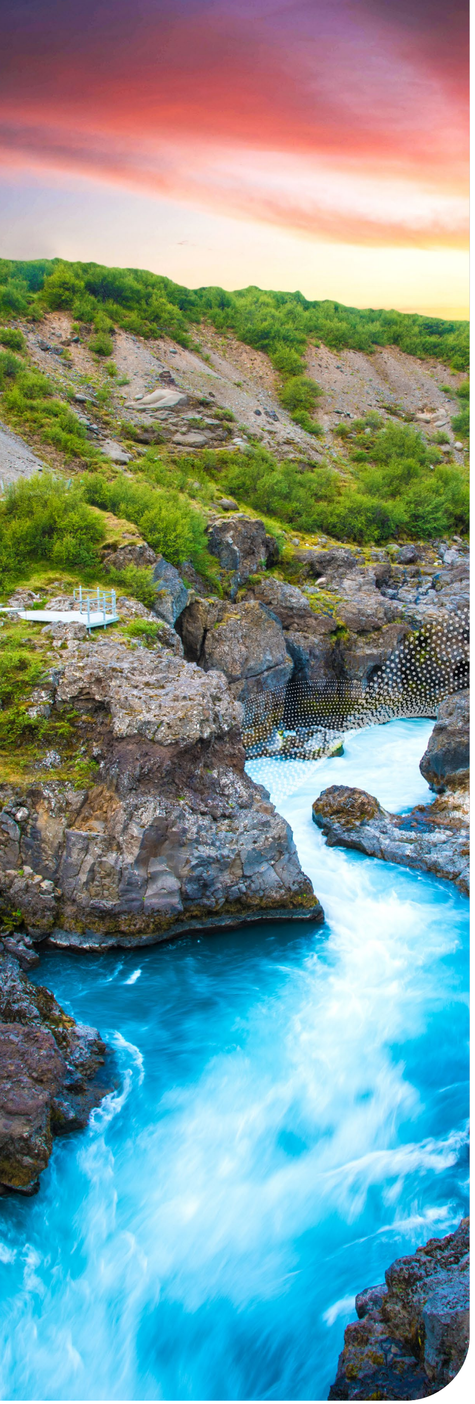

Artex
The Alternative View
Fall 2026



US PROPERTY AND CASUALTY COVERAGE LINES

For the insurance industry, the first half of 2026 has been a continuation of market trends that began more than a year ago. Both premium decreases and increases have moderated. Underwriting discipline remained in place and risk segmentation continued.

Commercial property, cyber and workers' compensation recorded two more consecutive quarters of positive net underwriting income. The most challenged coverages — notably, commercial auto, general liability and umbrella — continued to work toward improved underwriting results.

All coverage lines benefited from a healthy increase in net investment income.

The combined ratio for the US property and casualty market remained relatively steady. For H1 2026, it increased slightly from the 2025 full-year number (92.2) to 92.5.[1] Overall, net underwriting profits, policyholders' surplus and net investment gains all grew.

Another beneficial trend that continued into 2026 was declining natural catastrophe (NatCat) losses. **Gallagher Re's Q3 Natural Catastrophe and Climate report** stated that insured losses totaled USD92 billion in the first three quarters, the lowest for that period since 2019. This is 37% less than the USD145 billion five-year average and 29% lower than the ten-year average.

Yet, against these strong financial results and the relative calm of the insurance market, the world has changed over the past six months. Many of these concerns are not new, but they are becoming more persistent.

Inflation has crept back up in the US and many other countries. Higher commodity prices — everything from agriculture to energy to metals, particularly those such as copper and silver that are used to build technology — have contributed to a climbing rate. In certain countries, the massive spending on artificial intelligence infrastructure, such as data centers, is another contributor to inflation.

[1] "Best's Special Report: US Property/Casualty Industry Nearly Tripled Net Underwriting Income in First-Half 2026," *AM Best*, 8 Sep 2026.



In the face of ongoing conflict in the Middle East and Ukraine, supply chain issues and political unrest, geopolitical uncertainty colors an increasing number of business decisions.

In the first half of 2026, dedicated reinsurance capital in the property and casualty reinsurance market increased by USD34 billion to USD688 billion. This followed three consecutive full years of reinsurance capital growth.

Given the current size of this reinsurance capital base, **Gallagher Re**, has estimated that "…it would now take losses of USD150 billion or more, on top of normal H2 NatCat losses, to wipe out the industry's excess capital and return the premium-to-capital ratio to 2023 levels."

While that is a reassuring statistic, it also points to a growing challenge in the reinsurance sector: the growth of undeployed or "trapped" capital.

With more-than-ample capacity and a lower-than-average NatCat loss ratio, the June 1 renewal was a good time for cedants to renew coverage and explore alternative reinsurance opportunities. Much of the focus was on multiline, multiyear structures designed to spread any losses over several years.

Going forward, cedants will be counting on reinsurers' eagerness to deploy capital as they face rapidly evolving risks in areas such as AI and supply chain. Reinsurers are responding as fast as they can with new risk transfer structures.

At a Glance | PROPERTY

Lower-than-average NatCat losses and underwriting discipline have proven to be a winning combination for the US commercial property insurance market. The cost savings and flexible solutions carriers have secured from the reinsurance market further strengthened this market. At the same time, carriers have largely maintained underwriting discipline and remained strict about the need for accurate property appraisals and replacement cost estimates.

With strong earnings and a healthy capital position, it's no surprise that overall commercial property capacity grew in H1, particularly for small- and mid-sized property placements. The addition of new carriers and managing general agents (MGAs) — eager to win market share — has also helped.

As usual, US insured losses of USD57 billion accounted for the majority (62%) of global NatCat losses, based on **Gallagher Re data** through Q3.

The US hurricane season got a late start in 2026, with the first hurricane making landfall in early October. Insured losses from Hurricane Isaias are expected to settle on the lower end of the low-to-mid-single-digit billion range according to Gallagher Re. Three Southeastern states — Alabama, Florida and Georgia — declared states of emergency.

However, as the market has learned, fewer hurricanes do not necessarily mean less risk.

Secondary perils, notably **severe convective storms** (SCS), have resulted in higher insured losses in 2026 than hurricanes as of the end of October. That is no surprise considering that these storms account for 40% of average annual losses.[2] As of the end of the third quarter, the US has experienced six SCS events. While the peak spring and summer months are over, SCS events can occur at any time of year.



[2] "Verisk 2026 Global Modeled Catastrophe Losses Report 2026," *Verisk*, accessed 14 Oct 2026.

At a Glance | CASUALTY

The US casualty market continues to be dogged by the same challenges that it has faced for several years. Social inflation and nuclear verdicts drive losses across many of these coverage lines, particularly commercial auto and umbrella/excess.

For auto, higher repair costs and the impact of tariffs on parts also drove premiums higher. Umbrella capacity remained tight, though there are some new market entrants that are open to serving the mid-to-high layers of the tower.

According to the Council of Insurance Agents and Brokers (CIAB), umbrella[3] and commercial auto[4] had reported 35 and 60 consecutive quarters of premium increases, respectively, as of the end of Q2. Workers' compensation continues to be a notable exception, with premiums decreasing in both Q1 and Q2 2026.

At a Glance | CYBER

The USD9.5 billion North American cyber insurance market is the world's largest and is expected to continue to dominate with a 60% to 70% market share, according to **Gallagher**. After being flat for more than a year, median premiums rose by 1.4%.

Even with the acquisition of a leading US cyber carrier by a global competitor, carrier competition remains strong. Capacity is abundant in the primary market and plentiful in the reinsurance market. Of course, underwriting discipline means that more challenged sectors, such as financial services and healthcare, may find capacity less abundant. Cyber insurers are also narrowing coverage triggers.

Amid the rapidly evolving world of cyber usage and exposures, business email compromise (BEC) and ransomware continue to hold top spots as the leading causes of cyber insurance claims. Hackers' use of AI has changed the speed and sophistication with which these two traditional attacks are deployed. Agentic AI tools can execute a BEC campaign from start to finish. And ransomware is the strategy of choice for supply chain attacks.

Although the return-to-office trend continues, many companies still rely on remote workers. Fraudsters have used generative AI and deepfake tools to create **fraudulent remote employees**. With their approved status, these "employees" have easy access to real employees' personally identifiable information as well as a company's financial records and intellectual property.

Data integrity is a high-priority challenge. AI agents used for coding can introduce significant risks, including unintended changes to or deletion of database data. Hackers can poison data by intentionally introducing corrupt or misleading numbers into data sets. Fraudulent employees, as well as real, disgruntled ones, have also been known to destroy valuable data.

[3] **"Market Index 2026: Q2,"** *The Council of Insurance Agents and Brokers,* Aug 2026, PDF file.
[4] **"Market Index 2026: Q1,"** *The Council of Insurance Agents and Brokers,* May 2026, PDF file.

At a Glance | D&O

The Directors & Officers (D&O) market experienced strong capacity, and competition was healthy. Companies with an attractive risk profile secured broader terms and smaller retentions in the first half of the year.

What has shifted in this market is that event-driven liabilities — such as AI washing, supply chain issues and data privacy — have surpassed traditional exposures, such as an accounting misstatement or insider trading, as a driver of claims.

During this time of heightened uncertainty, managing geopolitical risk is now seen as a board-level responsibility. Stakeholders, such as regulators and shareholders, expect boards to be actively engaged in monitoring these disruptive risks. If board members don't have the answers, they're now expected to bring in experts who do, so that they can make informed decisions.

A recent **Gallagher survey** provided underwriters' perspective on the D&O market. The majority of surveyed underwriters, 93%, felt companies should be more concerned about shareholder litigation than a government enforcement action. It also revealed that underwriters believe that more than three-quarters of insureds underestimate the frequency and severity of D&O litigation.



GLOBAL REINSURANCE MARKET

At a Glance

- According to **Gallagher Re**, total reinsurance capital rose 5.1% in the first six months of 2026, from USD654 billion (2025 restated) to USD688 billion. Capital deployment is becoming a challenge for global reinsurers.
- Inflows into non-life alternative capital also maintained momentum, adding to the industry's strong capital position.
- Shareholder equity growth outpaced revenue and earnings.
- Compared to the same period in 2025, reinsurers' combined ratio improved by 7.4 percentage points, from 86.3% to 78.9%.
- There were 11 NatCat events in H1 that caused more than USD1 billion in insured losses, the lowest level since 2017.
- The June earthquake in Venezuela was the largest NatCat event of the first three quarters, with total economic losses of estimated between USD20 billion and USD37 billion.

The Big Picture

Based on the companies in the Gallagher Reinsurance Composite Index, reinsurers' return on equity (ROE) stood at 19.9% for the first six months of this year. Healthy underlying profits and an unusually benign NatCat environment, drove this number. Reinsurance capital demand and supply dynamics shifted further, with a +5% growth in capital supply contrasting with a -0.2% reduction in capital demand. **Gallagher Re** analysis suggests that continued excess capital build is also increasingly putting pressure on ROEs.

Following January 1 renewals that were highly favorable to cedants, property and casualty reinsurance premiums in the Composite Index declined by 6%.

During the most recent renewal cycle in June, double-digit premium decreases — risk-adjusted reductions of 20% to 25% — were common for the most attractive property accounts. Excess capacity was evident across all layers, and reinsurers competed on both price and terms.

The rapidly growing alternative capital market is another source of competition for reinsurers, fueled by rising investor demand for both public and private insurance-linked securities (ILS). Non-life alternative reinsurance capital grew 9%, to USD147 billion in the first half of 2026. That is equivalent to 17% growth on an annualized basis, which is comparable to the 18% seen in full-year 2025.

In contrast, **Gallagher Re** calculated that traditional reinsurance grew by 4% in H1, reaching a high of USD541 billion.

From a cedant perspective, the decision to use either traditional or non-traditional reinsurance isn't binary. With property premiums lower and casualty premiums stabilizing, cedants are exploring the best mix of traditional and non-traditional reinsurance capital for their property and, increasingly, their casualty portfolios.

NatCat

As of October 2026, global NatCat losses look unlikely to make a significant dent in reinsurance capital inventory. According to **Gallagher Re's NatCat report**, total insured losses for Q1-Q3 amounted to USD92 billion, well below the 10-year average of USD128 billion and the lowest nine-month total since 2019.

SCS was the costliest peril and the US led the industry's losses. April storms in the central part of the country resulted in insured losses of USD4.4 billion, according to Gallagher Re's report. Total US insured losses from SCS amounted to USD43 billion in the first nine months.

In some areas outside the US, coverage gaps have kept reinsurers from feeling the brunt of NatCat losses.

One of the year's most destructive events was a catastrophic earthquake in Venezuela. Estimates of the economic damage costs have varied between USD20 billion and USD37 billion. It has also been estimated that only a small fraction of these losses are likely to be insured. Meanwhile in Europe, the European Windstorm peril caused USD23 billion of economic losses in Q1-Q3, of which only around USD5 billion was insured.



DATA CENTERS INTRODUCE MULTILAYER RISKS

Data center risks are testing the policy language of one of the oldest insurance lines, property, as well as cyber, one of the newest. These large infrastructure projects have complex, multilayer insurance needs that often blur the line between cyber, property, construction and liability coverage depending on what phase they are in.

The buildings that house these facilities are filled with expensive, easily damaged equipment such as servers, routers and graphics processing units (GPUs). However, commercial property policies have cyber exclusions. That means they'll cover the physical damage but not any cyber-related losses resulting from equipment damage.

The heat that this technology throws off creates another set of property exposures.

Cooling equipment is essential to prevent GPUs and other processing equipment from overheating. If a cooling system fails, operators may need to cut back on computing power or even temporarily halt operations to avoid property damage.

Traditional business interruption (BI) policies won't cover this business loss as there's no physical damage involved. If the BI policy does address nonphysical damage, it may do so only after a waiting period, such as only losses incurred after 12 hours of interruption.

A parametric solution with a heat trigger could be the insurance answer to this nonphysical business loss.

Government moratoriums on data center construction can cause a different type of business interruption. To offset losses caused by this delay, a small insurance company has introduced a parametric policy aimed at data center developers and investors that addresses this risk.

Given the size and complexity of their insurance needs, it's no surprise that many data center owners are turning to the captive market. As always, captive owners bring their insider business knowledge to the table. This allows them to understand their risks and customize coverage in a way that no third party ever could.

Another advantage for captives is that they lack a traditional carrier's concern about aggregation risk — insuring too many data centers within a specific region. In the US, for example, the state of Virginia has 674 data centers, and approximately 500 of them are located in the northern part of the state, near Washington, DC.[5] A single-parent captive — or even a cell in a protected cell company (PCC) — is limited to insuring only one company: its parent.

As the size of these centers grows, so does the potential size of claims across multiple insurance lines. Despite the healthy supply of capacity from traditional reinsurers and their eagerness to deploy, they may still not be in a position to fully address the needs of this fast-growing industry and its insurers. This means the ILS market could also play a key role.

[5] **"Measuring the Data Center Boom: Facts and Statistics 2026,"** *Programs.com*, 7 Oct 2026.

ALTERNATIVE RISK MARKET

At a Glance

- Companies are turning to captives for complex and hard-to-place risks, such as sexual abuse and molestation (SAM) and antitrust.
- According to **Risk & Insurance**, it has been estimated that US single-parent captives have retained USD3.8 billion that would have otherwise gone to the commercial market.
- AM Best-rated captives have a five-year average combined ratio of 89.1 before dividends, compared to 96.7 for the commercial casualty composite.
- In EMEA, captive use by middle-market companies and public entities is on the rise.
- UK regulators have released draft rules and regulatory guidelines for a captive regime.

The Big Picture

Today, many captives play a much broader role than simply providing an alternative form of insurance. Group, PCC and single-parent captives can support a range of strategic objectives, from enterprise risk management and risk financing to potential profit generation. Indeed, the most successful captives are often those that have evolved, or are evolving, alongside the organization's risk profile.

Throughout the first half of 2026, many captives have been actively engaged in the process of finding out what's next. Whether it's expanding their coverage lines, exploring opportunities in the warranty market or dealing directly with reinsurers, many captives are well positioned to expand their mandates.

According to AM Best, for the US captives that it rated, the five-year average combined ratio was 89.1, before dividends, compared with 96.7 for the commercial casualty composite. In addition, single-parent captives retained USD3.8 billion that would have flowed to a carrier with traditional insurance.[6] While returning that capital to the captive owner(s) is still an attractive option, captives are becoming increasingly creative with how they use that surplus.

A captive could strategically use these funds to finance greater risk participation. This approach would reduce the amount of premium paid to a traditional insurer. It could then deploy those savings to address risk severity, purchasing additional coverage in an upper layer.

Captives are also thinking more strategically about their reinsurance needs, with some even going as far as considering an ILS solution alongside their traditional reinsurance placements.

> The best captive owners are consistently asking what role their captive should play in the future, rather than simply looking back at last year's structure.
>
> Thinking about the future strategically involves four areas. First is diversification of risk. Next is investment in better data and analytics. Third is strengthening governance. That means ensuring that the captive board has the expertise required to oversee increasingly complex risks.
>
> Finally, there's the need for flexibility. Organizations want captive structures that can adapt to changing market conditions, rather than just being designed for a single insurance cycle.
>
> **> Michael Matthews**
> Commercial Director
> **Artex EMEA**

[6] "Rated Captives Keep Outpacing Commercial Market Despite Softer Results," *Risk & Insurance*, 4 Aug 2026.

Year after year, renewal over renewal, medical stop-loss captives not only yield financial benefits, but they also provide the comprehensive coverage that employers want to offer their employees. Often, this is through programs that would be difficult to replicate within a traditional insurance program.

Our Artex medical stop-loss group captives feature FedLogic, a service that puts captive owners' employees in touch with federal and state programs that can assist them in the event of adverse health events, such as a cancer diagnosis or premature birth of a child.

Employers and families are often unaware of these government programs or the assistance available through them. In addition to providing much-needed support to an individual or family during an often uncertain and highly stressful period, this approach also helps keep these claims from being unnecessarily costly for the employer's plan.

> **Dawn Hiestand**
> Chief Underwriting Officer
> and Head of Captives
> **Artex North America**

Best Practices

While this discussion may be a one-off prompted by a healthy capital surplus, often it's part of a captive utilization review. In addition to annual compliance and operational reviews, captives should plan for a comprehensive utilization review every three to five years. This is an opportunity to assess the captive's performance and identify future opportunities for strategic risk management.

The review should evaluate:

- The owner's appetite for either taking on more risk or transferring it.
- Other business risks, for example, reputation, product recall or cyber, which the captive could address.
- How best to align their captive with regulatory changes.
- The potential for a new revenue-generating business within the captive, such as customer warranties.
- Healthcare initiatives, such as having an onsite nursing facility, which can improve employee health and may lead to fewer medical claims.

Even for a long-established captive, part of that utilization review might include a domicile review, particularly if there are domiciled offshore or even in a state different from the one where they are headquartered.

Regulatory changes or a state's decision to collect self-procurement taxes can spark this discussion.

Creating a better patient experience for employees

Medical stop-loss insurance is one of the most common entry points for US captives. Medical stop-loss captives now make up about 10% of that coverage market.[7]

For medical stop-loss — or, more broadly, employee benefits — captives, the focus is on cost containment. Tools such as AI agents can help them better understand their data and identify areas for cost savings and program improvements.

Many captives employ nurse case management systems to manage claim costs.

One example of how captives are doing this is by proactively looking for ways to bring medical services to a patient by deploying nurses to provide care closer to home or even in the patient's home. This approach can save thousands of dollars compared to hospital-based treatment.

[7] "MSL Market Analysis: Claims and Premium Trends," *Spring Consulting Group*, 4 May 2026.

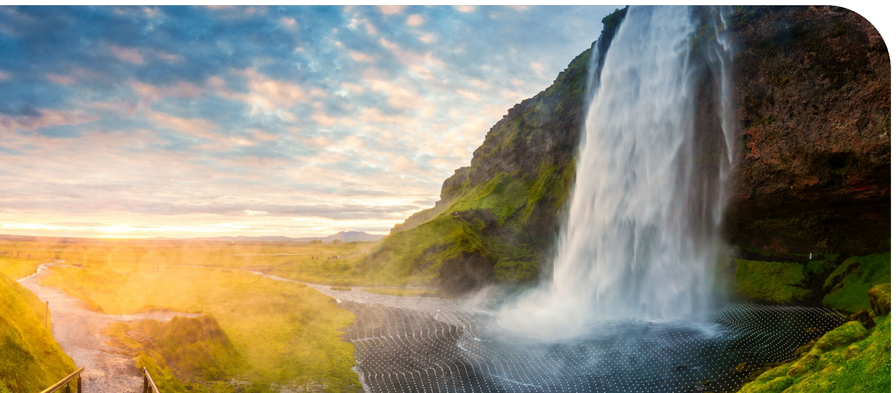
An educational opportunity

The US higher education market is one of the fastest growing industry sectors within the captive market.

Colleges and universities have always faced exposures related to the students they serve, the sports programs they sponsor and medical schools and hospital facilities that they own. What has changed is the larger world in which colleges and universities operate.

As examples, over the past few years, colleges and universities have been impacted by:

- Declining international student enrollment, which can place added pressure on tuition revenue given these students typically pay full tuition.
- Class-action, anti-trust lawsuits for financial aid and price fixing have resulted in nuclear verdicts and an impact on schools' reputations.
- Federal investigations and related settlements have increased legal and regulatory costs for some institutions.



In response to higher claims costs resulting from antitrust and federal policy changes, insurers are raising premiums, reducing capacity and narrowing coverage terms for the higher education market. For example, the increase in antitrust litigation in recent years has led carriers to place greater restrictions on coverage provided through educators' legal liability (ELL) policies.

For educational institutions faced with the same rising costs of employee healthcare and benefits as other employers, medical stop-loss can also provide a practical starting point when considering a captive strategy. Over time, captives may expand to include multiple coverage lines, including abuse, property and auto.

A diversified portfolio of coverages that is carefully underwritten can help balance performance across any one individual captive, as losses in one coverage line may be offset by more favorable experience in another. Higher education institutions are experiencing challenges in a number of areas, with ELL being one example. A strategic step to help manage this exposure can be to place a component of this coverage in a captive. Such a decision can provide an educational institution greater flexibility to address exposures that may be limited or unavailable in the commercial market, including costs associated with responding to a federal government investigation.

Higher education captives are moving beyond deductible strategies, instead identifying opportunities to finance layers of risk across multiple different programs to effect more sophisticated risk transfer and management strategies.

In response, traditional carriers that serve the higher education market are open to offering co-insurance opportunities, which provide schools with the opportunity to recapture premium that they can then use in their captive to help finance risk.

> **Barry White**
> Executive Vice President,
> Strategy, Advisory and Analytics
> **Artex North America**

A promising start

Long a global leader in the insurance market, the UK has historically been more focused on traditional insurance, with its alternative risk and capital markets developing more recently. Over the past decade, a series of reforms has helped make London more attractive as a potential hub for alternative capital. Against this backdrop, regulators' recent focus on developing the alternative risk market has been a welcome development.

On July 14, the UK's Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) both released draft rules and regulatory guidelines for a **domestic captive regime**, which is scheduled to launch in 2027. Following this, the two regulators encouraged industry stakeholders to comment on their proposal, with participants characterizing the proposal as "sensible… pragmatic… business-friendly… competitive."

Timely turnaround for the application review and approval process is an important component of what makes a captive domicile attractive and competitive. The PRA has stated that it will aim for a four-to-six-week timeline for straightforward operations. The regulator also stated that it would encourage potential captive owners to engage with it before submitting an application.

The proposal's capital requirements have been particularly well received. They are lower than Solvency UK's capital requirements for commercial insurance companies — a GBP100,000 minimum compared to GBP2.4 million.

The new domestic captive regime may also create opportunities for public entities. While some organizations have established offshore captives, others may have been reluctant to pursue an offshore structure due to potential public or stakeholder perceptions.

Despite the growing popularity of PCCs, particularly with middle-market firms that find them a cost-effective and efficient way to enter the captive market, there is no provision for establishing them in this initial phase.

Also lacking is a framework to facilitate UK-owned captives moving onshore. What the path will look like for UK captives wishing to redomicile remains to be seen.

Approximately 40% of all FTSE 100 companies own a captive insurance company, with many favoring established offshore domiciles such as Guernsey, Bermuda and the Cayman Islands.[8]

> The UK's proposed captive framework represents a significant and encouraging step forward. What has resonated with the market most is the regulators' focus on creating a regime that is practical, proportionate and commercially viable from the outset.
>
> While there is still work to be done around PCCs, and, in due course, group and association captives, this is a framework that is attractive not only for UK companies that would prefer a domestic domicile, but for any captive looking for a home with robust regulation and a competitive environment.
>
> **> Paul Eaton**
> Chief Executive Officer
> **Artex EMEA**

[8] "The Proposed UK Captive Regime for Corporates," *Clifford Chance*, 28 Sept 2026, accessed 22 Oct 2026.

ALTERNATIVE CAPITAL MARKET

At a Glance

- According to Artemis, the global ILS market grew in H1 across nearly every market metric, including transaction numbers, first-time Cat bond sponsors and total issuance.
- The size of Cat bond issuance, nearly USD18 billion, outpaced maturities of USD9.8 billion, which primarily occurred in Q2.
- Casualty sidecars are demonstrating meaningful growth as sponsors align their structures with institutional investors' risk appetite.
- The market is starting to consider opportunities in the fast-growing data center market for a range of coverages including property, BI and cyber as well as parametric solutions.
- The London Bridge 2 platform plays a growing role in bringing institutional investors to the Lloyd's market.

The Big Picture

Whether you're viewing the market from the perspective of an issuer seeking an alternative source of reinsurance capital, or an institutional investor seeking portfolio diversification, H1 2026 represented another strong period of growth for the global ILS market.

While the year-over-year increases were more modest, both on a percentage and absolute basis, than they were in the past, record-breaking is still a word that belongs in this market's headline. In particular, the second quarter of this period set a Q2 Rule 144A issuance record of USD11.3 billion. In May alone, USD6.93 billion in issuance accounted for more than half of that quarter's activity.[9]

The timing of this was notable, with much of the issuance occurring ahead of the June 1 reinsurance renewal cycle and the start of the Atlantic hurricane season.

One number that was lower on a year-over-year basis was Cat bond maturities. According to Artemis data, H1 redemptions stood at USD9.8 billion, down from USD10.3 billion in H1 2025. Much of this capital was redeployed into the market, contributing to the exceptionally strong second quarter.

RAISING THE BAR (AGAIN)

Quarter after quarter, year after year, the ILS market breaks one record after another. Here's a look at how the first half of 2026 looks compared to 2025:

H1 2026	H1 2025
First time Cat sponsors: 12	First time Cat sponsors: 11
144A and private Cat bond total issuance: USD17.98 billion	144A and private Cat bond total issuance: USD17.6 billion*
83 settled transactions	72 settled transactions
Outstanding market: USD65.6 billion	Outstanding market: USD56.7 billion

Source: "Q2 2026 Catastrophe Bond & ILS Market," *Artemis.bm*, Jul 2026. *Previous H1 record was USD17.7 billion in 2024.

[9] "Q2 2026 Catastrophe Bond & ILS Market Report," *Artemis.bm*, accessed 19 Oct 2026. PDF file.

At the end of Q3 2026, year-to-date total issuance stood at USD18.9 billion, a record for the first nine months of any year.[10] At this rate, 2026 is well positioned to be another headline-making year.

From an investor perspective, Cat bonds continued to demonstrate low correlation with broader financial markets, reinforcing the asset class's appeal to investors seeking attractive risk-adjusted returns and portfolio diversification. And depending on the index, H1 returns were in the 4% range.

Sidecars in the Spotlight

Reinsurance sidecars and private ILS transactions saw growth in 2026. According to a recent S&P Global report,[11] they now account for 10% of the global market. Over the past couple of years, they've increased in both the size and number of transactions. And an increasing percentage of that growth is coming from the casualty market.

According to Artemis data, in H1 2026, the second-largest sidecar transaction, USD600 million, was for casualty reinsurance, as was the third-largest.

An investor-focused approach to sidecar design — responding to investors' interest in vehicles that prioritize frequency and duration of losses rather than loss severity — has helped make this growth possible.

Sponsors have enhanced structures to provide greater transparency into reserve development and clearer pathways for capital release. These features address a key investor requirement: confidence that capital can be returned within a defined timeframe, typically seven to ten years, despite the long-tail nature of the underlying exposures.

Ultimately, the structures that scale will be the ones where sponsors and investors understand and are aligned on how:

- The risk behaviors and reserves are calculated
- The assets will be managed and invested
- Performance is measured
- Clear understanding and alignment of how and when capital will be returned and how the tail will be managed



Casualty's long duration creates an investable asset pool alongside underwriting risk — a total-return opportunity that attracts asset managers, particularly those with private-credit expertise in longer-duration assets, cash flows and asset-liability management. That said, the insurance fundamentals should still come first: disciplined underwriting, strong actuarial and claims capabilities, and a very clear understanding of how the liabilities can develop.

Get that combination right, and casualty sidecars can move beyond episodic reinsurance capital — providing sponsors with committed, nontraditional capacity and investors with underwriting and investment returns. The right alignment and transparency could create a sustainable source of casualty capacity and a more durable relationship between the insurance and asset-management markets.

> **Kathleen Faries**
> Chief Executive Officer
> **Artex Capital Solutions**

[10] "Q3 2026 Catastrophe Bond & ILS Market Report," *Artemis.bm*, accessed 19 Oct 2026. PDF file.
[11] "Credit FAQ: Assessing the Rise of P/C Insurance Sidecars," *S&P Global*, 30 June 2026, accessed 22 Oct 2026.

Lloyds and London

The UK continues to solidify its position as a center for risk transformation through the London Bridge 2 risk transformer vehicle. London's opportunity lies in its ability to connect third-party capital with the Lloyd's market through an infrastructure designed specifically for that ecosystem.

London therefore serves as a specialized ILS market built around the Lloyd's ecosystem. London Bridge 2 PCC Limited (LB2), an insurance special purpose vehicle (ISPV), is a key part of that infrastructure, enabling Lloyd's syndicates to access institutional capital.

After a successful 2025, LB2 continues to grow. As of midyear, the platform's 41 cells represented USD3.3 billion of capital. Cell owners can deploy capital to support funds at Lloyd's (FAL), collateralized reinsurance transactions, or other ILS structures. Through LB2, capital can be provided on either an excess of loss or quota share basis, creating flexibility for both investors and risk carriers.

In addition to the current captive reforms it's considering, the PRA is keen for the UK to take on an even larger share of the global ILS market by measures such as speeding up the ISPV application process and making ISPVs more flexible.

As the global ILS market continues to expand and evolve, London's growing role provides an important complement to established domiciles. By combining access to global capital with the strength of the Lloyd's marketplace, LB2 is helping position the UK as an increasingly significant participant in the future of alternative risk transfer.





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