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Reinsurance
Predictions 2027



Mega collective actions will test casualty reinsurers

Social inflation is expected to remain a significant source of pressure on casualty reinsurance during 2027, fuelled by rising litigation costs, larger awards, litigation funding and the growing scale and complexity of collective actions. Specific actions ongoing in England provide a stark illustration of the potential scale of funded cross-border collective actions, with claimed losses reportedly reaching £34 billion. For reinsurers, the concern is not just these cases, but the prospect of similar mass claims being pursued through the English courts in future, particularly where litigation funding enables very large claimant groups to sustain lengthy proceedings. The repetition of this pattern could amplify severity and reserve uncertainty in long-tail casualty portfolios. It is therefore recommended that reinsurers revisit wordings on questions of aggregation and jurisdiction exposure to minimise any potential exposures.

Silent AI will come under increasing reinsurance scrutiny

Insurers will increasingly expect their outward reinsurance arrangements to respond to AI-related risks affirmed at the primary level, reflecting the evolution of primary-market policy wordings to address the growing use of AI in business operations. Reinsurers are likely to respond with more explicit AI exclusions, sub-limits and coverage conditions, bringing AI-risk allocation to the forefront of renewal negotiations. As a result, AI is likely to follow the path of cyber risk, moving from a largely silent exposure to a specifically underwritten, priced and managed risk across the reinsurance market. Potential gaps between primary and reinsurance coverage may also create new opportunities for disputes over claims and aggregation.

Parametric insurance will move further into the reinsurance mainstream

With the volume of reinsurance claims likely to trend upwards, reinsurers and cedants will look to solutions to better manage this evolving risk outlook. One such solution will be the fast-tracking of parametric risk transfer solutions. One major project announced in recent months was the launch of a parametric cover to respond to wildfires using satellite data. Products of this nature will be crucial as claims arising from incidents such as natural catastrophes increase, meaning that reinsurers are now facing margin pressure due to both increased loss activity and softer market conditions. The sector will remain profitable, but with heightened volatility and a greater focus on risk selection and capital management.

Regulators will tighten scrutiny of funded reinsurance structures

The UK will continue to scrutinise offshore-funded reinsurance structures while focusing on attracting captive insurance business through a proposed bespoke regulatory regime. The Prudential Regulation Authority issued two consultations in 2026 highlighting these regulatory priorities and further movement is expected in the coming year. Consultation paper CP8/26 proposed changes to the prudential treatment of funded reinsurance under Solvency UK, focusing on the risks posed by the growth of funded reinsurance exposures. Consultation paper CP11/26 proposed a tailored regime for captive insurance. At the same time, regulators have continued to scrutinise funded reinsurance structures. This focus is consistent with the European Insurance and Occupational Pensions Authority's supervisory statement issued at the beginning of October 2026, which highlighted a number of areas where greater supervisory consistency is expected. The statement acknowledges that private equity investors can bring potential benefits to the sector, but warns that their business strategies, ownership structures, asset allocations and governance arrangements can also pose challenges for effective supervision.

Data centre risks will become a major reinsurance accumulation risk

The rapid growth of data centres, driven by the ever-accelerating adoption of AI, will pose challenges to the sector. The potential exposures are significant. Data centres are expensive to build, operate and maintain, while the expansion of the sector has led to shortages of vital parts, especially semiconductors, making repairs more expensive and prone to delay, with the potential for substantial business interruption losses. The tendency to cluster data centres geographically also increases the risk of multibillion-dollar claims. It is estimated that 40% of data centres in the United States are located in areas at high risk of tornadoes, raising the prospect of a single weather event affecting multiple facilities simultaneously. Significant fire risks also arise from their reliance on large-scale lithium-ion battery systems. Adding to this increasingly complex risk profile, property reinsurers are being asked to provide cover for war and terrorism exposures alongside more traditional property risks.

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New Brazilian reinsurance rules will reshape cross-border capacity

Effective from January 2027, Brazil's revised regulatory rules on reinsurance, retrocession and coinsurance will begin to reshape cross-border placements. The new framework aligns market rules with the Insurance Act and the legal regime introduced for cooperatives and mutual protection arrangements, while updating provisions on contract formation, claims adjustment and insurance placed abroad. Cedants, brokers and reinsurers will need to adapt their documentation and operating models to the revised framework, including its shorter timetable for formalising reinsurance contracts (reduced from 180 to 90 days). The changes may improve legal certainty and broaden structuring options, but implementation could also create friction where global programme terms do not fit Brazilian requirements. Market participants that align documentation and governance early will be better placed to access international capacity and avoid disputes over the effectiveness of risk transfer.

Brazilian insurance cooperatives and mutual protection entities will present new reinsurance opportunities

In 2027, insurance cooperatives and regulated mutual asset protection arrangements will begin to demonstrate their role in Brazil's supervised market. Complementary Law No. 213/2025 and CNSP (Conselho Nacional de Seguros Privados – National Council of Private Insurance) Resolutions Nos. 491 and 492/2026 created the legal and regulatory structures for mutual protection operations and insurance cooperatives. Their development may expand protection in underserved regions, particularly in motor and member-based segments, while increasing competition and creating partnership opportunities for insurers, brokers, reinsurers and service providers. Regulations provide that both types of arrangement may rely on reinsurance capacity, as applicable to regular insurance carriers, and generate new business streams for reinsurers targeting the local market. Progress will depend on regulatory authorisation and regularisation, governance, financial and actuarial capacity, consumer safeguards and access to reinsurance.

El Niño to reprice Ecuadorian coastal risk accumulations

Coastal placements in Ecuador will face renewed scrutiny of flood and landslide risk accumulations in 2027. Ecuador remains one of the most El Niño-exposed economies in the region. The 1997-98 El Niño event, one of the most damaging natural disasters in Ecuador's recent history, caused widespread infrastructure and agricultural losses. Shrimp aquaculture and banana production, in particular, remain highly sensitive to rainfall and sea-surface temperature. Disputes are expected to concentrate on two issues: whether successive flooding and landslide events aggregate as a single occurrence under 'Loss Occurrence/Hours clauses', and whether business interruption cover responds where transport links and supply chains are disrupted without physical damage at the insured location. Reinsurers will press for separate flood sub-limits and clearer denial-of-access wording, while parametric and index-based products will gain traction for risks the traditional market is unwilling or unable to absorb.

Mexican liability exposures will continue to widen for insurers and reinsurers

Mexico's insurance and reinsurance markets expect to confront a broader and less predictable civil liability landscape. Reinsurers will become more closely involved in disputes originating in the primary market, particularly after complex or catastrophic losses. Claims arising from health risks, and climate or cyber-related events, will also place policy language and existing allocation-of-risk assumptions under renewed scrutiny. Insurers and reinsurers should respond by stress-testing coverage positions, refining risk models and strengthening claims protocols for increasingly severe and interconnected losses. Courts and regulators are taking a more expansive approach to contractual and non-contractual duties, alongside a greater readiness to impose substantial damages and, in appropriate cases, personal accountability on corporate decision-makers. Public expectations of accountability, developing case law and reforms intended to reflect international standards will reinforce this direction of travel. Businesses operating in Mexico should therefore revisit their liability exposures, governance arrangements and compliance frameworks.

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