November 17th, 2026

El Niño divides Atlantic and Pacific hurricane activity, while the ILS market keeps growing

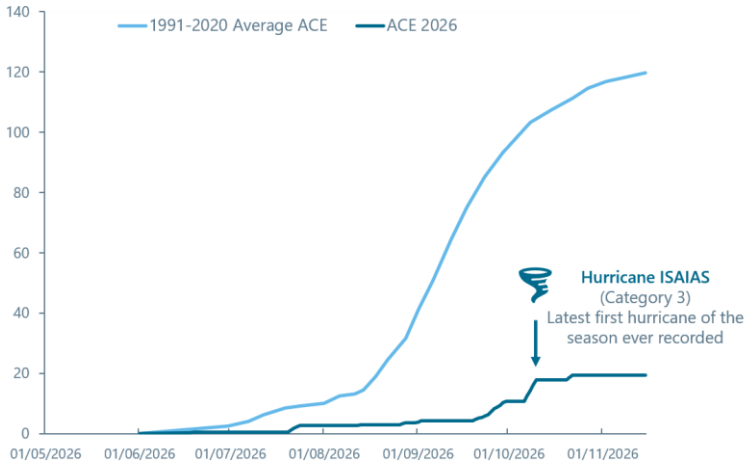
Record Pacific activity contrasted sharply with an exceptionally quiet Atlantic hurricane season in 2026. Atlantic activity was suppressed by strong El Niño conditions and record wind shear, while the East Pacific recorded unprecedented cyclone activity. Supported by a benign insured loss environment, the ILS market continued to expand, with record catastrophe bond issuance so far this year and a very active fourth quarter still ahead.

An unusually quiet Atlantic under strong El Niño

The 2026 catastrophe season has been defined less by a lack of tropical cyclone activity globally than by a striking divergence between basins. Atlantic activity remained exceptionally subdued, with ten named storms recorded by 30 October, only one of which developed into a hurricane. The season's Accumulated Cyclone Energy (ACE) index[1] stood at 19, which made 2026 the quietest Atlantic hurricane season since 1983.

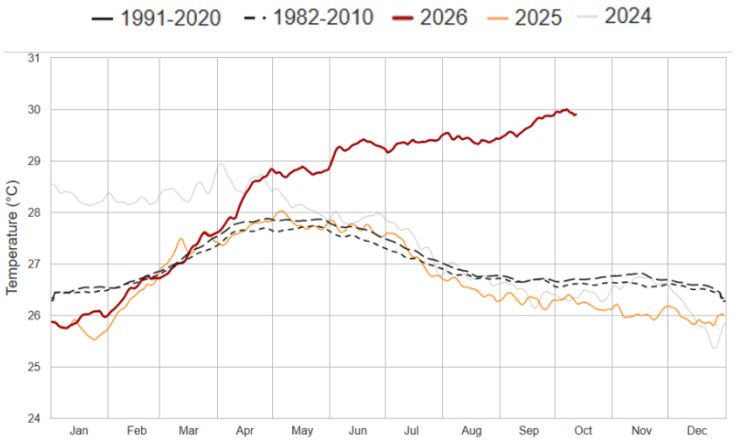
The season was not entirely inactive. Hurricane Isaias formed in the Gulf of Mexico on 8 October, becoming the latest first hurricane of an Atlantic season on record. The event generated only limited insured losses.

Accumulated Cyclone Energy - 2026 Atlantic Hurricane season[2]



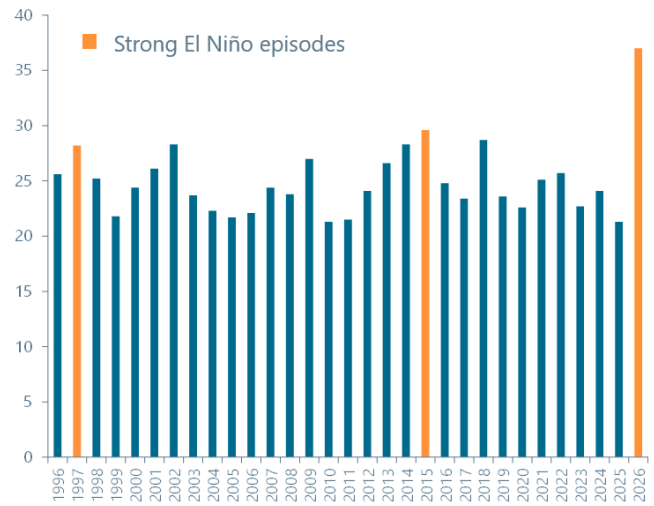
The main driver of this weak Atlantic season was an exceptionally strong El Niño episode. El Niño is characterised by warmer-than-average sea-surface temperatures in the central and eastern tropical Pacific. These conditions alter atmospheric circulation and can increase vertical wind shear across the Caribbean and tropical Atlantic, where most Atlantic hurricanes typically form.

2026 Daily Sea Surface Temperatures (SST) in the Niño development region (tropical Pacific Ocean)[3]



This effect was particularly pronounced during August and September, when wind shear across the Caribbean reached the highest level ever recorded, materially exceeding the levels observed during the strong El Niño episodes of 1997 and 2015. This large area of wind shear acted as a shield protecting the U.S. coast, by disrupting the vertical organisation of tropical systems moving westward from Africa, limiting their ability to intensify as they crossed the tropical Atlantic.

Caribbean Wind Shear[4] (August-September – From 1996 to 2026)

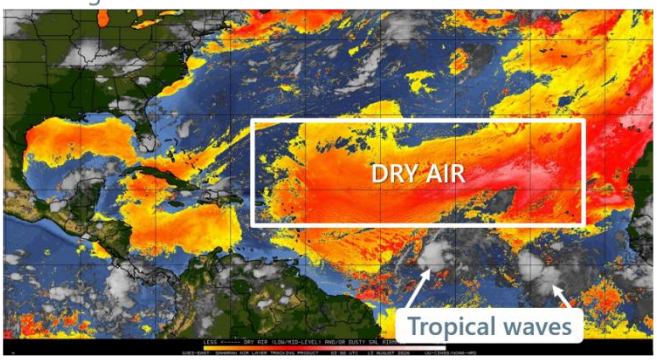


[1] *Accumulated Cyclone Energy (ACE) is an index used to measure the activity of a hurricane season. It combines the number of hurricanes, the length of their lifetime and their intensity*
[2] *Source: Colorado State University*
[3] *Source: Climate Change Institute (University of Maine), Climate Prediction Center (CPC)*
[4] *Source: SCOR Investment Partners, NOAA CFSR/CFSv2, Tropical Tidbits, Michael Lowry*

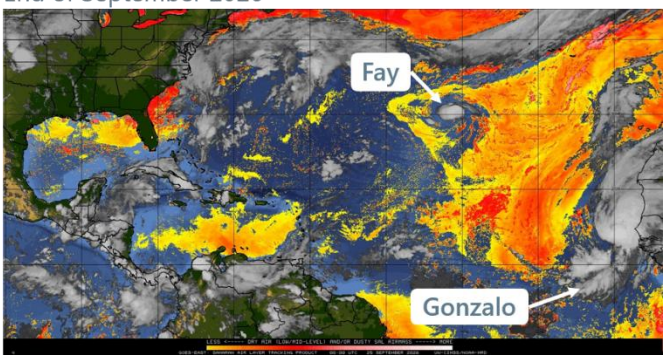
Dry air provided an additional suppressive influence. Large masses of dry and dusty Saharan air persisted over the Atlantic for prolonged periods during August and September. The intrusion of dry air into developing systems can weaken convection, disrupt storm structure and contribute to dissipation. The combination of strong wind shear and limited atmospheric moisture created an environment that was structurally unfavourable for Atlantic hurricane development.

Dry air situation[5]

Mid-August 2026



End of September 2026

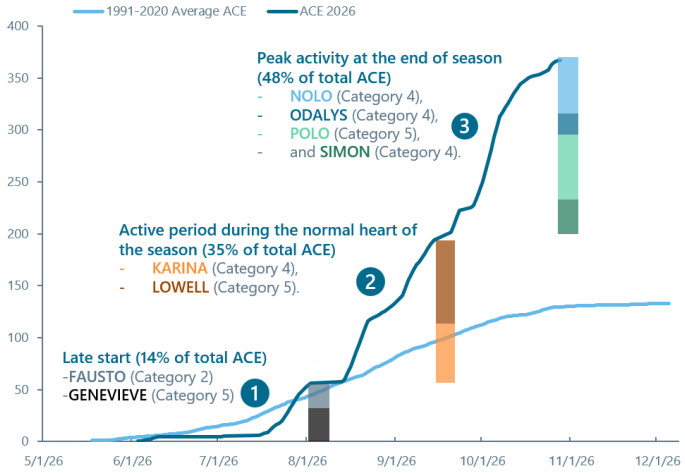


East Pacific activity surges to record levels

The same El Niño conditions that suppressed Atlantic development supported more active tropical cyclone formation in the Pacific. The East Pacific season generated an ACE index of 356, the highest on record and almost three times the historical average. Eleven major hurricanes were recorded, with activity concentrated near the Mexican coast and a particularly active end to the season.

The development of the season can be divided into three phases. A late start at the end of July was followed by stronger activity from mid-August to mid-September, before the season accelerated sharply towards its end. Nearly half of the season's ACE was generated during the final phase, which included several powerful hurricanes. Despite the exceptional meteorological activity, none of these events generated meaningful losses for the insurance industry.

Accumulated Cyclone Energy - 2026 East Pacific Hurricane season[6]



Three major East Pacific hurricanes threatened the IBRD CAR 133 Mexico parametric catastrophe bond between mid-September and mid-October, although none triggered a payout. In the western North Pacific, activity was also elevated, although no typhoon made landfall in Japan.

Market capacity shapes the ILS pricing outlook

Against this relatively benign loss backdrop, catastrophe bond implied spreads went down in Q3, mainly as the result of the seasonality effect on secondary market prices. Primary cat bond issuance is expected to remain highly active in Q4 and to push full-year volumes to a record above USD 25 billion. Cat bond spreads could tighten further by year end as the strong issuance volumes are expected to be readily absorbed by a meaningful amount of capital available in the market. However, continued robust issuance should remain supportive of catastrophe bond pricing levels going forward.

In the private ILS market, pricing remains historically elevated, although the normalization trend continues. On the ILW side, indications for the 1 January 2027 renewals point to some tightening, while terms and conditions have remained broadly stable. In property catastrophe reinsurance, further rate reductions are expected at January renewals, although to a lesser extent than last year. Early indications suggest rate reductions in the high-single-digit to low-teens range. Despite this softening, property catastrophe reinsurance pricing is expected to remain supportive in 2027, underpinned

[5] *Source: CIMSS Tropical Cyclones*
[6] *Source: Colorado State University*

by disciplined underwriting, sound terms and conditions, and generally favourable market fundamentals.

Looking ahead, the catastrophe bond market is expected to exceed USD 70 billion, driving the broader ILS market size above USD 150 billion any time soon. Continued sponsor demand and growth across all ILS market segments are expanding the opportunity set for investors, but abundant capacity is also contributing to pricing pressure. In this evolving environment, diversification, proprietary deal sourcing and disciplined risk selection become increasingly essential to building resilient portfolios and achieving long-term value creation as we head into 2027.

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