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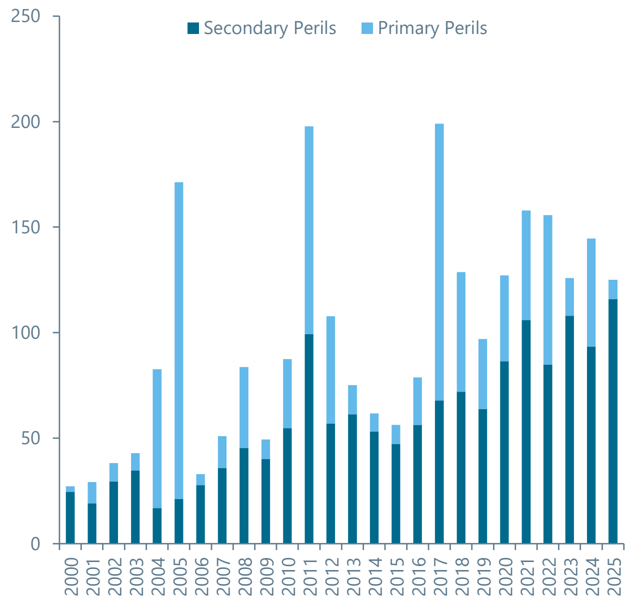
2025 natural catastrophe loss events: predominance of secondary perils

2025 was active and costly for the insurance industry, with USD 127 billion insured losses from natural events, slightly below 2024 but above the 10-year average of around USD 115 billion. Losses were concentrated in the United States, mainly due to the Los Angeles wildfires, which generated about USD 41 billion in claims, and a very intense season of severe convective storms that caused more than USD 50 billion in losses. In contrast, the US hurricane season was benign, with no US landfall for the first time in a decade. Asia and Europe saw no major industry-wide loss events.

Annual insured losses



Source: Aon 2026 Climate and Catastrophe Insight

The main exception late in the year was Hurricane Melissa which struck Jamaica in October. It generated around USD 2.5 billion of insured losses and triggered a full loss on a USD 150 million Jamaica catbond. A striking feature of 2025 was the dominance of secondary perils, accounting for roughly 95% of annual insured losses, continuing an eight-year pattern of secondary perils exceeding primary perils.

This backdrop validated a cautious stance on frequency risk and secondary perils. Potential wildfire subrogation recoveries, most notably litigation against Southern California Edison related to the Eaton Fire, could partially offset industry losses over time if settlements materialize, although timing remains uncertain.

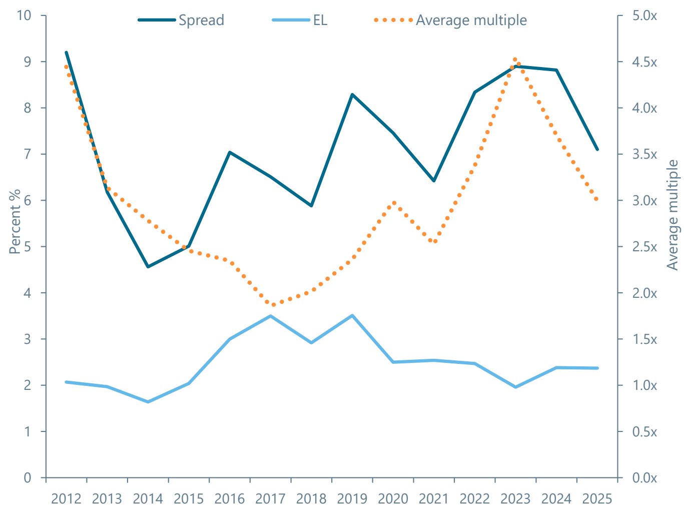
Record issuance in catbonds as pricing normalizes

Q4 continued the exceptional issuance momentum, making 2025 a record-breaking year. After an already-record H1 over USD 17 billion, activity picked up again in October, November and December. USD 7 billion of property-cat catbonds were issued across more than 40 classes of notes from 24 different programs, making a new record for Q4. For the full year, issuance reached USD 25 billion with close to 100 issuances from 70 cedants, including 15 first-time issuers. This brought the outstanding market size to roughly USD 60 billion, marking its fastest ever expansion. Today, the investment universe of the catbond market comprises 370 transactions issued by over 120 different sponsors. The increasing demand for alternative capacity is evident across both established and emerging issuers, which reflects a positive trend for the market.

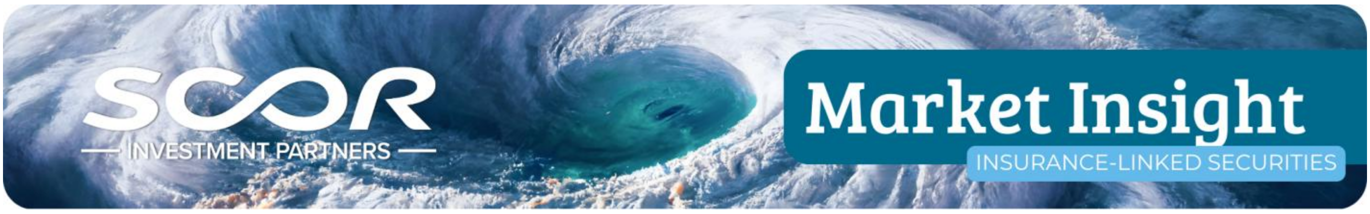
Primary market issuance: spread normalization

Spreads have tightened for 2025 issuances, what we are effectively witnessing is a normalization of spreads and multiples. The market has moderated from the unusually high levels seen in recent years and has largely returned to pre-Hurricane Ian conditions. Levels are broadly comparable to those observed in early 2022 and close to long-term averages (around 6%).

Pricing of primary issuance



Source: SCOR Investment Partners, Artemis as of 31.12.2025



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Spread widening again in the secondary market

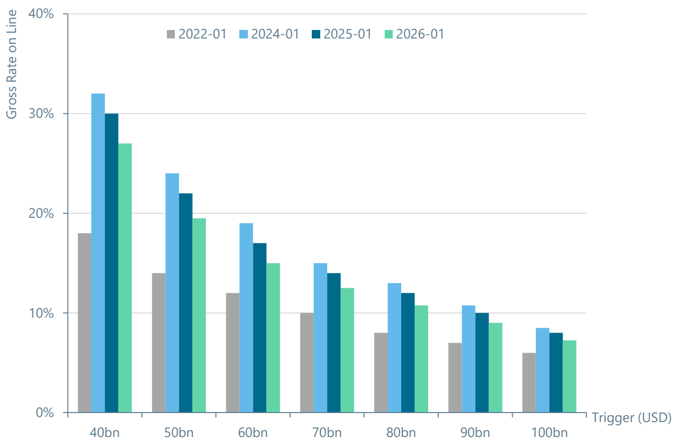
Toward year-end the trend reversed as spreads widened due to a combination of selling flows in the secondary market and seasonality dynamics. The recent widening should materialize further as the market approaches the summer months, a trend observed in 2023, 2024 and 2025. Adjusted for this seasonal effect, current spreads would stand roughly 100bps higher.

In absolute terms, spreads are also drifting back toward their long-term equilibrium, signaling a broader normalization of the market and a return to pricing levels last seen in early 2022, before Hurricane Ian reshaped the landscape.

ILW market: healthy renewal

The ILW market reflected similar patterns. ILWs remain reactive throughout the year, and pricing trends aligned closely with those observed in catbonds. As illustrated in the graph below, spreads have decreased by roughly 10% in 2025 following the steep increases of the 2022 to 2024 period, yet they still stand higher than their 2022 levels.

ILW market: average gross rate-on-Line %



Source: SCOR Investment Partners' internal research

Renewals across the broader ILW market generally traded between 10 and 15% lower. Despite the tightening observed in the final quarter, ILW rates ended the year at levels that remain higher relative to long term norms.

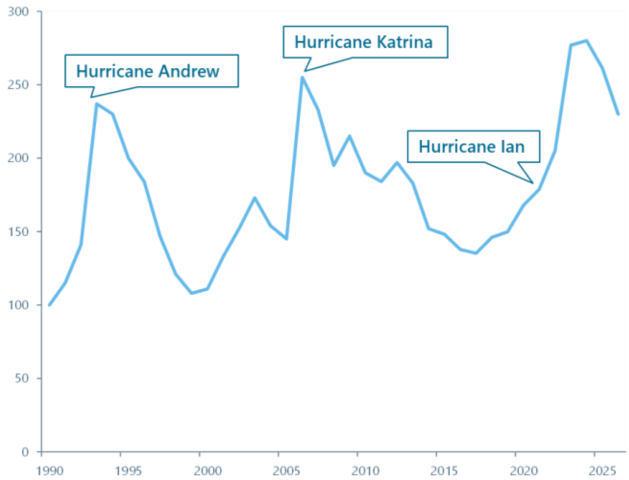
Reinsurance market: some softening

The graph below shows the US property cat rate-on-line (equivalent of the spreads for Catbonds). Following Hurricane Ian in 2022, the alternative capital market attracted new money and grew significantly in 2023 and 2024. By 2025, traditional reinsurers capital has reached a record high, supported by strong underwriting results.

The combination of abundant capacity and a quiet hurricane season pushed the market off its recent peak, resulting in a noticeable softening in conditions. Despite a decline from an all-time high, premium rates are still at historically high levels, as evidenced by the Guy Carpenter index.

U.S. Property Catastrophe Rate-On-Line Index

Guy Carpenter index



Source: SCOR Investment Partners' internal research, Guy Carpenter, as of 05.01.2026

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Outlook for 2026: strong ILS momentum

The ILS market remains constructive as both the catbond and private ILS segments enter the new year with strong momentum. On the catbond side, the pace of issuance has already accelerated sharply. January alone brought close to USD 3 billion in new transactions across 9 deals, an unprecedented start that points toward another highly active first half. Broker indications suggest that the pipeline remains robust, raising the possibility that issuance volumes could match or surpass last year's record of USD 17 billion. This sustained primary activity, supported by strong global demand for protection, should help maintain current spread levels across the market.

On the private ILS front, premium rates in reinsurance and retrocession are expected to adjust downward year on year at the April renewals in Japan and the June renewals in the United States, largely to align with conditions seen at the January season in an environment of abundant available capacity.

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