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Bermuda:Re+ILS

GLOBAL RE/INSURANCE AND ILS FROM A BERMUDA PERSPECTIVE

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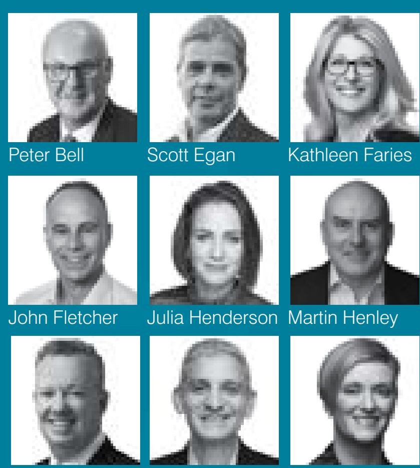

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The **discipline dividend**

Re/insurers are entering a more competitive phase from a position of considerable strength, with Bermuda's strong balance sheets and an increasingly diverse risk ecosystem allowing them to manage the cycle, says ABIR's John Huff.

The reinsurance market might be moderating, but Bermuda's numbers suggest that does not have to mean its fortunes are doing the same.

Members of the Association of Bermuda Insurers and Reinsurers (ABIR) wrote $197.5 billion in gross premium in 2025, according to figures shared by chief executive officer John Huff from ABIR's 2025 Global Underwriting Report, up from $188.5 billion a year earlier.

But premium growth might not be the most revealing part of the story. Huff pointed to evidence that the market is entering the next stage of the cycle, with options not always available to reinsurers in the past.

As competition increases and property pricing moderates, strong balance sheets allow companies to be more selective about where they put their capital. They can walk away when the economics do not work, rather than pursue premium simply to maintain top-line growth.

"I think companies are so well capitalised that they're leveraging that position and turning it into investment income," Huff told *Bermuda:Re+ILS*. He noted that investment income recorded the strongest percentage increase among the principal income measures, rising by $5.9 billion, or 34.1%, from $17.4 billion in 2024 to $23.3 billion in 2025.

In addition, ABIR members recorded a 16.5% increase in total equity in the same period, rising from $178.1 billion to $207.7 billion.

These results were boosted by two new members, who contributed approximately $3.9 billion to the increase in total equity and approximately $850 million to the increase in gross premiums written.

For Huff, this data changes the narrative of the current market from one of falling rates. He is reluctant to describe it as a soft market at all, pointing instead to continued rate adequacy, robust terms and conditions and strong profitability.

What is changing is the degree of competition. And that is beginning to put the industry's underwriting discipline to the test.

The luxury of saying no

The ability to decline business is perhaps one of the clearest dividends from the rebuilding of reinsurer balance sheets over recent years.

"Some reinsurers are stepping away from business they think may not be adequately priced, and have the luxury of doing that because of their strong capitalisation levels, their ability to maintain discipline and their greater awareness of risk," Huff said.

That does not necessarily translate into shrinking opportunity. While rates may be slowing top-line growth, Huff argues that demand for risk transfer continues to increase as awareness of risk propagates.

The result is a market in which Huff sees "abundant opportunity for Bermuda's reinsurers", meaning companies can afford to be selective about what they write without sacrificing the potential for growth.

Rather than see capital abundance as inherently threatening to underwriting discipline, Huff regards it as evidence of the market's health. The distinction will become increasingly important as the cycle develops. Capital has destroyed discipline in previous soft markets when the imperative to deploy it overwhelmed underwriting considerations. Bermuda now has an opportunity to demonstrate that this cycle can be managed differently.

Tested by fire

There was a significant test of that proposition in 2025. The California wildfires produced one of the largest insured natural catastrophe losses in US history, with estimates that Bermuda ultimately carried approximately 30 per cent of the loss.

"The Bermuda market has never been more vibrant, never been more competitive and never been more important."

SHUTTERSTOCK / PRATHANKARNPAP

At the time, the scale of that exposure raised questions about whether Bermuda's reinsurers had accumulated too much California wildfire risk. But the full-year results told a different story, Huff argues.

Net income increased by $5.4 billion, 20% year-on-year, to $32.2 billion even after absorbing significant recoveries related to the wildfires.

"People were saying the Bermuda market was overexposed. In fact, they weren't overexposed. It was built into their cat modelling and well within that set aside for losses," he said.

The industry did not produce results in the absence of catastrophe losses; it did so while absorbing a major first-quarter event. That provides a useful measure of how far the market has travelled since the harder conditions of recent years began rebuilding pricing, retentions and balance sheets.

Managing the cycle

There is also institutional memory on Bermuda's side. The modern Bermuda reinsurance market accelerated after Hurricane Andrew and the formation of the class of 1993. More than three decades later, many of its companies have experienced several iterations of the underwriting cycle.

Some individual executives and underwriters may not have operated through a genuinely soft market, Huff acknowledged, but the institutions themselves have. "Our market is so mature. These participants have seen the market cycles before," he reassured.

That does not make Bermuda immune to competitive pressure. It does, however, mean the market has accumulated both the data and experience to recognise what happens when inadequate pricing is allowed to take hold.

The challenge over the next phase will be proving that experience translates into action.

More than one pool of capital

Bermuda's maturation is also changing what it means to deploy capital from the island.

Third-party capital and ILS are increasingly complementary to traditional reinsurer balance sheets rather than sitting on the opposite side of a dividing line. Many ABIR members now operate with these structures, allowing institutional investors to participate alongside their own underwriting.

For reinsurers, that brings additional capacity and fee income without requiring every risk to sit entirely on the corporate balance sheet. For investors, it provides access to underwriting infrastructure and expertise built over decades.

It is part of a much broader ecosystem that Huff believes has become one of Bermuda's defining advantages. His description is deliberately simple: "All roads lead to Bermuda".

A change in reinsurance terms, for example, might leave a buyer retaining more risk. That can create a role for a captive, which can sit alongside commercial insurance and reinsurance, while other layers can involve ILS or retrocession.

The significance is not that every piece of the transaction must reside in Bermuda. It is that the island increasingly has the expertise and capital to participate across the entire risk-transfer chain.

The next destination

That breadth will matter as companies decide where to deploy capital next. Property catastrophe remains Bermuda's "bread and butter", Huff said, but he expects greater emphasis on casualty and specialty business, including cyber, mortgage and credit insurance and other longer-tail risks.

Those opportunities will require different expertise and, particularly where alternative capital moves further into longer-duration risks, different structures. Huff sees Bermuda's ability to attract specialist talent as evidence that the market is already adapting.

For Huff, that combination of capital, expertise and breadth leaves Bermuda well placed as the market enters its next phase.

The numbers from 2025 support that confidence: growing premium, strong capitalisation, substantial investment income and the ability to absorb a major catastrophe event while remaining profitable.

At the same time, growing awareness of risk is creating more demand for protection, while Bermuda has more ways than ever to put capital to work across traditional reinsurance, ILS, captives and specialty markets.

"The Bermuda market has never been more vibrant, never been more competitive and never been more important," Huff said.

The harder market allowed reinsurers to rebuild their economics and strengthen their balance sheets. The dividend from that work is becoming apparent now: the ability to remain disciplined as conditions moderate, while still finding abundant opportunities for profitable growth.

For Bermuda, managing the next phase of the cycle is therefore not simply about defending the gains of recent years. It is about using that stronger position to capture the opportunities ahead. ■

John Huff is CEO of the Association of Bermuda Insurers and Reinsurers (ABIR). To find out more about ABIR, visit www.abir.bm.