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sigma

Growing stronger

How the Property &
Casualty market adapts
to a riskier world

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Executive summary

The USD 2.4 trillion P&C insurance market is becoming more efficient, despite rising global risks.

The structure of the USD 2.4 trillion global property and casualty (P&C) insurance market is critically important to effectively price, manage and transfer risk.¹ To close the large protection gaps for major global perils requires a deep, diversified and well-functioning P&C market, especially as rising geoeconomic fragmentation creates a backdrop of more serious and less predictable global risks. Our study evidences the growing efficiency in P&C insurance, a market that is finding solutions to maintain insurability and affordability in even high-risk lines of business. For example, in the US P&C value chain, the efficiency savings made in the past 10 years have been fully passed through to policyholders in the form of higher claims ratios. New, more specialised insurance carriers and distributors are helping to bring capacity into the market through innovation in products and pricing. Carriers are outsourcing more underwriting through brokers, managing general agents (MGA) and service providers, particularly in commercial lines in the US and UK. The expanded scope of brokers and MGAs is seen in the expense structure: in US commercial insurance over the last decade, commissions paid per premium dollar rose by 1.9ppts, in contrast to cost reductions in the rest of the value chain. In tandem with these changes, reinsurance cession rates have been rising, supporting hard-to-insure risks and smaller carriers and thus sustaining market capacity.

P&C market growth is matching or outpacing global GDP as high-risk lines grow fastest.

P&C premiums are growing at or above the rate of economic growth. High-risk property and liability insurance are growing fastest, especially in advanced markets, due to rising asset exposures, natural catastrophe losses, and economic and liability claims inflation pressures. Fuelled by a hard market, P&C market growth outpaced global GDP in nominal terms over the past decade (4.3% vs. 3.3% in 2014–24), and we forecast growth broadly in line with GDP over the next 10 years. Market concentration has been in general declining as smaller commercial P&C players have emerged. In nine of the 11 large markets analysed, the top five firms hold lower shares now than in 2004. Alternative risk carriers offering customised solutions are flourishing. Captives are today an estimated USD 60–80 billion global market, while insurance pools and residual markets are helping maintain availability for hard-to-insure risks.

P&C distributors are growing in influence as value chain functions disaggregate.

Distributors are growing in influence as functions formerly performed by vertically integrated insurance carriers are disaggregating. Tasks are being allocated to a wider variety of differentiated players offering specialisation and technology. Still, oversight challenges and other risks may rise as tasks such as risk selection or claims handling occur beyond carriers' direct control. Brokers consistently outperform insurers on profitability, benefiting from capital-light business models, rate-driven revenue growth and margin expansion. Risk carriers will face profitability headwinds as they enter an increasingly competitive phase of the underwriting cycle, pointing to a rise in the importance of the underwriting function within the value chain. Risk carriers must be able to earn their cost of capital over the long term in the face of loss surprises and continue to expand capacity in excess of the growth in risks.

More risk is moving to upper layers of the risk chain via reinsurance and alternative capital.

We see more risk transferring to reinsurance and retrocession in future. Reinsurance premiums grew by 7% CAGR over the past decade, faster than primary P&C. Retrocession volumes grew by about 8 to 10% CAGR, as issuance of insurance linked securities (ILS) doubled since 2013. Higher-risk lines of business such as property and US liability with higher cession rates are growing faster than low-risk lines. The diffusion of risk carriers also implies faster growth of smaller insurers, which tend to have higher cession rates. The free flow of capital and retrocession is essential for efficient global diversification of large and interconnected risks. The future insurability and affordability of risk transfer relies upon how efficiently all actors can manage distributed value chains, and harness capital markets to match risk capital with growing and evolving global risks.

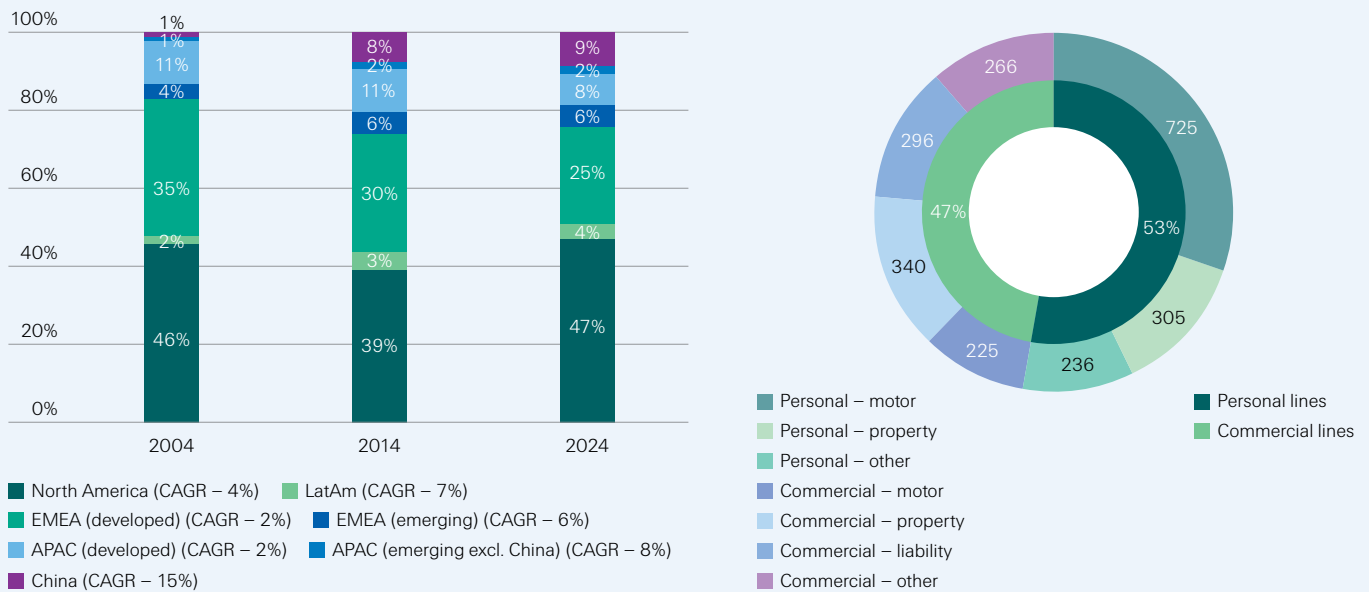
¹ We focus principally on P&C insurance in this study but in some cases we draw on data and information that reference the non-life insurance sector, which additionally includes health insurance lines.

Key takeaways

P&C premium growth matches or outpaces growth in nominal GDP globally

The USD 2.4 trillion global P&C insurance market has doubled in 20 years as new players and risk-transfer channels emerge to better provide capacity, improve pricing, and broaden coverage.

Left: Global P&C premiums evolution by key market, 2004–2024. Right: Global P&C premiums by line of business, 2024, USD billion



P&C insurance markets are becoming more diffuse

Top-five insurer market shares and concentration ratios (CR-5) are declining as the diffusion of risk carriers rises. Only two of the 11 large markets analysed in Table 2 show CR-5s higher today than in 2004.

Top five market shares, 2004 and most recent

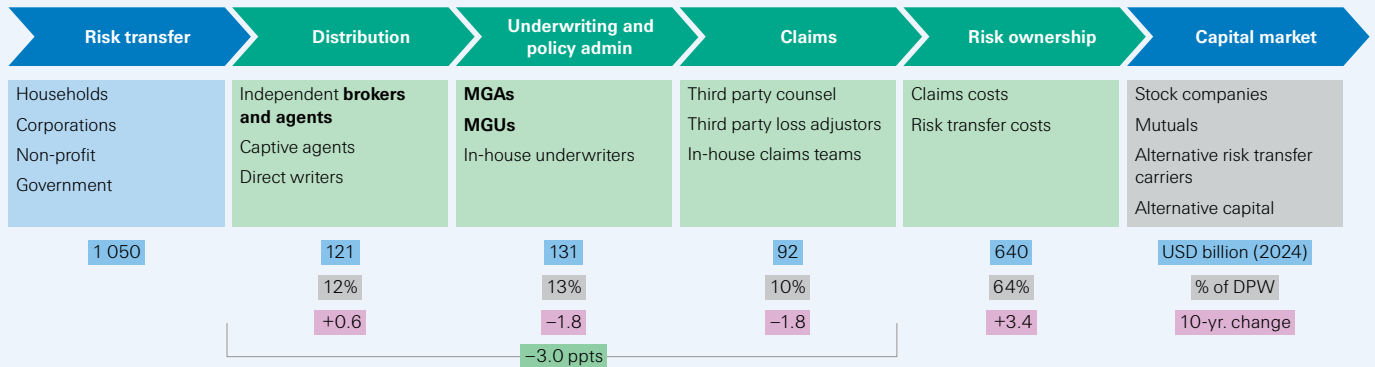


Note: most recent year is 2022 for Australia and Italy, 2023 for others. For Germany data starts at 2007.
Source: Swiss Re Institute compiled from GDV, France Assureurs, ANIA, ICEA, Axco, NAIC, IRDAI

The US P&C value chain has seen significant efficiency gains in the past decade

We estimate that US P&C sector efficiency improved in the last 10 years, as reductions in underwriting, admin and claims expenses (offset by higher broker commissions) led to an overall net 3ppts lower costs as a share of premium revenue.

The P&C insurance value chain, US market, USD billion

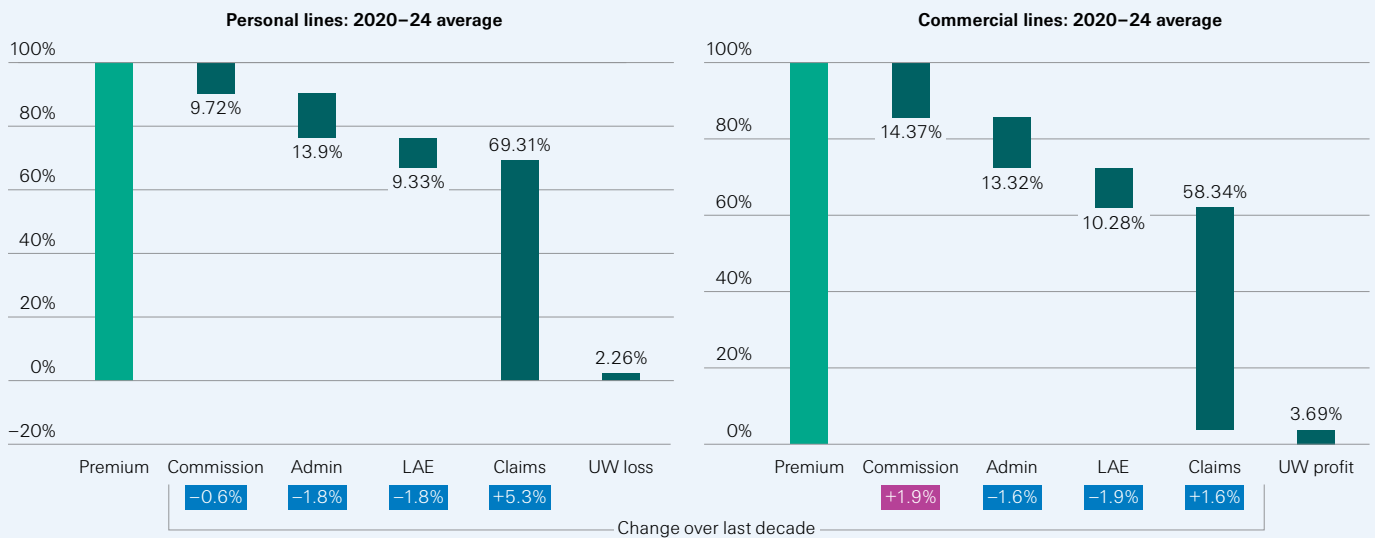


Note: USD values are for the US industry in 2024. Percentages show 2020–24 averages. Deltas compare the average between 2020–24 with the average between 2010–14. Source: Swiss Re Institute, AM Best, S&P Capital IQ.

The expanding role of brokers and MGAs is also seen in the expense structure

The cost of broking commercial insurance has shown a structural up-trend (+1.9ppts) in the US over the past 10 years, measured as commission paid by insurers as a percentage of direct premiums written.

Expense structure for US insurers as a percentage of premiums, 2020–2024 averages.

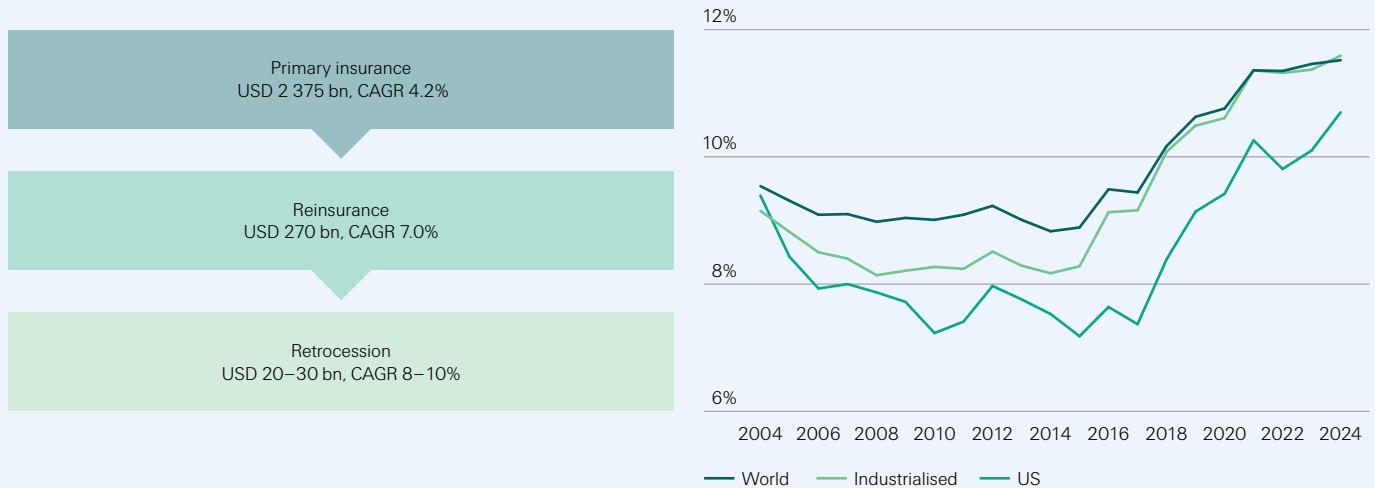


Note: MGAs and brokers both included as their commissions cannot be separately attributed. Source: S&P Capital IQ, Swiss Re Institute

Reinsurance cession rates are rising, and retrocession is the fastest-growing risk transfer layer

Cession rates are rising, reflecting structural shifts in the market. Retrocession volumes have grown by about 8 to 10% CAGR, reflecting growth in demand for natural catastrophe coverage in particular, including via alternative capital.

Layers of risk transfer and their growth rates; P&C cession rates

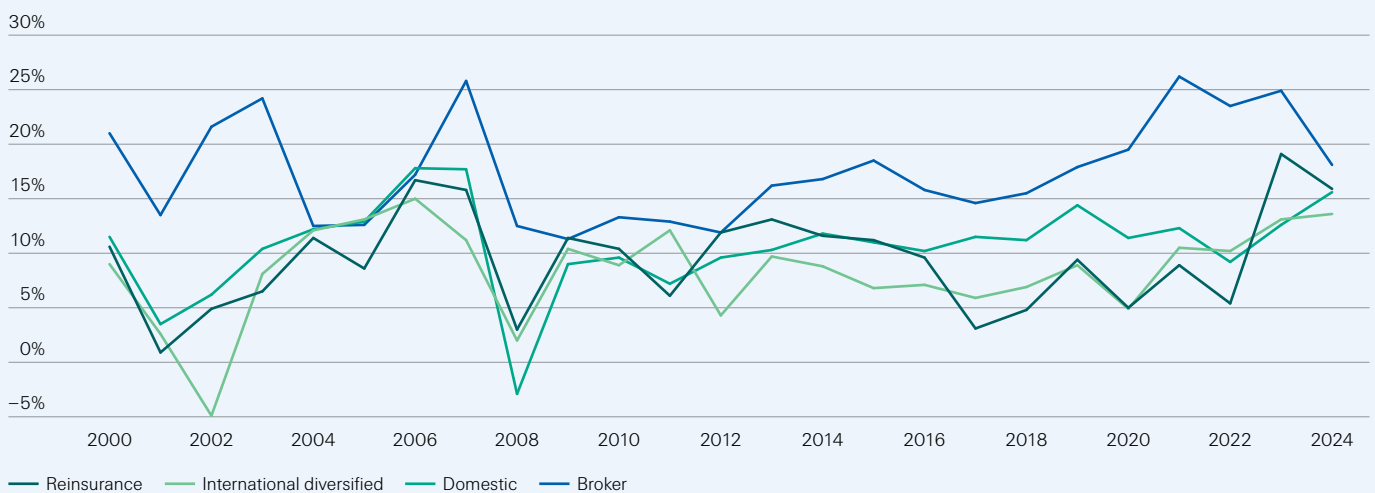


Source: Swiss Re Institute

Profitability: brokers have outperformed primary P&C insurers and reinsurers in most environments for two decades.

Since 2010, re/insurers have struggled to earn their CoC, indicating highly competitive markets.

Return on equity minus cost of capital by insurance segment



Note: "international diversified" and "domestic" refer to segments of primary insurance companies. Source: Bloomberg, Swiss Re Institute

The insurance market structure: overview

The global P&C insurance market is dynamic and competitive, becoming more specialised, segmented and diverse against a backdrop of a riskier and more shock-exposed world. The P&C market structure is developing to meet global needs for capacity, insurability and to narrow the large protection gaps that persist for many serious global risks. We find commercial re/insurance lines growing more specialized and segmented, supporting market capacity and insurability of risks. Alternative risk carriers are helping to improve the availability and affordability of cover for difficult-to-insure risks such as in catastrophe-prone regions, or enabling more efficient self-insurance. Today, the market delivers access to coverage through a broader blend of conventional and alternative structures than 20 years ago. This is supporting the narrowing of protection gaps despite the increasingly risky global environment of more interconnected and peak risks.

The insurance market has evolved, helping customers keep up in a riskier world.

Individuals, corporations and insurers are operating in a high-risk world. The inflation shock, COVID-19 pandemic, Russia's invasion of Ukraine, record natural catastrophe loss experiences, and trade policies targeting parts of global manufacturing and supply chains, all point to this. Our own *sigma* research finds natural catastrophe insured losses are rising at a long-term pace of 5–7% per year in real terms and liability claims inflation continues to create challenges, especially in the US commercial insurance market. Model uncertainty, emerging risks and inflation risks mean claim trends are uncertain with upside risks. However, insurers and other risk carriers have adapted, becoming more efficient and nimbler because of structural shifts. Innovations in risk-bearing capacity, risk modelling, more specialisation in underwriting, and falling concentration in lines with elevated risk/uncertainty are key trends. A more distributed risk-transfer ecosystem contributes to the market's resilience despite more volatile claims experience.

Today's market structure has been shaped in an environment of crises and competition, ensuring capacity for many lines of business despite more risk.

Our analysis of P&C market structure spans the past 20 years, a period of upheaval starting with the global financial crisis. Today's market structure and competitive dynamics have been shaped in this environment. Insurers have become more efficient at pricing, managing and transforming risk, ensuring a source of capacity in many segments even when uncertainty is elevated. In the US, this has taken the form of strong growth in delegated underwriting, wholesale risk transfer and retrocession and alternative capital market solutions increasing – an “originate and distribute” model with parallels to the banking system. Elsewhere, market shifts differ depending on regulatory landscape and pre-existing structural conditions. Alternative risk transfer mechanisms have also grown in the higher-risk environment. Globally, trends were amplified by the pandemic and inflation shock of recent years and the competitive imperative to integrate technological advances in operations.

Diverse risk bearers expand capacity

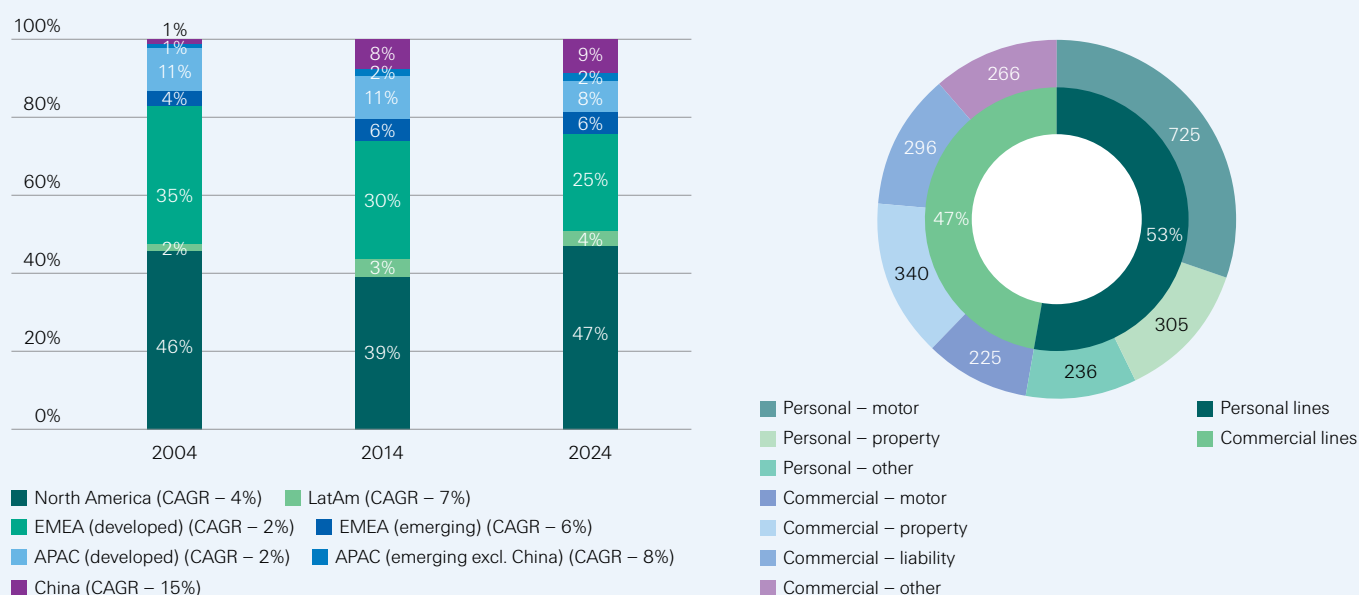
A diversified risk-transfer system has doubled P&C risk pools over the past 20 years.

Functional specialisation plus a diversified risk-transfer system have helped doubled P&C risk pools over the past 20 years (see Figure 1). Our research estimates that premiums could almost double again to USD 4.3 trillion by 2040.² More entities and channels undertaking risk-bearing increase the system's shock-absorption capacity. For example, market concentration in commercial lines had been falling for years, and no single carrier held a system-threatening share of business interruption limits, during COVID-19. More diverse risk-bearing entities also give insureds greater choice. For example, open reinsurance channels allowed new entrants (MGAs, captives, risk pools) to plug into global capacity and scale. Fragmentation of capital (e.g. via local capitalisation or collateralisation rules) or measures that restrict international retrocession can impair risk diversification and raise insurance cost of capital. Each carrier would need to capitalise more for peak loss scenarios, which raises prices and reduces capacity deployed to the market.

² Global property & casualty insurance premiums expected to more than double to USD 4.3 trillion by 2040, Swiss Re Institute, 06 Sep 2021

Figure 1

Left: Global P&C premiums evolution by key market, 2004–2024. Right: Global P&C premiums by line of business, 2024, USD billion



Note: allocation of lines of business is harmonised to allow regional comparisons. Source: Swiss Re Institute

A softer market may squeeze margins and rein in undisciplined growth, but the model itself endures.

Whether the recent growth of smaller players proves a lasting shift or only a cyclical effect of hard-markets, will depend on pricing conditions, wholesale appetite, and regulatory tolerance for capital-light models. A prolonged soft cycle, rising loss costs, or more stringent delegated-authority oversight could consolidate the field; poorly run MGAs and fronts will exit, but the model itself should continue because technology, capital structure and talent economics favor it. Emerging evidence points to endurance, although with greater selectivity. MGA premium growth was a robust 26% in 2024, although down from the 50% surges of 2021–22 as the segment matures.³ Conning's 2025 fronting report observes a transition from scale-seeking to operational discipline.⁴

Emerging-market share: 20% today (8% in 2004); poised to rise as technical capacity deepens.

Dual opportunities for insurers in emerging markets

The global split between commercial (46%) and personal (54%) is expected to hold, with commercial growth driven by expanding corporate exposures and personal lines supported by motor-penetration catch-up in emerging markets. Emerging markets already account for 20% of world P&C premium, unchanged since 2014 but up from just 8% in 2004. Rising technical capabilities mean that share can now climb beyond today's ~20%. Between 2024 and 2034, commercial premiums in emerging economies are forecast to grow at a 6.5% CAGR, while personal lines expand at 5.5%, a narrow differential that signals balanced demand. Sophisticated commercial coverages such as cyber, renewable-energy packages, can grow thanks to efforts to connect local risk to global capital. Emerging markets typically show a non-linear relationship between GDP per capita and insurance penetration (Table 1).⁵

³ *A Mature MGA Market, Rising Premiums, Shifting Risks*, GallagherRe, 6 May 2025

⁴ *Fronting Model Matures Amid Growth, Challenges, and Market Shakeout*, Conning, 26 June 2025

⁵ See the analysis of the relationship between economic development and insurance penetration in *sigma* No 3/2022: Reshaping the social contract: the role of insurance in reducing income inequality, Swiss Re Institute, 2022.

Table 1

Insurance sector development by income group of markets

Income group of markets	Insurance growth relative to GDP	Commercial share (% of total P&C)	Key demand drivers	Key supply-side characteristics
High income	In proportion	~30–50% (past) Stable (10-year)	Mature corporate sectors, high asset values in high-risk areas, complex casualty risk exposures, growing intangible asset risks.	Broad and competitive commercial insurer base. Advanced underwriting capabilities (cat modeling, cyber, D&O, etc.). Strong regulatory and capital frameworks.
Middle income	Up to 50% faster than GDP	~40–60% Marginal decline (10-year)	Growing industrial and service sectors, expanding SME base, infrastructure investment. Fast growing middle class.	Presence of regional insurers and select global carriers. Reliance on reinsurance for large/technical risks. Broker channels emerging.
Low income	In proportion	~60–80% Stable (10-year)	Commercial insurance driven by multinationals or donor-funded infrastructure projects, weak personal lines demand.	Limited underwriting expertise for complex risks. Heavy reliance on fronting and international reinsurance. Fragmented or underdeveloped distribution channels.

Note: countries grouped by income based on World Bank classification of income status. Source: Swiss Re Institute

Property lines outpacing other sub-lines as exposures rise faster than GDP.

Advanced markets: property dominates P&C premium growth

In advanced markets, both personal and commercial P&C premiums almost doubled in the two decades to 2024, with headline CAGRs of about 3.3%. Property outpaced every other sub-line as exposures grew faster than GDP and mandatory nat-cat schemes proliferated,⁶ yet cat-bond and reinsurance inflows prevented capacity crunches. In recent years (since 2019), commercial liability lines have shifted from low-single-digit growth to high-single-digit CAGRs. Its rapid expansion in North America due to liability claims inflation is a key claims and demand driver. On the personal side, property and niche products offset a long-term declining motor share, reflecting the steeper claims trend for property losses. We see these mega trends to continue with both property and liability lines expanding at roughly the same pace.

Alternative risk transfer mechanisms facilitate the insurability of risks.

Alternative risk carriers: filling gaps to supplement complex risk transfer

Alternative risk carriers such as captives and risk pools increasingly supplement the traditional non-life market, generating capacity for risks viewed as too large or unpredictable for either admitted or non-admitted carriers. They have grown over recent decades in response to market limitations such as high pricing, lack of capacity, or inadequate coverage terms, such as in specialised or hard-to-place lines. Many offer wholesale re/insurance capacity directly to organisations, industries or affinity groups with specific needs. Their expansion creates a more fragmented global P&C insurance marketplace.

Captives are a tool for self-insurance and provide access to reinsurance capacity.

Captive insurers are the most mature and widespread form of alternative risk carrier with an estimated global market size of USD 60–80 billion, of which USD 30–40 billion is US-originated.⁷ Captives gained traction in the 1980s and enable corporations, industry groups or associations to self-insure their high-frequency-low-severity risks while gaining access to reinsurance for higher severity risks. They provide the insured entities with greater control over underwriting and claims handling. Captives are prevalent in the healthcare, energy, and manufacturing sectors and often domiciled in favourable regulatory jurisdictions such as Bermuda, Vermont or Luxembourg.⁸ The UK intends to introduce new regulation to enhance its captive market.⁹ Over time, captives have evolved to include multi-line coverages, employee benefits, and third-party risk underwriting, expanding their role in the non-life market.

Insurance pools often aggregate difficult-to-insure risks with similar characteristics.

Insurance pools and **industry risk-sharing arrangements** typically manage risks that are hard to insure individually due to their volatility or low frequency/high severity profile. They operate either on a private basis, such as pools among carriers for large industrial risks, or as public-private partnerships. Government-affiliated pools are designed to stabilise insurance availability in high-risk areas such as terrorism (e.g. TRIA in the US,

⁶ As seen for example in Italy: *Disaster insurance set to test Italy's business backbone in 2025*, Reuters, 16 December 2024.

⁷ *Captive Insurance Market Size And Forecast*, Verified Market Research, February 2024, *Captive 2.0: How a nice insurance vehicle is becoming a mainstream solution*, Insurance News, 19 June 2025.

⁸ *Captives and Understanding Captives*, AIRMIC In association with AON, September 2020.

⁹ *Chancellor gives green light to UK captives framework*, Insurance Insider, 15 July 2025.

Extremus in Germany), natural catastrophes (e.g. Japan Earthquake Reinsurance, Residential Earthquake Catastrophe Insurance Pool in China), crops (e.g. PSR in Brazil, PMFBY in India), or medical malpractice liabilities (e.g. Mutual Medical Liability Insurance in the UK). Pools spread losses across a broader base of participants and can include public backstops. In some regions, particularly where natural disaster risk is intensifying, pools are increasingly essential for insurability.

Residual markets are government sponsored and serve as insurers of last resort.

Closely related are **residual market mechanisms**, government-mandated insurers of last resort that offer basic property, automobile, and workers' compensation insurance to high-risk individuals or businesses who cannot obtain private coverage. Common in the US, residual markets include FAIR (Fair Access to Insurance Requirements) plans,¹⁰ beach and windstorm plans, and assigned risk plans for auto insurance. Though intended as temporary backstops, some residual markets have grown substantially, especially in catastrophe-prone regions where insurers have withdrawn due to mounting losses and reinsurance costs. California and Florida are key examples: Florida's Citizens Property Insurance Corporation – one of the largest residual markets – combines the functions of a FAIR and beach plan.

The mutual advantage: Stability, alignment of interest, long-term capital.

Business model development: competition and contrast lead to specialisms

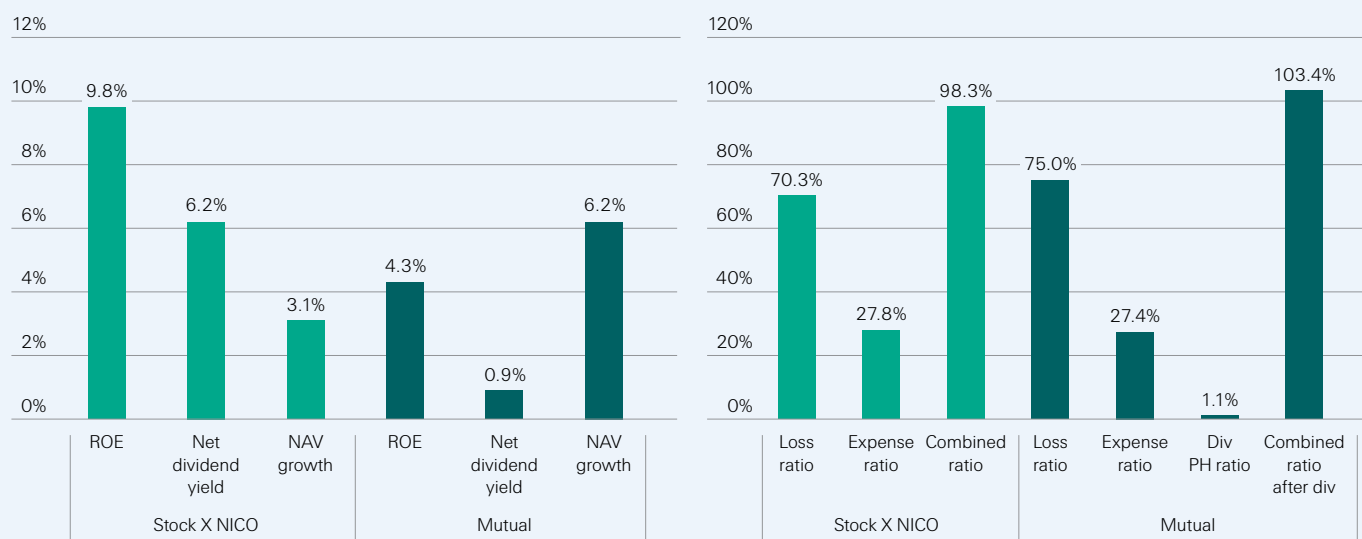
Non-life insurance has two main operating models that coexist and compete: mutual and stock companies. Reciprocal insurers are a third model with significant market share in certain lines. Mutual insurers, owned by their policyholders rather than shareholders, historically emerged to serve groups of similar risk profile and interest (mutuality) that lacked access to (commercial) insurance: farmers, professionals or regional communities. Today, mutuals retain a strong presence in personal lines, agricultural insurance, and certain cooperative sectors, particularly in mature markets such as the US, France, and Germany.

Stock companies lead in commercial lines and startup.

Stock insurers lead in commercial, specialty, and multinational insurance, where scale, capital access, and product innovation are key differentiators. Global companies such as Chubb, AIG, Zurich, and Allianz have established broad global footprints and deep product diversification, supported by active reinsurance programs and strong investor backing. Startup insurers have predominantly been stock companies since they allow for the rapid scaling up of capital as well as exit strategies for venture investors.

Figure 2

Stock vs. mutual insurance company performance metrics



Note: US statutory data, 20-year averages. Source: S&P Global Capital IQ, Swiss Re Institute

¹⁰ For a discussion of the California FAIR plan, see *sigma* 1/2025: Natural catastrophes: insured losses on trend to USD 145 billion in 2025, Swiss Re Institute.

Mutuals are focused on creating policyholder value rather than shareholder returns.

The mutual model reduces the principal-agent conflicts inherent in stock companies. Mutuals create policyholder value without pressure to maximise shareholder returns. This contributed to 5% higher combined ratios on average in US mutuals compared with stock companies over the last 20 years, statutory data shows (see Figure 2). Business mix also contributed – mutuals write proportionally more personal lines premiums, which have generated higher combined ratios over time. The average ROE of US mutuals was only 4%, compared to 10% for public P&C insurers in the US over this period. Mutuals typically adopt conservative reserving and investment strategies that prioritise stability over yield.

Funded by retained earnings, mutuals grew their capital base faster than stock companies.

Mutual insurers self-fund their capital growth through retained earnings, surplus notes and reinsurance, as limited access to capital markets means they cannot issue equity, and they pay no shareholder dividends.¹¹ We estimate that US mutuals grew their capital by 3% annually faster than stock companies, which returned most of their (higher) profitability to shareholders via dividends, over the last 20 years. Some mutuals have adopted holding company structures that enable them to create stock subsidiaries and issue equity, while retaining mutual governance at the parent level.

Divergence in the two models has led to segment specific market positioning.

This divergence has led to segment-specific concentration. Mutuals typically dominate in personal and affinity-based insurance, where trust, homogeneous risk pools and conservative risk selection are valued. They are less agile in pursuing large-scale acquisitions or entering capital-intensive lines such as cyber or specialty commercial insurance. Stock companies have been at the forefront of technological innovation and have gained market share in fast-growing or volatile segments such as cyber insurance, parametric covers, and digitally distributed small business insurance.

Reciprocal exchanges focus primarily on personal lines today.

Reciprocal exchanges today focus primarily on personal lines but originated as self-insurance for businesses with similar risk profiles. They are similar to mutual insurers in having policyholder ownership and risk-sharing among members, but they are unincorporated and managed by a separate company. The management company (often called the Attorney-in-Fact) collects a fee in exchange for managing the operations of the exchange. Reciprocal exchanges are largest in the US (16% of personal lines premiums) and have expanded to Canada.

Markets becoming more diffuse and diversified

The P&C market structure is becoming less concentrated and more diffuse in most countries.

P&C markets are becoming more diverse and populated by smaller insurance carriers, with the concentration of the top five firms declining in most countries. In nine out of 11 major jurisdictions, the top five carriers hold less market share today than in 2004 (Figure 3). A landscape of smaller risk carriers add capacity through innovations, but often lack the balance-sheet depth and rely on wholesale risk-transfer solutions. These changes increase the importance of the wholesale risk transfer market, which we evidence further in later chapters. As richer data sets emerge, we expect even finer specialisation, and an even greater role for the wholesale market to pool and redistribute such risks.

AI is no longer experimental; adoption is broad-based across major insurance markets.

AI and tech: lower barriers to entry, but biggest benefits to largest insurers

Global insurers will spend USD 230bn on technology in 2025. This will grow by CAGR of 7–9%, until 2030 according to Gartner.¹² AI, data platforms and cloud infrastructure will absorb the majority of incremental dollars. AI is no longer experimental; adoption is broad-based across major insurance markets. In the US, a 2024 Deloitte survey found that 76% of US carriers already run generative-AI in at least one business function, led by claims and underwriting.¹³ In China, market leaders such as Ping An processed 1.84bn service interactions via AI representatives in 2024; about 80% of all customer requests.¹⁴ The European Insurance and Occupational Pensions Authority (EIOPA)

¹¹ I.e. a form of subordinated debt that qualifies as regulatory capital.

¹² *Forecast: Enterprise IT Spending for the Insurance Market, Worldwide*, Gartner, 6 May 2025.

¹³ *Deloitte: Insurers Race to Deploy AI Amid Profit Pressures*, InsurTech Digital, 23 October 2024.

¹⁴ *Ping An Reports Stable Growth in Operating Profit*, PingAn, 19 March 2025.

Insurers expect significant efficiency gains and compression in process times.

Insurtechs faced high expectations and did not deliver structural change to the market structure.

began a sector-wide review of generative-AI in May 2025, signalling regulatory intent to embed governance as adoption accelerates.¹⁵

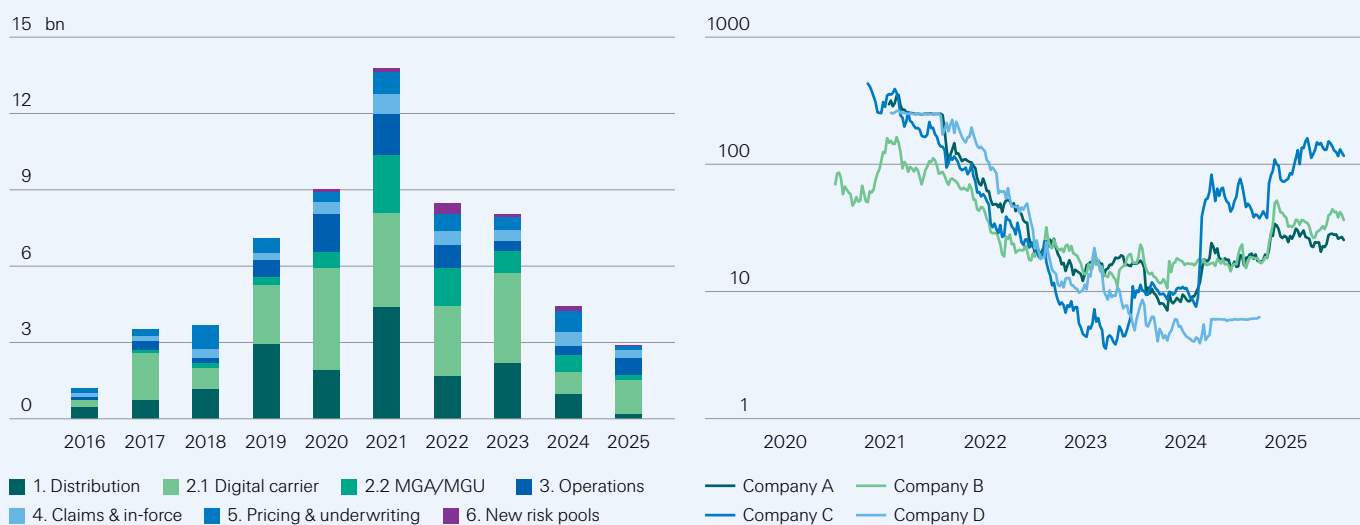
This adoption should compress process times. For e.g. AIG's Underwriter Assistance hopes to turn one human underwriter into five, with a goal of processing 500 000 E&S submissions and booking USD 4bn new premiums by 2030.¹⁶ AI agents ingest every E&S submission overnight, freeing underwriters to focus on pricing and negotiation. The industry could move towards a barbell-like structure. On the one hand, we can expect a cluster of large, data-rich global insurers benefiting from economies of scale, and on the other agile, digital-native specialists filling product or capacity gaps. The traditional mid-scale multi-line players in the middle will need to find a way to access the full range of technology benefits.

From disruption to integration: the strategic reset of Insurtech

The Insurtechs suffered from high expectations and did not deliver structural change to the market structure. Insurtech digital MGAs and full-stack carriers raised billions in equity from VC funders. However, by 2022, many had failed to reach sustainable underwriting margins. Poor market performance has followed several high-profile IPOs since 2021 after the firms revealed challenges in loss ratios, customer retention and scale (see Figure 3 right). As a result, the Insurtech sector is undergoing a strategic reset, moving out of its "disrupt-the-incumbents" phase and supplying data, distribution and speciality underwriting that enlarge overall market capacity. Most Insurtechs will likely stay "capital-light" by fronting through rated carriers and placing quota share/stop-loss treaties with global reinsurers.

Figure 3

Left: Total insurtech funding, 2016–2025. Right: Selected Insurtech US share price history since IPO (logarithmic scale, not indexed)



Source: Swiss Re Institute based on CB Insights Insurtech deals data until June 2025, S&P Capital IQ

US personal-auto consolidated while most US commercial lines fragmented.

Trends in industry concentration by market

The **US P&C industry** has become slightly more concentrated from a low level, driven by only one line: personal auto. This became more concentrated as geographical diversification, distribution consolidation and technology-driven commoditisation drove consolidation in mid-sized carriers. Commercial lines (except motor) became more diffused. Rapid growth of the MGA and E&S segments (see chapter 2), with many startups and niche players, have introduced new competitive pressures.

¹⁵ EIOPA surveys European insurers on their use of generative AI, EIOPA, 15 May 2025.

¹⁶ Investor Day_2025, AIG, April 2025.

Table 2

US top five market shares 2004, 2014 and 2024

Line of business (market share)	2004 top 5 share (%)	2014 top 5 share (%)	Δ 2004–14 (ppts)		2024 top 5 share (%)	Δ 2014–24 (ppts)		Δ 2004–24 (ppts)	
Personal lines	47	51	4.2	▲	58	6.4	▲	10.6	▲
Private passenger auto	46	53	7.1	▲	64	10.3	▲	17.3	▲
Homeowners multiple peril	50	47	2.8	▼	46	1.5	▼	4.3	▼
Commercial lines	39	33	6.5	▼	32	0.9	▼	7.4	▼
Commercial property	37	38	0.2	▲	36	2.1	▼	1.9	▼
Other liability	43	29	13.6	▼	26	3.1	▼	16.8	▼
Commercial auto	30	29	1.4	▼	32	3.3	▲	1.9	▲
Workers' compensation	41	26	15.5	▼	28	2.2	▲	13.3	▼
Specialty	64	52	12.4	▼	46	5.7	▼	18.1	▼

Note: Commercial property and specialty are for 2023 rather than 2024. Large declines in top five shares between 2004–14 were driven in part by breakup of AIG.

Source: NAIC Market Share Reports for Property/Casualty Groups

Europe: national consolidation is high and rising.

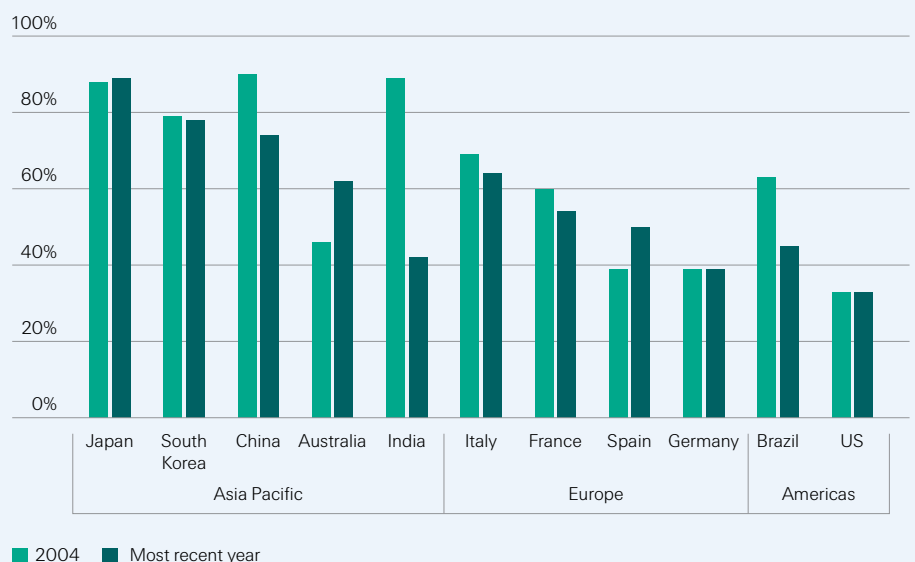
In **Western Europe**, national concentration in the large markets runs relatively high and has increased over the last two decades, but the EU-wide market is fragmented. For example, in Italy and France, the top five firms (CR-5) hold 64% and 54% of the market, and CR-5 is only slightly lower in Spain and Germany at 50% and 39%.

Coexistence of multinationals and powerful local groups is a positive for consumers.

However, pan-European multinationals rarely cross 10% share in EU countries outside their home market. The legacy weight of locally rooted mutuals (in France and Germany) and listed stock companies offsets scale advantages of the multinationals. Such coexistence is a positive for consumers: local mutuals cap profit loads while multinationals set efficiency benchmarks. Large groups multinationals leverage the latest digital and AI claims tools that shorten settlement times. Local rivals try to follow which can accelerate sector productivity gains. Ratings agencies echo this view.¹⁷

Figure 4

Top five market shares by country, 2004 and most recent year



Note: most recent year is 2022 for Australia and Italy, 2023 for others. For Germany data starts at 2007.
Source: Swiss Re Institute compiled from GDV, France Assureurs, ANIA, ICEA, Axco, NAIC, IRDAI.

¹⁷ Fitch notes that in European non-life, competition constrained price rises in many markets. *Non-Life Insurers' Premium Rate Trends Vary Across Europe*, Fitch Ratings, 26 July 2024

Japan: oligopolistic market is now focused on foreign expansion to offset domestic stagnation.

The evolving P&C sector offers varied growth for insurers across locations, sizes, and business models.

Asia: In markets where the top five concentration ratio (CR-5) is climbing or stable, incumbents will focus on scale, capital efficiency, centralising IT platforms and harmonising their respective underwriting standards to defend margins. Japan, with legacy keiretsu links, still sits at an 89% CR-5, with South Korea close behind in the high-70s. China, although now a USD 250 bn market, has only edged down to a 74% CR-5 as national champions lead, while foreign players hover at 2%. In Australia concentration increased, as mid-tier rivals merged with the largest players. India is the outlier: two decades of liberalisation have reduced the state oligopoly, pushing CR-5 below 45%. In Latin America and much of ASEAN/Africa, concentration rises when bank-owned groups and solvency hurdles block fresh capital and falls where regulators open the market.

The growing and diversifying P&C insurance sector continues to offer opportunities for development across different geographies and business models. Global groups, regional players, national champions, and niche insurers each have avenues to expand their presence and adapt to changing market conditions. As risk landscapes evolve and regulatory frameworks shift, insurers of all sizes can pursue targeted strategies to strengthen their positions and build scale where relevant.

Table 3

Summary of risk carrier and distribution organisations

Organisation type	Definition & scope	Key trends (2014–24)	Underwriting risk	Investment risk	Risk capital
Global insurers	Multicontinental operations, centralised strategy	Portfolio rationalisation, capital optimization (e.g. Solvency II), digital platforms to unify underwriting and claims	✓	✓	✓
National (or international regional) Insurers	Focused on a single country (or operate in multiple countries within a region); include large domestic multiline carriers	Growth from personal lines in developed markets; retail and SME expansion in emerging markets	✓	✓	✓
Regional and specialty insurers	Operate in a limited geographic or state/provincial market	Niche and community underwriting; facing limited diversification and heavier volatility from concentrated exposures.	✓	✓	✓
Alternative risk transfer carriers including captives	Non-traditional risk financing and transfer carriers outside standard re/insurance (self-insurance, mutuality, and mandatory risk pooling)	Growth in captives; flexible underwriting in hard markets	✓	✓	✓
Alternative capital	Risk capital sourced outside the balance sheet of traditional re/insurers; flexible and temporary capital commitment (cat bonds, collateralised reinsurance, ILWs, sidecars)	Growth in insurance-linked solutions and increased participation by capital markets players, highlighted by rising cat bond issuance	✓	✗	✓
Brokers and agents	Brokers (including retail brokers) represent clients by sourcing coverage from multiple insurers, agents represent one or more insurers in selling their products directly to customers.	Expansion of analytics and other ancillary services (retail brokers) and wave of consolidation (driven by wholesale)	✗	✗	✗
Managing general agents (MGAs)	Intermediaries that typically have delegated authority to underwrite, issue and/or service policies	Robust growth driven by demand for niche expertise (e.g. cyber and specialty lines), supporting momentum in surplus lines	(✓)	✗	✗

Source: Swiss Re Institute

Supply-side structure and dynamics

The non-life insurance value chain is maturing into more segmented, differentiated strategies shaped by specialisation and technology enablement. Personal lines intermediation costs have declined more significantly than commercial segments due to digitalisation and disintermediation. Brokers and MGAs have expanded their footprints and shares of revenue in the insurance value chain, especially in the more complex and dynamic commercial lines. Advances in risk modelling facilitate the valuation, packaging, and wholesale transfer of risk from capital-light originators to full-stack insurers and reinsurers. The growth and consolidation of wholesale brokers complement this trend. The risk pool is increasingly skewed towards higher risk lines, and a growing share of risk is being transferred to reinsurance and retrocession markets.

The full insurance value chain has supported and adapted to the shifts in risk exposures.

The insurance value chain is disaggregating. Functions once concentrated within vertically integrated carriers are now spread across a wider set of specialised players, from distribution and underwriting to claims handling. Brokers, managing general agents (MGAs), and niche underwriters have expanded their role, particularly in commercial lines where complexity and uncertainty are greatest. This shift has allowed new capacity, expertise and innovation to enter the market, but it has also raised transaction costs and introduced oversight challenges as more delegated underwriting takes place outside the direct control of risk carriers.

Rising distribution costs in commercial lines have offset some of the significant efficiency gains of the past decade.

Digitalisation and technology deployment have yielded significant efficiency gains over the past decade. In the US, for example, reductions in underwriting, administrative and claims expenses have lowered overall non-claims costs relative to premiums, with savings passed on to policyholders. However, these gains have been partially offset by rising distribution costs in commercial insurance, where commissions have trended upwards alongside the growing role of intermediaries. By contrast, personal lines carriers have realised broader improvements across distribution and operating expenses through scale economies in more commoditised products, and disintermediation via technology.

Growth in wholesale risk transfer, reinsurance and alternative capital has become a defining feature of the market structure.

Meanwhile, growth in wholesale risk transfer, reinsurance and alternative capital has become a defining feature of market structure. The higher growth of capital-light, innovative and specialised originators was complemented by the expansion of wholesale risk transfer (wholesale brokers¹⁸ and reinsurers), facilitated by advances in risk modelling. Reinsurance premiums have expanded more quickly than primary P&C, and retrocession and insurance-linked securities have doubled in scale over the past decade. The layering of risk transfer—from originators to insurers to reinsurers to capital market structures—is broadening market capacity, improves capital efficiency, and reinforces the central role of reinsurance and alternative capital in sustaining insurability in a riskier world. The extensive innovation at the front end of the value chain must be complemented by capacity for tail risks at the back end.

Value chain evolves to a more segmented form

The structure of the insurance value chain has changed rapidly.

Today's non-life insurance industry is mature, sophisticated and more specialised through the value chain. Each function now features players focused on distinct activities, from underwriting authority and distribution to data analytics and claims servicing. It is a gradual evolution from the established structure of high vertical integration, in which carriers have typically underwritten risk, borne it and managed claims. The specialisation is assisting primary insurers in more complex and challenging risk transfer. Still, growing use of managing general agents (MGAs) in markets such as the US and UK is leading to higher insurance commissions paid, in contrast to broad margin compression in the other segments.

¹⁸ See, e.g., *Wholesale Growth Is Cycle-Proof; Dual Distribution Has Failed: AIG's Zaffino*.

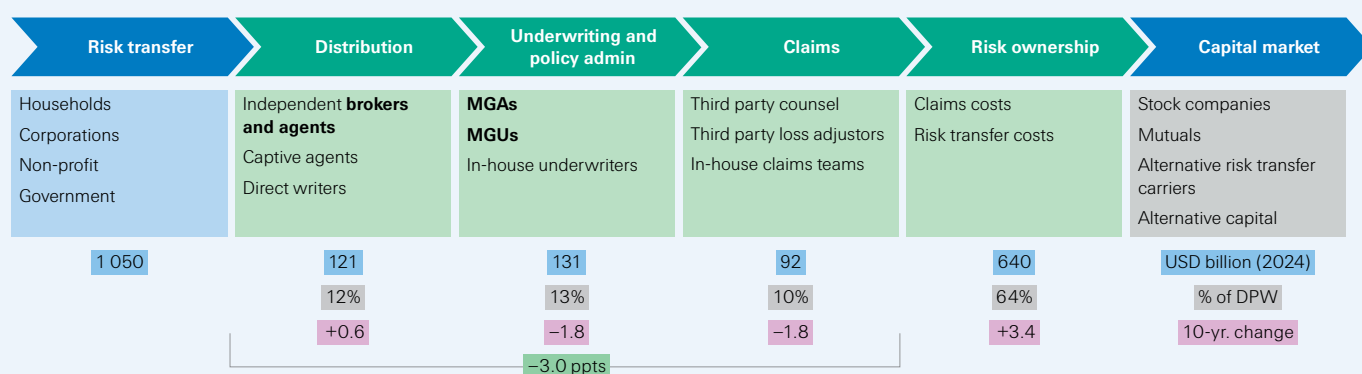
US non-life insurers achieved 8% efficiency gains over the last decade.

Efficiency gains partly offset by higher distribution costs

We estimate that the US P&C sector saw a significant improvement in efficiency in the last 10 years (see Figure 5). In total, non-claims expenses as a share of premium revenue, across the value chain, declined by 3ppts of premiums or 8% of non-claims expenses. The efficiency gains flowed to policyholders, which received 3.4 pts more claims payouts per premium dollar spent, on average. This more than complete pass-through of gains to the customer indicate robust competitive pressures.

Figure 5

The US P&C insurance value chain, USD billion



Note: USD values are for the US industry in 2024. Percentages show 2020–24 averages. Deltas compare the average between 2020–24 with the average between 2010–14.
Source: Swiss Re Institute, AM Best, S&P Capital IQ.

The insurance value chain comprises four key functions.

We estimate the US value chain efficiency breakdown as follows:

- **Distribution costs are up by 0.6pts for US insurers over the last decade, to about 12% of premiums on average** (USD 121bn in 2024). The intermediation of the insurance product between clients and the insurance company is now typically done by independent agents or brokers (which work for many insurers), captive agents or salesforce (which work for one insurer) or direct distribution via digital channels, call centres, or embedded insurance.
- **Underwriting costs are about 13–14% of premiums on average for US insurers, down 1.8ppts over 10 years** (USD 131bn in 2024). The assessment, pricing and acceptance/rejection of risks, and **policy administration**, i.e. issuance of policy, collection of premiums, administration of policyholder information, is typically done either by in-house underwriting teams or by MGAs (see below).
- **US loss adjustment costs are down by 1.8ppts to about 10% of premiums on average over the last decade** (USD 92bn in 2024). The assessment and settlement of claims, handling of legal disputes including external legal counsel. This is done in-house, assisted by external counsel and increasingly outsourced (in part) to third-party administrators.
- **Risk ownership costs in the US, net of reinsurance, were on average up by 3.4ppts over the last decade and have stood at about 64% of premiums over the last five years** (USD 632bn in 2024). The costs of assuming the risk or claims paid to the policyholder (or third party on behalf of the policyholder) is the core value proposition of the insurer. Insurers optimise the costs – including the cost of capital – through reinsurance and other risk transfer (see below).

Distribution channels and their evolution

The role of brokers has expanded.

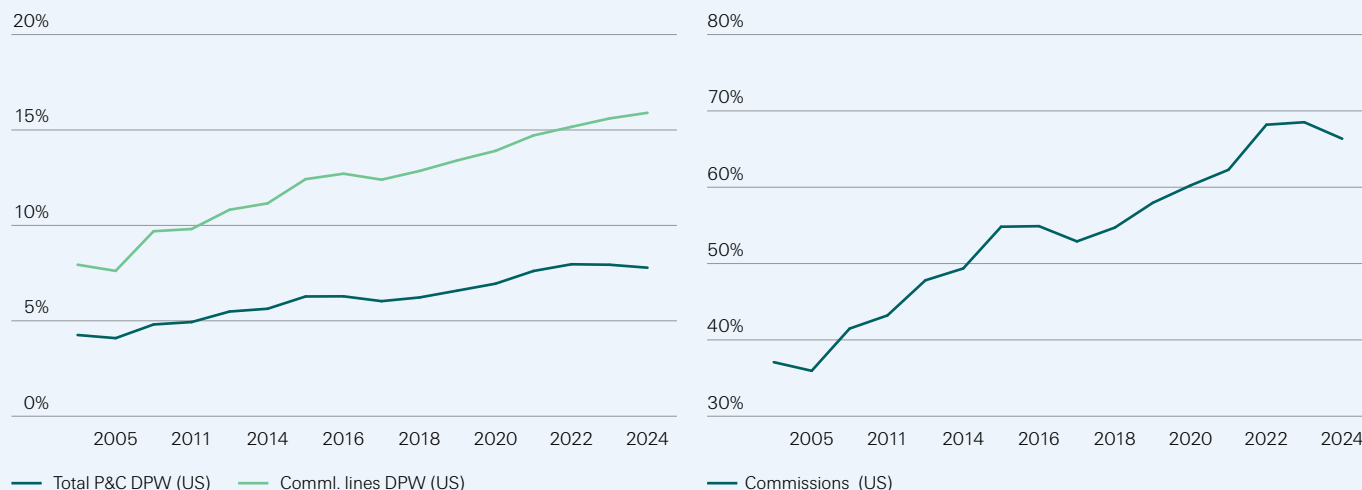
The sector now has large publicly traded retail brokers, privately held wholesalers, and a growing share of DPW.

The brokers' role in the insurance value chain has grown over the past two decades. Retail and wholesale brokers have pursued different strategies since 2005 when three of the "big four" retail brokers divested their wholesale operations to eliminate perceived conflicts of interest following regulatory scrutiny.¹⁹

The two significant trends are first, the expansion of the top four brokers' analytical and advisory capabilities, to create a moat based on horizontal integration with brokerage-adjacent services. This grew the brokers' share of revenue in industry DPW (see Figure 6 left). Second is the significant increase in the market share of the next 20 brokers below them, which typically contain large wholesale operations, and brokers with wholesale-only operations. These brokers are more exclusively focused on intermediation than the Top 4, and are acquiring market share at a faster rate than their smaller counterparts. All but two are private or private equity backed, and they have grown by both M&A and organic tailwinds.

Figure 6

Top 100 US broker revenue vs. US P&C DPW, commissions



Source: Business Insurance, Swiss Re Institute

The top four brokers have pursued revenue diversification beyond intermediation.

Brokerage revenues have regained their share of total revenue in the past decade.

Broker distribution: growing role in the value chain; uptrend in commissions

In the late 2000s, the top four brokers (Marsh McLennan, Aon, AJ Gallagher and Willis Towers Watson) began expanding rapidly into adjacent professional and advisory services such as risk consulting, data analytics, and human capital solutions. These value-added services typically complement traditional insurance placement and can deepen client relationships.²⁰ Today, advisory supplies ~35 % (2024) of Top-10 global broker revenue, evidence that this fee-based segment has become a structurally significant, rather than peripheral contributor to the sector's earnings profile.

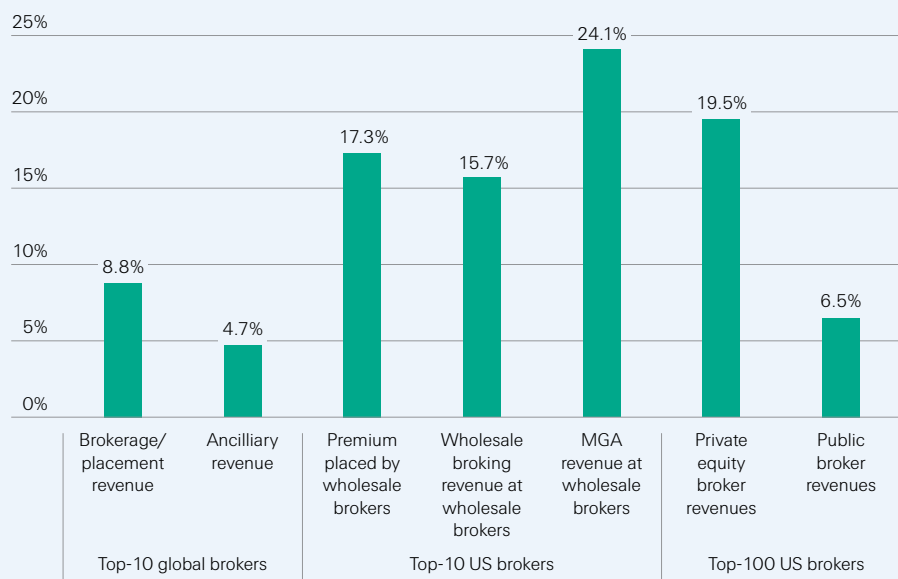
Brokerage revenues have regained share of total revenue in the past decade (see Figure 7) and were beneficiaries of the hard market-driven premium growth in commercial lines. Brokerage revenues at the Top 10 global brokers have grown by 8.8% p.a. since 2014, above that of ancillary services at 4.7% (see Figure 7).

¹⁹ D. Bull, *The retail-wholesale complex...*, E&S Insurer, December 2022.

²⁰ *Top 10 Global Broker Rankings, 2003–2024*, Business Insurance.

Figure 7

CAGR of broker revenue by ownership,
(2014–2024)



Note: Wholesale broker data ends in 2023

Sources: Business Insurance Broker Rankings, Swiss Re Institute

Wholesale brokers have expanded their role in the distribution landscape.

The **wholesale brokerage** market has consolidated and expanded since 2005, particularly in facilitating access to non-admitted and specialty markets. Today the wholesale brokers serve as access points for retail agents seeking to place complex or non-standard risks that are outside the appetite or capacity of admitted insurers. Consolidation among the largest wholesale intermediaries has created large-scale platforms with significant market-making power in specialty risk distribution (see Figure 7 for growth in premium placed by wholesale brokers).²¹ Growth in the E&S market, which is served by wholesale brokers, has outpaced the broader market.

Operational efficiencies and funding fuel private equity brokerage market expansion.

In the US, private equity-backed brokerages, both retail and wholesale, have gained significant market share through acquisition strategies. Revenue at private equity-backed US brokers grew at a CAGR of 19.5% during 2014–2024 (see Figure 7). US private equity or “hybrid” (private equity-related) buyers accounted for 69–75% of M&A transactions of brokers in each of the last seven years.²² These platforms, which are often focused on middle-market and specialty segments, have benefited from operational efficiencies and private equity funding, enabling them to consolidate smaller brokers and expand distribution reach.^{23, 24, 25}

Broker revenue growth outpaced insurance premiums.

Brokers acquire a growing share of total industry compensation

Broker revenue growth (9.9% CAGR) has outpaced that of underlying insurance premiums by three to four points (see Figure 8). This represents a growing share of compensation within the risk chain compared to insurance carriers. We see several factors contributing to this trend:

- More fees for ancillary services as brokers and MGAs cover a larger scope in the insurance value chain (more below).
- Rotation from captive agent commissions to third party commissions as independent brokers gained market share.
- Top 100 representing greater share of overall broker market.
- Consolidating (second tier) brokers gaining market and pricing power, contributing to margin expansion.

²¹ Business Insurance Wholesale Broker Rankings, businessinsurance.com.

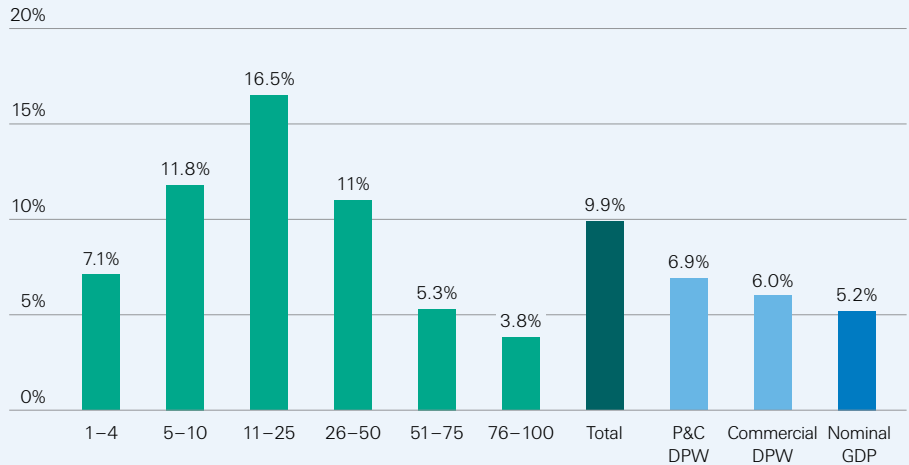
²² North American Agent & Broker 2024 Year-End Merger & Acquisition Report, Optis Partners, January 2025.

²³ Acrisure Private Equity: Transforming the Insurance Brokerage Landscape, FatFIRE, 19 December 2024.

²⁴ See Acquisitions by Alliant Insurance Services, Tracxn, accessed 21 July 2025.

²⁵ Top 10: Insurance Brokers, InsurTech Digital, 13 November 2024.

Figure 8
CAGR of US broker revenue by market segment
vs. total commercial insurance, 2014–2024



Source: Business Insurance Broker Rankings, Swiss Re Institute

Direct distribution dominates personal auto insurance in mature markets.

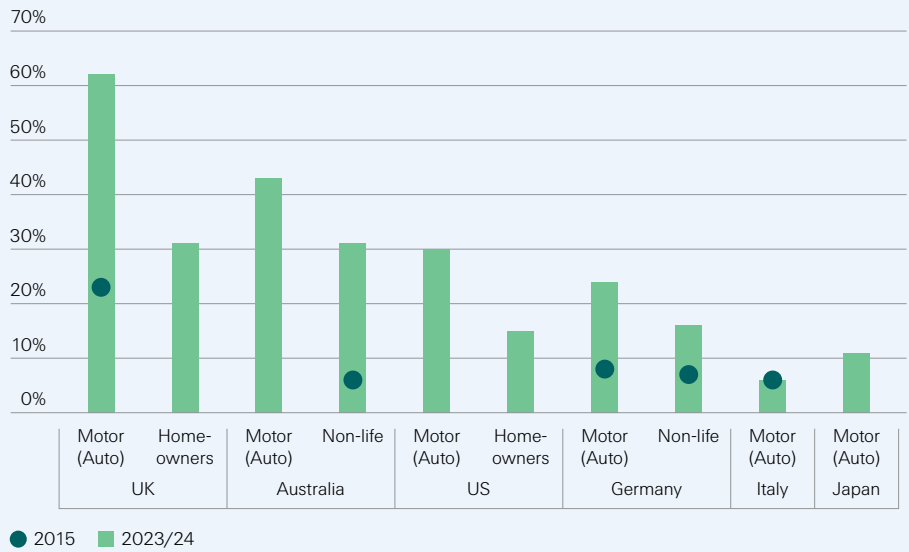
In emerging markets, brokers and agents still dominate due to their role in matching consumer needs.

Advanced markets embrace direct (digital) distribution in personal lines

Markets such as the UK and Australia embraced direct distribution early, and most personal lines auto premiums were flowing through direct channels by 2024 (see Figure 10). Homeowners insurance often lags auto in direct adoption; consumers tend to value advice for property coverage and risk profiles/underwriting is more complex. Also, many home policies are bundled or sold via banks in some markets (e.g. bancassurance in France, Spain, Italy is significant for home insurance).

In emerging markets, digital direct channels still represent typically 1 to 5% of the overall non-life insurance distribution mix. For example, in India and Brazil online direct sales account for under 2% of non-life premium, according to regulatory data.^{26,27} Insurance continues to be bought through brokers or agents, who are often crucial in matching consumer needs with an optimal provider. Regulatory or underwriting requirements, such as mandatory KYC or physical inspections, can also influence the choice of insurance distribution channel.

Figure 9
Digital and direct distribution channels in
select personal lines markets.



Source: Swiss Re Institute

²⁶ Insurance for All: Annual Report 2023–24, IRDAI, November 2024.

²⁷ J. Morales, R. Machi, S. Spak et al., Pursuing insurance growth in Latin America, McKinsey, 7 May 2025.

The separation of underwriting and risk-bearing

Distribution is absorbing more underwriting functions, as MGAs, wholesale brokers and E&S expand.

Insurance companies are increasing their use of MGAs.

Insurance functions disaggregate as distributors assume more underwriting

The convergence of the core distribution and underwriting functions, principally led by the US, is a key shift in the structure of the P&C market. The roles of MGAs, wholesale brokers and the E&S market are expanding to take on more underwriting tasks, and intermediaries are seeking to capitalise on new market niches through technology, data analytics, and underwriting expertise. Carriers are part of the shift as they increasingly outsource distribution and/or underwriting capabilities to specialised service providers.

That distribution and underwriting are converging is evidenced by multi-year growth in premiums, and broad insurer buy-in (89% are expanding their use of MGAs).²⁸ The US and UK are prominent, where the MGA model accounts for ~10% of P&C premiums (vs. a 7% share in the US in 2014). While specialty commercial and E&S lines lead this trend, the model’s flexibility and capital efficiency suggest continued expansion, particularly in mature markets such as the US and the UK, and gradually in Europe and selected Asia-Pacific hubs. The US MGA market is likely well over USD 100 billion premiums (doubled since 2018).²⁹

Table 4
P&C insurance segment, premium volume, growth trend and interactions

Segment	Premium Volume (USD bn)	Growth trends 20 years	Description	Interactions
E&S market	130	13%	Non-admitted, high-risk	Uses MGAs, fronting
MGA market	90–100	10–12%	Delegated underwriting	Writes for fronting & E&S
Fronting	17–19	17–20%	Regulatory/legal mechanism	Used by MGAs & captives
US captives	30–40	6–7%	Corporate risk retention	Use fronting; limited MGA
Wholesale brokerage	n.a.	7–10%	Bundling E&S, MGA risks	E&S, MGA channel growth

Source: Swiss Re Institute estimates.

E&S market gaining momentum from organic growth and hard market spillovers from admitted markets.

The E&S market is a focal point for the change in market structure. This line of business has grown significantly in both premium volume and market share, by capturing risks that are difficult to place in the standard market due to unusual exposures, adverse loss experience, or emerging risk characteristics. The E&S segment benefits from a more flexible regulatory regime, allowing for innovative coverage design, rate flexibility, and expedited product development. In 2024, E&S direct premiums written were an estimated USD 130 billion,³⁰ up from roughly USD 40 billion a decade earlier, reflecting not only organic market growth but also spillover from admitted markets during hard market conditions.

Insurance functions are disaggregating in parallel.

Insurance functions move beyond insurers

As distribution and underwriting functions bundle together, the parallel impact is a growing disaggregation of the traditional insurer functions. Risk selection, product development, distribution and claims handling are increasingly occurring outside the direct control of insurance companies.

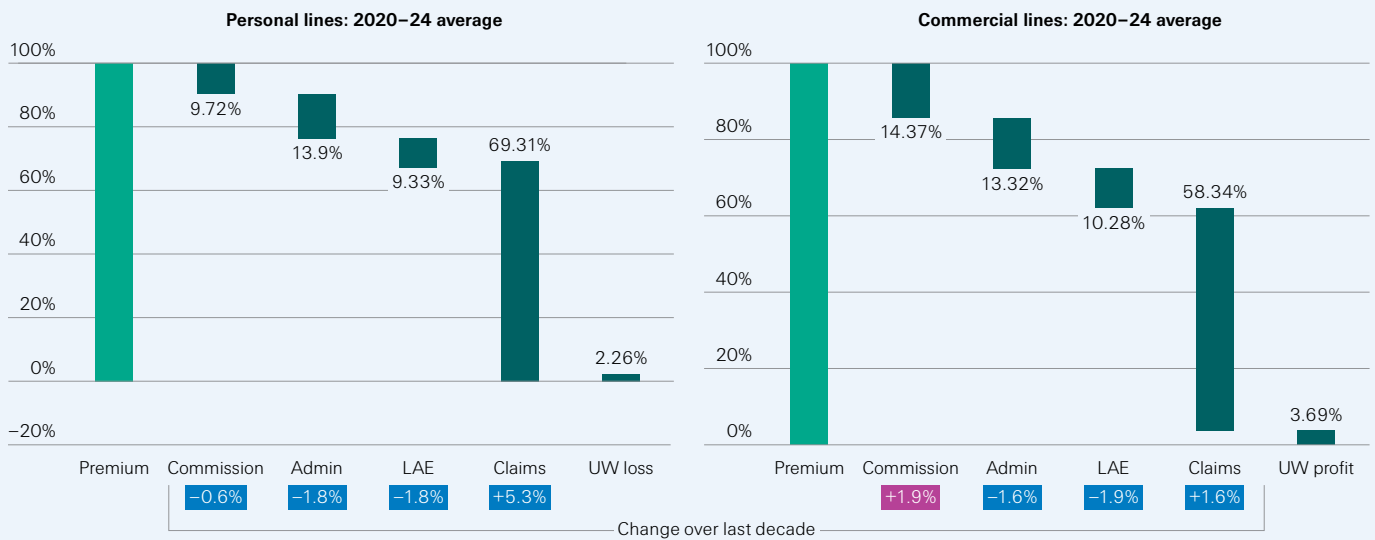
This is reflected in the expense structure.

The expanded scope of brokers and MGAs is reflected in the expense structure. Commissions paid per premium dollar have risen by 1.9ppts in US commercial insurance over the last decade (see Figure 10 right). By contrast, average commission rates in personal lines, where the fully integrated business model remains more prevalent, declined by 0.6ppts (see Figure 10, left).

²⁸ Conning Study: MGA Market Still Growing, Insurance Journal, 12 July 2024.
²⁹ Best’s Market Segment Report: MGA Premiums Showed Double-Digit Growth for Fourth-Straight Year in 2024, Business Wire, 4 June 2025.
³⁰ Estimate based on 2024 domestic E&S growth rate applied to 2023 overall E&S market size reported in NAIC Surplus Lines Industry Report.

Figure 10

Expense structure for US insurers as a percentage of premiums, 2020–2024 averages



Note: MGAs and brokers both included as their commissions cannot be separately attributed. Source: S&P Capital IQ, Swiss Re Institute

The larger scope of brokers and MGAs has lowered expenses for carriers.

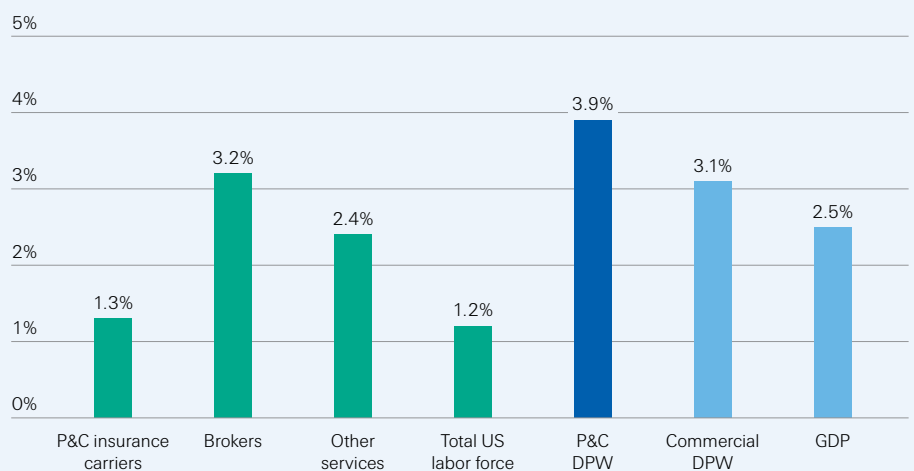
Employment growth also illustrates the shift.

The broader scope of brokers and MGAs in the value chain may also have contributed to lower underwriting, administrative and claims management expenses for commercial insurance carriers (–1.6ppts of DPW), despite the increasing complexity of risks.³¹

Employment growth also illustrates the shift in industry value contribution. Employment by brokers and service providers such as third-party claims adjusters, outpaced insurance carriers by 1.9ppts annually over the last decade (see Figure 11). P&C insurance carriers' labour productivity increased by 1.8% annually over the decade if we measure it by employment relative to real commercial premium volume (as proxy for transferred risk). This is in line with labour productivity growth in the broader US economy.

Figure 11

Workforce growth, CAGR 2014–2024



Source: S&P Capital IQ, Swiss Re Institute

Increase in risks with rising disaggregation of the insurance value chain

This disaggregation enhances market adaptability but introduces new risks. Primary among these are oversight challenges and the potential misalignment of incentives. For example, a study of the US P&C industry found that among 13 insurers that operated

³¹ Other contributors to lower expense ratios could be efficiency improvements through technology and strong premium growth.

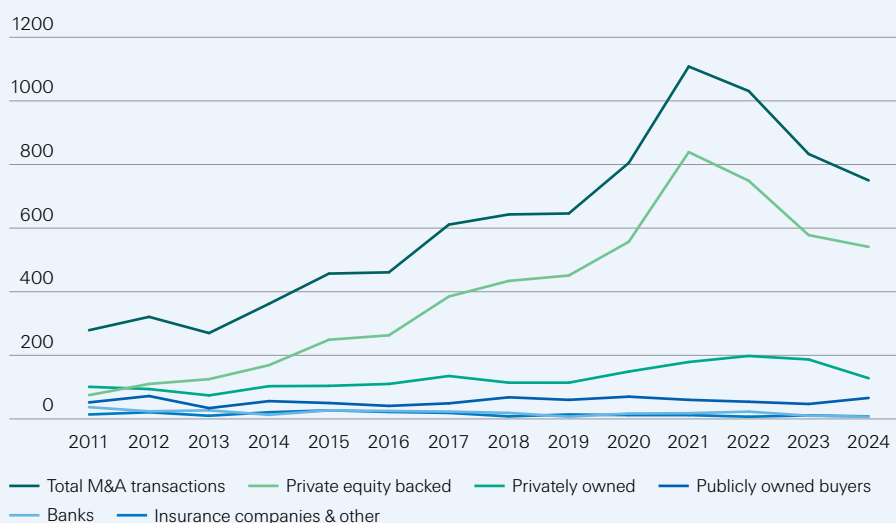
with an affiliated model that became insolvent between 2017 and 2022, more than 88% of direct premiums written were sourced through the affiliated MGA in the year prior to insolvency.³² Increased complexity in managing capacity and pricing cycles is a further potential problem.

PE and VC active in capital light sectors, but sustained heavy losses elsewhere

Private equity (PE) firms now play a large role in P&C insurance distribution, investing in both brokers and MGAs. Brokers' recurring revenue and low capital intensity make them attractive to PE firms, which have funded the consolidation of many regional and specialty brokers, realising scale in back-office functions. PE-backed or hybrid buyers executed 75 of 279 brokerage M&A deals in 2011 (~27%) but ramped up to 541 of 750 deals in 2024 (~72%), a seven-fold increase (see Figure 12).

Private equity has played a dominant financial force in the brokerage sector,

Figure 12
Brokerage M&A transactions,
number of transactions



Source: Optis Partners, Swiss Re Institute

Private equity has similarly driven consolidation for MGAs.

MGAs often also control pricing and risk selection, positioning them closer to the core of insurance economics, unlike brokers. PE-backed platforms have also emerged as scaled underwriting intermediaries. These platforms integrate multiple niche MGAs under a shared infrastructure that includes centralised actuarial, compliance and reinsurance capabilities. The strategy enables both organic and inorganic growth into specialty and emerging risks, such as cyber, parametric, and climate-related lines.

Risk transfer: reshaping the risk chain

Free flows of capital and retrocession ensure insurability and availability of insurance.

Free flow of capital and well-functioning retrocession markets are essential components of an efficient global risk transfer system. Barriers to capital mobility curb the capacity of the re/insurance sector to absorb shocks and diversify risk internationally. Equally, vibrant retrocession markets enable primary reinsurers to optimise their portfolios, spreading peak risks effectively and lowering the overall cost of risk. These mechanisms are vital for making insurance protection more accessible and affordable worldwide. Domestic reinsurance requirements constrain access to global reinsurance.³³ Cross-regional diversification of risk buffers the cost of risk impact from loss drivers such as inflation or large catastrophes, which may be correlated within a country or region.

The significance of risk transfer to reinsurance has increased.

The increasing functional specialisation of the primary insurance sector also has implications for the further layers of the risk transfer market, ie the reinsurance sector. We see a structural trend towards rising reinsurance cession rates as risk pools skew

³² See *Rapidly increasing MGA premiums warrant greater oversight*, AM Best, 22 May 2024.

³³ International Association of Insurance Supervisors (IAIS) and The World Bank. "Identify and Address Insurance Protection Gaps." Input paper to the G20 Sustainable Finance Working Group. July 2025.

increasingly towards higher risk, and smaller insurance carriers with higher cession rates become a more prominent segment of the market.

Cession rates are rising with structural drivers in play.

The cession rate, or share of primary business ceded to the reinsurance market, has increased in the past decade (see Figure 13 right):

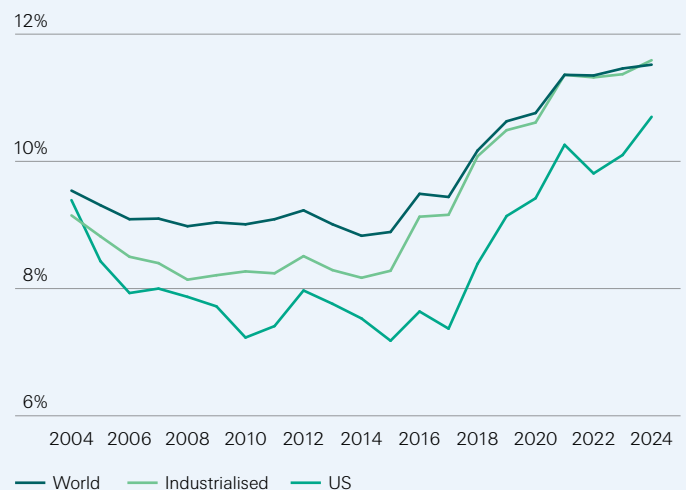
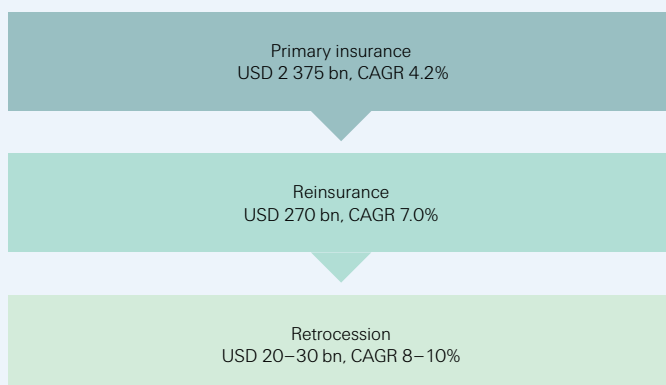
- Structurally, the risk pool is becoming riskier. Higher-risk lines of business with higher cession rates, such as property and US liability have grown faster than low-risk lines, contributing to a structural up-trend of cession rates.
- The growing fragmentation of risk carriers implies faster growth of small- and medium-size insurers, who tend to have higher cession rates. For example, the US P&C market Herfindahl-Hirschman index declined to 330 in 2024 (2004: 380).
- Solvency II (implemented in 2016) raised capital requirements for European insurers and improved the recognition of reinsurance as a capital substitute.
- Lower average solvency ratios may also have contributed to an increase in cession rates. The ratio of surplus to premiums decreased in the last five to 10 years but was up compared to 20 years ago.
- Cyclically, the reinsurance rate cycle contributes to stronger swings in reinsurance premiums than primary insurance premiums, contributing to the upswing after 2017.

The non-life market has a cascading risk transfer structure that has shifted toward reinsurance in recent years.

The non-life insurance market is structured around a layered risk transfer architecture designed to distribute risk and optimise capital efficiency (see Figure 14). Primary global non-life premiums have grown at a 4.2% CAGR over the past 10 years. The reinsurance sector has expanded at a steeper 7.0% CAGR, with global premiums of USD 270 billion, influenced by pricing cycles, nat cat activity and casualty claims trends. Retrocession volumes (20–30 billion) – the third layer of risk – while smaller and more volatile, have grown by 8–10% CAGR, bolstered by the expansion of alternative capital (see below).

Figure 13

Layers of risk transfer and cession rates



Source: Swiss Re Institute

Insurance linked securities have gone mainstream

Alternative capital has become an established feature and capital has grown strongly.

Alternative capital (AC) has become an established feature of the reinsurance value chain in the property cat and retrocession market, in the last two decades. From less than USD 10 billion in 2005, capacity has grown to approximately USD 115 billion in 2025 (see Figure 14), now accounting for around 5% of global reinsurance premiums, and about one third of retrocession capacity. Alternative capital has a particularly

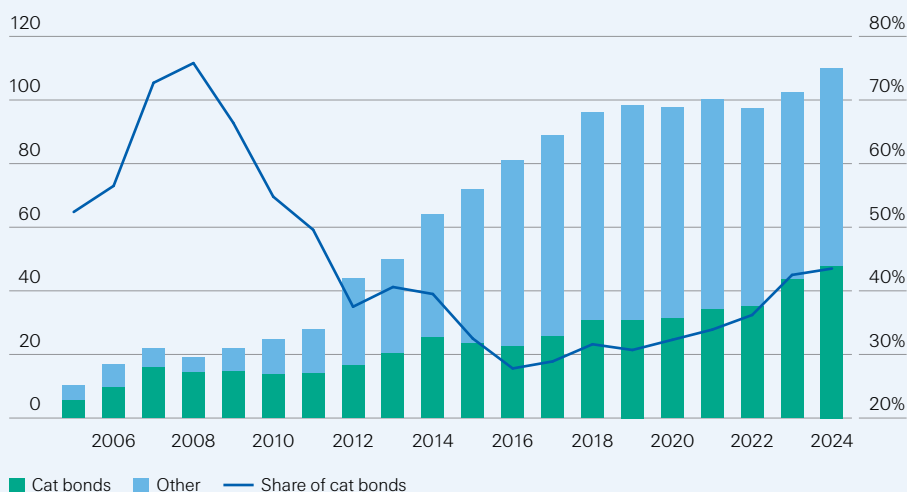
pronounced role in US wind and earthquake exposures, where modelled risks allow for transparent pricing and investor participation.

Alternative capital declined in real terms between 2018 and 2023.

Alternative capital deployment has stalled in nominal terms and declined by around 15% in inflation-adjusted terms between end of 2018 and end of 2023, after a strong inflow of fresh capital in the search for yield. Going forward, we expect demand for AC to continue growing strongly in line with catastrophe exposures and peak-risk transfer needs of re/insurers. The focus will be on peak risk covers via cat bonds. However, outside of this business line it remains limited.

Figure 14

Alternative capital deployment, 2005–2024, USD billion



Source: Swiss Re Institute, Aon, Swiss Re ACP, Insurance Insider

Strong investor appetite cat bonds issuance has driven expansion since 2023.

Recent dynamics in the sector are strongly driven by re/insurance companies (but increasingly also corporates and government entities) issuing cat bonds³⁴ as a complement to their traditional reinsurance buying for catastrophe risks. In cat bonds, outstanding capital rose to USD 55.8 billion by end of 1H 2025, from USD 30 billion in 2018.³⁵ High issuance in 2025 is bringing capital deployment this year to an estimated USD 60 billion. Appetite from investors has been high, as issuers were even able to increase volumes at lower prices than anticipated.

Property cat bonds: indemnity triggers for primary insurers, industry loss for reinsurers.

Around 85% of cat bond issuance since the mid-1990s is related to property catastrophe risk, according to Artemis.³⁶ Unlike in the early years, the majority of cat bond issuers over the past decade were primary insurance companies (56% share) typically equipped with indemnity covers. On the other hand, reinsurers (22% share) seeking retrocession cover for their property cat portfolios typically choose industry loss triggers. Public re/insurance facilities such as state funds, pools and fair plans (15%) also prefer indemnity covers, whereas government sponsored cat bonds (eg IBRD/ World bank cat bonds) with no underlying insurance covers are based on parametric triggers.

³⁴ ILS bonds (also labelled as cat bonds) are issued by the protection seeker (sponsor), typically an insurer or reinsurer. They issue a fixed-income security, repayment of which is contingent upon the occurrence of a defined specific natural catastrophe event. Cat bonds are normally multi-year and tradable (although liquidity is often limited).

³⁵ Swiss Re, ILS market insights: February 2025

³⁶ Artemis Deal Directory, July 2025

Table 5

Alternative capital instruments

Segment	Capital USD bn	CAGR 2018–24	Type of cover	Trigger	Capital leverage	Typical term
Cat bonds	48	8%	Excess of loss/remote layer	Indemnity (typically for primary insurers) Industry loss (typically for reinsurers)	None, fully collateralised	3 years
Industry loss warranties (ILW)	7	6%	Excess of loss/remote layer	Industry loss	None, fully collateralised	1 year
Reinsurance sidecars	12	9%	Capped quota share, mirrors portfolio	Indemnity	Collateralised, taking into account diversification benefits	1 year
Collateralised reinsurance	48	–2%	Excess of loss/working layer	Indemnity	none, fully collateralised	1 year

Source: Aon, Swiss Re Institute

ILW – the over-the-counter solution for industry loss covers.

The smallest AC segment is **industry loss warranties (ILW)**. These allow reinsurance companies to buy industry-loss covers outside of the cat bond market, on a bilateral basis with capacity providers such as other reinsurers or hedge funds. ILWs are a flexible and efficient instrument to hedge larger catastrophe risks and can be arranged very quickly. Live Cat ILW contracts are traded while an event is occurring, often as a storm approaches landfall. Dead Cat ILW can be bought and traded on a past event for which the final loss amount is not yet known.

Reinsurance sidecars are mainly retro-cession vehicles for dedicated property catastrophe portfolios.

Reinsurance sidecars give third-party investors the opportunity to participate in a specific underwriting portfolio of the sponsoring company. We estimate that about USD 10–12 billion of third-party capital is allocated to reinsurance sidecars. The cover is usually in the form of a capped quota-share (CQS) reinsurance, hence indemnity based, on an annual basis. The sidecar itself is of limited life, generally 2–3 years. Security to the cedent is provided through collateralisation.³⁷

Collateralised reinsurance stalled after 2017, but remains the largest segment of AC.

Collateralised reinsurance (CR) emerged after the global financial crisis and quickly became the largest segment of AC with USD 55 billion deployed at the peak in 2018. CR development was mainly driven by ILS managers and investors trying to allocate the inflow of investors' dedicated funds that exceeded the cat bond and sidecar opportunities. The CR boom ended with the 2017 hurricane season, when the sector saw high losses, and was dampened further by the interest rate reset after 2021.

³⁷ Because security to cedents is provided through collaterals, there is no capital leverage, compared to traditional re/insurance, making AC less capital-efficient. Sidecars investments are collateralised but they allow some capital leverage for fairly remote probabilities.

Market profitability: the structural signals

Brokers consistently reported profits above cost of capital, while underwriters only met cost of capital over the cycle. This reflects a competitive operating environment for insurance carriers, resulting in efficiency gains being passed on to policyholders. This was particularly the case in the US personal insurance market, which increased efficiency despite affordability concerns. Brokers received a high reward for their contribution to the insurance value chain. The current cycle remains positive along the value chain and is reflected in profits and investor valuations. But in the medium term, non-life insurers will face structural challenges to claims from rising catastrophe losses, economic and social inflation, as well as more volatile investments. Geoeconomic fragmentation creates more headwinds for carriers than brokers, due to their respective exposure to inflation and capital markets.

Towards structural headwinds for carriers

Competitive forces shape market outcomes such as profitability.

Market structure and competitive forces shape market outcomes such as growth and profitability. Over the past two decades, brokers have consistently generated returns above their cost of capital, reflecting the capital-light nature of their business model and insulation from surprises in loss cost inflation. By contrast, primary insurers and reinsurers have typically only earned their cost of capital during the most favourable parts of the cycle, underscoring the competitive and efficiency pressures carriers face. Between 2005 and 2024, the brokers' average return on equity in excess of cost of capital was 8%, while for domestic and international carriers it stood at around 0%. This divergence highlights how value has shifted toward intermediaries, while risk-bearers operate in an environment that tends to compete away efficiency gains, benefitting policyholders.

US personal insurers profitability faces structural pressures.

In the US, personal insurers have experienced more volatile, and often lower, profitability than commercial insurers. This partly reflects the regulatory constraints, intense competition and increasingly limited affordability from policyholders. As risks grow and complexify, this creates headwinds to close protection gaps in important markets such as homeowner natcat risks.

Brokers and carriers are exposed to different structural trends.

The current cycle, characterised by more equal profitability along the value chain, is softening, with differences in underwriting quality likely to re-gain importance in the near-to-medium term. Insurers are facing increases in economic and liability claims inflation, catastrophe volatility and pressures on investment yields. In contrast, brokers benefit from typically scalable, capital-light business models and from exposure growth in periods of inflation. Tariffs, and broader geoeconomic fragmentation create more headwinds for carriers than brokers, due to their respective exposure to inflation, capital market developments, and cross-border market fragmentation.

Investors recognise the gap between brokers and carriers, and the recent cyclical gains.

The divergence made broker platforms increasingly attractive to investors, as reflected in their market valuations and private equity interest. For re/insurance carriers, returns and stock market valuations have cyclically improved, and reacted positively to, the higher interest rate environment and repricing of risk.

The cycle has helped underwriters catch up to brokers...

Outlook: as cycle turns, structural drivers add risk for carriers

The current cyclical profitability environment is positive for underwriters and has meant they partly caught up to brokers. Lower claims growth and strong investment returns mean the industry RoE should remain strong in 2025 and 2026.³⁸

...but it is now turning and carriers will face structural headwinds.

The cycle is now turning, and could become less supportive to carriers. Insurance prices are softening for both personal and commercial insurers, gradually bringing an end to the stronger part of the underwriting cycle. In the US, tariffs are likely to reignite goods price inflation, though much less so than in 2021–22. The uncertain nature of tariffs and other policies such as US immigration restrictions, also make it harder to anticipate and price for inflation, especially in the US. Indeed, the post-2021 inflation surprise exposed claims vulnerabilities, especially for personal lines insurers. In personal auto and home insurance,

³⁸ The P&C insurance profitability outlook and structural claims drivers, were detailed in *sigma* 2/25. *World insurance: a riskier, more fragmented world order*, Swiss Re Institute, 9 July 2025

rate adjustments lagged the surge in claims severity, leading to underwriting losses. While insurance market softening also impacts brokers, they are less vulnerable to inflation.

Table 6

Profitability in RoE and cyclical and structural drivers

Metric	Personal lines insurers	Commercial lines insurers	Reinsurers
ROE	5.4% statutory incl mutuals ^[1]	9.2% statutory incl mutuals ^[1]	9.2% ^[2]
(2015–24 avg)	13.8% GAAP, stock only ^[2]	10.8% GAAP, stock only ^[2]	
Underwriting cycle exposure	Constrained (regulated)	Varying by line	Varying by line
Economic inflation exposure	High (auto and homeowners, claims surge in 22 & 23)	Moderate (more driven by casualty risks)	High exposure to excess of loss inflation and social inflation
Liability claims inflation exposure	Moderate	High (GL and commercial auto)	Very high (excess of loss accumulation)
CAT exposure	High (regional concentration in homeowners)	Variable (more diversified, often higher-value assets)	Very high; peak peril volatility and retro pricing dynamics
Earnings volatility	High (weather, rate lag, inflation)	Lower (diversified lines, more agile pricing)	Very high; strongly influenced by global loss activity
Capital intensity	Medium, except for high-risk property CAT	High, but mitigated by facultative reinsurance	Very high; needs surplus buffers to support peak risk
Market structure	Concentrated in large national writers	Fragmented with strong E&S players and niche carriers	Fragmented with strong syndication driven by brokers

Note: [1] US statutory data, [2] global GAAP or IFRS data.

Source: Bloomberg, S&P Capital, Swiss Re Institute

Structurally, the risk environment is likely to be riskier, all along the value chain.

Yet the structural risk environment facing insurers is challenging. Natural catastrophe insured losses are rising at a long-term pace of 5–7% per year in real terms, and liability claims inflation is not abating, especially in the US commercial insurance market.³⁹ Geoeconomic fragmentation and emerging risks mean claim trends are uncertain with upside growth risks.⁴⁰ Those trends will impact both peak losses, often absorbed by reinsurers, and the smaller so-called frequency losses that impact primary insurers most.

The benefit of higher interest rates on insurers' results far outweighs the increase in the cost of capital.

Interest rate regimes have played a dual role, acting as both a structural earnings driver (via investment returns) as well as cyclical cost component (via cost of capital). The prolonged low-interest-rate environment from the mid-2000s to early 2020s compressed investment returns and elevated the relative importance of underwriting profitability, particularly in long-tail lines of business. The shift to a higher-for-longer interest rate environment recalibrates carriers' business models, particularly in capital-intensive commercial and reinsurance markets, enabling greater investment leverage and long-term earnings resilience.⁴¹

Geoeconomic fragmentation impacts both international and domestic insurers.

Geoeconomic fragmentation could further set apart the profitability of different groups. Large, international carriers and reinsurers may have to adjust how they diversify risk and allocate capital internally to manage exposures to regional and country-specific risks, increasing capital costs for large balance sheets. Weaker, fragmented capital markets would increase capital costs and create headwinds for capital-light underwriters too, since wholesale risk transfer costs go up and capacity declines. For insurers, investments would become more volatile with greater risks of losses, and asset-liability matching would become more complex.

Reduced diversification makes it more difficult to close protection gaps.

Reduced diversification would make it more difficult to close protection gaps in hard-to-insure risks such as wildfires, coastal hurricane exposures, cyber, and US liability risks. It would also slow the pace of innovation and specialisation since the disaggregation of the insurance value chain is dependent on the unrestricted availability of risk capital via wholesale risk transfer. Well-functioning risk transfer markets support domestic and international insurers in providing resilience for households and businesses in a fractured world.

³⁹ *sigma* 4/2024: Litigation costs drive claims inflation: indexing liability loss trends, Swiss Re Institute.

⁴⁰ *sigma* 1/2025: Natural catastrophes: insured losses on trend to USD 145 billion in 2025, Swiss Re Institute.

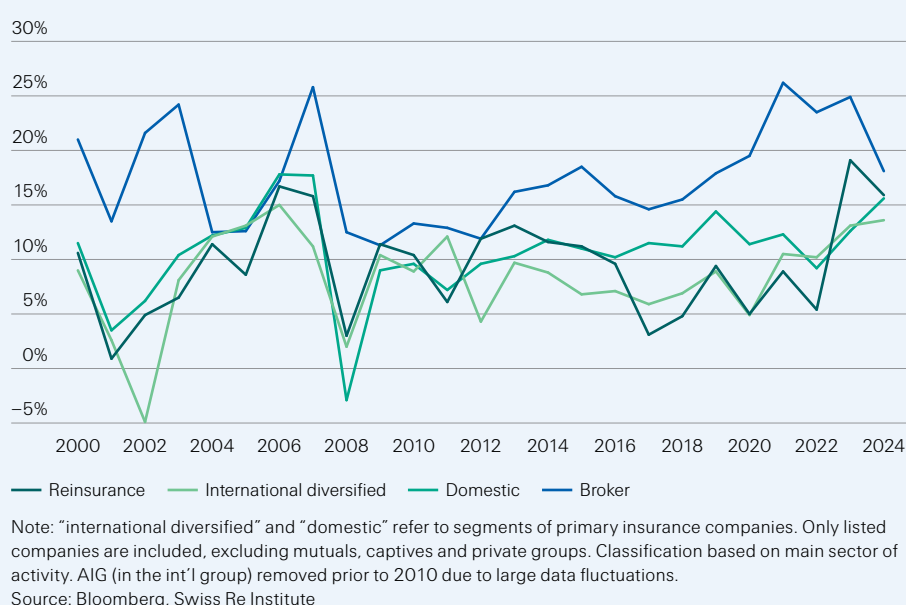
⁴¹ *sigma* 4/2023: Raising the bar – Non-life insurance in a higher-risk, higher-return world, Swiss Re Institute.

The lower structural profitability of underwriters indicates a competitive environment.

Profitability along the value chain points to efficient underwriters

Brokers have outperformed P&C insurers and reinsurers in almost every economic, underwriting, and investment environment of the past two decades. Between 2005 and 2024, the brokers' average return on equity in excess of cost of capital was 8%, while for domestic and international carriers it stood around 0%. The lower structural profitability of carriers is another sign that their greater diffusion and cost-efficiency leads to a competitive environment in the economic sense, with more of the premiums originally paid, returning to policyholders. The overperformance reduced in the 2023–2024 cycle of hardening conditions. But it is expected to return in the medium-term, based on structural trends. The performance gap appears when looking at return on equity (RoE) alone (see Figure 15) and when benchmarked against cost of capital (CoC), which is typically lower for brokers.

Figure 15
RoE by insurance segment



In 2020–24, brokers had average RoE of 17% versus 10% for reinsurers and 9% for international primary insurers.

All the main categories of insurance players reported double-digit RoE between 2005 and 2013 (see Table 7), with brokers highest. Brokers outperformed insurers both in challenging years, such as 2008 or 2011, and in favourable years such as the 2006–2007 hard market. In the 2014–2019 period of low interest rates and a soft market, revenue growth was low, yet listed brokers overall had RoE of 16.5% versus 8.5% for reinsurers and 7.5% for large, diversified international primary insurers. In 2020–24, brokers had average RoE of 17% versus 10% for reinsurers and 9% for international primary insurers, as swings in inflation and insurance prices were overall more beneficial to brokers. Operating margins for top global brokers have been consistently in the 20–30% range.

In the medium-term, brokers may continue to perform strongly.

In the medium-term, we expect an environment of lower underwriting revenue growth with volatile inflation. Based on the similarities with 2008–2011, and 2014–2019, there are no reasons to expect brokers would enter a period of structural underperformance. Moreover, geoeconomic conditions, such as trade tensions, could again see underwriters struggle when compared to brokers, especially in case of unanticipated rises in claims.

Table 7

Average ROE and cost of capital by insurance segment and period

Return on equity	2005–13	2014–19	2020–24	2005–24
Reinsurance	11%	8%	11%	10%
International diversified	10%	7%	10%	9%
Domestic	10%	12%	12%	11%
Broker	15%	17%	22%	17%
Cost of capital	2010–13	2014–19	2020–24	2005–24
Reinsurance	11%	8%	9%	9%
International diversified	15%	10%	10%	12%
Domestic	12%	10%	11%	11%
Broker	10%	9%	9%	9%
RoE minus CoC	2010–13	2014–19	2020–24	2005–24
Reinsurance	0%	0%	2%	1%
International diversified	–5%	–3%	0%	–2%
Domestic	–2%	2%	2%	1%
Broker	5%	8%	14%	8%

Source: Bloomberg, Swiss Re Institute

Listed insurers' cost of capital is currently lower than in the 2010s.

Listed P&C players' cost of capital in 2023–24 stayed below its average from the low interest rate period in the 2010s, despite a jump in the risk-free rate. Broadly, this is because investors perceive the insurance sector positively and accept a lower return for investing in P&C insurance, likely reflecting the generally stable and strong returns compared to other industry sectors.⁴² Brokers have a stable and relatively low cost of capital (min: 7.3% in 2020, max: 10.8% in 2005). The profitability divergence has made broker platforms increasingly attractive to investors including private equity.

Brokers' overperformance remains when taking cost of capital into account.

Subtracting the cost of capital from RoE shows the value returned to investors. Brokers' outperform on this metric over the entire period as their CoC is lower.⁴³ Brokers' relative RoE performance was highest during the years of inflation surprise in 2021–2022, which benefited their revenues due to exposure growth and did not harm their earnings. In 2021, brokers outperformed both reinsurers and international diversified insurers by 18ppts, and domestic underwriters active in only a limited number of markets, by 15.5ppts. This came at a time of rising protection gaps and challenged insurance affordability, as inflation also meant protection needs rose. The gap partly closed in 2023 and 2024, as harder pricing conditions fed through and interest rates rose, increasing investment returns for re/insurers.

Global re/insurers have struggled to consistently stay above CoC.

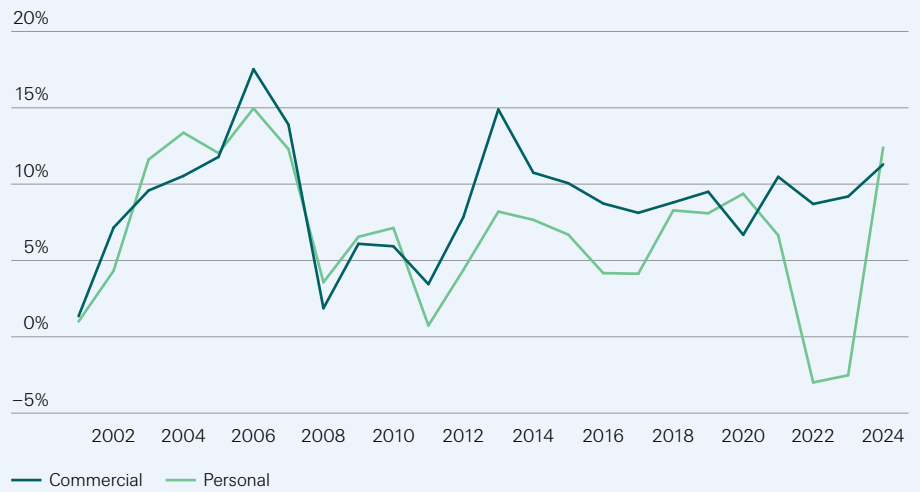
Global re/insurers struggle to stay consistently above CoC, seen especially through the years of soft pricing and low interest rates from 2015 to 2021. P&C reinsurers benefited from much improved pricing conditions and higher interest rates in 2023–24. Bermudians have historically slightly outperformed listed Europeans over 2010–2024, with an average RoE-CoC gap of around 2.5% versus 0.5% for the Europeans. Profitability has also been more volatile at the Bermudians, which are more engaged in US property cat. In contrast, domestic primary insurers have returned value to investors consistently since 2013, except in 2022.⁴⁴ Broadly, all three groups of underwriters posted record performance in 2023–24, roughly equal to the 2006–2007 hard market that followed extreme hurricane losses in 2005.

⁴² Cost of capital is computed using a company-specific beta that represents the perceived risk of a stock compared to the market. A low value means the specific stock is seen as more stable. The computation also involves the risk free rate, and a country equity risk premium that captures the extra return investors expect when investing in countries perceived as riskier. The lower the betas and equity risk premia, the lower the cost of capital.

⁴³ Aside from the US, data on betas and equity risk premiums, used to compute the cost of capital, are limited prior to 2010. In 2020–2022, we take long-term averages for the beta and equity risk premiums to see through COVID disruptions. The above estimates are based on listed companies. Mutuals and other private firms have a lower cost of capital.

⁴⁴ In terms of total revenues in 2020–2024, this group is roughly split three-ways, with 30% each for insurers based in the US, China and Europe including the UK. The other sizeable group is in advanced Asia.

Figure 16
US personal vs. commercial lines insurance ROE



Source: S&P Capital, Swiss Re Institute

The personal insurance environment also appears competitive.

Personal insurers, despite insurance affordability concerns, have also been competitive economically speaking based on profitability trends. Indeed, in the US, RoE has ranged from 5–10% in most years for all P&C carriers including non-listed ones (see Figure 16). There were occasional spikes due to favourable reserve development or investment gains. US personal lines insurers experience more volatile and generally lower profitability than commercial lines insurers, especially since 2015. While both segments are affected by cyclical pricing, claims inflation, and investment income trends, personal lines have faced unique structural challenges (for example in homeowners) that have worsened in the last few years. Those challenges, and stark personal insurance affordability pressures, suggests personal US insurers may continue to face profitability headwinds and struggle to close protection gaps.

Insurers' recent market valuations also show relative performance.

Stock market valuations reflect investors' optimism for the cycle

Financial market valuations also indicate the relative performance of the segments of the insurance value chain, and since investors are forward-looking, recent valuations are also a helpful guide of future profitability expectations. It might however be too early to tell if and how the tough structural environment facing insurers over the medium-term will be judged by investors.

Investors see the current strong profits cycle positively.

Across reinsurers, international and domestic-focused primary insurers, price-to-book value ratios all improved by a similar magnitude since 2022 (see Figure 17).⁴⁵ The price-to-book value ratio indicates how much each unit of a company's book value – roughly equivalent to equity – is valued by markets. Stronger ratios recognise that investment returns have risen with higher interest rates, while hard market conditions have improved underwriting results. Both categories of revenues are expected by investors to continue to perform well in the near term in 2025–26, but pricing will soften further.

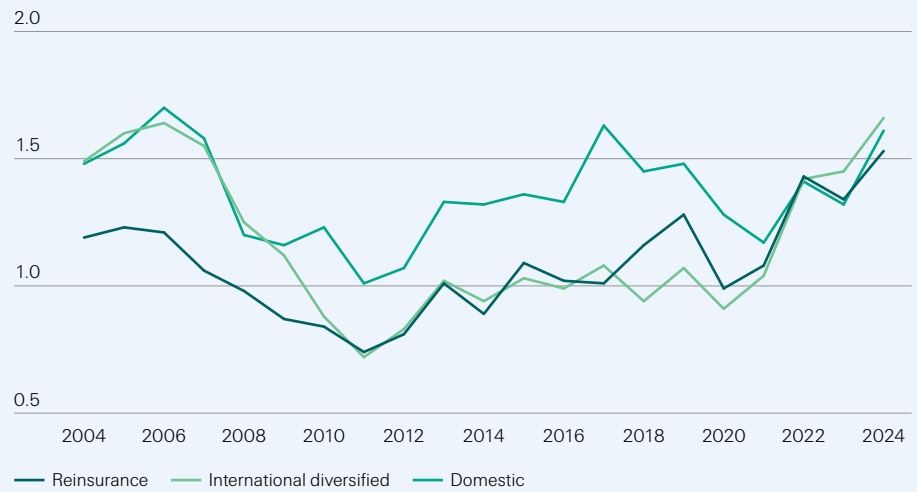
Valuations of reinsurers and global insurers tend to move in tandem.

During the low-interest rate years, domestic insurers' valuations were typically stronger than those of international re/insurers. This is partly driven by the weight of the US in the domestic insurers, where valuations were stronger, partly due to higher long-term Treasury rates. The price-to-book ratios of reinsurers and large diversified international primaries have tended to move in tandem. Both are exposed to similar investment cycles, but not necessarily the same pricing cycles.

⁴⁵ Brokers were not included in the price to book ratio comparison. Their capital-light business means book value is low in comparison to the rest of the insurance value chain, so the comparison is not informative.

Figure 17

Price to book ratio by category of insurer



Source: Bloomberg, Swiss Re Institute

Stable price to book ratios historically highlights the resilience of the insurance business model.

Price to book ratios are relatively stable, almost always ranging between 1.0 and 1.4 despite the business conditions. For example, between 2014 and 2019 insurance players maintained robust ratios generally above one despite the unsupportive pricing and investment environment. That said, insurers have by construction low and stable price to book ratios compared to other industries, as they hold large amounts of capital due to their long-term risk transfer function. Banks, for example, have broadly similar ratios, but the majority of other sectors have higher and more volatile ratios.⁴⁶

Table 8

Average price to book ratio by category of insurer and periods

Price to book ratio	2005–13	2014–19	2020–24	2005–24
Reinsurance	1.0	1.1	1.3	1.1
International diversified	1.2	1.0	1.3	1.2
Domestic	1.3	1.4	1.4	1.4

Source: Bloomberg, Swiss Re Institute

Total shareholders' returns confirm the recent positive performance.

Total shareholders' returns (TSR), which include dividends and stock price changes, confirm the positive valuation story (see Table 9). Insurance consistently creates value for investors throughout the value chain. TSR growth was strong during the 2020–2024 period, in particular over 2023 and 2024. That said, the indicator performed well for most groups over most periods. Challenging years include 2002 and 2008 when broader financial conditions saw most stocks face price declines,⁴⁷ and 2011 for reinsurers and international primary underwriters due to difficult underwriting conditions. Brokers perform strongly in most environments, though the TSR outperformance is more moderate than in RoE metrics.

Table 9

Total shareholders return by category and period, compound annual growth rates

Shareholders return	2004–13	2013–19	2020–24	2004–24
Reinsurance	9%	9%	12%	10%
International diversified	9%	13%	13%	11%
Domestic	–2%	8%	22%	6%
Broker	8%	16%	15%	12%

Source: Bloomberg, Swiss Re Institute

⁴⁶ See a comparison (end 2024 numbers) for US sectors: *Price and Value to Book Ratio by Sector (US)*, Damodaran NYU, January 2025

⁴⁷ In 2002, the S&P 500 saw a TSR of negative 22%, and in 2008 of negative 37%. See more data at <https://www.slickcharts.com/sp500/returns>

Conclusion: actions to unlock future growth

The next wave of change in the P&C market structure should bring gains for carriers.

A dynamic and competitive P&C insurance market is critical to successfully mitigate complex global risks, close protection gaps and maintain resilience against major shock events. The shifts in market structure in the past 20 years have fostered more specialised and responsive insurance coverage, developed innovative alternative risk-carrying structures to maintain insurability, and specialised the value chain too, to improve carriers' efficiency and boost growth in market capacity. These trends have improved outcomes for insurance policyholders at times of claims inflation challenges. As the market cycle turns, the outsourcing of underwriting, and increasing reliance on capital-light entities is likely to slow. We can expect some shift back in focus toward the underwriting and risk-carrying functions in the value chain. Meanwhile, other structural drivers are likely to continue. To secure sustainable growth and profitability in the next years, carriers may seek to focus on three key areas to unlock value and gain competitive advantages: distribution and customer engagement, risk transfer and capital efficiency, and technology and data-driven underwriting.

Distribution holds potential as a source of further efficiency gains.

On distribution, expense efficiencies may be achievable. Brokers' and MGAs' growing contributions to the value chain, especially in commercial lines, are benefiting innovation and specialisation as the industry navigates new risk classes, elevated exposures and higher uncertainty. However, rising commission rates and brokers' profit margins are adding to transaction costs, which is also evident in their elevated profitability relative to carriers, and this has partially offset commercial lines' efficiency gains. For carriers, future efficiency gains could come from addressing the costs of distribution and underwriting while growing sustainably.

Risk transfer can offer carriers more opportunity to enable organic growth.

A broad and efficient risk transfer market remains a critical enabler for all carriers. As the P&C market in most countries became more diffuse across a broader range of smaller and more specialist carriers, the role of wholesale risk transfer markets grew structurally. Primary insurers are already transferring more risk than before, and retrocession markets have shifted into AC structures that now provide an estimated 25% of property catastrophe limit capacity and plays a vital role in absorbing peak exposures. This layered architecture of risk transfer—from capital-light originators to reinsurers to AC-backed cession and retrocession—has enhanced capital efficiency and market resilience but also introduced new dependencies on market liquidity and investor sentiment. Risk transfer is therefore key to ensure continued growth in the market for higher-growth commercial lines such as cyber, high-risk property and complex liability segments, which carry higher tail-risks for losses, necessitating greater capital support. Risk modeling, across domains such as natural catastrophes, motor, liability, and cyber, is a key driver of making the disaggregated model work. Advances in risk modeling facilitate the valuation, packaging, and wholesale transfer of risk from capital-light originators to full-stack insurers, reinsurers and AC structures. The growth and consolidation of wholesale brokers complement this trend.

AI adoption and tech advances may transform the market structure further.

Technology will be a key part of any future strategy. AI adoption may shift the P&C market structure in a way that efforts to pioneer insurtechs did not. Adoption of GenAI holds immense potential for large and small P&C market players to realise efficiency gains and compress cycle times. Investment is already under way at scale, with global insurers spending USD 230 billion on technology in 2025, growing at a 7–9% CAGR until 2030, according to Gartner.⁴⁸ We see innovation potentially benefiting all key segments of carriers with the potential for economies of scale for large carriers with commoditised products as well as lowering barriers to entry for small specialised underwriters or distributors. Technology-enabled new business processes may further drive the disaggregation of the insurance value chain.

⁴⁸ Forecast: Enterprise IT Spending for the Insurance Market, Worldwide, *ibid*.

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