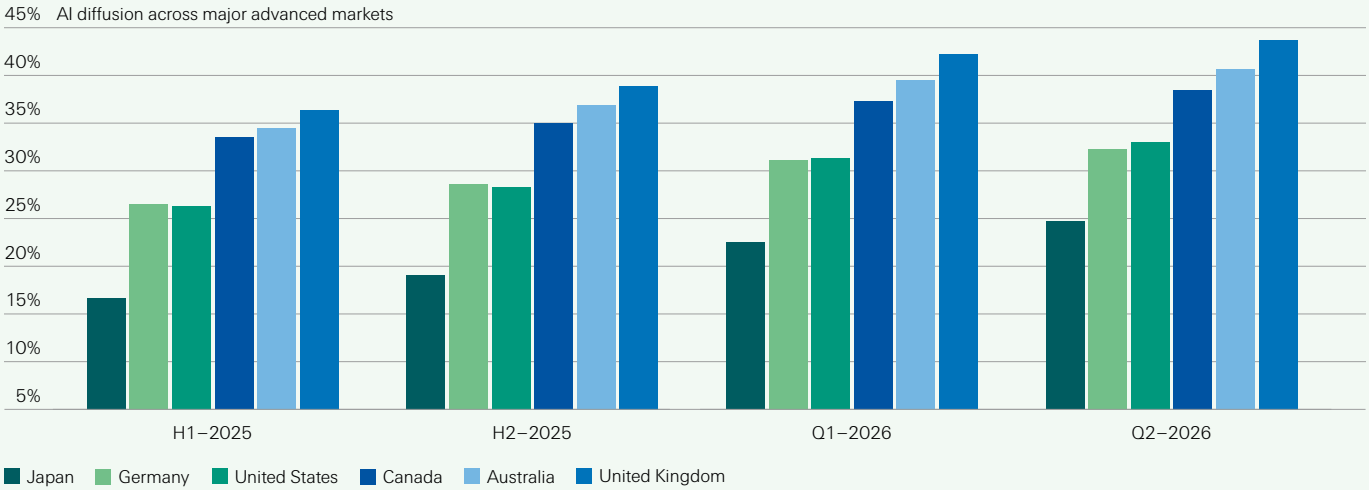
We expect long-term sovereign yields across advanced economies to remain well above their 2010s averages over the coming decade, reflecting stronger investment demand, persistent inflation risk and greater government financing needs.



Source: Macrobond, Swiss Re Institute

AI adoption is broadening rapidly, led by Anglo-Saxon countries.

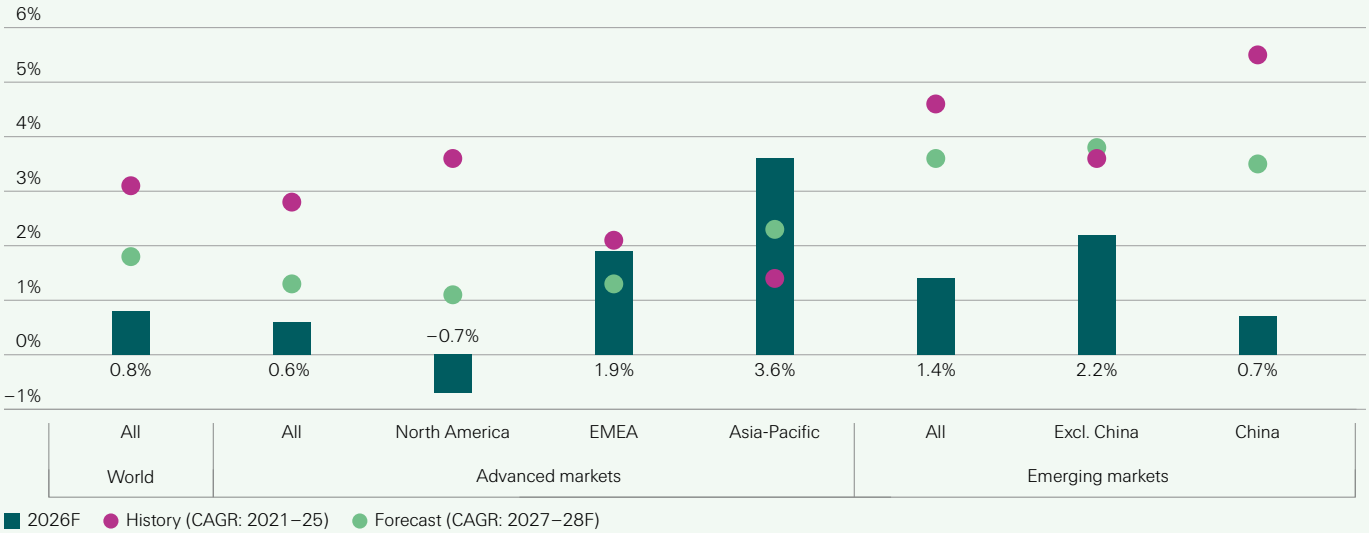
The test for 2027 is whether this diffusion translates into measurable productivity gains: sustaining the AI-driven growth impulse will increasingly depend on using the technology more effectively, rather than simply investing in the infrastructure that supports it.



AI diffusion is measured as the share of people aged 15–64 using generative AI during the reported period, based on anonymised Microsoft telemetry data adjusted for device and operating system market shares, internet penetration and population.
Source: Microsoft, Swiss Re Institute

Global real insurance premium growth (non-life + life) is forecast to recover modestly to 1.8% over 2027–28 from a cyclical low of 0.8% in 2026, but to remain below the historical trend.

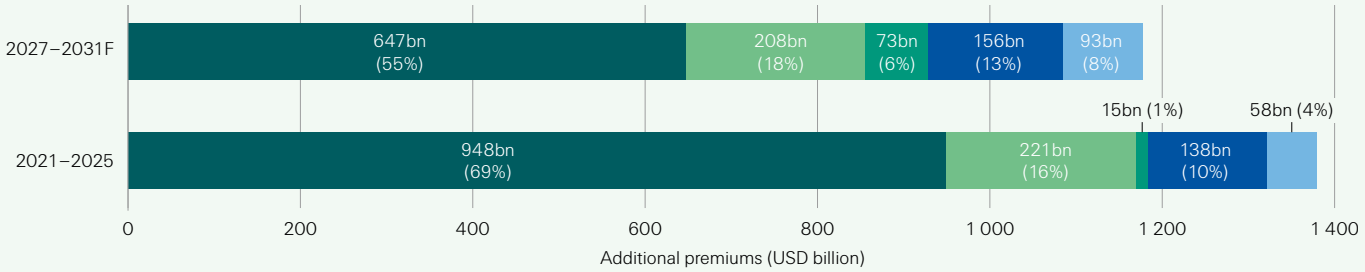
Expanding exposures driven by AI-related capital expenditure (capex) and growth in emerging markets support non-life insurance markets even as pricing remains soft, while demographic tailwinds and favourable government bond yields underpin life insurance markets.



Source: Swiss Re Institute

North America is likely to remain the largest contributor to global incremental non-life premiums, although its share is projected to decline over the next five years.

Asia is expected to gain share over the same period, supported by rising penetration, growth in insurable assets and regulatory reforms, especially in emerging markets.



Source: Swiss Re Institute

The external macroeconomic environment is defined by three main themes namely stronger GDP growth, persistent cost pressure and a structurally higher cost of capital. Growth is strengthening but becoming more concentrated in AI-related investment, asset-supported consumption and selected regional engines. Headline inflation is easing, but labour, repair and investment-related costs remain comparatively high. At the same time, strong capital demand and sovereign financing needs should keep long-term interest rates above 2010s levels, supporting insurer investment returns while gradually increasing refinancing pressure.

1 – Stronger growth, fewer engines

Growth strengthens, but is increasingly driven by AI/capex, asset-supported consumption and select regional growth engines.

2 – Stubborn underlying inflation

Headline inflation will ease, but labour-, repair- and investment-related costs remain comparatively high. Insurer cost baskets should therefore remain elevated relative to household CPI.

3 – High rates for even longer

Strong private capital demand and sovereign borrowing keep long-term interest rates above 2010s levels. Higher yields support insurer returns, but refinancing pressure builds gradually across more exposed balance sheets.

Source: Swiss Re Institute

The non-life insurance market outlook is shaped by three main themes. Firstly, premium growth opportunities are driven by exposure changes, rather than pricing. In addition, the P&C underwriting cycle is softening, and conditions could turn depending on underwriting capacity and return trends. Finally, capacity could become more selective as risks become more interconnected and harder to model.

1 – Exposure-led growth opportunities

Premium growth shifts from pricing to exposure. Capex, emerging markets and a volatile risk backdrop create demand for insurance.

2 – Softening underwriting cycle

Underwriting conditions continue to soften, but this may normalise as returns converge to cost of capital.

3 – More challenging risk environment

Risks (NatCat, liability, geopolitics…) are becoming more interconnected and harder to model.

Source: Swiss Re Institute

We identify three key themes shaping the life insurance market outlook. First, ageing and accumulated retirement wealth are strengthening growth tailwinds for individual annuities and private pension products. Second, demographic shifts are structurally reshaping protection markets as mortality risk pools shrink in many advanced economies while longevity-related needs grow. Third, asset and capital management capabilities are becoming central to profitable growth and new business competitiveness, as value creation increasingly depends on more than higher reinvestment yields.

1 – Decumulation tailwinds

Tailwinds shifting from accumulation to decumulation (ageing, accumulated pension wealth, shift from defined benefits to defined contributions).

2 – Demographics reshape protection

Shrinking mortality risk pools versus growing longevity risk pools.

3 – Asset & capital management savviness

Asset and capital management capabilities determine future profitable growth (asset sourcing, capital efficiency, back-book management).

Source: Swiss Re Institute

Introduction: Outlook at a glance

Four structural forces frame our 2027–28 outlook: the capex boom, geopolitical fragmentation, climate and demographic shifts. Together, they are reshaping the accumulation and interconnectedness of risks, with the AI investment cycle in particular leading to more correlated physical and digital risks. These forces are making growth more capital-intensive and concentrated, redirecting investment towards strategic assets, tightening select labour and input markets, and reshaping household wealth and risk pools. Stronger growth should not be confused with a more resilient outlook: the same forces supporting activity are also increasing dependence on a narrower set of sectors, assets and financing channels.
For insurers, these changes create new demand by expanding insurable assets and also support investment income.
At the same time, beyond increasing risk accumulation, they make insurance claims cost growth more uneven and amplify insurers' sensitivity to asset prices and refinancing conditions. The sections that follow illustrate how these four structural drivers transmit through the macroeconomy into non-life and life insurance outcomes.

Key themes shaping the 2027–28 outlook

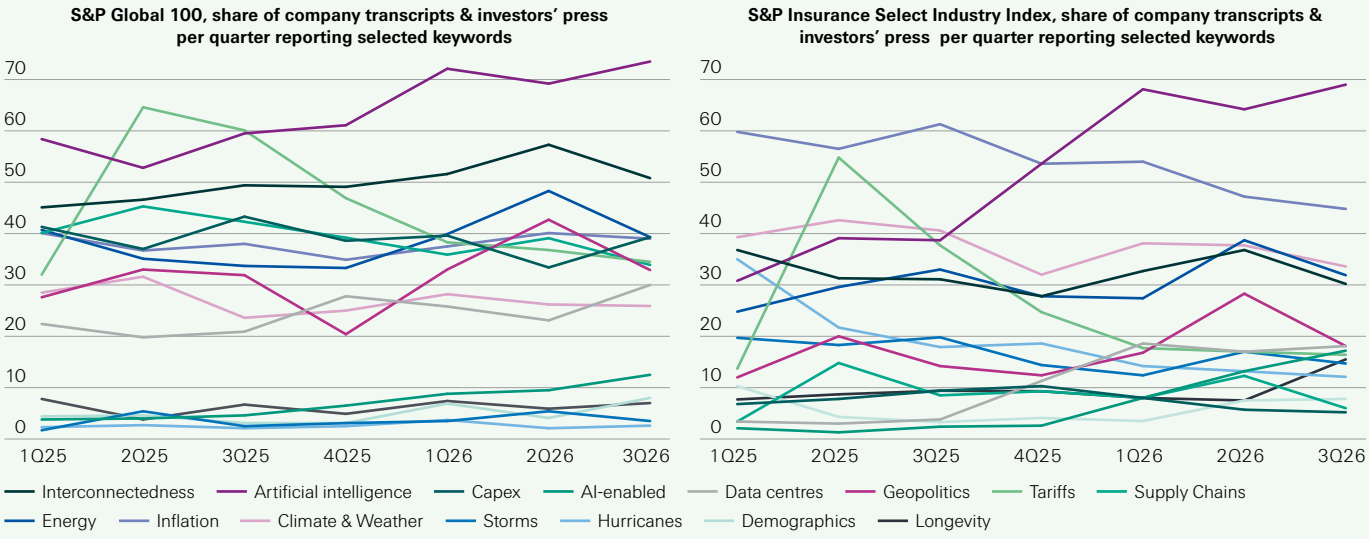
New analysis of corporate earnings calls and investor presentations highlights common concerns.

To gauge how these four structural shifts are showing up in business priorities, Swiss Re Institute analysed earnings call transcripts and investor presentations published between Q1 2025 and Q3 2026, across the broader economy and the insurance sector[1]. Figure 1 illustrates how frequently related keywords (and synonyms) have been mentioned by both groups over time.

AI and geopolitics are dominant themes for multinational corporations across sectors.

Unsurprisingly, AI stands out. Mentions of AI have increased among both corporations and insurers as the technology becomes more relevant to business operations, introduces new cyber risks and creates new insurable exposures (see Figure 1). Supply chains and geopolitics also remain prominent in corporate decisions and strategy discussions, reflecting persistent uncertainty over trade relationships. However, explicit tariff-related mentions appear to have moderated as companies have adjusted sourcing and pricing strategies.

Figure 1
Change in themes mentioned in call transcripts and investor presentations through Q3 2026.



Note: The chart shows the quarterly share of transcripts and investor press materials published by companies in each index that mention a given keyword at least once. Keywords are grouped by thematic bucket color-wise. Dark green tones for Climate & physical disruption. Light green tones for Geopolitical fragmentation, statecraft & industrial policy. Blue tones for AI investment & capex boom. Purple tones for Demographic Shifts.
Source: S&P, Swiss Re Institute

[1] We refer to the S&P Global 100 and the S&P Insurance Select Industry Index as proxies for the corporate and insurance sectors, respectively.

Climate risks and demographics feature less than AI and geopolitics, but still matter for insurers.

Compared with mentions of AI and geopolitics, climate risks and demographics feature less prominently but still matter for insurers. On climate risks, there have been rising corporate references to drought and extreme heat, which may signal growing concern over indirect and cumulative economic impacts, not just direct physical damage. On demographics, we see this as an underappreciated, slow-moving theme that is important in shaping the outlook for insurers.

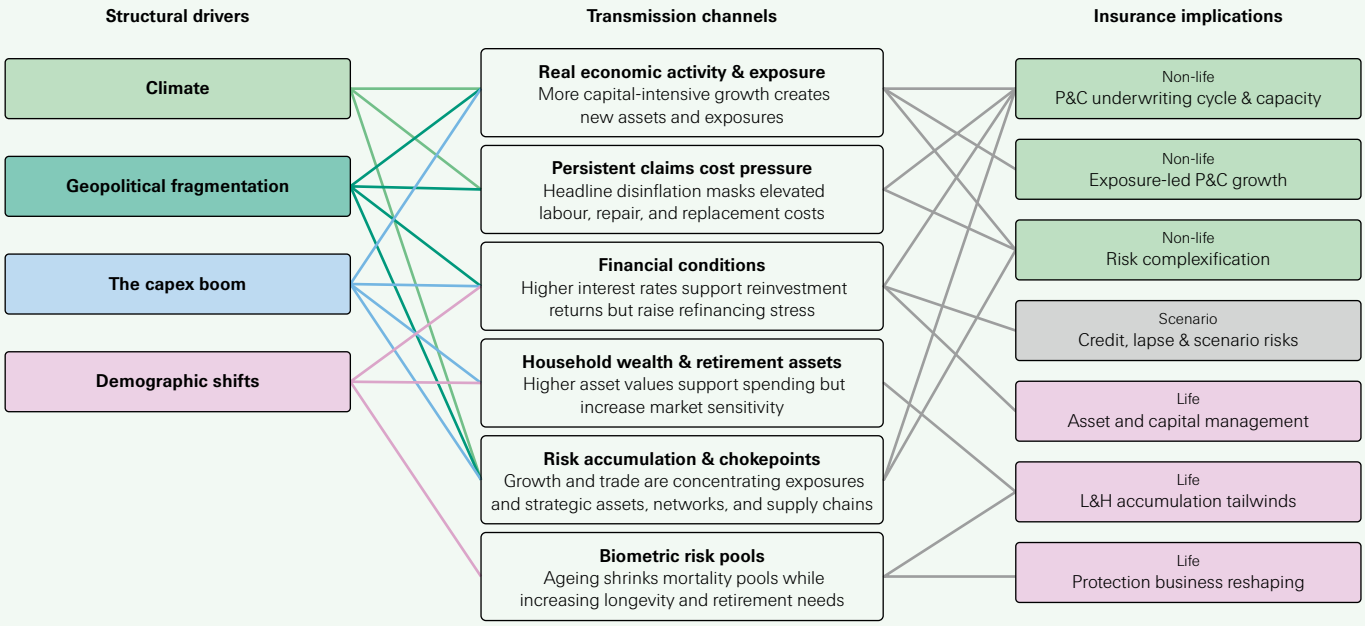
The key question is how these drivers are reshaping the composition of growth and risk.

Taken together, the evidence from the transcript analysis reinforces the structural themes underpinning our outlook. What matters even more than how often these themes are discussed is how they are changing the composition of economic growth and risk. AI and geopolitics, for example, are driving a more investment-led expansion across data centres, energy, infrastructure, defence and advanced manufacturing. This is creating substantial new insurable assets, but also new vulnerabilities. For insurers, the question is therefore how these structural drivers transmit through the economy, rather than the direction of any single macro variable.

Four structural drivers transmit through six channels into insurance outcomes.

Figure 2 maps how the four structural drivers we identify from earnings calls transmit through six main channels into non-life and life insurance outcomes. For more on how companies see the links between risks, see *Risks are becoming broader and more interconnected* in the Alternative Scenarios chapter.

Figure 2
How structural shifts are transmitting through the economy into insurance outcomes



Note: Coloured lines trace structural drivers into transmission channels. Grey lines show how these channels feed into insurance outcomes, which may be shaped by several channels simultaneously.
Source: Swiss Re Institute

Macroeconomic outlook

Despite repeated supply shocks, the global economy is holding up remarkably well. However, stronger headline growth numbers should not be confused with greater economic resilience, as an increasingly narrow and costly set of engines is carrying the expansion. We forecast global real GDP growth of 2.8% in 2027 and 2.6% in 2028, following 2.6% in 2026, supported by AI-related and other strategic investments, and by household demand underpinned by wealth. Headline inflation should ease as energy price pressures reverse: we forecast global CPI inflation to average 3.7% in 2027 and 2.8% in 2028, down from 4.0% in 2026. However, labour, services and investment-related costs remain firm, keeping insurance claims costs elevated. Strong demand for capital and sovereign financing needs should keep long-term government bond yields above their 2010s levels. This supports insurers' investment returns, but steadily raises refinancing pressures across financial markets and the real economy. Whether today's concentrated growth engines will broaden into wider productivity and labour income gains remains uncertain. The main downside risk is that a shock to AI sentiment, asset prices or credit could expose the interconnectedness and concentration of the factors underpinning growth.

Growth in a higher cost economy

Global growth remains remarkably strong but increasingly rests on narrow and uneven dynamics.

The global economy is growing on fewer drivers and at a higher cost. It enters 2027 having absorbed a sharp rise in borrowing costs, high inflation, repeated supply disruptions and more interventionist policy, with an AI-driven investment boom offsetting the 2026 energy shock. We expect global real GDP growth to edge up from 2.6% in 2026 to 2.8% in 2027 (see Table 1). However, the expansion has become narrower, more uneven and unusually capital-intensive.

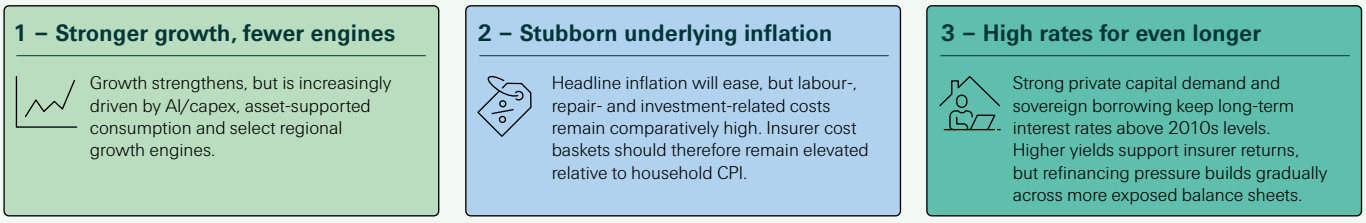
Fading fiscal support shifts US growth onto private investment, AI diffusion and productivity as well as consumers.

In the US, growth is propelled by AI-related investments and strong asset markets, while unemployment and layoffs remain low. As the US fiscal impulse fades, private investment, AI diffusion, productivity and household consumption will have to carry more of the momentum through 2027. A fading fiscal impulse does not mean a lighter financing burden with interest rates set to stay elevated over our forecast horizon.

Narrow growth creates concentrated exposure but also raises sensitivity to common costs and shocks.

Growth led by technology, defence and infrastructure investment creates large, technically complex exposures and supports investment-related insurance demand. But it also concentrates values, counterparties and financing needs, while competition for labour, capital, electricity and engineering capacity keeps selected input and financing costs elevated. The central question is whether today's concentrated growth engines will broaden through stronger productivity, incomes and private demand, extending the expansion without intensifying cost and financing pressures.

Figure 3
Three themes frame our macro view and its implications for insurers.



Source: Swiss Re Institute

Table 1
SRI global macroeconomic forecasts

	Swiss Re Institute					Consensus		
	2017–26	2026F	2027F	2028F	2027–36F	2026F	2027F	2028F
Real GDP (% change)								
Global	2.8	2.6	2.8	2.6	2.4	2.5	2.8	2.7
United States	2.5	2.4	2.4	2.0	2.0	2.3	2.2	2.2
Euro area	1.4	1.0	1.3	1.4	1.2	1.0	1.3	1.3
United Kingdom	1.4	1.5	1.3	1.3	1.4	1.3	1.2	1.5
China	5.4	4.6	4.3	4.0	3.5	4.6	4.4	4.3
Japan	0.6	0.9	0.8	0.9	0.9	0.8	0.8	0.9
CPI all-items (% change)								
Global	4.3	4.0	3.9	2.8	2.8	4.7	4.1	3.5
United States	3.3	3.3	2.4	2.2	2.2	3.5	2.5	2.2
Euro area	2.9	3.1	2.8	2.2	2.2	3.0	2.7	2.0
United Kingdom	3.6	3.2	3.5	2.2	2.4	3.2	3.2	2.0
China	1.3	0.9	0.7	1.1	1.6	1.0	1.1	1.2
Japan	1.5	1.9	2.1	2.0	2.0	1.9	2.1	1.9
CPI core (% change)								
United States	3.1	2.5	2.5	2.5	2.5	n/a	n/a	n/a
Euro area	2.2	2.5	2.6	2.3	2.1	2.4	2.6	2.2
United Kingdom	3.2	2.8	2.8	2.5	2.3	n/a	n/a	n/a
China	1.1	1.0	1.0	1.2	1.5	n/a	n/a	n/a
Japan	1.4	2.4	2.2	2.0	2.0	1.9	2.0	1.5
Central bank rate (EOY, %)								
United States	2.8	4.1	4.1	3.6	3.5	4.3	4.2	3.7
Euro area	1.1	2.8	2.8	2.3	2.3	2.5	2.3	n/a
United Kingdom	2.4	4.0	4.3	3.3	3.2	4.0	4.0	3.5
China	n/a	1.3	1.3	1.4	1.5	n/a	n/a	n/a
Japan	0.2	1.5	2.3	2.5	2.5	1.5	1.8	1.8
10 year sovereign bond yield (EOY, %)								
United States	3.1	4.9	4.7	4.5	4.5	5.0	4.8	4.5
Euro area	1.3	3.4	3.2	3.1	3.1	3.4	3.2	3.0
United Kingdom	2.6	5.1	4.9	4.7	4.6	5.2	4.8	4.4
China	2.7	1.7	1.8	2.0	2.4	1.7	1.7	1.7
Japan	0.7	3.2	3.5	3.5	3.5	3.0	3.1	3.0

Notes: F = forecasts. Consensus figures as of 9th November. Global consensus figures refer to IMF forecasts (FX-weighted for GDP, PPP-weighted for CPI). SRI's global figures are FX-weighted. For China, the central bank policy rate corresponds to the new overnight reverse repo rate that came into effect in November 2026.
Source: Bloomberg, IMF, Swiss Re Institute

Stronger growth on narrower foundations

Also outside the US, each region relies on narrow and fragile growth engines.

Outside the US, each region relies on its own narrow growth drivers. In Europe, the pickup will rely more on recovering real incomes, while fiscal support shifts from the South to core countries. Germany's fiscal package will boost investments in infrastructure and defence, and we estimate that it will add 0.8 ppt to German GDP growth in 2027. A wave of national elections across France, Italy, Spain, Greece, Finland and Poland in 2027 will play out against a backdrop of mounting fiscal pressures and growing strategic investment commitments. A snap election in the UK is a risk too. Political uncertainty could raise sovereign debt risk premia further and spill across borders, just as the southern periphery loses its post-pandemic cyclical strength.

The growth pickup in advanced Asian economies is unusually investment-intensive due to the AI capex boom.

In advanced Asia, the strongest performers are the suppliers of the AI investment cycle, with Taiwan and South Korea benefiting most from exceptional semiconductor demand. Record exports from South Korea and Taiwan, but also from China and Japan, are increasingly tied to global AI demand.

Emerging markets will remain the largest contributors to growth, but unevenly.

Emerging markets will remain the largest contributors to global GDP growth, but their growth is also uneven. In China, the ongoing property market correction and weak household consumption leave growth reliant on AI-related exports and investments in advanced manufacturing. Technology restrictions and domestic substitution make China's cycle increasingly distinct from that of the US. But with output increasingly directed to export markets, a global downturn will still be a significant downside risk to China's growth. Elsewhere in emerging Asia, broader domestic demand provides a counterweight, although some economies are also moving up on the AI supply chain. The result is an economic expansion driven by relatively concentrated engines in each region.

From an AI investment boom to a productivity test

For 2027–28, the test will be whether productivity gains broaden in time.

AI-related investment has become a key pillar of the global expansion in recent years but sustaining it will increasingly depend on using the technology rather than simply building its infrastructure. We estimate that AI will contribute around 0.4 ppts to our global GDP growth forecast of 2.8% in 2027, through infrastructure investment, positive wealth effects, Asian technology manufacturing and gradually broader business adoption. We estimate that digital infrastructure investment by US-listed companies alone has risen to more than 1.6% of US GDP in 2026, from around 0.6% two decades ago, and is set to rise further in 2027[2]. Wider physical infrastructure investments would add a further tailwind. Europe is likely to continue to lag: euro area digital investment grew at only around half the US pace over 2025–26[3]. However, this AI impulse remains concentrated in a small number of sectors, leaving the macroeconomic and financial market outlook more exposed to setbacks.

A gradual rather than transformational productivity handoff is likely over the next couple of years.

We expect a gradual and uneven, rather than transformational, productivity handoff in 2027–28. Firms still need to redesign workflows, build complementary organisational capital and integrate AI into production. Adjustment costs can initially weigh on measured productivity before larger gains materialise, consistent with the productivity "J-curve" observed with previous new technologies. The unusually fast diffusion of generative AI could, however, accelerate this transition (see Figure 4, left). Faster adoption would help broaden productivity gains across sectors and economies, while slower adoption would leave growth more dependent on continued capital spending and earnings expectations.

Early productivity gains from AI are emerging, but remain concentrated, with insurance set to benefit.

Some encouraging early evidence of wider productivity gains is emerging. In the US, non-farm industries with greater AI exposure have recorded stronger labour productivity growth since 2024 (see Figure 4, right), though the aggregate evidence is not yet strong enough to attribute this solely to AI. In Europe, higher firm-level AI adoption within industries is also associated with stronger productivity growth[4], but industry-level AI exposure has yet to translate into better productivity performance. The insurance sector stands out for its potential to benefit from both AI-driven automation and worker augmentation. Research ranks insurance brokerages (3rd) and insurance carriers (7th) in terms of AI exposure among 250 US industries classified at the four-digit NAICS level, with sales agents, underwriters and claims-processing clerks among the occupations most likely to be affected[5]. AI adoption is also advancing among insurers outside the US, but considerable scope remains to broaden its applications. In 2026, the European Insurance and Occupational Pensions Authority (EIOPA) found that 65% of European insurers are already using generative AI, although most applications remain at the proof-of-concept stage[6].

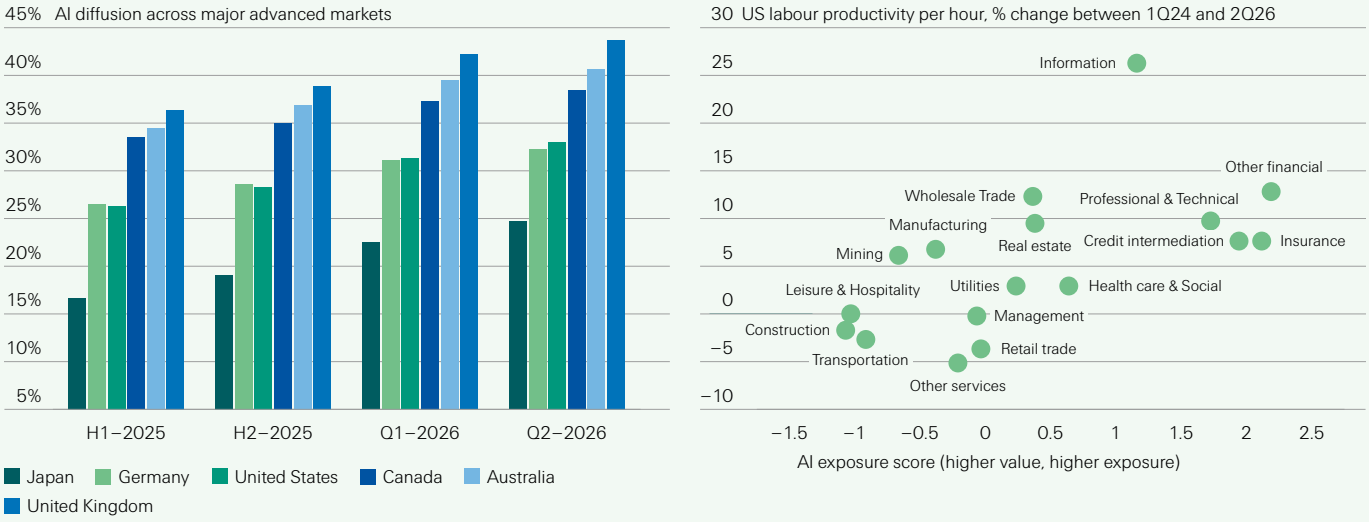
AI investment remains a powerful but uneven global growth engine.

Even though our outlook does not assume a full-scale "productivity boom", AI investments will remain a powerful, albeit narrow, growth engine. Conversely, our "severe global recession" scenario illustrates how a sharp correction in AI investment or valuations could turn this concentration into a broader macro-financial vulnerability (see *Alternative Scenarios*). Our new *sigma* insights report helps to show the scale of

[2] *Sigma 3/2026* – Time to Build: expanding the frontier of insurability for the capex super-cycle, Swiss Re Institute, 5 September 2026.
[3] *A new age of capital: Growth, sovereignty and AI, European Central Bank*, September 2026.
[4] *AI adoption, productivity and employment: Evidence from European firms, Bank for International Settlements, 2026*.
[5] Felten, E. W., Raj, M., & Seamans, R, *How will language modelers like ChatGPT affect occupations and industries?* SSRN Electronic Journal, 2023.
[6] *EIOPA survey on Generative AI shows swift but cautious adoption among Europe's insurers, European Insurance and Occupational Pensions Authority,* 2 February 2026.

that risk. It estimates that the AI infrastructure programme envisaged for 2026–31 would require around USD 3 trillion in annual revenue to recover its capital and earn a 10% return under our central assumptions, against roughly USD 230 billion in generative AI revenue today.[7]

Figure 4
AI adoption is on the rise, with Anglo-Saxon countries leading (left); US industries with greater AI exposure have seen stronger productivity growth (right)



AI diffusion is measured as the share of people aged 15–64 using generative AI during the reported period, based on anonymised Microsoft telemetry data adjusted for device and operating system market shares, internet penetration and population. Source: Microsoft, Swiss Re Institute

Labour productivity per hour is calculated as industry-level real value added divided by total weekly hours worked. Source: Dallas Fed, BEA, BLS, Felten (2021/23),

Concentrated supply chains drive growth but also give governments strategic leverage.

Rise of statecraft: globalisation is being retooled around strategic chokepoints

Economic statecraft is becoming more selective, not more isolationist. Governments are increasingly targeting the narrow points where economic dependence creates strategic leverage. This matters because the same concentration supporting global growth also creates geopolitical leverage. AI illustrates the upside: its highly international supply chain is generating exceptional trade and investment growth across the US and Asian technology complex. Energy, conversely, illustrates the downside: the Strait of Hormuz has led to around a quarter of seaborne oil trade disrupted for part of 2026 because flows remain concentrated through a single physical chokepoint.

Political cycles matter more as governments seek to influence trade, technology, and capital.

Political cycles matter more as a result. In the US, executive authority over tariffs, export controls, investment restrictions and national-security regulation can still materially affect global capital allocation in AI, semiconductors and strategic supply chains. The outcome of this year's US midterms therefore matters less through a conventional fiscal cycle channel than through the intensity and direction of targeted state intervention. Demand itself is also a source of geopolitical leverage: access to large consumer markets such as the US and China can shape trade negotiations and firms' investment decisions because exporters depend on these markets for final demand.

For insurers, statecraft brings new premium growth and more concentrated geopolitical losses.

For insurers, statecraft creates both new exposures and more concentrated geopolitical risk. Disruption to trade routes, sanctions, political violence or payment flows can feed directly into marine cargo, political risk and trade credit losses, even as strategic investment supports premium growth in property, engineering and specialty lines (see *Non-life primary insurance* chapter).

[7] AI investment lifts growth as financial risks broaden, Swiss Re Institute, 24 November 2026.

China is moving up the value chain, increasingly competing head-on with Europe.

China's export strength presents Europe with a growth-inflation trade-off

China illustrates how shifts in the composition of growth can generate significant spillovers beyond the domestic economy. As its economy has matured, China has moved further into higher-value, capital- and technology-intensive industries, and its export basket increasingly overlaps with those of advanced economies such as the euro area[8]. Weak household demand at home has also pushed Chinese businesses to expand sales abroad[9], where they benefit from strong cost competitiveness.

Chinese competition could cut euro area GDP by 0.3 ppts over 2027-28 and core inflation by 0.1 ppts in 2028 .

We assume stronger Chinese competition could subtract 0.3 ppts from euro area GDP growth over 2027–28 cumulatively, while cheaper manufactured imports could lower euro area core inflation by 0.1 ppts in 2028[10]. Germany and the Visegrad countries[11] are particularly exposed to rising export competition in machinery and motor vehicles[12]. In France, the chemicals sector is facing strong competitive pressures. Southern Europe, which is less manufacturing-intensive, is less exposed. As recent measures already show, EU trade policy is set to become more assertive towards China, but is likely to remain targeted and compliant with World Trade Organisation (WTO) rules.

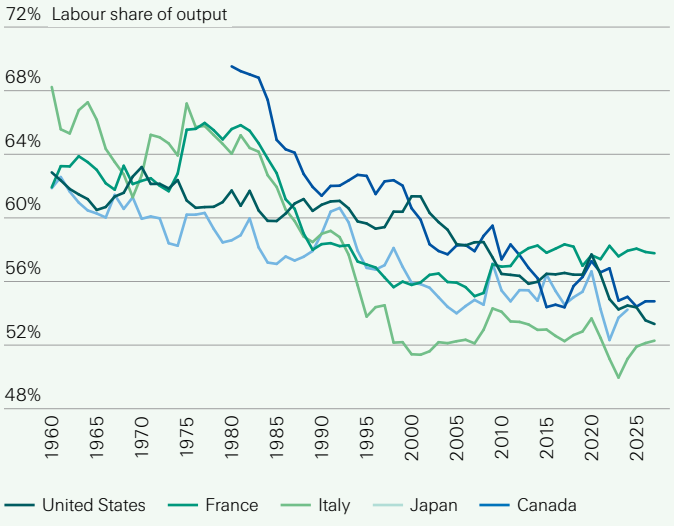
Growth is becoming less labour-intensive, and we see labour income growth lagging overall GDP growth.

Growth is becoming less labour-intensive, but household consumption will remain resilient

Hiring will remain relatively soft across advanced economy labour markets over 2027–28 (with some exceptions, such as Japan). As growth becomes more capital-intensive, we expect only a modest rebound in demand for labour. This will keep labour-income growth below GDP growth, particularly in the US, where labour's share of output has declined to a record low (see Figure 5). In Europe, labour shares have held up better recently but remain historically low, and the cyclical factors supporting them are fading. Technological progress has historically accounted for around half of the decline in advanced-economy labour shares, disproportionately affecting middle-skilled workers[13]. AI-driven automation could reinforce this trend, but the extent will depend on whether higher labour demand from productivity-driven cost reductions, worker augmentation, and the creation of new tasks offset the displacement effect.

Figure 5

Labour's share of output has been declining across advanced economies (left); employment growth will drive a smaller share of GDP growth (right)



Note: Labour share is measured as the adjusted wage share, expressed as a percentage of GDP at market prices. 2026 and 2027 values forecasted.
Source: DG ECFIN, Macrobond, Swiss Re Institute



G7 growth rates and contributions are calculated as GDP-weighted averages across members. 2026–29 figures are forecasts.
Source: Oxford Economics, Macrobond, Swiss Re Institute

[8] de Soyres, F. et al., *The Sectoral Evolution of China's Trade*, Federal Reserve System, 2025.
[9] *Aprigliano, V., et al., China shock 2.0: Structural drivers and implications for the euro area, Banca d'Italia, 2026.*
[10] Pierdomenico, G., *The shadow of the dragon: China's export surge and euro area growth headwinds.* Goldman Sachs Global Investment Research, 2025.
[11] The Visegrad group includes Poland, Czech Republic, Hungary and Slovakia.
[12] *Which countries are most vulnerable to the industrial rise of China? Mapping Europe's uneven exposure,* European Central Bank, 2026.
[13] *World Economic Outlook: Chapter 3 Understanding the Downward Trend in Labor Income Shares,* International Monetary Fund, 18 April 2017.

Shrinking working-age populations will support employment despite softer demand.

At the same time, slower growth in labour supply will support employment rates despite soft hiring. The retirement of baby boomers, low fertility and tighter immigration are increasingly slowing working-age population growth across advanced economies.

The OECD estimates that the working-age population of its member countries will shrink by 8% by 2060, while the old-age dependency ratio rises from 31% in 2023 to 52%[14]. As a result, sustaining potential growth (the economy's maximum sustainable growth rate) will increasingly require stronger productivity gains (see *From an AI investment boom to a productivity test*).

Skilled-labour shortages should keep wages firm in key sectors, despite modest aggregate hiring.

Unemployment rates should therefore gradually decline over the next two years even if the labour demand recovery remains modest, supported by increasingly constrained labour supply. Moreover, pockets of stronger labour demand persist across sectors and countries. Shortages of skilled workers in US manufacturing, construction, engineering and electrical trades are keeping labour demand strong in these sectors amid robust AI capex, despite broader labour market slack. Japan's labour market is the tightest since the early 1990s. Together with easing inflation through 2027, we expect this to give some cyclical support to real incomes and household purchasing power, particularly in the US and the euro area.

Wealth gains support US consumption but tie it more closely to asset prices.

We also expect accumulated wealth to continue bridging the gap between slower labour income growth and resilient consumption growth, particularly in the US. US households in the top 10% of the wealth distribution accumulated almost USD 33tn in net worth between Q2 2023 and Q2 2026. That is roughly three-quarters of the rise in aggregate household wealth,[15] and equivalent to about a year of US GDP. This has been driven by strong financial market performance, with the S&P 500 rising by almost 90% on a total return basis over the past three years. Because households typically adjust spending only gradually after wealth gains, we estimate this wealth effect will add 0.3 ppts to US growth in 2027[16], barring a sharp equity market correction. In turn, this reliance on wealth effects makes household consumption more sensitive to asset prices because AI investment, equity valuations and spending by wealthier households are increasingly tied to the same market cycle. In core European countries, the buffer is different. There, the normalisation of still-elevated savings rates can support consumption even though real wages will not fully recover from the energy inflation shock.

A higher-cost economy despite moderating headline inflation

Much of the 2027–28 fall in inflation will reflect energy disinflation, not a broad reversal in core costs.

We forecast global CPI inflation to average 3.7% in 2027 and 2.8% in 2028, down from 4.0% in 2026. Our outlook for moderating headline inflation rests on a normalisation in commodity prices and favourable energy base effects, while subdued labour demand should prevent a material reacceleration in wage growth. The timing will differ across economies, depending on retail energy pricing and pass-through to consumer prices. The common feature is that headline inflation will fall faster than underlying cost pressures, with core inflation across advanced economies expected to remain more stubborn in the coming years.

Risks are skewed to adverse inflation scenarios given Middle East and wider geopolitical uncertainty.

The risks to this baseline are skewed to adverse inflation scenarios, given continued uncertainty in the Middle East, depleted global energy inventories and the possibility of other geopolitical flare-ups disrupting global supply chains (see *Alternative Scenarios*).

A further deterioration in the current energy supply shock would raise inflation further next year.

With underlying inflation already above central bank targets, future shocks could make inflation even more persistent. The longer today's energy shock lasts, the greater the risk that wage growth reaccelerates as workers seek compensation for lost purchasing power, prompting even tighter monetary policy responses (see *Higher interest rates will test the narrow foundations of growth*). Recent evidence also suggests that inflation shocks can become more self-reinforcing when inflation is already elevated: firms pass

[14] *OECD Employment Outlook 2025,* Organisation for Economic Co-operation and Development, 9 July 2025.
[15] *Distributional Financial Accounts Overview,* Federal Reserve System, 18 September 2026.
[16] Bardoczy, B., Sim, J. and Tischbirek, A, *The Macroeconomic Effects of Excess Savings,* Federal Reserve Board, 2024.

a larger share of input cost increases into final prices, particularly in more concentrated markets, causing new shocks to pass through faster and persist longer than in low-inflation environments[17].

Insurance claims inflation will remain stickier than household inflation

Lower headline consumer inflation rates do not imply an equal decline in insurers' claims inflation.

For insurers, the composition of inflation matters as much as the aggregate rate. The labour, repair and capital-intensive cost inputs that determine insurance claims severity are likely to remain elevated in 2027, even as energy-driven headline CPI moderates. These inputs are often either labour-intensive and capacity-constrained, which makes wage and service cost pressures slow to unwind, or exposed to supply-chain disruptions through specialised materials and equipment. As a result, we expect the gap between household and claims cost inflation to narrow only gradually over 2027–28.

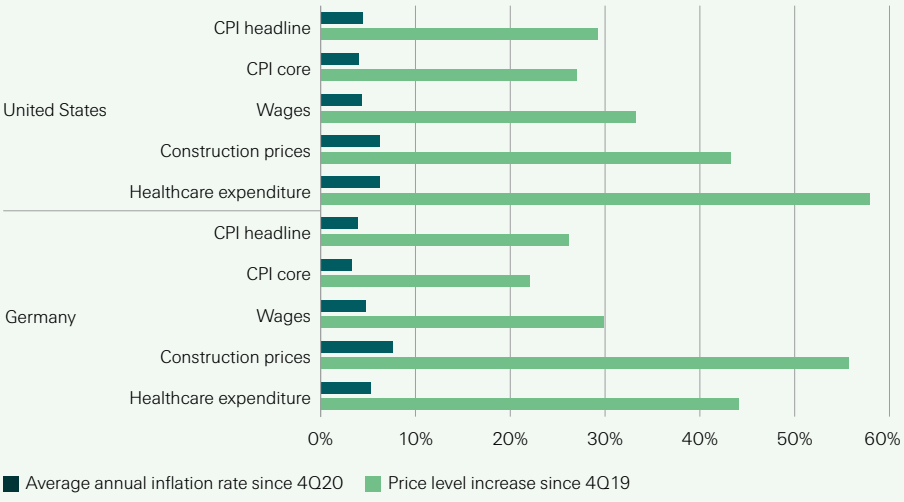
Claims cost inflation is becoming more dispersed across insurance lines.

Claims cost pressure is also becoming more uneven across lines of business, depending on the type of supply shock. Repair labour, healthcare, legal services and specialised equipment can remain expensive even as goods inflation fades, while other components may normalise much faster. The point is not that claims cost inflation remains universally high, but that differences between claims cost baskets now matter more than the aggregate CPI signal. Pricing and reserving need to pay greater attention to cost structures specific to each insurance line and accumulated replacement values.

Disinflation slows the rise in costs but does not reverse accumulated price increases.

Finally, lower inflation does not reverse the cumulative increase in past price levels. Repairing a building, vehicle or piece of equipment still costs materially more than before the pandemic (see Figure 6). Since Q4 2019, construction costs have risen by 43% in the US and 54% in Germany, and these increases will not unwind. For insurers, this leaves sums insured, reserving requirements and nominal claims severity structurally higher, even after aggregate inflation has normalised.

Figure 6
Disinflation does not undo past cost increases, keeping insurers' claims costs elevated



Note: Price increases and average inflation rates are calculated through the latest available observation (either 2Q26 or 3Q26) for all variables except healthcare expenditure, for which partly estimated annual data through 2025 is used.
Source: BLS, DESTATIS, Macrobond, Swiss Re Institute

[17] *Inflation has a Pretext for Raising Prices, A Test of State-Dependent Cost Pass Through,* Northeastern University, 29 Sep 2026.

Capital-intensive growth is concentrating cost pressure.

Investment-led growth is shifting inflation into bottlenecks

The unusually capital-intensive nature of the current AI investment cycle is introducing further inflationary pressures that will persist into 2027 (see *Stronger growth on more narrow foundations*). Data centres, energy infrastructure and advanced manufacturing compete for many of the same inputs, including electrical equipment, metals, cooling systems, construction labour and engineering capacity. Cost pressures remain particularly strong in several of these inputs, which also feed into insurance claims costs. In the six months to September 2026, US producer prices rose at annualised rates of 38% for steel mill products, 35% for copper wire and cable and 32% for transmission and distribution equipment[18], while aggregate construction costs rose by a more modest, but still elevated, 6.3% year on year.

AI-related bottlenecks are adding around 45bps to US core inflation.

These bottlenecks have become a sizeable driver of the current inflation overshoot that is fuelling renewed monetary policy tightening cycles. Recent estimates[19] suggest AI-related demand added around 45bps to US core PCE inflation (the Fed's preferred inflation gauge) through mid-2026, although only about half reflects genuine cost pressure rather than measurement effects. The underlying contribution comes mainly through higher input costs for consumer electronics, electricity demand and industrial metals, which together are estimated to add roughly 25–30bps to core PCE inflation. Data centre power demand alone is estimated to contribute around 5–10bps through higher business energy costs, with a further 5–10bps added to headline inflation through household electricity bills.

Disinflation hinges on whether capacity and productivity can ease build-out bottlenecks.

We expect demand pressures to persist in the coming years as new power supply is still working through a substantial development and interconnection backlog. Over the medium term, however, we see some scope for these pressures to ease as new capacity gradually comes online. Once new power generation, data centres and industrial capacity come onstream, the resulting increase in energy, compute and production capacity should gradually ease bottlenecks and lower unit costs. The key uncertainty is the speed and scale of this supply response. If capacity expands much faster than demand, today's shortages could give way to excess capacity and disinflation that is stronger than expected. In contrast, grid and permitting constraints, domestic politics, labour shortages or greater geo-economic fragmentation could delay new capacity, keeping supply bottlenecks and cost pressures elevated for longer.

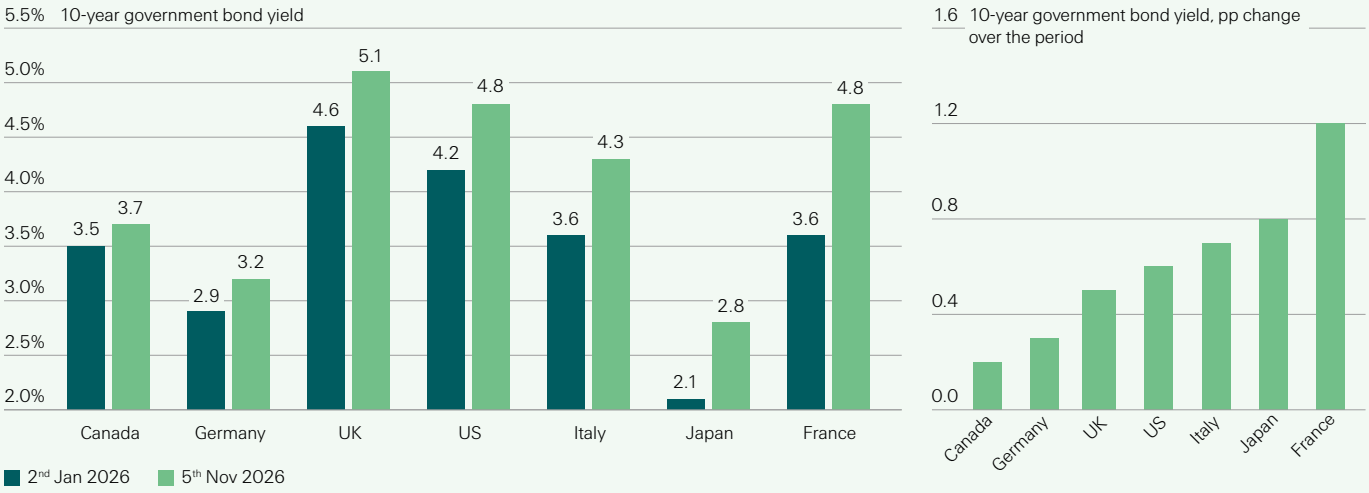
Higher interest rates may test the narrow foundations of growth

Government bond yields rose sharply in 2026 and are unlikely to return to 2010s lows.

The higher-cost economy extends to capital itself, with long-dated sovereign bond yields across advanced economies rising sharply over 2026 (Figure 7). This reflects several factors: tighter monetary policy, strong investment demand, steady nominal growth, and heavy government borrowing, which are together pushing up borrowing costs in both the near and longer term. We expect G7 policy rates to remain elevated through much of 2027 as central banks deliver further policy tightening before gradually easing in 2028 once inflation pressures recede. Long-term yields, however, are unlikely to return to the exceptionally low levels of the 2010s.

[18] *Producer price index percent changes for selected commodity groupings by Final Demand- Intermediate Demand category, seasonally adjusted,* US Bureau of Labor statistics, 2026.
[19] *The Impact of AI Demand on Inflation,* Goldman Sachs, 13 October 2026.

Figure 7
10-year government bond yields have risen substantially since the start of the year



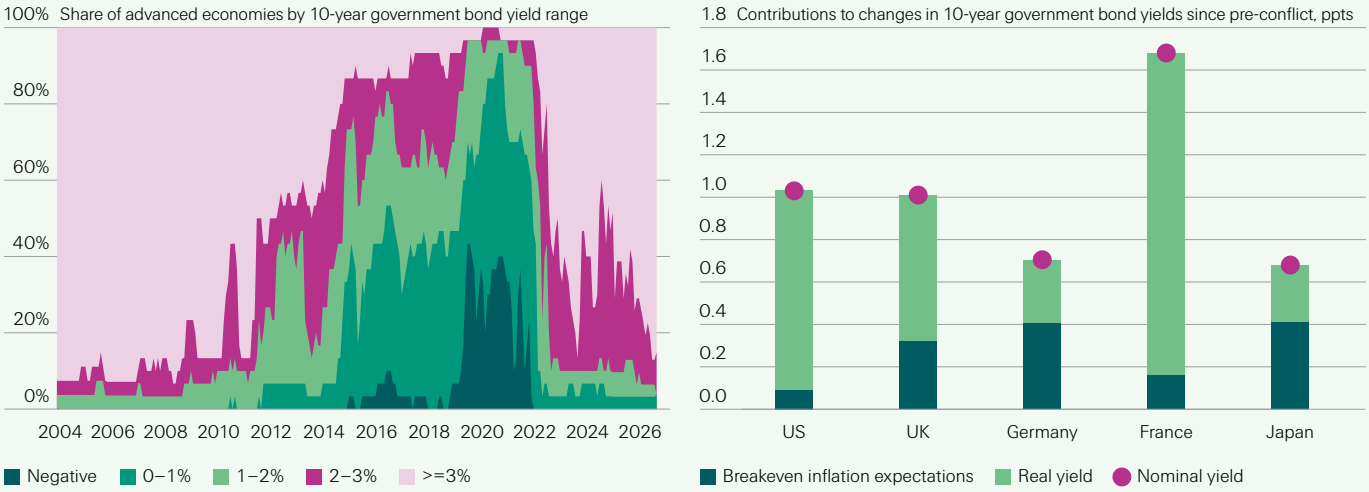
Source: Macrobond, Swiss Re Institute

Higher governement bond yields reflect a structural repricing of capital, not just the policy cycle.

Higher sovereign bond yields reflect a structural repricing of capital

The rise in yields reflects more than the current monetary policy cycle. Several conditions that made capital exceptionally cheap in the 2010s are reversing: inflation is running higher than before the pandemic, private investment demand has strengthened, sovereign financing needs are larger, central banks are absorbing less duration and private investors are being asked to hold more government debt. The result is a higher clearing price for long-term capital, even though the contribution from expected policy rates, inflation compensation and risk premia differs across markets (Figure 8).

Figure 8
A majority of advanced economy 10-year yields are above 3% (left); the rise in long-dated government bond yields has been driven by real yields (right)



Note: Monthly average yields are considered. Ranges include the lower bound and exclude the upper bound. Last data as of October 2026.
Source: Macrobond, Swiss Re Institute

Yields as of 01.10.2026. Pre-conflict date: 27.02.2026.
Source: Macrobond, Swiss Re Institute

The US bond yield rise reflects higher real rates, though heavy issuance may keep rates structurally higher.

In the US, the 2026 rise in bond yields mainly reflected higher real rates as markets priced in a higher expected policy path. Long-run inflation expectations remain comparatively stable, and our estimates show little evidence that a material increase in sovereign-risk premia has driven the latest moves in markets. Large fiscal deficits and Treasury issuance nevertheless matter structurally: by increasing the supply of duration that private investors must absorb, they are likely contributing to a higher longer-run clearing rate than in the previous decade.

Europe faces structural bond yield pressure and growing political risk, with spreads widening in France and Italy.

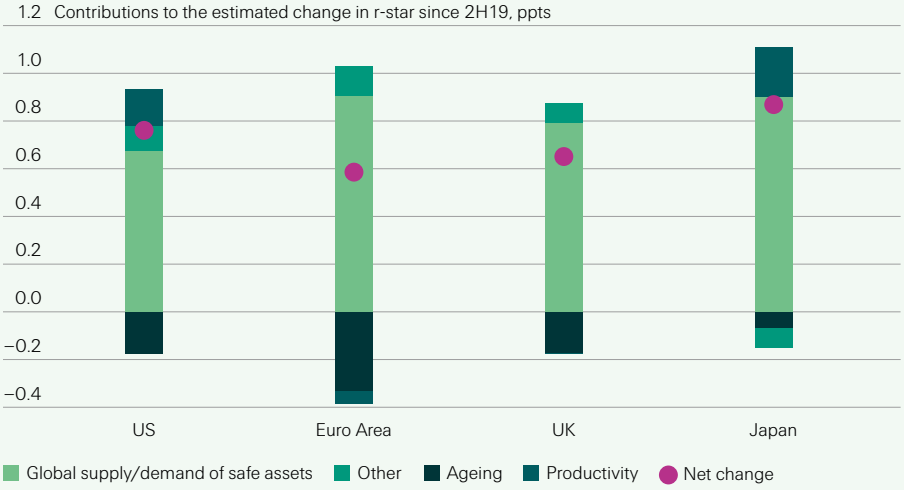
In the EU, similar structural pressures on yields are compounded by a more pronounced divergence in sovereign risk across countries, with the forthcoming wave of elections in 2027 potentially adding more volatility and fuelling debate on whether the European Central Bank (ECB) may need to intervene in bond markets. Greater defence and infrastructure investment, larger sovereign issuance and quantitative tightening are shaping the demand for capital and the supply of government debt. Germany's fiscal shift is particularly important because it increases the supply of a benchmark safe asset that was unusually scarce in the low-rate era. In France, however, the widening of the spread against German bond yields reflects growing investor concerns about the fiscal and political outlook. Some stress is also spilling over to Italian bonds given the country's combination of fading cyclical strength, renewed political uncertainty and high debt.

Neutral rates have risen, but explain only part of the repricing

Higher neutral rates are one reason behind the repricing of long-term yields.

The next question is how much of the increase in real yields reflects a higher equilibrium interest rate rather than additional compensation for policy, fiscal or duration risk. Estimates of the neutral rate (r*), the interest rate at which the economy can grow at its full potential without pushing inflation higher or lower, have risen since the pandemic (Figure 9), but not enough to explain the full increase in market real yields. That distinction matters because a productivity-driven rise in r* would be relatively benign, given that borrowing costs would rise alongside stronger prospective output and cash flows. A rise in yields driven instead by term, fiscal or institutional risk is more restrictive because financing and discount rates increase without a corresponding improvement in debt-servicing capacity.

Figure 9
r* has risen since the COVID-19 pandemic



Global supply/demand of safe assets includes contributions from global spillovers and the convenience yield.
Source: Ferreira and Shousha (2023), updated to 2H26; Swiss Re Institute

Neutral rates have risen in the US, euro area and Japan, but for different reasons.

In the US, strong investment and expectations of future AI-driven productivity provide a plausible channel for r* to rise before those gains fully appear in measured output. In the euro area, greater investment and a larger supply of safe government debt also point to a somewhat higher neutral rate, although weaker productivity and ageing remain offsets. Japan has seen one of the largest increases in estimated r*, from its exceptionally low 2020 starting point, although its more important regime shift remains nominal as sustained inflation and firmer wages lift rates away from the zero-rate era.

The impact of higher interest rates is affecting segments of the economy unevenly.

The breaking point is a refinancing process, not a level

We do not interpret the global economy's ability to absorb higher rates thus far as evidence that interest rates matter less. Rather, it reflects where growth is coming from and which balance sheets are paying today's market rates. The main supports of the current expansion (cash-rich technology investment, public spending and demand from asset-rich households) are relatively insulated from the marginal cost of borrowing. However, vulnerabilities are emerging even within these areas. Large technology firms previously funded AI investment largely through internal cash flows, but debt financing has accelerated since H2 2026. Smaller, debt-dependent infrastructure providers face greater exposure to rising financing costs and uncertain returns. Outside these areas, new homebuyers, commercial property and other leveraged borrowers are already more exposed. Higher rates are therefore narrowing the set of balance sheets able to sustain growth rather than materially reducing aggregate activity.

Higher rates become restrictive when debt reprices faster than income and cash flows.

No single sovereign bond yield level would end the economic expansion. Stress emerges when borrowing costs reset faster than the cash flows supporting them. The transmission of higher rates therefore depends less on the headline yield level than on debt structure, maturity, leverage and interest coverage in different parts of the economy. Because much of the outstanding debt stock was locked in before interest rates rose, the sharp increase in borrowing costs has so far produced little aggregate stress.

Lower-rated firms face the next squeeze as refinancing needs rise in 2027–28.

Instead, higher interest rates will continue to move gradually through the economy by financing structure and debt vintage (Table 2). Lower-rated companies are the next meaningful pressure point. Moody's estimates that nearly USD 2 trillion of speculative-grade debt and loans will reach maturity over the next five years, with USD 438 billion due by end-2028 – a 31% increase from a year earlier[20]. Much of this debt still carries coupons set before rates rose, meaning borrowers will increasingly have to refinance at today's higher yields. By contrast, investment-grade companies, sovereigns and existing US mortgage borrowers face much slower pass-through because their liabilities are longer-dated or fixed-rate.

[20] *Speculative-Grade Refinancing Risk (2027–2031) — US: Maturities about flat at $1.92 trillion; 2028 maturities down, but still pose default risk*, Moody's Ratings, 15 October 2026.

Table 2
Higher rates are transmitting at very different speeds across US balance sheets

	Sector	Rate/refinancing outlook	Transmission mechanism	Timing	
Most sensitive	**Private credit**	Floating-rate debt means most of the higher-rate shock has already passed through. Illustrative all-in borrowing costs remain close to 9%, while leverage and interest coverage are weaker than in public credit.	Higher base rates feed directly into debt service. Amendments, PIK interest and maturity extensions can delay recognition of stress, but do not remove the underlying cash-flow burden.	Already transmitted; stress is elevated in pockets.	
	Leveraged loans	Floating-rate structures have also repriced rapidly. Debt-service burdens are elevated, although average interest coverage remains stronger than in private credit.	Limited remaining coupon reset; vulnerability increasingly depends on earnings, refinancing capacity and principal repayment rather than further rate transmission.	Already transmitted, but better buffers than PC.	
	Commercial real estate	Around USD 875bn, or 17% of outstanding commercial mortgages, matures in 2026 and another USD 652bn in 2027.	Predominantly fixed-rate loans reprice at discrete refinancing events, often after collateral values and NOI have changed materially from origination.	Most acute fixed-rate refinancing problem now/2026–27.	
	Lower-rated corporates	Much of the maturity wall has been extended, but refinancing needs for weaker speculative-grade issuers rise materially into 2027–28.	Fixed-rate bonds slow initial transmission; higher borrowing costs emerge mainly when debt matures or is refinanced.	Next wave: 2027–28, concentrated in weakest issuers.	
	IG corporates	Long maturities and strong market access continue to cushion the reset in borrowing costs. The effective cost of the debt stock therefore rises only gradually as old debt is replaced.	Refinancing is spread over time and generally occurs from stronger balance-sheet positions than in speculative-grade credit.	Later and manageable in aggregate.	
	US government	Treasury borrowing costs remain above the average coupon on the outstanding debt stock, while large gross refinancing needs ensure continued repricing over time.	Constant rollover gradually lifts effective interest expense; this is a fiscal-crowding-out/term-premium problem rather than conventional refinancing default risk.	Slow burn, persistent rather than sudden.	
Least sensitive	**Households**	The mortgage stock remains heavily insulated: more than 95% of outstanding mortgages are fixed-rate, and about 78% still carry rates below 6% in Q2 2026. The average outstanding mortgage rate has risen only gradually to around 4.4%, from much lower post-pandemic levels.	Higher rates primarily affect new buyers, movers and refinancing households rather than the existing borrower stock. The lock-in effect therefore suppresses housing turnover and affordability before materially raising aggregate household debt service.	Last for household debt service; already biting housing activity.	

Note: The table illustrates how higher market rates transmit to existing debt stocks across sectors in the US, based on financing structure, maturity profile, current borrowing costs and balance sheet buffers. Red indicates sectors where higher rates have already transmitted materially; dark orange indicates sectors where refinancing pressure is building or concentrated in the next few years; light orange indicates slower, more gradual pass-through that remains manageable in aggregate; green indicates sectors where pass-through remains comparatively limited or delayed.
Sources: Federal Reserve, MBA, Swiss Re Institute

Our baseline is for credit stress to remain concentrated rather than systemic.

We therefore expect a rolling deterioration in pockets of credit rather than a synchronised balance-sheet shock. Aggregate resilience can persist even as refinancing stress builds underneath it. Wider economic risks will mount if these isolated pressure points begin to interact, particularly if weaker cash flows or falling asset prices coincide with a broader wave of refinancing.

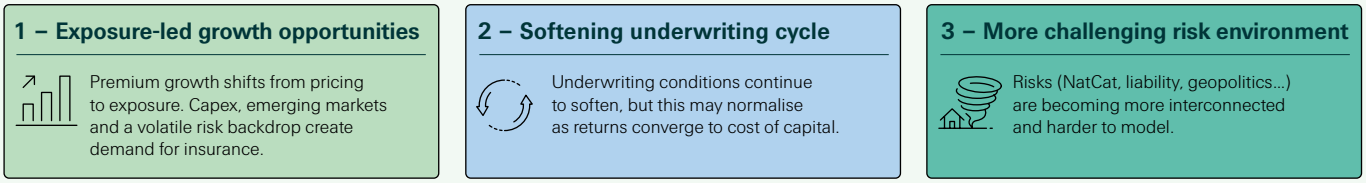
Non-life primary insurance

Real non-life premium growth is likely to have bottomed out at 0.5% in 2026. We expect it to recover to 1.0% in 2027 and 2.0% in 2028, driven primarily by exposure growth as pricing remains soft. AI-related capex is raising demand for selected commercial and specialty lines, while emerging markets add growth as their economies expand and insurance penetration rises. Personal lines should prove resilient and private health insurance, supported by ageing populations and rising medical costs, should continue to grow. Meanwhile, the P&C underwriting cycle is softening. Benign large losses in 2026, reserve releases and higher investment yields support profitability and sustain competition even as margins on renewed business deteriorate. We expect aggregate return on equity (RoE) to fall to 10.3% in 2027 and converge towards the cost of capital over the medium term. Although the preceding hard market boosted industry capital, the underwriting cycle will depend on three factors: demand for insurance, investment returns and how much capacity insurers are willing to deploy. With risks becoming more correlated and interconnected, insurers are likely to be more selective.

Non-life profitability remains resilient, while premium growth should gradually improve.

The non-life primary insurance outlook remains positive, shaped by three key themes. First, premium growth is becoming more exposure-led as AI-related capex and emerging markets expand the pool of insurable assets, while ageing populations and healthcare inflation support demand for health insurance. Second, the P&C underwriting cycle is likely to remain soft in aggregate but become increasingly fragmented, with stronger competition for risks with favourable loss experience and more selective capacity where loss trends are more uncertain. Third, risks are becoming more complex, as asset concentration and supply-chain interdependencies increase exposure to natural catastrophes, cyber and liability losses. These pressures could limit how far pricing and terms can soften, even in a market with abundant capital.

Figure 10
Key themes shaping the non-life insurance outlook



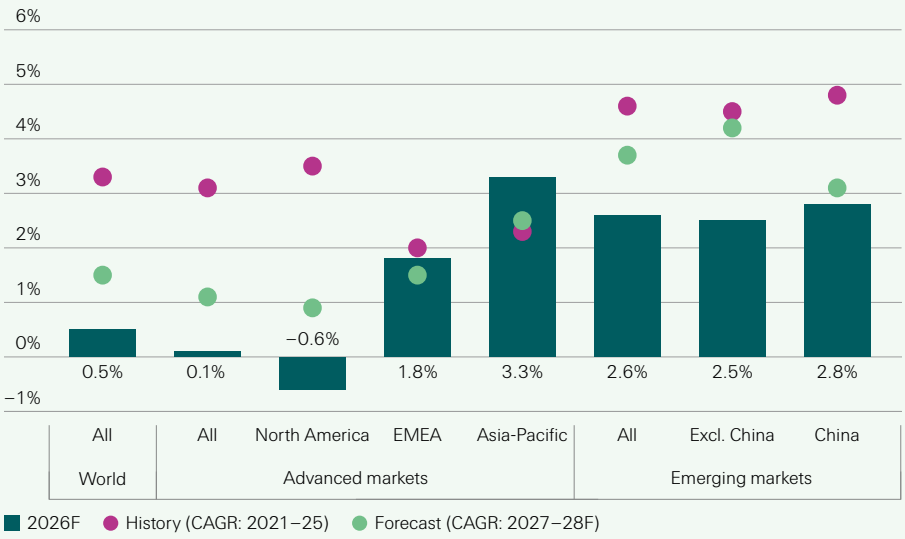
Source: Swiss Re Institute

Growth opportunities: exposure-led premium recovery

Capex-led exposure growth to drive the non-life premium recovery over 2027–28.

Global non-life premium growth is expected to bottom at 0.5% in real terms in 2026, around 2 ppts below real GDP growth, as intensifying competition and softer pricing weigh on premium growth. We forecast growth to pick up gradually to 1.0% in 2027 and 2.0% in 2028, supported by expanding exposures. In nominal terms, non-life premiums are estimated to grow by 4.7% in 2026, 3.6% in 2027 and 4.2% in 2028. The current AI-driven capex boom is expected to create new commercial risk pools, but its capital-intensive nature limits the pass-through to household income and personal lines demand. Growth is therefore diverging across lines, with demand for insurance rising faster in commercial property, engineering and specialty than in personal lines such as motor (see Table 4). It will also vary across regions, with emerging markets (3.7%) projected to outpace advanced markets (1.1%) over 2027–28.

Figure 11
Non-life insurance real premium growth, by region (2026 values shown next to the bars)



Source: Swiss Re Institute

Data centres and renewable energy investments to create ~USD 200 billion in cumulative premiums by 2030.

AI-related capex and resilient demand support premium growth

The investment super-cycle creates a dual opportunity for insurers: more assets to insure and evolving risks around those assets that require protection (see Table 3). Capital-intensive investment in AI and related digital infrastructure, advanced manufacturing, energy and other strategic industries is creating new pools of insurable assets, with demand extending from commercial property and engineering to liability and specialty lines. The Swiss Re Institute estimates that AI data centres and renewable energy alone could generate around USD 200 billion in new premiums cumulatively over 2026–30. In some sectors, growing concentrations of high-value assets and emerging risks are broadening the scope and complexity of commercial and specialty coverage.[21] Personal lines should also provide an additional source of resilience as demand is less sensitive to economic shocks.

Table 3
New investment areas are reshaping the P&C risk pool

New risk pool	Insurable assets	Emerging risk exposures	Most directly affected P&C lines
AI, semiconductors and digital infrastructure	Specialised semiconductor fabrication equipment, data centres, servers, cooling systems.	Power/cooling failure, supply-chain concentration, cloud dependency, cyber risks.	Property, engineering, cyber, business interruption (BI), product liability, professional liability.
Renewables	Solar/wind assets, turbines, panels and associated equipment.	Weather/NatCat exposure, equipment failure, operational/technology risks.	Engineering, property, marine cargo, construction, BI.
Power networks, storage & electrification	Transmission and distribution grids, transformers, battery energy storage and electric vehicle (EV) charging infrastructure.	Grid outages, thermal runaway/fire, equipment failure, cyber risks.	Property, engineering, product liability, construction, BI.
Electric & autonomous mobility	EVs & autonomous vehicles, sensors, software and connected systems.	Technology/product failure, software malfunction, liability shifting towards manufacturers and technology providers.	Product liability, motor, cyber, engineering.

Source: Swiss Re Institute

[21] See *sigma 3/2026* – Time to Build: expanding the frontier of insurability for the capex super-cycle, Swiss Re Institute, 5 September 2026.

Emerging market growth outpaces advanced markets

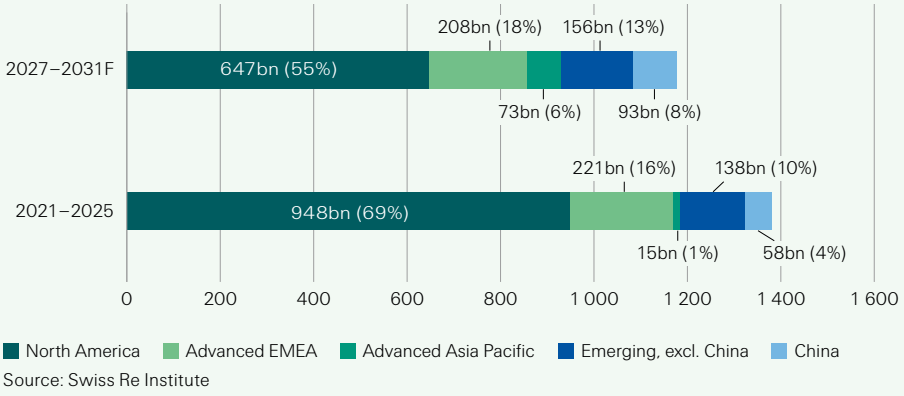
Advanced market growth to recover gradually in 2027–28, with US growth turning positive.

In emerging markets, the Swiss Re Institute expects real non-life premium growth to strengthen to 3.7% in 2027–28, from 2.6% in 2026, driven by robust economic growth and potential for market expansion. Divergence across markets and lines of business is widening, reflecting different degrees of progress in insurance penetration and economic growth. In advanced markets, real premium growth is estimated to recover marginally to 0.6% in 2027, from a near two-decade low of 0.1% in 2026, before strengthening to 1.7% in 2028. The pricing-led slowdown is most pronounced in the US, where real premiums are expected to contract by 0.7% in 2026 before recovering modestly to 0.8% in 2027–28 (CAGR 2021–2025: 3.5%). This mainly reflects competitive P&C pricing, ample capacity and weaker health premium growth following the expiry of enhanced Affordable Care Act subsidies.

North America's share in global premium growth will decline while advanced Asia Pacific's will rise.

In nominal terms, global non-life premiums are expected to reach around USD 5 trillion in 2027, with advanced markets accounting for 85% of the total. However, their share of additional global premiums will decline in the coming years. North America's share of incremental non-life premiums is projected to decline to 55% of the USD 1.2 trillion increase over 2027–2031, from 69% in 2021–25, although it will remain the largest contributor to global premium growth (see Figure 12). Advanced Asia Pacific's share is expected to rise to 6%, from 1%[22], supported by South Korea's return towards trend growth and steady expansion in Japan. Emerging markets' share of new premiums will rise to 21%, from 14%. China's share is expected to double to 8%, as industrial upgrading and high-tech investment support commercial lines alongside slower but steady growth in traditional lines such as motor and agriculture. Other emerging markets, led by India, should maintain strong growth momentum.

Figure 12
Non-life insurance: forecast additional premiums 2027–2031F compared to 2021–25 (USD billion)



Source: Swiss Re Institute

Growth diverges across lines of business as rates soften

Commercial property and personal motor face the sharpest near-term slowdown.

Non-life market dynamics are becoming more differentiated across lines of business due to the interplay of pricing and exposure trends (see Table 4). Within P&C, commercial property and personal motor face the sharpest slowdown in the near term as rate declines outweigh exposure growth. Commercial property is broadly softening, while personal motor trends are more fragmented, with softening in the US and continental Europe contrasting with a pricing recovery in the UK and structural headwinds in Asia. Homeowners and commercial motor growth will likely moderate through 2027–28, as competition builds and pricing momentum fades.

Liability outperforms in the near term while rising capex expands opportunities.

Evolving litigation trends, especially in parts of Europe, could broaden casualty pricing pressures beyond the US and further drive liability premium growth (see section *Liability excess inflation adds to the challenging risk environment*). Specialty growth remains modest amid competitive pricing, with selective strength in areas that have had large recent losses such as political violence and US aviation. Over the medium term, rising capex raises demand for cover across commercial property, engineering, marine cargo, and credit & surety.

[22] The increase in advanced Asia Pacific's share is largely attributable to adverse currency movements during 2021–25, which reduced premiums in USD terms, rather than a sharp rise in underlying insurance demand.

Despite weakness in the US, health remains the largest contributor to non-life growth.

Private health, which accounts for around 48% of non-life premiums, is predominantly shaped by structural demand and loss-cost trends rather than shifts in the pricing cycle. Although near-term growth is constrained by policy headwinds in the US, the largest health market, we maintain a positive outlook for the sector given structural growth drivers such as ageing populations, rising pharmaceutical costs and advances in medical technology. We expect health to remain more resilient than P&C and to be the largest contributor to non-life premium growth, accounting for around 0.8 ppts of the projected 1.5% real growth over 2027–28.

Table 4
Global real non-life premium growth by lines of business (LoB)

Line of business	CAGR 2016–2025*	2026F	CAGR 2027–2028F
Non-life	**3.4%**	**0.5%**	**1.5%**
Health	**4.1%**	**0.8%**	**1.7%**
P&C	**2.8%**	**0.2%**	**1.3%**
Commercial	2.9%	0.5%	1.7%
Personal	3.2%	−0.3%	0.9%
P&C by LoB:			
Property	3.9%	1.0%	1.3%
Motor	2.7%	−0.8%	0.5%
Liability	3.9%	1.6%	2.7%

Note: *The long-term trend in real growth (2016–25) remains largely unchanged when the COVID years (2020–21) are excluded.
Source: Swiss Re Institute

Underwriting cycle: Soft market deepens as strong profitability sustains pricing pressure

The P&C underwriting cycle is expected to weaken further.

The P&C underwriting cycle is expected to weaken further through 2027, although unevenly across lines. Strong reported profitability, abundant capital and lower reinsurance costs are likely to sustain soft conditions, even as margins on underlying new business continue to deteriorate. We forecast industry-wide underwriting margins to slide from 4.4% of premiums earned in 2026 to 1.7% in 2027, and to barely above 0% in 2028. This would be roughly in line with the 2016–2022 average during the last global soft cycle. For now, higher investment income, favourable reserve development and below-trend catastrophe losses are masking the effect of pricing on overall profitability (see Table 5).

The profitability cushion will gradually erode, slowing the price decline.

This cushion may not last much longer as softer prices earn through portfolios, reserve support weakens and catastrophe losses revert towards trend. At the same time, claims severity pressures will persist given a volatile risk backdrop. Inflation in insurance-relevant categories, such as construction costs and medical treatment, is running above headline CPI inflation (see section *Insurance claims inflation will remain stickier than household inflation*). The soft market may persist in the near term but underwriting conditions should gradually stabilise as industry RoE slides towards the cost of capital.

Table 5
Dynamics of the current underwriting cycle

Cycle dynamics	Current trend	Trend outlook (next 2–3 years)	Comments
Underwriting profitability of new business	Declining.	Further deterioration is likely as lower prices on new business feed into earnings with a lag.	Prior rate increases, low cat losses and reserve releases masking underwriting profit erosion.
Claims uncertainty	Model and parameter uncertainties elevated and broadening.	Claims costs are more volatile and follow different trends than headline CPI.	Sticky repair, rebuilding and medical cost inflation. Impact of repeated supply shocks. Liability excess inflation intensifies.
Cat losses	Benign 1H26 relative to trend, low North Atlantic hurricane activity.	Inflation-adjusted insured loss growth at 5–7%.	Structurally higher due to exposure growth in hazard-prone areas. Peak loss potential ~USD 320bn in 2026.
Reserve releases	Reserve releases supporting earnings.	Tailwinds may fade as loss ratios rise and IBNR cushions weaken.	Current benefits come mostly through short-tail lines, while casualty is deficient.
Investment income	Improving, due to higher reinvestment yields compared with yields on maturing assets.	Medium- and long-term yields to stay near current levels.	Investment income lags changes in interest rates.
Overall direction of pricing	↓	↘	

Source: Swiss Re Institute

Interest rates shape the long-term cycle, but underwriting fundamentals are the primary driver in the short term.

Higher investment yields cushion underwriting deterioration

Interest rates have historically shaped P&C underwriting cycles over the long term. Underwriting results are more volatile in the short term as prices, catastrophe losses and reserve developments can move profitability sharply from year to year. Interest rates affect overall profitability more slowly: higher rates increase claims discounting relatively quickly, while investment income rises gradually as fixed-income portfolios are reinvested at higher yields. Over time, this can allow insurers to absorb higher combined ratios and potentially prolong soft markets while preserving the bottom line. By contrast, when interest rates are low, stronger underwriting margins are needed to meet return targets.

Higher investment yields provide a meaningful, but not dominant, cushion to underwriting profitability.

Higher interest rates have a clear positive impact and can partly offset underwriting margin pressures. P&C insurers have liability durations of 2–5 years on average and tend to hold asset portfolios with a matching duration.[23] Based on the US P&C industry's 2025 asset leverage, we estimate that a 100bp increase in interest rates, once fully reflected in portfolio yields, raises RoE by around 2 ppts. Equivalently, this would allow the combined ratio to deteriorate by around 2.5 points with no change in RoE. The effect materialises gradually as assets mature and are reinvested, cushioning the profitability effect of a softening cycle.

Investment income remains attractive due to long-term bond yields.

The current macroeconomic regime is consistent with higher equilibrium long-term bond yields compared to the 2010s (see section *Higher interest rates will test the narrow foundations of growth*). We therefore expect the P&C industry's investment results to reach 11.5% as a share of premiums earned in 2027–28, compared to 11.1% in 2026 and 10% in the decade before COVID-19. This delays the point at which weak underwriting margins on renewed business become apparent in RoE. In this environment, the cost of capital, the benchmark for insurance profitability, also rises, but the net benefit is positive given P&C insurers' relatively high asset leverage.[24]

Profitability outlook: strong for now but converging towards the cost of capital

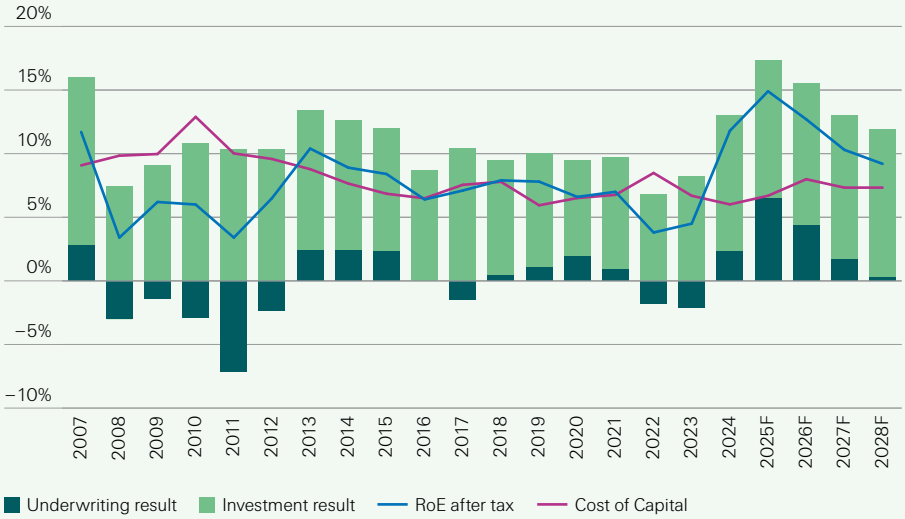
Non-life RoE to converge towards the cost of capital as underwriting margins deteriorate.

The deterioration in underwriting conditions will feed through to overall profitability, offsetting the support from investment income. We forecast industry RoE to ease to 10.3% in 2027, still above the historical cross-cycle (2016–2025) average of 7.8% but fading towards the cost of capital of around 7.3% that investors expect over the medium term (see Figure 13). Indeed, profits above the cost of capital are difficult to sustain as competitive pressures increase and pricing softens. RoE outperformance of 2024–26 reflects underwriting and investment conditions being simultaneously favourable.

[23] Industry-wide durations are hard to estimate. Chubb, a representative international P&C insurer, reported that the average expected duration of its P&C liabilities in 2023 was 3.9 years, and that the average duration of the fixed income assets was 4.8 years. Chubb Limited Annual Report 2023, Chubb, 23 February 2024.
[24] This was analysed more in depth in *Sigma 4/2023* – Raising the bar: non-life insurance in a higher-risk, higher-return world, Swiss Re Institute, 8 September 2023.

As excess returns narrow or turn negative, insurers may become more selective in deploying capacity, eventually reinforcing stable underwriting conditions.

Figure 13
Profitability of seven major non-life markets



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

US peak profitability fades as pricing softens.

The moderation in non-life profitability will be uneven across markets in 2027, reflecting differences in pricing trends and investment results. In the US, underlying profitability is likely to decline but remain strong, supported by lower catastrophe losses than a year earlier and stronger reserve releases. In Germany, we estimate profitability will remain close to its long-term average (2015–2025: 7.3%) in 2027, but softer pricing after very high profits in 2025–26 will intensify margin pressure. In Italy and Australia, profitability is expected to weaken only gradually, with strong investment results cushioning lower underwriting margins. Japan should continue to benefit from investment tailwinds, driven by higher reinvestment yields and the ongoing unwinding of strategic equity holdings. In China, profitability is expected to remain broadly stable, as improved expense discipline and risk selection offset pricing and claims pressures.

More capital does not always lead to more underwriting capacity

Capital is currently abundant but this has to be distinguished from capacity.

P&C insurance capital has become relatively more abundant since 2024, contributing to greater competition and softening prices. Retained earnings from recent strong profits have been the main driver of capital accumulation, with external capital entering parts of the market playing a smaller role. However, capital and capacity are different things. Capital is the financial resources available on insurers' balance sheets, while capacity is how much of that capital insurers are willing to deploy for underwriting risks. Capacity depends on the risk-return profile of insurable risk pools. US soft markets before 2000 show that strong investment earnings and in some periods reserve releases can allow weak underwriting to persist even with relatively moderate capital levels.

Capital has become less predictive of when the market turns.

In cycles after 2000, the timing of the market turn has depended less on the amount of capital available and more on whether individual risks earn an adequate underwriting return. Capital levels have also risen over time, reflecting regulatory requirements and higher exposures. During recent soft cycles, lower yields reduced the investment cushion although favourable reserve development continued to support reported profitability. Hence, commercial pricing began to harden in 2018–19, despite higher capital than in the past, as property losses accumulated and casualty margins deteriorated.

Rising uncertainty around risks can trigger capacity withdrawal without capital destruction.

The 2019–2023 hardening reinforced that shift as the cycle was not triggered by a single capital-destroying shock such as 9/11 or the mid-1980s liability crisis. Instead, a sequence of pressures (liability excess inflation, repeated secondary-peril losses, COVID-related uncertainty, macroeconomic inflation and the reinsurance reset after Hurricane Ian in 2022) progressively undermined risk-adjusted underwriting returns. Underwriting capacity became more selective as a result. Looking forward, the current soft cycle may therefore be shallower and more fragmented across lines even as capital seems plentiful. This creates pockets in which pricing and growth can diverge from the broader soft market.

Complex, interconnected risks are pressuring capacity

Risks are becoming more interconnected, concentrated and difficult to diversify.

The global risk landscape is becoming more complex as exposure growth compounds uncertain and increasingly interdependent risks. The global capital expenditure boom in energy, AI and strategic industries illustrates this.[25] The P&C risk environment in particular is becoming more difficult to price and diversify, even when aggregate capital is abundant. Sources of complexity include shared network and supply chain dependencies, correlations across sectors and geographies, high potential loss severity and modelling uncertainty (see Table 6). This has important implications for risk management and underwriting, as loss distributions become wider and it becomes harder to predict how losses propagate across risks.

Evolving natural catastrophes, liability and cyber risks are widening the range of potential losses.

Structural developments in natural disasters and liability excess inflation reflect changing risk dynamics (see section *Risks are becoming broader and more interconnected*). Growing exposures in natural catastrophe-prone areas, together with climate-related changes in certain weather hazards are contributing to a more complex risk assessment environment. Liability excess inflation is raising claims costs, particularly in the US, with emerging signs of pressure in other markets. At the same time, cyber risks, geopolitical fragmentation and growing concentrations of high-value assets are creating new sources of accumulation and potential large losses.

The changing nature of risk can impact the underwriting cycle.

Changing risk matters particularly at this stage of the underwriting cycle when competition is strong. As uncertainty increases, insurers may require higher technical margins, reduce line sizes, raise deductibles and attachment points, impose sublimits or tighten coverage definitions, even when aggregate industry capital remains abundant. The effective price of risk can therefore stop falling before industry capital becomes scarce.

Table 6
Changes in risk characteristics and insurance implications

Risk characteristic	What has changed	P&C implication
Concentration and common dependencies	More exposure depends on shared infrastructure, cloud, power, semiconductors, and supply chains.	Higher accumulation and contingent business interruption (CBI) risk; capacity may become more selective.
Modelling uncertainty	Natural catastrophes, cyber, AI, and other emerging risks are evolving faster than historical loss data.	Wider loss distributions, higher technical margins, and greater reserve uncertainty.
Correlation and diversification	Shocks can affect multiple sectors, regions, and lines of business simultaneously.	Reduced diversification benefits and potentially higher capital requirements.
Loss severity and liability	Higher asset values, increasing reliance on complex technologies, and changing liability regimes raise potential loss severity.	Greater claims volatility and more selective underwriting capacity.

Source: Swiss Re Institute

[25] See more in *sigma* 3/2026 – Time to build: expanding the frontier of insurability, Swiss Re Institute, 5 September 2026.

Model uncertainty is increasing as secondary peril losses rise

Rising secondary-peril losses and model uncertainty can constrain deployable capacity.

A growing share of insured natural catastrophe losses comes from fast-growing secondary perils, particularly wildfire and severe convective storms (SCS), for which model uncertainty remains comparatively high. As hazards evolve and exposures expand, this adds complexity to assessing expected losses, tail risk and diversification benefits, with implications for underwriting, pricing and accumulation management. Consequently, abundant aggregate capital does not necessarily translate into readily deployable capacity, particularly for risks where uncertainty around potential loss outcomes remains elevated.[26]

Less mature models and evolving hazards increase uncertainty around wildfire and SCS risk.

Risk modelling for wildfire and SCS generally remains less mature than for primary perils such as hurricanes and earthquakes. These perils are more localised, less consistently observed and more sensitive to short-term environmental conditions. Wildfire risk is further complicated by human activity, with many ignitions linked to human behaviour or infrastructure failures. At the same time, weather conditions in parts of the US and Europe appear to be becoming more conducive to SCS.[27]

Heat and drought also contribute to model uncertainty and risk accumulations.

Heat and drought also contribute to model uncertainty and risk accumulation. As average temperatures rise, heatwaves are becoming more frequent, longer-lasting and more intense across many regions. Much of Europe experienced exceptional heat and dry conditions during the summer of 2026.[28] Successive heatwaves affected the continent from May to September, while persistent rainfall deficits depleted soil moisture and pushed drought conditions to critical levels across large parts of western and central Europe. Prolonged heat exposure can adversely affect health, infrastructure, ecosystems and labour productivity, with the extent of impacts varying across regions and sectors. It can also increase energy demand, reduce water availability, lower agricultural yields, disrupt transport networks and raise operating costs. Taken together, these effects can weigh on economic activity and productivity well beyond individual heatwave events.

Heat creates broad, correlated losses that are harder to insure, potentially widening the protection gap.

For insurers, heat risk therefore extends beyond property damage into life and health, agriculture, business interruption, casualty and liability. Many losses are indirect, diffuse and correlated, making them difficult to attribute and to insure at scale. These characteristics may limit the extent to which certain heat-related losses can be covered by existing insurance products and could create additional challenges in narrowing protection gaps.

Liability excess inflation adds to the challenging risk environment

Liability excess inflation further amplifies modelling uncertainty.

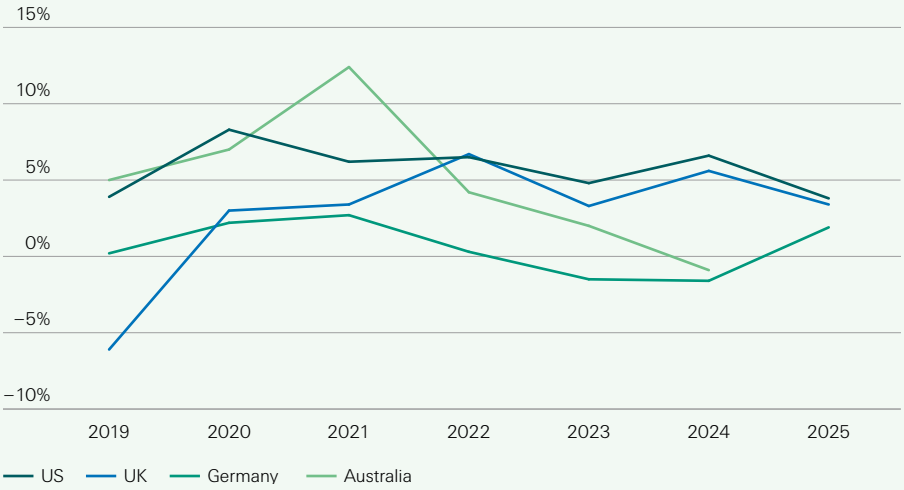
Liability excess inflation (LEI) presents another complex and uncertain risk to underwriters in addition to secondary natural catastrophe perils. LEI reflects shifts in litigation behaviour, the scope of liability, damage awards and other non-economic factors that are difficult to observe and quantify directly. Long development lags also mean deterioration may emerge only years after policies were written, and changes in these drivers can also affect multiple liability classes and categories of insured in parallel. LEI therefore adds to the modelling uncertainty, risk correlation and rising loss severity trends highlighted in Table 5.

The US remains the global epicentre of LEI despite recent tort reforms.

Trends differ across markets. In the US, non-economic factors contributed around 4 ppts to liability claims growth in 2025 (2021–25 average of 6 ppts). The 2025 value is down from around 6.5 ppts in 2024 and the lowest since 2019 (see Figure 14), possibly supported by reforms in Florida that reduced litigation. However, reforms remain fragmented across states and address only some drivers of LEI. Large verdicts, in particular, continue to rise: there were 190 corporate jury verdicts above USD 10 million in 2025, totalling USD 25.6 billion, 41% more than in 2024.[29] Structural features including jury trials, large non-economic damages and access to mass torts should therefore keep US liability claims pressure elevated.

[26] *sigma* 1/2026 – Natural catastrophes in 2025: the persistent rise of wildfire and storm risk, Swiss Re Institute, 19 March 2026.
[27] *Severe Convective Storms in a Changing Climate: Uncertainties in risk views across North America and Europe*, Journal of Catastrophe Risk and Resilience. August 2026.
[28] *European summer 2026: records, extremes and context*, Copernicus, 2 October 2026.
[29] *Corporate Verdicts Go Thermonuclear: 2026 Edition*, Marathon Strategies, 18 August 2026.

Figure 14
LEI readings in select markets, year-on-year



Source: Swiss Re Institute

LEI pressures are also broadening beyond the US.

Outside the US, LEI pressure seems to be broadening. In the EU, greater access to third-party litigation funding, the Representative Actions Directive and the new Product Liability Directive could raise liability claims over time.[30] This is not yet clearly visible in the data, barring a small uptick in the index for Germany in 2025. In the UK, LEI remained elevated at around 3.5 ppts in 2025 despite declining from 5.5 ppts in 2024. Reforms under consideration for litigation funding, collective redress and product liability could impact LEI with upside risks.

[30] *High UK liability claims growth could increase without balanced reforms*, Swiss Re Institute, 15 October 2026.

Life primary insurance

Life insurance is settling into a steady expansion in 2027–28 (CAGR: 2.1%) after strong growth in recent years (CAGR: 2021–25: 3.0%), driven by higher yields and annuity market growth. Ageing populations and accumulated retirement wealth are expanding opportunities in individual annuities and private pensions, while large pools of life insurance and retirement liabilities support growth in global risk-transfer activity. Demographic shifts are also reshaping protection needs, as mortality risk pools shrink in many advanced markets while longevity risk pools expand. Beyond the benefits of higher reinvestment yields, profitable growth will increasingly depend on insurers' ability to source suitable assets and manage capital efficiently. Tailored reinsurance structures can support these capabilities, strengthening insurers' competitiveness in originating new liabilities and creating value. The main risk to the outlook is a sharp financial market correction that could weaken retirement wealth and investment-linked demand, while government bond yield increases driven by macro-financial or fiscal stress could amplify lapse and liquidity risks.

Structural tailwinds support life insurance resilience, but macro-financial risks remain.

The global life insurance outlook is resilient, supported by demographic tailwinds and favourable government bond yields (see *Key themes*). Financial markets are both a strength and a risk for life insurers. Strong equity markets support retirement wealth and investment-linked demand, while higher long-term bond yields underpin savings demand and investment returns. However, a financial market correction would weaken these tailwinds. The benefits of bond higher yields also depend on their underlying drivers: increases reflecting stronger productivity and investment fundamentals are supportive, whereas those driven by rising fiscal or risk premia could ultimately amplify lapse, credit and liquidity risks (see *Key risks to the outlook*).

Figure 15
Key themes shaping the life insurance outlook



Source: Swiss Re Institute

Life premiums to grow by 2.1% in real terms, led by savings and annuities.

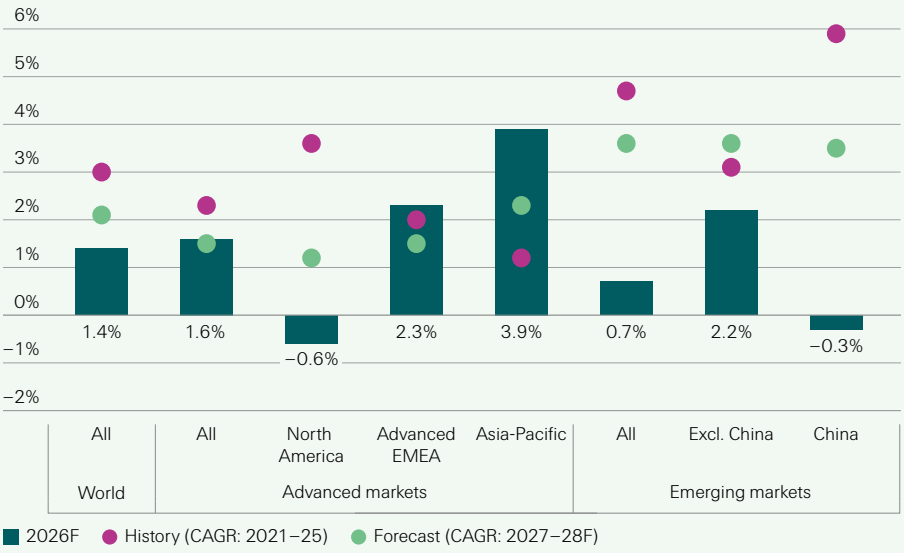
Premium growth outlook: steady growth as savings momentum normalises

Global life insurance premium growth is settling into a steady expansion after the strong momentum of recent years. We estimate global life premiums will grow by 1.4% in real terms in 2026, with major life markets such as the US and China showing broadly flat growth due to high base effects and the fading impact of earlier front-loaded sales. Subsequently, life premiums should grow by a steady 2.1% in 2027–28, below the historical trend (2021–25: 3.0%) (see Figure 16). Savings and annuity sales, increasingly investment-linked, should remain the key growth drivers globally.

Growth in advanced markets remains modest while emerging markets retain strong growth potential over 2027–28.

Across advanced markets, growth should remain modest in 2027–28, with North America returning to modest growth (1.2%), advanced EMEA remaining relatively resilient (1.5%) and advanced APAC growing faster (2.3%). Emerging markets retain strong growth potential, with life premiums forecast to grow 3.6% over 2027–28, driven by savings and scope for higher insurance penetration. China's growth will recover to 3.5% in 2027–28 driven by demand for long-term savings and retirement products, while India should grow faster than its historical trend (2027–28: 5.1% vs 2021–25: 4.3%).

Figure 16
Life insurance real premium growth rates by region (2026 values shown next to the bars)



Source: Swiss Re Institute

Global savings and protection premiums to grow by 2.2% and 1.9%, respectively, over 2027–28.

We forecast global savings premiums to grow by 2.2% in 2027–28, below the 2021–25 trend of 3.3%, and to remain the largest contributor to life premium growth (see *Decumulation tailwinds as retirement assets grow*). Protection premium growth should strengthen to 1.9%, above its 2021–25 trend of 1.5%, supported by growing demand in emerging markets. However, shrinking mortality risk pools in many advanced markets will keep protection growth contained (*Demographics reshape traditional protection tailwinds*).

Decumulation tailwinds as retirement assets grow

Ageing, longevity and accumulated retirement wealth are providing tailwinds to decumulation products.

Ageing and accumulated retirement wealth are reshaping the long-term structure of life insurance demand. In the near term, we expect life premiums in advanced markets to grow by around 1.5% in 2027–28, broadly in line with 1.6% in 2026. Growth tailwinds come from individual annuity sales, pension-risk transfers (PRT, or bulk annuities), workplace savings accumulation and private pension assets.

Annuity demand should remain strong, supported by attractive yields and growing retirement savings.

- **Individual annuities:** In the US, real premium growth is expected to recover from −0.6% in 2026 to around 1.2% in 2027–28, driven by base effects and supported by robust annuity sales. Quarterly annuity sales have exceeded USD 100bn for the past three years and should remain elevated, supported by attractive interest rates and rising policy churn. Higher yields underpin fixed annuity demand, while strong equity markets support registered index-linked annuities (RILAs) and variable annuities. In the UK, individual annuity demand should pick up on attractive rates and the growing pool of workplace savings. Pockets of individual annuity sales should also emerge in the Netherlands following pension reform.

Growing private retirement wealth is expanding the pool of assets for retirement-income products.

- **Private pension assets:** The accumulation of private retirement wealth is creating a growing pool of assets that can ultimately flow into retirement-income products. European economies lead this trend, with pension reforms in Germany, Italy and France incentivising private retirement saving and investment in capital markets (see Box: *Germany puts Europe's private pension shift into higher gear*).

Bulk annuity transfers remain a structural growth tailwind across key markets.

- **Bulk annuity transfers:** In the UK, we expect over GBP 400bn of bulk annuity transfers over the next decade. In the US, strong corporate pension funding levels continue to support the longer-term PRT pipeline, and we also expect near-term growth in the Netherlands and Japan.

European private pension and annuity inflows could exceed EUR 100bn annually by the early 2030s.

Germany puts Europe's private pension shift into higher gear

Across Europe, pension reforms are strengthening the role of funded supplementary and private retirement savings solutions. Reforms in major markets, including France's Plan d'Epargne Retraite, Germany's Riester reform and Italy's recent supplementary pension reform, aim to build up households' private retirement assets and broaden their participation in capital markets. By the early 2030s, we expect over EUR 100 bn in private pension and annuity inflows through life insurers in core European economies (see Figure 17, left). This shift reflects growing pressure on statutory pension systems from ageing populations and shrinking workforces, with fewer contributors per pensioner. Expanding capital-market-based retirement solutions, including unit-linked (UL) products, should support long-term household wealth accumulation while channelling long-term capital into productive investment (see Figure 17, right).

Germany's pension reform marks the latest shift towards more market-based retirement saving in Europe.

The reform of Germany's Riester scheme marks another major shift towards more market-based retirement saving in Europe.[31] From 2027, a new state-subsidised, tax-advantaged retirement savings account (Altersvorsorgedepot) will remove mandatory capital guarantees and lower minimum contributions, giving savers greater investment flexibility. Direct state matching subsidies will increase up to EUR 540 annually per saver from EUR 175 under the previous scheme.[32] These incentives should encourage voluntary contributions, particularly among households with limited savings capacity, while increasing the amount invested. Germany's greater fiscal space relative to regional peers provides more financing room for such policies.

The reform could generate around EUR 30bn in additional annual private pension inflows by 2030.

We estimate the reform could expand Germany's private retirement savings market and generate around EUR 30bn of additional annual inflows by 2030. Competition for retirement assets will also intensify, increasing margin pressure as banks, asset managers and neo-brokers[33] offering low-cost exchange-traded fund (ETF) products seek to tap the market. For life insurers, the reform is a structural growth opportunity: we estimate they could capture around EUR 15bn in new annual recurring private pension inflows by 2030. While competition for assets will strengthen, life insurers enter the new system with a large existing Riester customer base and established distribution networks.

Life insurers' success will depend on their ability to leverage their distribution networks and retain existing customers.

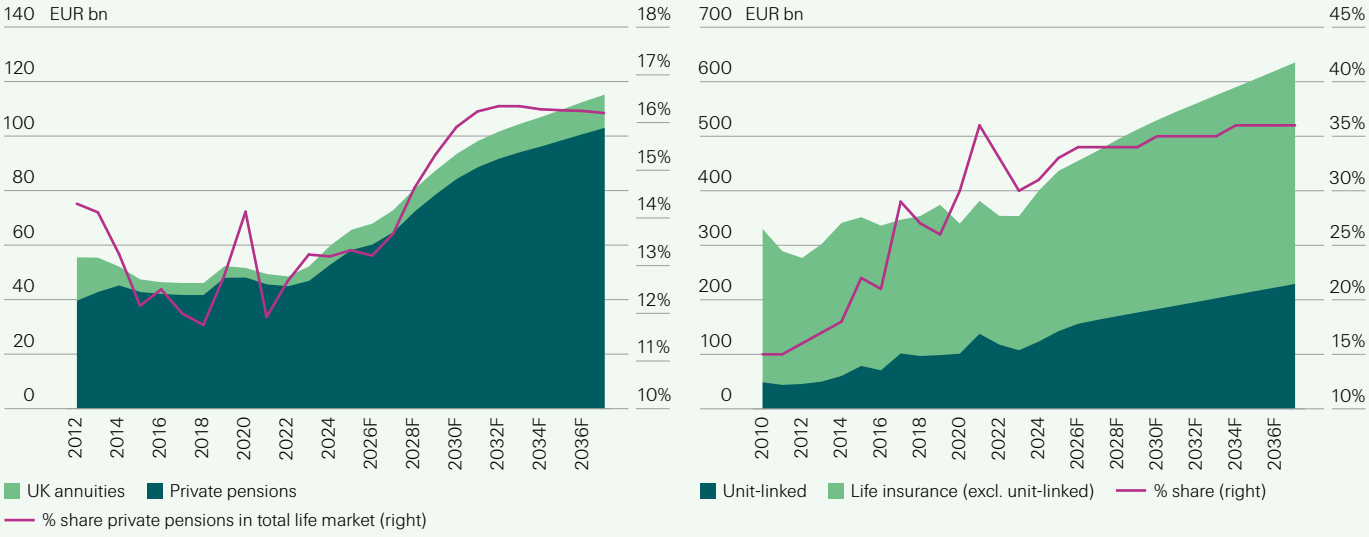
Life insurers' ability to capitalise on this reform will depend on leveraging established, advice-based distribution networks and retaining existing Riester customers. Easier switching under the new framework creates surrender risks, as existing customers will have more flexibility to transfer into new subsidised products or change providers. We expect insurers' ability to combine investment solutions with advice, biometric protection and lifetime retirement income to remain an important differentiator against pure investment platforms.

[31] European countries use different incentives to promote private retirement saving. Germany provides direct state matching contributions, while France's PER mainly relies on income-tax deductions. Italy combines tax deductions with employer contributions and the allocation of severance-pay entitlements to pension funds.

[32] Under the new scheme, the state will match 50% of the first EUR 360 in annual contributions and 25% of contributions between EUR 360 and EUR 1800, providing a maximum basic subsidy of EUR 540, excluding child allowances. This represents a 30% uplift on personal contributions of EUR 1800. Additional income-tax relief applies where deductible contributions yield a greater tax benefit than direct subsidies. Under the previous scheme, government support totalled EUR 3.7bn in 2022, incl. EUR 2.6bn in direct allowances and EUR 1.1bn in additional tax relief (net of direct subsidies). Source: German Federal Ministry of Finance.

[33] Low-cost digital investment platforms (neo-brokers).

Figure 17
Share of private pension and annuity business through life insurers for core European economies (left); share of unit-linked business for core continental Europe economies (right)



Note: Retirement savings markets covered include private retirement inflows from France, Germany, Italy and the UK individual annuity market. Conservative projections.
Source: Swiss Re Institute

Demographics reshape traditional protection tailwinds

Both structural and cyclical pressures are shaping the protection premium growth outlook.

Protection growth faces a more challenging environment than savings, particularly in mature markets. Structural headwinds arise from shrinking mortality risk pools and high penetration. We estimate that the demographic shifts in the largest advanced life insurance markets alone could reduce the pool of annual protection premiums by USD 7 billion by 2035.[34]

Mortality protection growth should slow to 1.0% a year, while ageing expands longevity-related risk pools.

We expect mortality protection premium growth to slow to an average of 1.0% over the next decade, from 1.3% in 2000–2019. The slowdown is sharper in advanced EMEA (2027–2036: 0.3% vs 2000–2019: 1.2%). Similar pressures are emerging in advanced Asia, where mortality protection growth is forecast to slow to 1.6% over 2027–2036 (CAGR 2000–2019: 2.6%). In Japan, a shrinking population weighs on traditional mortality cover, while in South Korea the shift towards protection products driven by International Financial Reporting Standard 17 (IFRS17) is fading as ageing and low birthrates constrain growth.[35] Conversely, ageing is expanding longevity-related risk pools across advanced economies, creating new and still largely untapped growth opportunities, such as in health and long-term care.

Product-level growth remains mixed, with pockets of resilience in life and disability.

Cyclical factors such as affordability pressures, income and wealth tax changes and mortgage-related demand are also shaping the medium-term protection outlook.

- **Life protection**: Weak mortgage activity is expected to weigh on credit life demand in France, Germany and Italy. In the UK, a mortgage recovery and greater lending flexibility should support term life sales, while inheritance-tax changes from April 2027 are increasing demand for higher-value whole-of-life and estate-planning products, providing a more targeted growth opportunity within an otherwise moderate protection outlook.

- **Disability**: In the US, disability demand is supported by income protection needs, employer benefits and the expansion of paid family and medical leave. Demand remains solid in France and Germany, supported by group business in France,

[34] *sigma* 4/2025 – Life(span) insurance: accumulation, decumulation and longevity solutions for ageing populations and longer lives, Swiss Re Institute, 22 October 2025.
[35] IFRS 17 incentivised insurers to shift their product mix towards higher Contractual Service Margin (CSM) protection products.

and by limited public benefits, longer working lives and strong income-protection awareness in Germany. Affordability is a greater constraint for more comprehensive and higher-cost cover. In the UK, price pressures are steering demand towards more affordable limited-payment-term and multi-benefit solutions.

- **Long-term care (LTC)**: Despite growing needs from ageing, private LTC demand is constrained by low awareness, affordability and product complexity in many markets. LTC gains more traction where clear protection gaps are combined with effective product design, distribution and policy incentives (e.g., France). Yet product complexity and strict benefit eligibility still make cover difficult to explain and sell.[36] Where public provisions for longevity risks are extensive (Japan, Germany, China), private LTC insurance mainly complements public cover. In the US, high care costs are weighing on standalone LTC and supporting a shift towards hybrid life/LTC and annuity/LTC solutions.[37]

Positive profitability outlook for primary life insurance

Elevated long-term bond yields extend the investment-income tailwind for life insurers, supporting profitability.

We maintain a positive profitability outlook for the primary life insurance sector in 2027–28, as a renewed central bank tightening cycle and structurally elevated long-term sovereign bond yields extend investment-income tailwinds (see *Higher interest rates will test the narrow foundations of growth*). We expect the return on investment (ROI) across major primary life markets to reach 4.1% in 2028, up from 3.9% in 2026, as maturing lower-yielding fixed-income assets are reinvested at higher rates (see Figure 18).[38] The flat change in our aggregate global ROI forecast for 2026 relative to 2025 reflects lower investment income at Japanese life insurers, as rising domestic yields have led them to crystallise losses on legacy long-duration bond portfolios, alongside lower expected foreign exchange gains. Globally, reinvestment yields should remain above running portfolio yields over the medium term, but the uplift is moderating as the gap between market and portfolio yields narrows. Looking ahead, primary insurers' asset and capital management capabilities will increasingly shape profitable growth (see *Asset & capital management to shape future profitable growth*).

Spread-based savings profitability benefits from higher bond yields, while protection margins remain resilient.

Operating profitability should remain resilient, but drivers differ across segments:

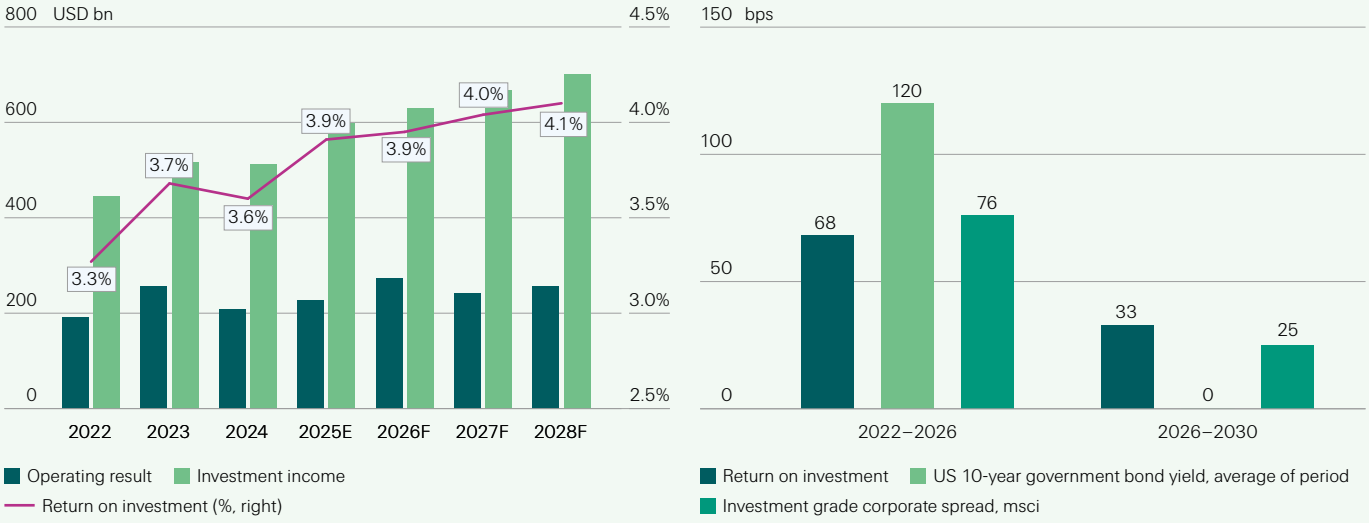
- **Individual savings:** High yields on fixed income products are reinvigorating spread-based business, although competition in high-growth segments could narrow new business margins. Reserve releases on legacy books are another tailwind, notably in Germany. Overall, we see strong demand for investment-linked savings products, supporting fee-based earnings, but also making life insurance earnings more sensitive to financial market volatility.
- **Workplace savings:** Growing contributions support asset accumulation and fee income. Despite relatively low margins, increasing size and operating leverage should support gradual margin expansion over time.
- **Protection:** Margins should remain attractive, supported by normalising mortality trends. Accurate risk assessment, efficient claims management and cost efficiency remain important determinants of profitability.

Elevated short-term rates could sustain competition for savings and slow lapse normalisation.

Risks to the outlook include prolonged competition from alternative savings products if short-term interest rates remain elevated, weighing on new business and slowing lapse normalisation. Lapse pressures should stay below levels seen in 2022–24, although lapse risk is a key watchpoint in Japan (see*: Key risks to the outlook*). Strong capitalisation across major markets provides capacity to absorb financial market volatility, spread widening and elevated credit losses.[39]

[36] *sigma* 4/2026 – Life insurance distribution: competing for customer access in an advice-led market, Swiss Re Institute, 8 October 2026.
[37] *Market Segment Outlook: US Long-Term Care Insurance,* AM Best, June 2026.
[38] The major markets comprise seven countries: the US, the UK, Germany, Italy, France, Japan and Australia.
[39] *The average solvency ratio of European insurers printed at 224% in April 2026, (UBS), based on Solvency monitor: Positive Markets over April*, UBS, 11 May 2025.

Figure 18
Key seven markets' aggregate life insurance operating and investment profitability (left); additional cumulative ROI generated over 2022–26 & 2026–30 in basis points (right)



Source: Bloomberg, Swiss Re Institute

Asset & capital management to shape future profitable growth

Asset sourcing and capital management are becoming key drivers of profitable growth.

Future profitable growth in the primary life insurance industry is likely to depend increasingly on asset and capital management capabilities. Higher reinvestment yields are supportive, but asset sourcing, capital management and back-book optimisation are becoming long-term differentiators of profitability and competitiveness in writing new business. External partnerships spanning asset management, capital provision and liability-related product design are also expected to play an increasingly important role.[40] While these capabilities and partnerships can strengthen pricing and underwriting capacity, they also reshape where risks reside, raising the importance of asset quality, liquidity management, counterparty risk and robust governance to ensure policyholder protection.

Access to alternative assets helps insurers price annuities and transactions more competitively.

- **Asset sourcing**: The ability to originate private debt and alternative assets that offer additional spreads for illiquidity and complexity can support competitive pricing of individual and bulk annuities while preserving investment margins. In 2025, US private placements accounted for more than 26% of life and annuity bond portfolios (excluding 144A securities), up from 16% in 2014.[41] In Europe, illiquid and risky investments accounted for 15% of life insurers' invested assets at end-2025, up from 8% at end-2017.[42] Greater reliance on alternative assets has increased regulatory scrutiny around credit, valuation and liquidity risks.[43]

AIR is becoming a key tool for managing capital and growing annuity business.

- **Capital management**: Asset-intensive reinsurance (AIR) is becoming a central tool for managing capital and accessing new asset-management capabilities. Strong US annuity growth increases capital requirements, supporting greater use of offshore reinsurance, sidecars and third-party capital. For legacy blocks, asset sourcing supports more competitive transaction pricing, while for flow AIR, it can strengthen insurers' competitiveness in originating annuities. Ceded US life and annuity reserves have more than doubled since 2018, while sidecar ceded reserves increased from USD 17bn in 2021 to more than USD 90bn in 2025.[44] Similar dynamics are emerging in other markets such as the UK and Japan (see *Box: Asset-intensive reinsurance*

[40] *2026 Global Insurance Report: Different by Design – Rethinking the Insurance Model*, BlackRock, October 2026.
[41] *Bond Shifts Highlight Evolving Investment Strategies Among US Life/Annuity Insurers*, AM Best, 20 July 2026.
[42] Source: EIOPA, Swiss Re Institute computations.
[43] *Insurance supervisors reach globally agreed path forward on addressing risks from structural shifts in the life insurance sector, IAIS, November 2025.*
[44] *Big Year of Growth for Life/Annuity Sidecar-Like Activity in 2025*, AM Best, 1 July 2026.

grows globally: focus on Japan).

Value creation is shifting from writing new business to managing assets and liabilities over time.

- **Back-book management**: This complements asset sourcing by creating value after new business is written through ongoing portfolio optimisation. In the UK bulk annuity market, gilt-based strategies can provide execution flexibility at origination before insurers gradually transition towards higher-spread assets.[45] This shifts value creation from deal origination towards asset and liability management, reinforcing the importance of prudent asset-liability management and safeguards that protect policyholders over the life of the contract.

Regional profitability outlook

US life insurance profitability outlook is centred on asset management capabilities and offshore AIR.

We hold a positive profitability outlook for **US** life insurers in 2027–28. Elevated sovereign bond yields support continued annuity demand and investment income, while also attracting new capital and intensifying competition, putting some pressure on spread margins. Annuity demand is reinforcing the use of offshore AIR, sidecars and third-party capital to provide additional underwriting capacity, support competitiveness and grow profitably.[46] Protection profitability should remain resilient, supported by accurate risk assessment and claims management, while US LTC insurers are adjusting premiums and benefits to contain rising medical and caregiving costs.

Higher returns, capital-light growth and UK in-force management support European life profitability.

Life profitability in **Europe** should remain resilient in 2027–28, supported by attractive reinvestment yields and strong capitalisation.[47] In France and Italy, continued growth in unit-linked business supports fee-based earnings. In Germany, releases of excess reserves provide additional flexibility to absorb unrealised investment losses and support policyholder returns.[48] In the **UK**, profitability is driven by in-force book management. Capacity from new market entrants and private capital is pressuring annuity margins, while protection margins remain attractive.

Higher JGB yields provide an investment tailwind but raise the risk of crystallising legacy bond losses.

In **Japan**, higher domestic yields support life profitability over time as insurers reinvest into higher-yielding JGBs. However, rising yields have also increased unrealised losses on legacy bond portfolios, creating potential earnings pressure where losses need to be crystallised or recognised under statutory accounting rules.

Investment returns support Australia, low yields weigh on China, while cost pressures constrain margins in India.

Elsewhere in **Asia Pacific**, profitability trends are mixed. In **Australia**, investment returns should remain broadly stable. In **China**, earnings growth is likely to normalise in 2027–28 as investment gains moderate. The continued shift towards participating products and lower guarantees should gradually improve new business profitability, although legacy guarantees and low reinvestment yields are structural constraints. In **India**, premium growth, scale and operating efficiencies support earnings, but margin expansion remains modest as the loss of tax credits raises acquisition costs, while weak policy persistency and high distribution commissions remain headwinds.

Key risks to the outlook

Financial market correction could weaken accumulated wealth tailwinds.

The life insurance segment is increasingly exposed to a financial market correction. Strong equity markets, supported by concentrated drivers such as the AI build-out, underpin accumulated retirement wealth and investment-linked demand. A sharp correction could erode invested defined contribution (DC) wealth and other investment-linked savings, thereby weakening decumulation tailwinds, new business premiums and fee income.

Lapses could amplify macro-financial stress.

In our view, lapses could amplify stress across major life markets. In the US, fixed-rate accumulation annuities sold through independent distribution are more prone to churn.

[45] In the UK bulk annuity market, some carriers initially use gilt-based strategies to hedge interest-rate and inflation risks for newly acquired pension liabilities, providing execution flexibility while managing initial capital requirements. They can then gradually reallocate towards higher-spread assets. The anticipated ability to source such assets and optimise the backing portfolio after origination can also support competitive transaction pricing upfront, while creating additional value over time through in-force portfolio management.

[46] Offshore reinsurers accounted for 56% of USD 1.6tn in ceded annuity reserves (incl. modified coinsurance) in 2025, up from 32% in 2016. Source: *Unaffiliated Offshore Reinsurance Deals Drive Asset-Intensive Reinsurance Market*, AM Best ,19 August 2026.

[47] The median SCR ratio for life insurers rose to 247.0% in 2025, from 229.7% in 2024, supported by higher year-end risk-free rates. *EIOPA Financial Stability Report June 2026*, EIOPA, June 2026.

[48] The Zinszusatzreserve (ZZR) is an additional reserve that German life insurers have been required to build under German insurance regulation since 2011 to ensure they can meet legacy interest rate guarantees. Higher interest rates allow for gradual reserve releases, supporting profitability.

In Germany, greater transferability under the new private pension system could accelerate switching from legacy contracts from 2027. In France, fiscal changes or sovereign stress could trigger lapses. In Japan, sharp yield increases could encourage surrenders of saving policies, potentially forcing sales of JGBs at a loss and pressuring earnings.[49] Lapse risk is higher in the early stage of monetary tightening.[50]

Competition, regulation and public sector interventions pressure margins.

Competition in high-growth segments is putting margins under pressure. Increasing competition in US retail annuities, UK bulk annuities and German private pensions is compressing new business margins. At the same time, tighter oversight of AIR and private assets could raise capital and compliance costs for life insurers, while policy intervention can constrain pricing flexibility in areas such as health in France.

Labour market weaknesses would broaden risks to protection lines.

A deterioration in the labour market would also hit protection. A financial market correction that spills over into investment and employment could weaken savings and protection simultaneously. Weaker employment and payroll growth would weigh on group protection and disability premiums and could increase disability claims.

Asset-intensive reinsurance grows globally: focus on Japan

The use of AIR is expanding in Japan, alongside the more mature US and UK markets.

The use of asset-intensive reinsurance (AIR) is expanding in Japan, alongside the more mature US and UK markets. Growth accelerated from around 2020 as insurers prepared for the new economic value-based solvency framework introduced in March 2026.[51] The normalisation of interest rates should further increase the focus on asset-liability management and balance-sheet optimisation, particularly for legacy portfolios exposed to valuation, surrender and liquidity risks. AIR can support capital efficiency and transfer selected risks through legacy block transactions, while flow transactions can leverage reinsurers' asset origination capabilities to improve products' crediting rates and new business competitiveness in a higher-yield environment.[52]

We see significant growth potential across legacy portfolios and new business.

Growth potential spans both legacy and new business. Ceded life premiums rose almost fivefold between FY2018 and FY2025, lifting the cession rate from 7% to 31%.[53] Total ceded policy reserves reached JPY 47 trillion in FY2025[54], with AIR accounting for 95% of the outstanding life reinsurance stock.[55] Yet, only 31% of AIR was ceded externally, suggesting further third-party growth potential. We estimate that transferring up to 15% of Japan's policy reserves over the next five years could generate up to JPY 10 trillion (USD 63 billion) in annualised AIR volume. Flow opportunities are also expanding, with fast rising single-premium individual life and annuity business.

AIR's next phase will reward counterparty strength, asset capabilities and flexible structures.

Further growth will depend on counterparty strength, asset-management capabilities and resilient transaction structures. Rising exposure to less-liquid assets and recapture risks has intensified supervisory scrutiny. In July 2026, Japan's Financial Services Agency (FSA) strengthened counterparty, collateral and concentration requirements.[56] Stress tests now also cover simultaneous reinsurer failures and recaptures, reinforcing the importance of robust risk management going forward.[57]

[49] Under J-GAAP, policy-reserve-matching bonds are measured at amortised cost. Market-value declines of c.50% or more generally trigger a presumption of impairment unless recovery can be demonstrated.
[50] *sigma* 2/2024, Life insurance in the higher interest rate era: asset-savvy is the new asset-light, Swiss Re Institute, 2024.
[51] J-ICS introduced market-consistent valuation of assets and liabilities, increasing solvency sensitivity to interest rate fluctuations. IMF stress tests under the economic value-based framework found that higher interest rates can improve life insurers' solvency, as declining liability values more than offset valuation losses on assets. Source: IMF, Japan: Financial Sector Assessment Program – Financial System Stability Assessment, May 2024.
[52] Chang, G., Hanao, T. and Wang, D. *Asset Intensive Reinsurance in Japan: Current Trends and Future Outlook*, Society of Actuaries, December 2024.
[53] Source: The Life Insurance Association of Japan data.
[54] *Japan Life Insurance Brief: New Rules Raise The Bar For Asset Intensive Reinsurance*, S&P Global Ratings, 21 July 2026.
[55] *Annual Report on Insurance Monitoring 2026*, Japan Financial Services Agency, August 2026.
[56] *Publication of Public Comments and Related Results on the Partial Amendment (Draft) to the 'Comprehensive Supervision Guidelines for Insurance Companies'*, Financial Services Agency 1st July 2026.
[57] *Japan Proposes Amendments to Supervisory Guidelines Concerning Reinsurance*, Skadden, 11 May 2026.

Alternative scenarios

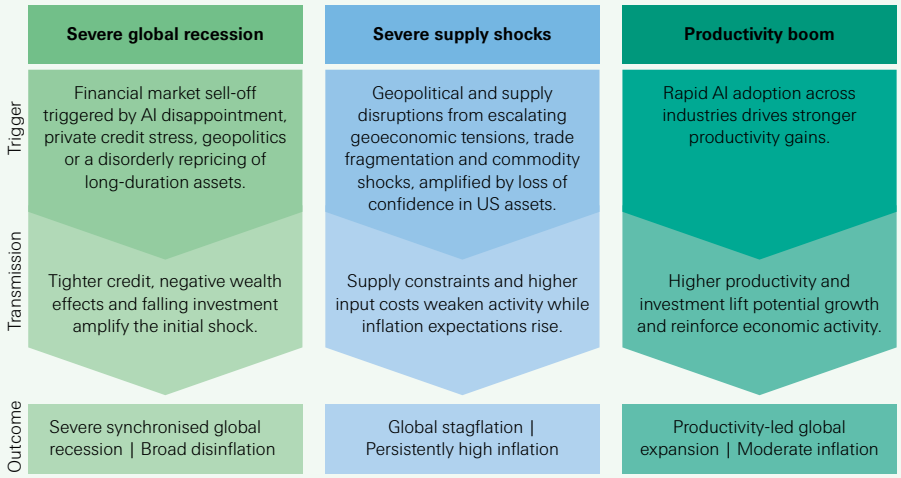
Over 2027–28, we consider three low-probability, high-impact alternatives. In a severe global recession, financial and credit vulnerabilities reinforce one another and turn growth that is based on a narrow set of foundations into a global demand shock. In a severe supply shock, renewed geopolitical disruption compounds existing cost pressures and produces stagflation. In an upside productivity boom, concentrated AI investment broadens into stronger productivity and supply capacity. These scenarios imply markedly different outcomes for insurers across demand, claims and investment. A severe global recession would primarily weaken premium growth and investment returns, while severe supply shocks would place greater pressure on non-life underwriting profitability. A productivity boom would support insurance demand and investment income. New Swiss Re analysis of corporate risk disclosures also confirms that the risk landscape has become both broader and more interconnected.

Narrow foundations keep alternative scenarios relevant

Concentrated growth drivers increase vulnerability to financial and supply shocks.

Capital-intensive growth is supporting economic activity but also concentrating exposures, counterparties and financing needs, increasing the global economy's sensitivity to financial and supply shocks. Alternative scenarios therefore help assess how such shocks could affect economic growth, inflation, financial markets and insurers. Over 2027–28, we consider three alternative macroeconomic scenarios, each with a probability of no more than 5–10%. Figure 20 summarises their triggers, transmission mechanisms and high-level outcomes.

Figure 19
Alternative scenarios: triggers, transmission and outcomes



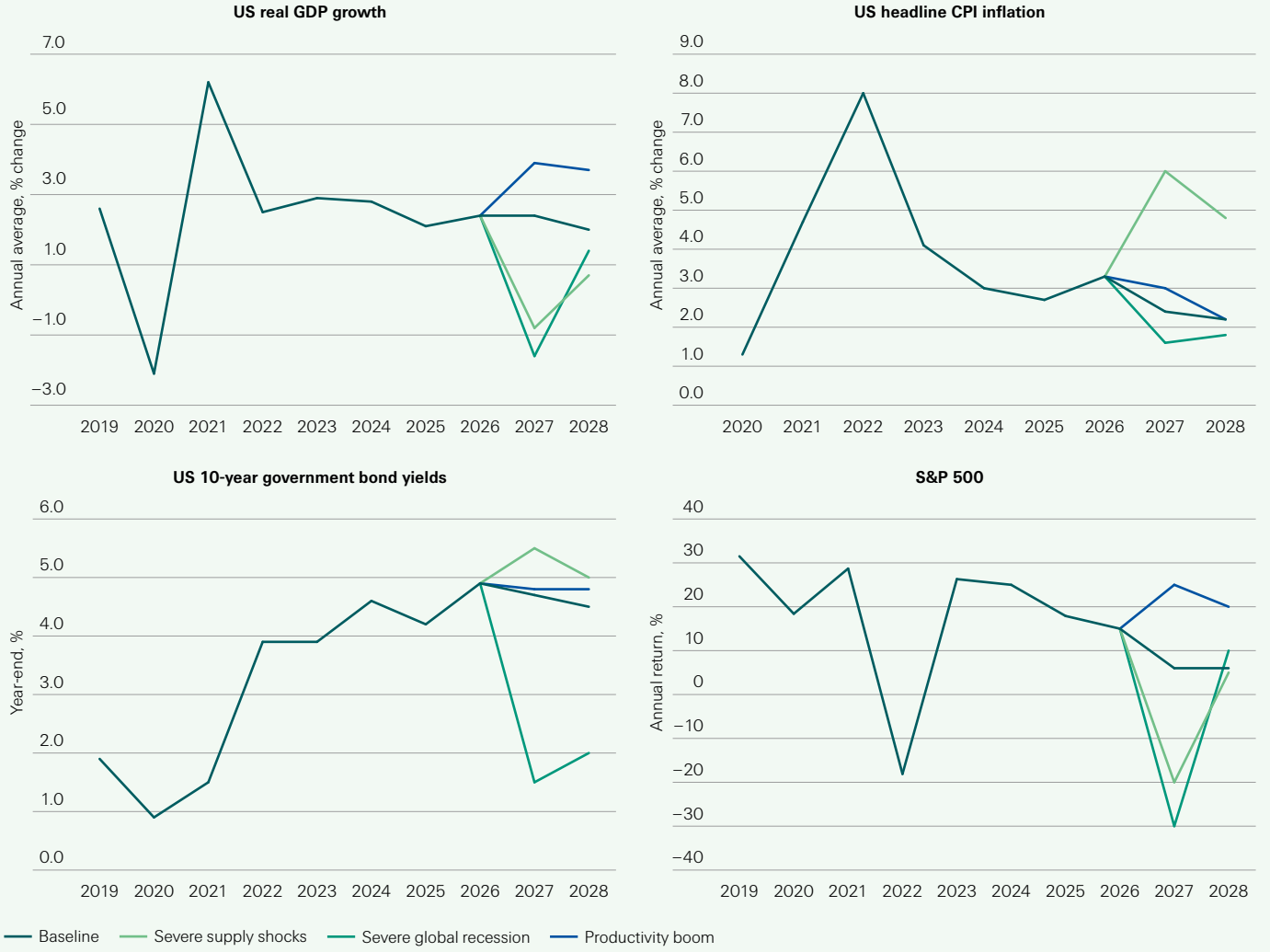
Source: Swiss Re Institute

Three alternative paths for the global economy

Negative growth shocks can produce opposite inflation and interest rate outcomes.

The scenarios differ markedly in how they affect the economy and financial markets. A severe global recession brings disinflation, aggressive monetary easing and sharply lower government bond yields. A severe supply shock combines weaker activity with higher inflation and nominal yields. A productivity boom instead raises potential growth and both real and neutral interest rates, while productivity gains keep inflation in check. These contrasting paths for growth, inflation and interest rates, shown in Figure 20, have very different implications for insurers' underwriting and investment results.

Figure 20
US scenario dynamics vs baseline for key variables



Source: Swiss Re Institute

An asset price correction could turn concentrated financial vulnerabilities into a global downturn.

Severe global recession scenario

In our severe global recession scenario, a broad market correction, potentially triggered by disappointing AI revenues, geopolitical shocks or a disorderly repricing of long-duration assets, triggers widespread financial stress. Existing vulnerabilities among highly leveraged borrowers, commercial real estate and private credit amplify the shock. Falling asset values weaken household wealth and investment just as refinancing pressures intensify, while lower collateral values tighten credit and USD funding conditions further. Investment and trade contract, unemployment and defaults rise, and the downturn becomes synchronised globally. Weak demand and lower commodity prices bring broad disinflation, allowing aggressive monetary easing. Global risk aversion strengthens the US dollar and widens credit spreads.

Falling demand and asset values would hit insurers despite lower claims inflation.

A severe global recession would weigh on premium growth across both life and non-life[58]. In non-life, weaker economic activity and falling investment would slow exposure growth, although property and motor should be partly cushioned by their relatively stable stock of insured assets. Specialty lines such as marine, engineering and trade credit would be more exposed to the downturn in trade, investment and credit conditions. The impact on underwriting profitability would be mixed. Lower activity and lower inflation would reduce motor claims, while specialty profitability would deteriorate as defaults and credit spreads rise.

[58] *sigma* 5/2025 – Shifting sands: global economic and insurance market outlook, Swiss Re Institute, 19 November 2025.

Savings business would be hit hardest, with protection and investment returns also weakening.

In life, weaker household finances, higher unemployment and negative wealth effects would hit savings business hardest, particularly unit-linked products. Protection would also be affected: weaker employment and payroll growth would weigh on group protection and disability premiums, while a deteriorating labour market could increase disability claims. The market correction would weaken investment performance, and falling interest rates would make savings products less attractive.

Severe supply shocks scenario

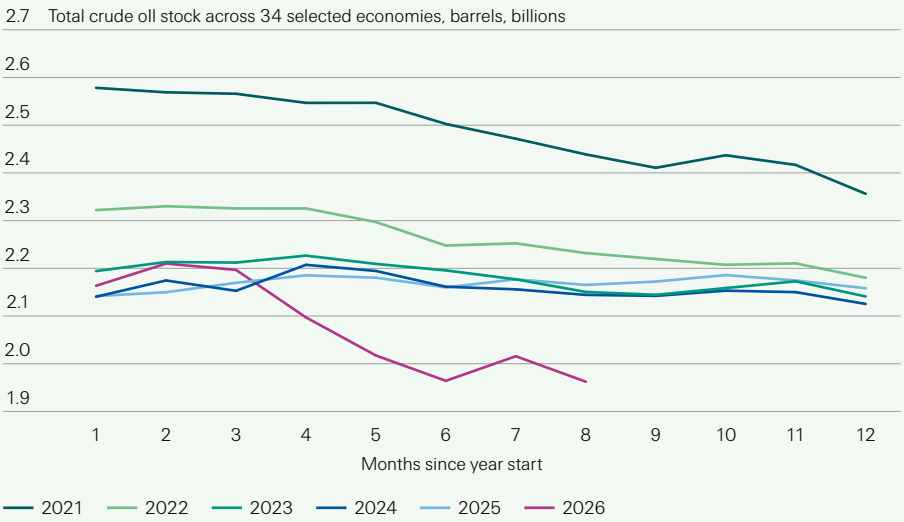
Severe supply disruption would hit before underlying cost pressures have fully normalised.

In the severe supply shock scenario, escalating geoeconomic tensions, trade and supply chain fragmentation, commodity disruptions and cyber incidents combine to generate a broad-based supply shock. Higher input and commodity costs depress production and confidence while lifting long-term inflation expectations. Unlike in a global recession, central banks face weakening activity alongside persistent inflation, creating an acute trade-off between supporting growth and keeping inflation expectations anchored. At the same time, rising fiscal pressures limit the scope for government support, while weaker international policy coordination complicates the response to the shock. Financial conditions tighten as nominal government bond yields rise. An erosion of trust in US financial assets could further amplify the disruption, leading to capital outflows and a weaker dollar. The result is stagflation rather than a conventional cyclical downturn.

Falling oil inventories raise the stakes of further Middle East escalation.

Developments in the Middle East provide one concrete pathway from the baseline towards such a severe supply shock. So far, energy markets have absorbed Middle East-related disruptions through strong US exports, weaker Chinese demand and ample pre-conflict inventories. However, aggregate crude oil inventories across 34 economies have declined by roughly 250 million barrels between their February 2026 peak and August (see Figure 21). This matters because oil inventories are a key buffer against supply disruptions. When stocks are ample, lost supply can be temporarily replaced from inventories, limiting the immediate price impact. When stocks are low, the same disruption can cause a larger and more persistent price response. With less buffer left, oil and refined-product prices would be more vulnerable to renewed escalation and could remain higher for longer into 2027. Inventory levels are therefore an important gauge of how much further disruption the oil market can absorb without a sharp price adjustment.

Figure 21
Aggregate crude oil inventories across 34 economies



Note: The sample includes 34 economies: JP, KR, US, CA, GB, IT, DE, FR, ES, NL, NO, CZ, HU, TR, SE, AU, AT, PL, BE, TW, CH, SK, NZ, SA, CL, IE, PT, DK, NG, BN, FI, VE, DZ, EE.
Source: JODI, Swiss Re Institute

Inflation supports nominal premiums but higher claims and weaker markets weigh on non-life profits.

Under a severe supply shock, non-life nominal premium growth would be supported by inflation-driven rate increases, particularly in property and motor, while weaker activity weighs on specialty lines. Life premium growth would face pressure from weaker purchasing power and financial markets, partly offset by higher yields supporting guaranteed savings. Non-life underwriting profitability would deteriorate as claims costs rise faster than pricing. The impact on life profitability would be mixed.

Higher bond yields would support investment income, but where they rise because of macro-financial or fiscal stress, they could also amplify lapse, credit and liquidity risks. Weaker markets would weigh on unit-linked fee income.

Productivity boom scenario

The upside depends on AI investment broadening into economy-wide productivity gains.

AI-related investment is already large enough to affect aggregate growth, but the next stage depends on how intensively that capacity is used. Adoption is broadening, yet evidence of a widespread productivity dividend remains mixed. In our productivity boom scenario, the handoff from investment to productivity happens faster and more vigorously than in the baseline. In this alternative scenario, AI adoption spreads across industries and economies, allowing the benefits of current investment to move beyond data centres, semiconductors and technology exports into productivity gains across a wider range of sectors. Higher productivity lifts potential growth and encourages further investment, while differences in AI readiness create some regional divergence. Stronger demand can initially add to input pressures, but rising supply capacity and lower unit labour cost growth offset them. Neutral real rates move higher as expected returns on capital rise. At the same time, stronger growth improves fiscal space and reduces fiscal risk premia, so higher equilibrium real rates rather than sovereign stress drive the increase in investment yields.

Broader investment and productivity gains would expand both insurance demand and insurable exposures.

The materialisation of such a productivity boom scenario would broadly support insurance. Stronger economic activity and AI-related investment create new exposures and lift premium growth across non-life lines, including specialty business. Productivity gains could ease repair and rebuild cost inflation, helping to contain claims severity. This would support underwriting profitability despite some increase in claims frequency as activity picks up. In life, stronger household incomes, favourable financial markets and higher interest rates would support savings demand, particularly for guaranteed and unit-linked products. Higher rates and stronger markets would lift life operating margins and investment returns. The effect on guaranteed-savings margins would be limited as higher rates are reflected in more competitive crediting rates.

Strong capital, liquidity and profits provide resilience, but large shocks could still test insurers' buffers.

Overall, the global insurance industry remains well positioned to absorb shocks, supported by strong capital and liquidity buffers and resilient profitability. Insurers entered 2026 with aggregate solvency ratios above 200% and liquidity ratios of around 180%. Profitability also improved in 2025, supported by positive asset returns, better underwriting margins and strong operating performance.[59] These buffers have remained relatively stable despite volatile market conditions. Even so, large shocks could test insurers' balance sheets, underscoring the importance of scenario analysis for capital and risk management, and for longer-term strategic planning.

Risks are becoming broader and more interconnected

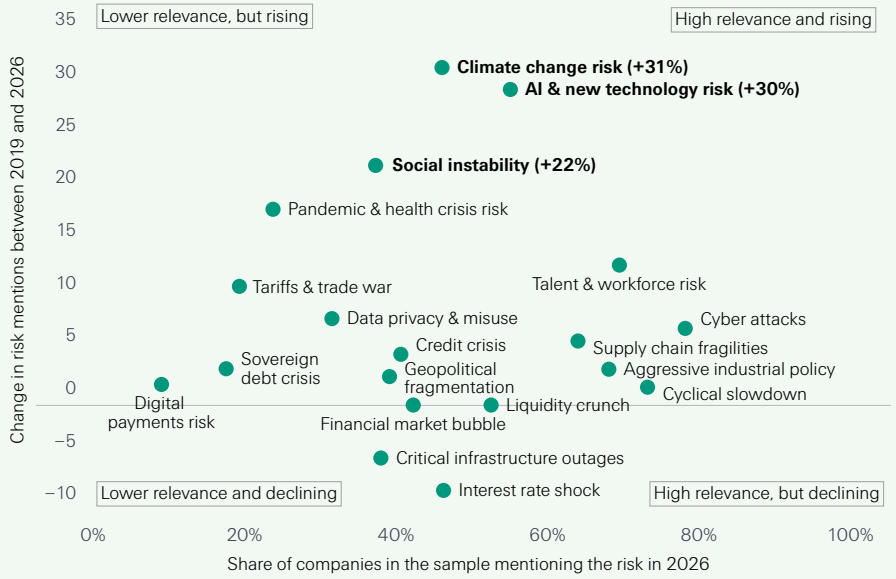
More corporate risks are being reported across a broader share of the economy.

The three alternative scenarios illustrate how shocks can spread through several economic and financial channels. New Swiss Re Institute analysis shows that the risks reported by companies have also become more widespread and interconnected since before the pandemic, potentially opening new pathways to systemic tail events[60]. Figure 22 shows two dimensions of this change, based on risk disclosures in annual 10-K filings of 91 Fortune 100 companies. The horizontal axis measures the share of companies mentioning a particular risk in 2026, indicating how widespread it is. The vertical axis measures the change in that share since 2019, indicating whether the risk has broadened or receded. Risks in the upper right are therefore both widely reported today and far more prevalent than before. AI and new technology (+30%), climate change (+31%) and strains in the socio-economic fabric (+22%) have all spread well beyond their earlier sectoral or geographic concentrations. Notably, the rise in reported socio-economic strains predates the recent wave of protests and unrest across several European capitals. Such strains can fuel political polarisation and populist pressures, which may reinforce interventionist statecraft and strategic spending. This, in turn, adds to fiscal and resource pressures in an already higher-cost economy.

[59] Based on data collected up to June 2026 from 56 of the largest international insurance groups from 18 jurisdictions and aggregate sector-wide data from supervisors across the globe, covering over 90% of global written premiums. *Global Insurance Market Report: 2026 mid-year update*, IAIS, July 2026.

[60] *The age of interconnected risks: How interdependencies are shaping the next generation of systemic crises*, Swiss Re Institute, September 2026.

Figure 22
Change in risk mentions from 2019 to 2026

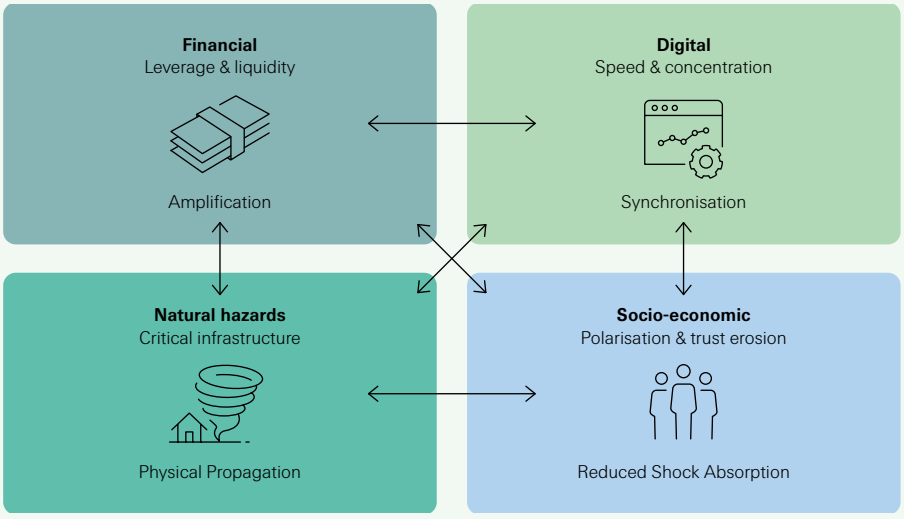


Note: Share of companies in sample mentioning a specific risk
Source: Swiss Re Institute

Corporate disclosures also point to increasingly interconnected risks.

The greater concern may be less the individual risks than how they interconnect and amplify one another in unexpected ways. Corporate disclosures point to stronger links between risks. Our LLM-based analysis suggests that the average number of connections identified between risk categories has increased by 24% since 2019, across the sample considered (see methodology). AI looks increasingly interlinked with other risks as it spreads through business models, operations and customer behaviour. Supply chains are another important intersection, with companies increasingly linking disruption to geopolitical, tariff, climate, pandemic and cyber risks. As individual risks have broadened, the pathways through which shocks can propagate across sectors and economic channels have multiplied. Figure 23 illustrates how physical and digital dependencies can transmit cross-sector disruptions, amplified by financial leverage, while weaker institutional trust constrains the response.

Figure 23
Interconnected risks create multiple channels for systemic shock transmission



Source: Swiss Re Institute

Shocks increasingly migrate across domains rather than remaining isolated risks.

These transmission channels matter for our alternative scenarios because the forces supporting our more benign central scenario assumptions can also become the channels through which stress spreads. An AI disappointment can move from technology valuations into investment, household wealth, credit conditions and Asian supply chains. Geopolitical tensions can become commodity, inflation and financial market shocks. The economic and insurance impacts of each scenario ultimately depend on how the shock moves through the economy: through demand and financial conditions, through supply and inflation, or through productivity and investment. Interconnectedness does not inherently imply greater fragility. Whether shocks are amplified or absorbed depends on the structure of the network: concentrated exposures and common dependencies can magnify losses, while geographic diversification and global risk pooling can help disperse them. For insurers, tracing these transmission channels is key to anticipating correlated risks across underwriting and investment portfolios, and to providing risk transfer that strengthens the resilience of households and businesses.

Methodology:
Swiss Re Institute analysed risk disclosures in the 10-K filings of 91 Fortune 100 companies to identify reported relationships between risk categories. All entities considered are US-headquartered but operate internationally, generating on average 30–40% of their revenues outside the US. Reports published in 2019 are compared with those published in 2026. A large language model was used to classify each disclosure into a primary risk category and identify links to other risk categories where these relationships are described in the companies' disclosures. The results therefore provide an empirical snapshot of changes in reported corporate risk perceptions and the links companies see between risks. For further details on the analysis and its systemic risk implications, see the joint Swiss Re Institute and London School of Economics report titled *The age of interconnected risks: How interdependencies are shaping the next generation of systemic crises*, Swiss Re Institute, 2026.

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