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(Re)in Asia

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SPECIAL PRINT EDITION

RENEWALS: PRICE TAKES A BACK SEAT | FAC DEMAND CLIMBS | LEADERS ON APAC GROWTH
DATA CENTRES RISK | PARAMETRIC'S FINANCING PLAY | QUANTUM COMPUTING TO SHARPEN PRICING?

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PUBLISHER'S INTRODUCTION

Welcome.

Price is no longer the whole conversation in APAC reinsurance.

Once again, cedents across the region head into the 1/1 renewals expecting orderly, buyer-friendly negotiations and further rate reductions. Reinsurers are well capitalised, new capacity keeps arriving, and incumbents must sharpen their pricing or lose their share.

What has changed is how buyers use that leverage. Having recovered the increases of 2023 and 2024, cedents are now putting their savings to work. They are adding limit, revisiting retentions, reinstating covers dropped during the hard market and exploring aggregate, earnings and multi-year protection.

As our renewals feature shows, the best outcomes this season are unlikely to come from the largest headline rate cut. They will come from using a soft market to build stronger, more efficient programmes.

That matters, because the risks those programmes must absorb are growing more complex.

Data centres are a case in point. New grid-access rules are pushing operators to build their own power infrastructure, from batteries to on-site generation. That concentrates interconnected risks on a single campus, where one failure can cascade across assets and tenants. Business interruption is where it gets even more complicated: a site told by the grid to curb power use can lose revenue without any physical damage.

Similar pressures are lifting facultative demand, which by one estimate rose 15% in the first quarter. War risks that treaties exclude and assets too large for treaty limits are pushing more business into the fac market. With capacity plentiful, though, margins will be earned on terms, not rates.

The structure of the market is shifting too. As our cover story explores, India's GIFT City is attracting reinsurers and retaining more India-linked business, though authority over complex risks still largely sits abroad. More broadly, underwriting, broking and claims expertise are moving into Asia, while capital remains global.

Discipline has not disappeared; it has moved. It now lies less in price and more in terms, data and risk selection.

But as capacity keeps flowing into the region, a question remains: will this soft market be remembered for what buyers saved, or for what they built?



Alastair Grigg

Founder and Managing Director,
(Re)in Asia

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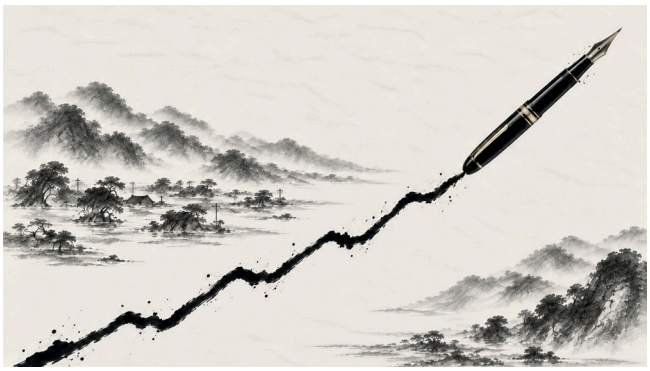
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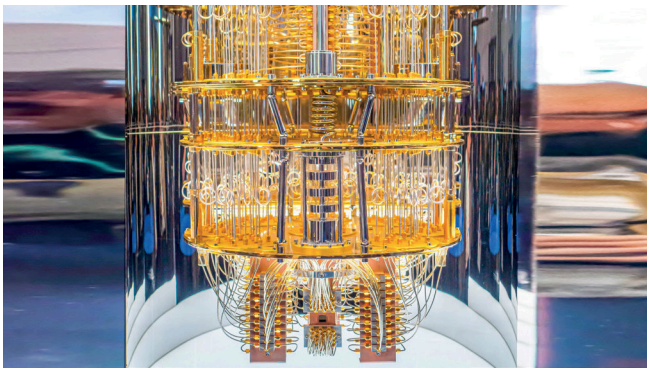
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NEWS

MAS says Asia needs broader risk-transfer capacity as infrastructure boom accelerates

Insurance-linked securities, captives and other alternative capital structures are increasingly important tools for supporting Asia's rising infrastructure risk exposures, the regulator said.

By Reih Angeles

Asia will need to expand insurance and alternative risk-transfer capacity as its infrastructure build increases exposures, including low-frequency, high-severity risks that can be harder to diversify within traditional insurance balance sheets, a Monetary Authority of Singapore executive said.

Speaking at the International Association of Engineering Insurers Annual Conference, MAS Executive Director Lim Cheng Khai said the region's next phase of growth will require greater risk-bearing capacity alongside engineering and capital investment.

"Southeast Asia needs around US$210bn of infrastructure investment every year," Lim said, citing Asian Development Bank estimates, while the ASEAN Power Grid alone is expected to need more than US$100bn in transmission investment over the next two decades.

Data-centre development is also adding to the region's engineering risks, with Asia-Pacific expected to require more than US$280bn in additional capacity by 2030. Such projects concentrate high-value equipment, dense power systems and complex cooling requirements, Lim said.

The expansion is occurring as insurers face greater uncertainty in assessing emerging exposures. Lim said technology is in some cases developing faster than the loss experience needed to price risks confidently, meaning underwriters and risk engineers increasingly have to rely on expert judgement where historical data is limited.

He also argued that insurers should become involved earlier in project planning and construction, when engineering changes can still reduce underlying exposures.

"Involving insurers and risk conversations upstream allows risk engineers to shape decisions while they can still be adjusted," Lim said.

Alternative capital option

Capacity remains another challenge. Asia accounted for about 30% of global economic losses from natural catastrophes in 2025, but only around 8% of those losses were insured, according to figures cited in the speech. Lim said traditional insurance and reinsurance would remain central, while alternative capital could broaden the pool available to absorb risk.

Singapore has supported the development of the insurance-linked securities market since 2018, with more than 30 ILS issued and listed in the city-state to date. MAS is also developing a Protected Cell Company framework for ILS, captive insurance and sovereign risk pools, which Lim said can reduce the cost and complexity of establishing multiple special-purpose vehicles.

Such arrangements could be particularly relevant for large infrastructure projects exposed to low-frequency, high-severity risks that are harder to diversify within traditional insurance balance sheets.

"Asia does not simply need more insurance capacity. It needs more 'risk capacity'," Lim said, referring to the ability to understand, reduce, price and ultimately absorb risk.



NEWS

Hong Kong targets captives, ILS and specialty insurance growth under first five-year plan

From expanding Hong Kong's influence across the global maritime value chain to developing specialty insurance products for mainland companies going global, the plan outlines an ambitious growth agenda for the sector.

By Vipal Durge



Hong Kong's government has outlined an expanded role for the insurance sector under the city's first five-year plan, with initiatives spanning captive insurance, insurance-linked securities (ILS), specialty underwriting, marine risk pooling, climate risk management and commercial aerospace insurance.

The plans were set out in the Chief Executive's 2026 Policy Address, which identified insurance as a key component of Hong Kong's ambitions to strengthen its position as an international financial and risk management centre.

The policy blueprint gives the Insurance Authority (IA) a central role in expanding Hong Kong's position as an international reinsurance hub. The regulator will also study legislative amendments to introduce a protected cell company (PCC) structure, which would lower the cost of establishing captive insurers.

Hong Kong authorised three captive insurers by October 2026, bringing the market total to nine licensed captives. Meanwhile, the Monetary Authority of Singapore is also working on introducing a new PCC structure.

The IA will also continue promoting catastrophe-risk transfer through ILS and review restrictions affecting investor participation in the market.

In a separate statement, Stephen Yiu, chairman of the IA, said the regulator is committed to supporting implementation of the five-year plan through deeper regulatory collaboration, the development of specialised risk management tools and further enhancement of Hong Kong's risk-based capital regime.

NEWS | CONTINUED

The plan also aims to incentivise insurance-sector investment in infrastructure, with the IA set to introduce lower capital requirements for qualifying infrastructure assets by year-end.

Specialty insurance expansion with a focus on mainland

Development of specialty insurance products to support emerging industries and commodity trading is one of the key focus areas. The IA will work with industry participants to expand underwriting appetite for risks linked to gold storage, commodity trading and green-fuel bunkering, the government said.

The IA has already launched a dedicated specie insurance hotline designed to connect policyholders with insurers providing cover for precious metals, according to the update.

Separately, the Hong Kong Federation of Insurers has established various dedicated task forces to look into the major topics, including the development of specialty insurance, according to a statement.

The regulator will also support expansion of underwriting capacity within the industry's Marine Specialty Risk Pool and facilitate the international operations of the Hong Kong Shipowners Mutual Assurance Association.

The government will also use the Greater Bay Area market to expand high-value maritime services, including marine insurance, maritime law, arbitration, ship management and ship finance, as part of efforts to strengthen the city's influence across the global maritime value chain.

Cross-boundary insurance connectivity with mainland China was identified as another strategic priority.

The IA will encourage insurers to develop products that support mainland enterprises expanding overseas and assist corporates participating in Belt and Road projects and global supply chains. The IA recently highlighted the city's capacity to serve as a "one-stop" risk management and advisory hub for Chinese mainland enterprises expanding overseas, as companies face increasingly complex geopolitical and commercial risks.

Emerging risk management role

The government also assigned the IA responsibilities in several emerging risk areas. The regulator's Climate Insurance Lab will continue work with insurers, universities and industry stakeholders to improve climate-risk modelling and encourage the development of climate-related insurance products.

In commercial aerospace, the government said the IA will work with industry participants to assess systemic risks arising from the rapid growth of China's commercial space sector and consider how Hong Kong's insurance market can support that development through new insurance products.

The sector is heavily dependent on international (re)insurers as local capacity remains limited. "Only a relatively small number of insurers in Hong Kong have historically participated in the sector, often with limited capacity," Oscar Fong, VP of aviation and aerospace, Marsh Risk Hong Kong, told (Re)in Asia in September.

However, Hong Kong, with its established infrastructure, has an opportunity "to play a meaningful role as a regional hub for cross-border space risk," Fong said.

The policy address also referenced the IA's AI Cohort Programme, under which 10 insurers have committed to establishing AI centres of excellence in Hong Kong.

The government said the IA will continue promoting responsible AI adoption and competency development across the insurance industry as part of broader efforts to develop the city into a regional AI and fintech hub.

In August, AXA China Region Insurance Company (Hong Kong), BOC Group Life Assurance, FWD Life Insurance (Bermuda), HSBC Life (International) and Manulife (International) were selected for the first cross-sector cohort of Hong Kong's GenA.I. Sandbox++.



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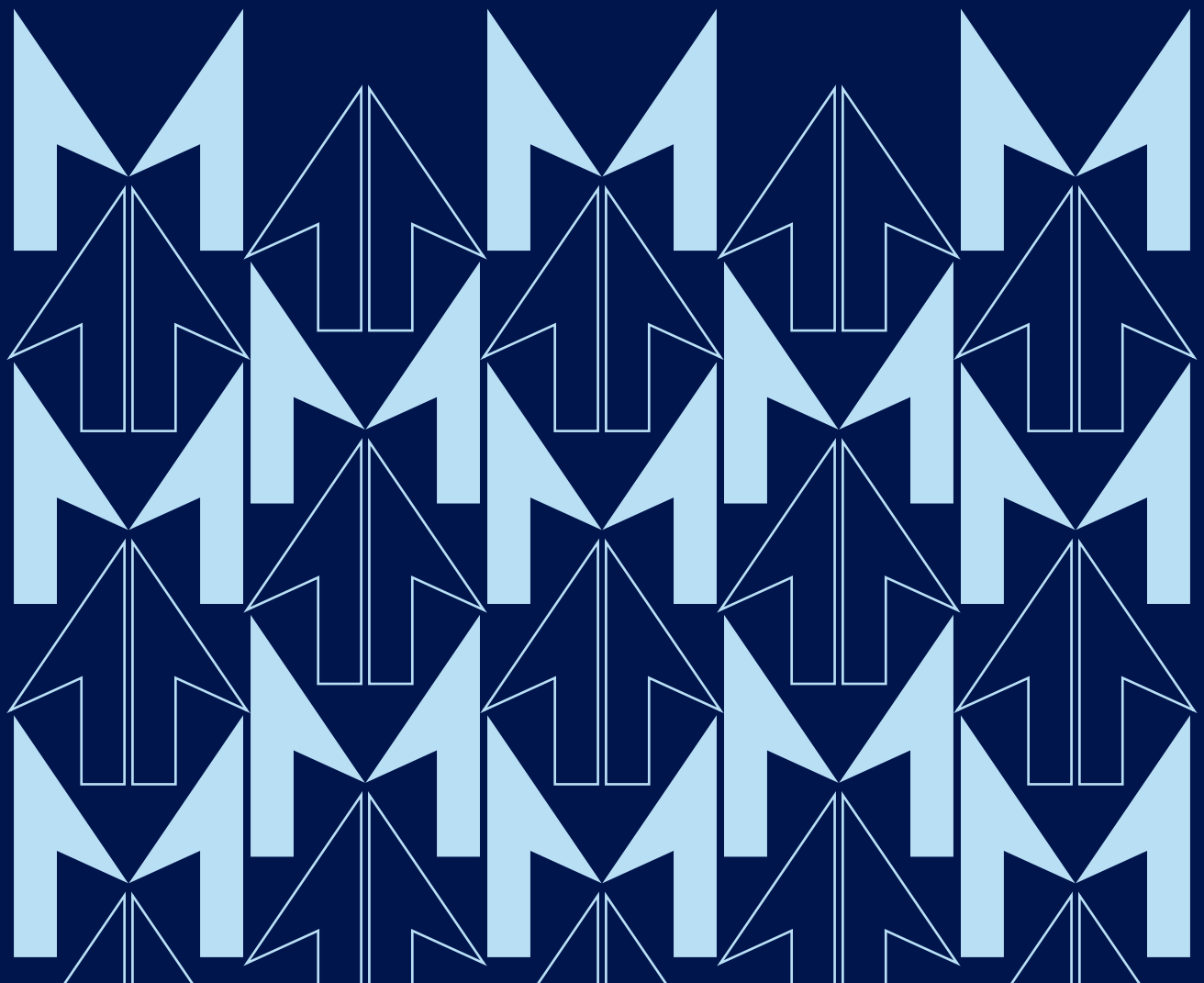
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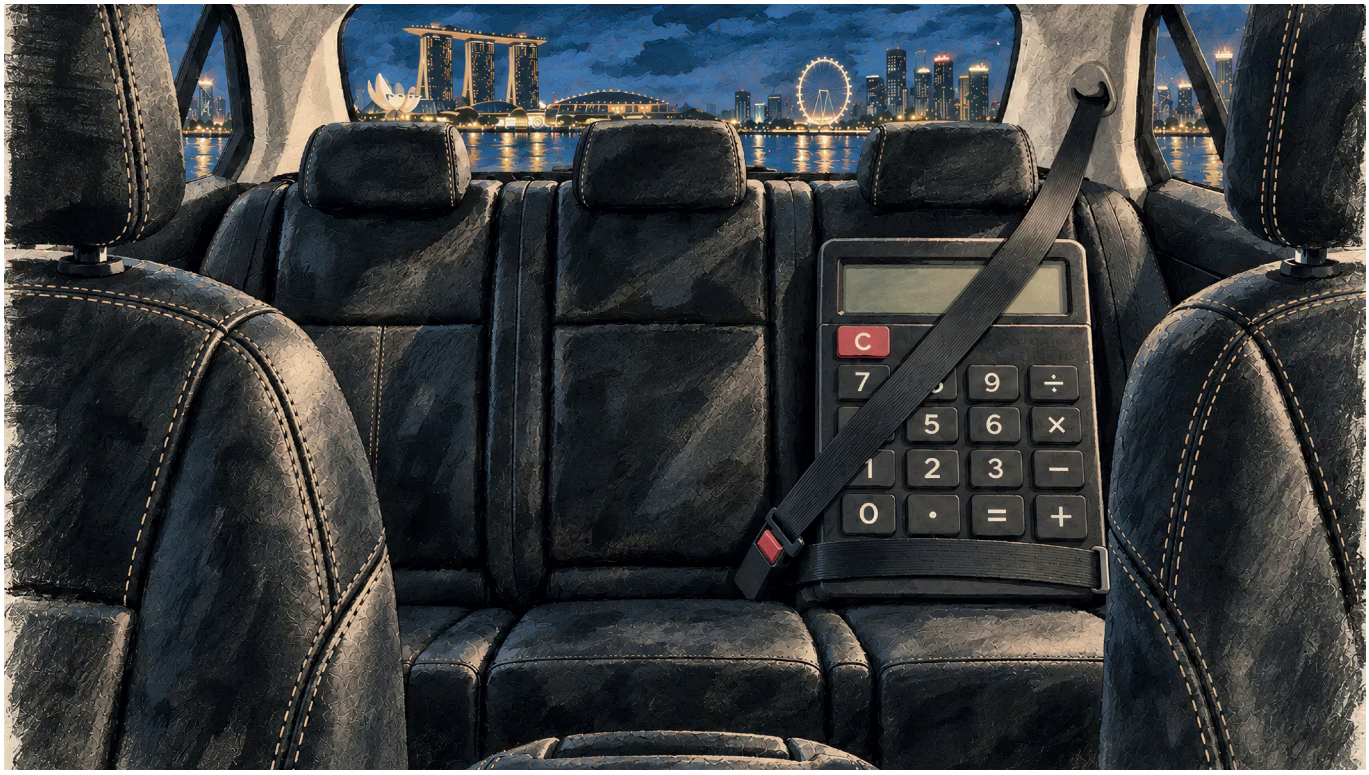


FEATURE

Price takes a back seat as cedents seek strategic reinsurance purchases

Brokers say Asian cedents are using softer rates to strengthen their reinsurance protection, not just to cut costs.

By Blake Evans-Pritchard



As with the past couple of years, renewals in Asia at 1 January are likely to be orderly and buyer-friendly, with further rate reductions anticipated amid strong reinsurer earnings.

However, while previously cedents took advantage of softening conditions to offset rate increases of 2023 and 2024, this year the emphasis is shifting towards better alignment with evolving risk and capital needs.

“Price is always a key consideration, but we see the conversations shifting,” says Soeren Soltysiak, CEO Asia, Reinsurance Solutions for Aon. “Clients are now actively considering utilising achieved savings to make strategic purchases to add additional limits, reduce volatility, revisit retentions and reinstate covers that became less economical during the harder market.”

Greater interest is being shown in “aggregate covers, earnings protection and multi-year structures”, says Soltysiak. This is particularly relevant for Asia, where needs around growth, catastrophe accumulation and regulatory capital differ materially by market.

“It is important to have a programme in place that better aligns protection, capital and growth plans over the cycle,” says Soltysiak.

Shifting priorities

Signs of this shifting conversation were evident during the Monte Carlo Rendez-Vous that took place at the start of September – and show how approaches in Asia are diverging from those in Europe and the United States.

While many global discussions still centred on pricing adequacy and capital deployment, Asian cedents were more preoccupied with how cheaper reinsurance can support business expansion and product innovation in the region.

This is especially important given the complex world that the insurance industry now inhabits.

“Increasingly, the focus is on how that capacity can be deployed to help insurers navigate a more complex and uncertain risk environment,” says Roshan Perera, Gallagher Re’s APAC CEO. “That complexity is being driven by a combination of evolving climate-related exposures, growing interconnectivity of supply chains, geopolitical uncertainty, rapid technological change and the emergence of new risk categories associated with AI adoption, digital infrastructure and data centres.”

> **The combination of strong reinsurer capital positions and improving confidence in portfolio performance has increased appetite across much of Asia.**
>
> Roshan Perera
> *APAC CEO*
> **Gallagher Re**



Stepping up capital deployment

Market conditions have been favourable for cedents for the past couple of years. However, they are becoming even more so as reinsurers continue to step up their deployment of capital in Asia.

This is further strengthening buyers’ bargaining power and reinforcing the opportunity for insurers to take a more strategic approach to price reductions.

“The combination of strong reinsurer capital positions and improving confidence in portfolio performance has increased appetite across much of Asia. The region continues to attract significant interest because of its long-term growth fundamentals, including expanding economies, rising insurance penetration and increasing demand for risk transfer solutions,” says Perera.

> **Price is always a key consideration, but we see the conversations shifting.**
>
> Soeren Soltysiak
> *CEO Asia, Reinsurance Solutions*
> **Aon**



He adds that strong interest is being seen across a range of sectors, particularly where insurers are seeking “support for growth, innovation and capital optimisation”.

This includes emerging opportunities linked to digital infrastructure, data centres, AI-enabled businesses and the broader technological transformation taking place across many Asian economies.

From the reinsurance side, competition is intensifying as abundant capacity and new market entrants put pressure on underwriters to offer more competitive pricing and terms to retain their share of business.

“Negotiations are expected to run relatively smoothly, for those with fairly good loss record for sure,” says Wang Wei, chairman of Rare Earth Insurance Partners. “The existing underwriters have to offer competitive pricing and improved terms, otherwise their share can be replaced by new capacities easily.”

Wang says that reinsurer appetite is strongest for well-performing business supported by reliable data, while less penetrated markets and emerging sectors are also attracting interest.

> **As a result, markets where insurance penetration is still low are attracting significant attention and interest from reinsurers.**
>
> Wang Wei
> *Chairman*
> **Rare Earth Insurance Partners**



"The strongest appetite is still for those property catastrophe, infrastructure and specialty lines with a fair loss record and robust data," says Wang. "However, it is impossible for all reinsurers to have a chance to participate. As a result, markets where insurance penetration is still low are attracting significant attention and interest from reinsurers. For example, Southeast Asian markets from a geopolitical perspective, and renewable energy from a product perspective."

In China, this interest in emerging sectors is reflected in cedents' efforts to expand protection for risks associated with electric vehicles, solar photovoltaics and onshore and offshore wind. The growing demand for cover in these areas highlights the evolving risk landscape as new energy becomes an increasingly important growth sector.

> **The most successful outcomes this renewal season are unlikely to come from achieving the largest headline rate decrease [but] from using today's market to improve capital efficiency, reduce volatility [and] strengthen balance sheets.**
>
> Tom Wakefield
> *CEO*
> **Gallagher Re**

Selective opportunity

However, competition for business does not mean reinsurers are willing to compromise on underwriting discipline. Loss-affected accounts and more challenging lines and perils, such as Thailand property catastrophe and secondary perils, are likely to face tougher negotiations, with pricing reflecting individual risk profiles and claims experience.

"Reinsurers remain focused on deploying capital to portfolios that demonstrate strong underwriting fundamentals, clear strategic direction and robust risk data. The challenge is increasingly not the availability of capital, but ensuring that capital is matched effectively to increasingly complex and evolving risk profiles," says Perera.

Against this backdrop, cedents will need to position themselves to take full advantage of the capacity available, demonstrating the quality of their portfolios and the strength of their risk management. At the same time, they need to make sure that their reinsurance programmes are aligned with evolving exposures and business priorities in an increasingly complex environment.

> **...ensuring that capital is matched effectively to increasingly complex and evolving risk profiles.**
>
> Roshan Perera
> *APAC CEO*
> **Gallagher Re**

As Gallagher Re CEO Tom Wakefield noted on the sidelines of the Monte Carlo Rendez-Vous: "The most successful outcomes this renewal season are unlikely to come from achieving the largest headline rate decrease [but] from using today's market to improve capital efficiency, reduce volatility [and] strengthen balance sheets."

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FEATURE

GIFT City draws reinsurance capacity but remains a price taker

The hub has succeeded in attracting capital and reinsurers; now the challenge lies in developing the expertise needed to underwrite complex risks locally.

By Gloria Methri



Gujarat International Finance Tec-City (GIFT City) is attracting reinsurance capacity and retaining more India-linked business, but its growing footprint has yet to translate into deeper specialist underwriting, leaving the hub reliant on established global markets for much of its risk appetite and pricing terms.

More reinsurers are establishing operations in GIFT City with an appetite for specialty classes, but relatively few are yet leading or quoting business, said Minesh Jani, CEO of Gallagher Re India. “That is likely to change as more players build local underwriting teams,” he said.

"Specialty classes like surety, cyber continue to find lead capacity from cross-border reinsurers or foreign reinsurers because appetite within GIFT City remains limited," said Ankit Mehta, head of broking, P&C at Aon. "Parametric, aviation still continue to be placed with reinsurers outside of India."

The gap is particularly visible in newer or technically complex classes. Howden Re expects surety and performance bonds, parametric covers, standalone cyber, and life and health reinsurance to become growth drivers, but none is yet at scale, said Ashvita Suvarna, head of facultative reinsurance at Howden India.

“They should be viewed as pipeline rather than confirmed growth lines, although several new entrants have identified them as areas they intend to build,” she added.

Data centres are another emerging area. The scale of planned projects is prompting brokers and reinsurers to deliberate customised solutions, particularly for covers spanning the full data-centre lifecycle.

Marine port package policies, which are still largely placed with cross-border reinsurers, could also become a candidate for GIFT City, Mehta said.

Growth is real, but scale still matters

Gross written premiums (GWP) at GIFT City rose almost tenfold to US$419.16m in the first quarter of India's FY2027, from US$42.75m a year earlier. That was also more than double the US$202.3m written in the previous quarter.

But the composition of that growth is more telling than the headline number. Reinsurance accounted for US$400.3m of first-quarter GWP, compared with US$186.93m in the previous quarter, while direct insurance contributed US$18.87m, up from US$15.38m.

Suvarna said the increase from about US$102m in 2020 to about US$1.2bn in 2025 shows a strong trajectory, but that percentage growth can overstate GIFT City's scale relative to established insurance centres.

As of end-June 2026, the International Financial Services Centres Authority (IFSCA) counted eight life insurers, four general insurers, two health insurers and 23 reinsurers in the IFSC. Licensed IFSC Insurance Offices rose to 36 by March 2026, from 24 in December 2025 and 22 in September 2025. Mehta said the regulator is encouraging more players to set up at GIFT City.

However, there is an important caveat to the GIFT City growth story.

“GIFT City is essentially a price taker rather than a price setter, at least at this stage. It is therefore plugged into global market cycles and trends rather than setting its own terms,” Suvarna said, adding that conditions remain tied to markets such as London, Singapore and the Middle East.

Nymphea Batra, CEO of Marsh Re India, adds that GIFT City's advantage is less about a uniform pricing benefit and more about choice, capacity and access to specialist markets. “Pricing will continue to reflect the underlying risk, its complexity, loss experience and the structure of the programme,” she said.

That leaves GIFT City exposed to global underwriting cycles even as its local book expands.

Trade credit, one of its stronger lines, continues to benefit from ample capacity, although underwriters are becoming more cautious amid economic volatility, geopolitical tensions and sector stress. Casualty and liability remain more disciplined globally, and Howden Re expects that discipline to carry through to cessions placed via GIFT City.

Direct insurance expansion hurdles

Reinsurance has grown strongly in GIFT City because insurers there cannot write onshore Indian risks directly.

> **More reinsurers are establishing operations in GIFT City with an appetite for specialty classes, but relatively few are yet leading or quoting business.**
>
> Minesh Jani
> *CEO*
> **Gallagher Re India**



Gallagher Re’s Jani explained that a primary carrier in GIFT City can write direct business only for clients based in the hub, in India’s other special economic zones, or outside India.

Suvarna said this makes a direct licence relevant mainly to offshore and IFSC-domiciled risks, such as aircraft and ship lessors, IFSC banks and funds, and Indian corporates’ non-admitted offshore exposures. Mainland business stays with insurers admitted by the Insurance Regulatory and Development Authority of India.

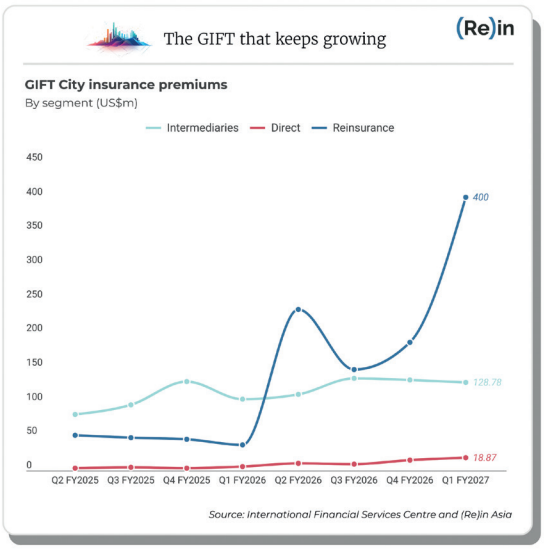
Reinsurers in GIFT City do not face that limit. They can accept business from Indian cedents, subject to the regulator’s order of preference. Large or complex onshore risks that need facultative support can therefore still reach GIFT City: an admitted insurer writes the policy onshore and cedes the risk to a reinsurer in the hub.

Batra said direct writing needs distribution, servicing and claims capabilities, and these take longer to build than a reinsurance branch that can draw on existing treaty relationships.

“I think this comes down to infrastructure rather than appetite,” says Suvarna.

Mehta, however, said appetite is a contributing factor, because insurers already have plenty of growth to chase at home. “Insurers already have large onshore opportunity and many are deliberating to establish operations at GIFT City, with plans of looking at opportunities outside of India,” he said.

Marsh Re expects direct business to develop first in large commercial and specialty risks, where the economics suit GIFT City, although direct specialty underwriting remains nascent for now.



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>
> Ashvita Suvarna
> *Head of facultative reinsurance*
> **Howden India**



Not a challenger to the throne

Much of the business now flowing through GIFT City is not new but has moved from other hubs.

“All lines of products which were otherwise written by the companies in their respective territories are now moving to GIFT City via their branches,” Suvarna said. She expects migration from Singapore and Dubai to continue as Indian cedents and brokers become more comfortable with GIFT City paper.

Mehta said GIFT City reinsurers now support much of the property and casualty business that Indian cedents once ceded to Singapore or Dubai, including premium from reinsurers that previously wrote Indian business on a cross-border basis.

Market experts see GIFT City, along with established centres, serving distinct needs.

“The global insurance market is interconnected, and different centres will continue to serve different purposes,” said Marsh Re's Batra. The more immediate opportunity is to retain and originate a greater share of India-linked risks in India, particularly large infrastructure, energy, marine, aviation and corporate risks, she added.

Howden's Suvarna notes, however, that GIFT City still has less global recognition than Singapore and Dubai, so cedents and brokers can default to the familiar hubs rather than actively choose GIFT City.

Building a broader regional role could help change that. India has proposed hosting a BRICS Risk Lab at GIFT City, with member states agreeing to continue discussions on the proposal alongside efforts to explore a voluntary platform for developing common risk models and specialist insurance capabilities across the bloc.

India's growth prospects and regulatory changes are further strengthening the case. The increase in the foreign direct investment limit for insurance to 100% has removed a longstanding ownership constraint. Suvarna also pointed to projected economic growth of 6.6% in 2026 and Swiss Re's forecast of average annual premium growth of around 6.9% between 2026 and 2030.

The real test is depth, not entity count

Talent and servicing depth could prove to be the true test of mettle. Licences can be obtained relatively quickly under IFSCA's unified framework, but developing underwriting expertise and claims capability takes considerably longer.

“The growth suggested by registration numbers may outpace the development of the operational and technical capabilities needed to support a mature insurance market,” Suvarna says.

Malay Poddar, CEO of EarthRe Insurance IFSC Limited, said GIFT City is developing genuine on-the-ground underwriting capability for Indian and Global South risks, but gaps remain in specialised underwriting frameworks, secondary-market and capital-markets links for risk transfer, talent, data infrastructure and operational interoperability.

“Commercial significance will be measured by the quality and resilience of the book rather than simply by volume,” Poddar says.

Batra similarly sees the number of entities as a secondary measure of success. More experienced underwriting and claims capability, a stronger broking ecosystem, product innovation and alternative capital, including insurance-linked securities, will matter more.

“The platform has been established,” Batra said. “The next chapter is about building the expertise, capital and market depth needed to make that platform truly consequential.”

EDITORIALLY LED PARTNER CONTENT

Balance-sheet pressures steer insurers towards structured solutions

As capital requirements evolve and market volatility persists, insurers are seeking more sophisticated ways of managing risk.

By Blake Evans-Pritchard



Insurers are navigating a risk landscape that is becoming harder to predict – from natural catastrophes and claims inflation to geopolitical disruption and changing capital requirements.

Against this backdrop, insurers are increasingly turning to structured solutions to gain greater flexibility in managing risk, capital and earnings while supporting their broader strategic ambitions.

“Volatility comes in different forms and requires different responses,” says Kaspar Mueller, Chief Underwriting Officer for Property & Casualty Structured Solutions at Swiss Re. “Insurers are navigating underwriting and reserve volatility, evolving capital requirements, and geopolitical and macroeconomic uncertainty that can ultimately affect claims.”

While traditional reinsurance remains highly effective at protecting against well-defined risks, it is perhaps less suited to dealing with more complex and interconnected exposures. By managing uncertainty across both future risks and existing liabilities, structured solutions provide insurers with a way of building more resilient balance sheets.

Insurers are increasingly purchasing structured reinsurance as part of their strategic approach to balance-sheet management, with C-suite executives typically taking part in these discussions. “This broadens the conversation beyond an individual reinsurance purchase,” says Mueller.

A tailored approach

Structured solutions can help insurers manage uncertainty across both future risks and existing liabilities, providing greater flexibility in managing capital over time.

Prospective approaches include structured quota shares, whole-account earnings protection and structured catastrophe protection, while retrospective solutions include loss portfolio transfers and adverse development cover.

In all of this, though, insurers need to keep in mind what their core objective is.

“One of the fundamental questions for an insurer is which risks to retain and which to transfer. There is no universal answer. The right answer depends on the insurer’s cost of capital, regulatory and rating

constraints, portfolio composition and tolerance for volatility," says Mueller.

This is particularly relevant in Asia-Pacific, where diverse market conditions and business needs are driving demand for structured reinsurance across a range of strategic priorities.

"Even two insurers in the same market can have very different objectives," says Mueller. "You need to consider the local regulatory and accounting environment, how risk transfer is recognised and, most importantly, the client's individual risk profile, capital position and strategic priorities."

Successful structured solutions are built on a solid foundation of traditional risk transfer, adding tailored elements of protection to address specific capital, growth, earnings or strategic objectives.

The key is knowing when and how to use each approach.

Structured catastrophe protection can help manage retained nat cat volatility. A multi-line quota share can help diversify performance across portfolios. Retrospective solutions can address uncertainty already on the balance sheet. Multi-year structures can provide greater visibility over the future cost and availability of protection.

Reinsurance optimisation is often used to look across the programme as a whole and decide which tool best suits each risk.

"The discussion therefore becomes less about buying 'more' or 'less' reinsurance and more about buying the right reinsurance for the client's objectives," says Mueller.

Regulatory capital

Given the diversity of Asia-Pacific's insurance markets, there is no single driver behind demand for structured reinsurance.

However, the evolution of risk-based capital (RBC) frameworks is emerging as an important factor, influencing how insurers think about capital allocation and balance-sheet efficiency.

While life insurers in the regional hubs of Singapore and Hong Kong have spent the past few years optimising their balance sheets in anticipation of evolving requirements, insurers in other markets – including Malaysia, India, Indonesia and the Philippines – are still assessing how best to position themselves strategically.

This creates a diverse landscape in which the needs of individual insurers between markets, and even within them, vary enormously.

> **Two insurers in the same market can have very different objectives.**
>
> Kaspar Mueller
> *Chief Underwriting Officer for Property & Casualty Structured Solutions*
> **Swiss Re**



But regulatory capital is only part of the picture. Insurers also need to consider rating and economic capital, return on equity and the capital available to support growth.

"The objective is not simply to maximise regulatory capital relief. It is to find the right balance between risk, capital and expected return," says Mueller. "That is why reinsurance increasingly forms part of a broader strategic capital discussion, rather than being considered purely as an annual risk-transfer decision."

Building for an uncertain future

The world has become a far more unsettled place in recent years, with geopolitical and economic volatility showing little sign of abating, while the evolving regulatory landscape adds a further layer of complexity to insurers' long-term planning.

It's little wonder, therefore, that structured reinsurance has taken on such a prominent position within the finance functions of many insurance companies.

"The question we increasingly hear from clients is: how can I make my earnings and capital more resilient while continuing to grow?" says Mueller. "That broadens the reinsurance conversation beyond the next renewal and towards the insurer's strategic objectives over several years."

This isn't about one market or one particular risk. It reflects a wider trend towards using the versatility that structured reinsurance brings to drive capital efficiency and business growth across the APAC region.

"The opportunity is not necessarily to invent entirely new products, but to combine proven reinsurance tools in different ways, drawing on global structuring experience and local understanding to complement the client's traditional programme and address their broader objectives," says Mueller.

"Ultimately, the aim is to strike the right balance between risk, return, volatility and capital in a way that supports the balance sheet and strategic objectives the insurer wants to achieve."

FEATURE

Asia takes more of the reinsurance value chain, but capital stays global

India and China are pushing to keep more risk onshore, but London and Bermuda will remain centres for retrocession, alternative capital and nat cat.

By Saxon East



From India's rapidly expanding GIFT City reinsurance hub to China's latest efforts to establish Shanghai as an international reinsurance centre, Asian governments are stepping up efforts to bring more underwriting, capital and expertise onshore.

But are they succeeding, and which parts of the reinsurance value chain are actually moving into Asia?

Abdallah Balbeisi, executive director, Europe & Growth Markets at QBE Re, said that "meaningful localisation goes well beyond moving an underwriting desk closer to clients".

Underwriting, broking, client management, analytics and programme structuring are increasingly being performed within Asia, he added.

"What is particularly interesting is that the evolution is extending beyond traditional underwriting," said Balbeisi. "Regional teams are increasingly influencing portfolio strategy, structuring solutions, providing analytical insight and taking greater responsibility for client outcomes."

Even claims, traditionally a less prominent part of the localisation debate, is becoming increasingly important locally, said Balbeisi. "Claims expertise is also becoming more important, particularly for catastrophe and specialty business, where local engagement can support better post-loss outcomes and stronger long-term partnerships."

Rupert Moore, CEO, Asia Pacific for Aon's Reinsurance Solutions, also sees more activity shifting into the region, although the picture varies depending on the function and scale of the company involved.

Smaller and mid-sized brokers are establishing hub offices in Asia, he said, but often lack the scale to build full operations in individual countries. These offices may perform the broking locally, while relying on regional or global operations for much of their supporting infrastructure.

Moore is a believer that "deep relationships with expertise close to clients is differentiating".

Capacity

More underwriting capacity is also being deployed locally within Asia.

(Re)insurers are establishing operations with capacity to write business locally, particularly where regulation requires it or policy incentives provide preferred access to business. Moore pointed to new and renewed efforts in India and China.

But some capacity is also genuinely originating from Asia-Pacific insurers and reinsurers, rather than simply being deployed locally by global groups.

“We do see more supply of capacity from Asia Pacific, with (re)insurers in the region looking to diversify their portfolios,” Moore said.

He added that this “increases the risk-bearing capacity of these entities for their home markets by strengthening their diversification and resilience”.

Is capital following?

Some governments are pushing to keep more (re) insurance risk and premiums at home.

In India, reinsurers operating in GIFT City cannot retrocede more than half their business. Those seeking preferential access to business from Indian insurers must also invest all the premiums retained from that business in mainland India.

China is also seeking to build domestic (re)insurance capacity, with new measures to help reinsurers raise capital as part of its efforts to establish Shanghai as an international reinsurance centre.

But retaining more risk and premiums locally does not necessarily mean that the underlying capital has become local.

(Re)insurance remains a global business, with international groups using their worldwide balance sheets to spread risks across different markets and regions.

“Global capital, global expertise and local knowledge are complementary rather than competing forces,” Balbeisi said.

Moore made a similar point. While local regulation can require reinsurers to hold capital within a market, he said Aon remained agnostic about where the ultimate capital was located, adding its role was to match risks with the most appropriate capital available globally.

Chris Sandilands, partner at Oxbow Partners, also sees limited evidence of Asian reinsurers challenging the dominance of established global players.

He said Munich Re and Swiss Re had lost market share over the past decade, but “they are not being squeezed by local capacity in Asia, but by the Bermudian challengers building share more broadly”.

So while Asia is attracting more underwriting, broking and expertise, much of the financial firepower behind that activity remains international.

For now, the people and activity are moving east faster than the capital.

London and Bermuda impact

With so much activity moving to Asia, and the trend only strengthening, where does this leave Bermuda and London?

For now, both remain firmly embedded in the global reinsurance system.

“I think London and Bermuda—as well as Munich, Zurich and to an extent Paris—will remain global centres for complex risk and for global classes like nat cat,” Sandilands said.

Balbeisi agreed that some parts of the value chain are inherently more difficult to localise.

He expects London and Bermuda to remain important for global capital, retrocession, alternative capital and sidecars, as well as complex specialty and property catastrophe risks.

These activities benefit from the scale, specialist expertise and concentration of capital already established in the major global hubs.

Moore said the balance would ultimately be determined by the availability of underwriting talent, the economics of operating locally and whether there was sufficient scale to support it.

"Aon believes in global expertise, delivered locally, and our global footprint and scale is a differentiator. We continue to build local teams and connect them regionally and globally to ensure that the full capabilities of the firm are available to all clients," he said.

Rather than Asia replacing London or Bermuda, Balbeisi expects a more interconnected global market to emerge.

"The industry is evolving towards a network of interconnected hubs, with Asia playing a greater role in underwriting, client engagement and portfolio decisions—while London and Bermuda remain critical centres for capital formation, distribution, retrocession, alternative capital and global risk expertise," Balbeisi said.

The overall picture is clear: Asia is capturing more of the reinsurance value chain, but capital remains global. Rather than replacing London and Bermuda, Asia is joining them as another major reinsurance centre.

FEATURE INTERVIEW

Marsh Re sees Japan fac growth from data centres, chips; alternative capital opportunities in ANZ

Marsh Re's new Japan and Pacific heads, Andrew Hare and Justin Ward, say capital is reshaping the reinsurance conversation, from Japan's solvency regime to growing interest in alternative capital in Australia and New Zealand.

By Gloria Methri

(RE)IN CONVERSATION



Andrew Hare

Incoming Japan CEO
Marsh Re

Justin Ward

Pacific CEO
Marsh Re

Marsh Re is looking to expand facultative opportunities linked to semiconductor and data-centre risks in Japan, while alternative capital and specialty lines are emerging as priorities in the Pacific, according to the broker's newly named regional heads.

Speaking to (Re)in Asia about their first-year priorities, Andrew Hare, who will succeed Jeremy Fox as CEO of Marsh Re in Japan on 1 January 2027, said one key focus is deepening the team's technical and analytical expertise.

Meanwhile, Justin Ward, the newly appointed CEO of Marsh Re Pacific, plans to broaden the broker's offering from treaty and facultative placements through to capital advisory, structured solutions, ILS and MGA support.

> **Investment in semiconductors and data centres is creating large, concentrated and technically complex exposures that may not fit neatly within existing treaty appetite.**
>
> Andrew Hare
> *Incoming Japan CEO*
> **Marsh Re**

In Japan's non-life sector, Hare sees the clearest growth opportunities in facultative reinsurance. "Investment in semiconductors and data centres is creating large, concentrated and technically complex exposures that may not fit neatly within existing treaty appetite," he said.

Tokyo exemplifies this tension well. The city is one of APAC's most important data-centre hubs, but is also one of the most hazard-exposed locations in the world, facing earthquakes, typhoons and flooding.

Japan and other markets in the region are exploring new grid-access rules that require data-centre operators to take greater responsibility for power resilience, bringing on-site power systems into the scope of what insurers need to assess. The potential for large business interruption losses adds another layer of opportunity, complexity, and risk for reinsurers.

Beyond specific risks, Hare said the reinsurance conversation in Japan is broadening. "The traditional questions about limit, attachment and price remain fundamental, but they increasingly sit alongside questions about capital, earnings volatility and risk appetite."

"Japan's economic value-based solvency framework gives insurers another lens through which to assess those choices," Hare said. The regime, which took effect on 31 March, aligns insurers' capital requirements more closely with market risks and asset-liability management.

"That should encourage a more integrated discussion about treaty structure, facultative capacity, retentions and counterparty diversification," he added.

On the life side, asset-intensive reinsurance (AIR) deals, which free up capital for cedents, increased in the run-up to the new regime and have continued since Japan's Financial Services Agency tightened its AIR rules in July.

> **Japan's economic value-based solvency framework gives insurers another lens through which to assess those choices.**
>
> Andrew Hare
> *Incoming Japan CEO*
> **Marsh Re**

Hare said there is further scope for portfolio solutions and selected life reinsurance, particularly for in-force business, but warned against overstating the opportunity. "Each insurer will take its own view of economics, governance, counterparty strength, collateral and recapture risk."

Climate, capital and regulation reshape ANZ

Speaking on his new role in the Pacific, Ward identified specialty lines such as cyber and parametric solutions as growth markets.



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> **There's also a lot of innovation happening in how capital is sourced and structured, with strong global interest in insurance-linked securities, private credit and alternative capital.**
>
> Justin Ward
> *Pacific CEO*
> **Marsh Re**

"The other major opportunity is using better data, analytics and AI to sharpen underwriting, improve claims outcomes and support more tailored products," he said.

But he puts those alongside ongoing, regionally important perils like flood, hail and fire. "The main risks are that climate losses continue to outpace pricing, while affordability pressures could reduce demand and make some parts of the market harder to sustain."

Ward also sees an important shift in how the market is being funded. "There's also a lot of innovation happening in how capital is sourced and structured, with strong global interest in insurance-linked securities, private credit and alternative capital."

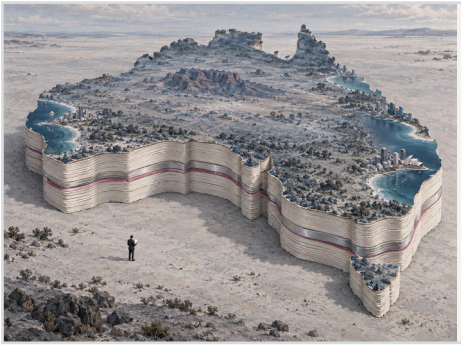
Australian regulation is adapting to that shift. From 1 January 2027, reforms finalised by the Australian Prudential Regulation Authority (APRA) will make it easier for insurers to use catastrophe bonds and other alternative risk transfer.

Regulators are shaping behaviour in other ways too, Ward said, through expectations around resilience, disclosure and fair dealing in product design and claims.

These include APRA's planned review of operational and technology risk at general insurers and the Australian Securities and Investments Commission's 2026-27 priorities for general insurers, which focus on claims handling and premium disclosure. In New Zealand, the Contracts of Insurance Act, which takes effect on 15 November 2027, will end consumers' duty to volunteer information, require clear policy wording and require insurers to pay claims within a reasonable time.

> **The market is responding by becoming more focused on innovation, capital efficiency and transparency, while also seeking to better meet consumer and business needs in a more constrained environment.**
>
> Justin Ward
> *Pacific CEO*
> **Marsh Re**

"The market is responding by becoming more focused on innovation, capital efficiency and transparency, while also seeking to better meet consumer and business needs in a more constrained environment," Ward said. "That combination is likely to drive more competition, more product development and greater use of alternative capital structures."



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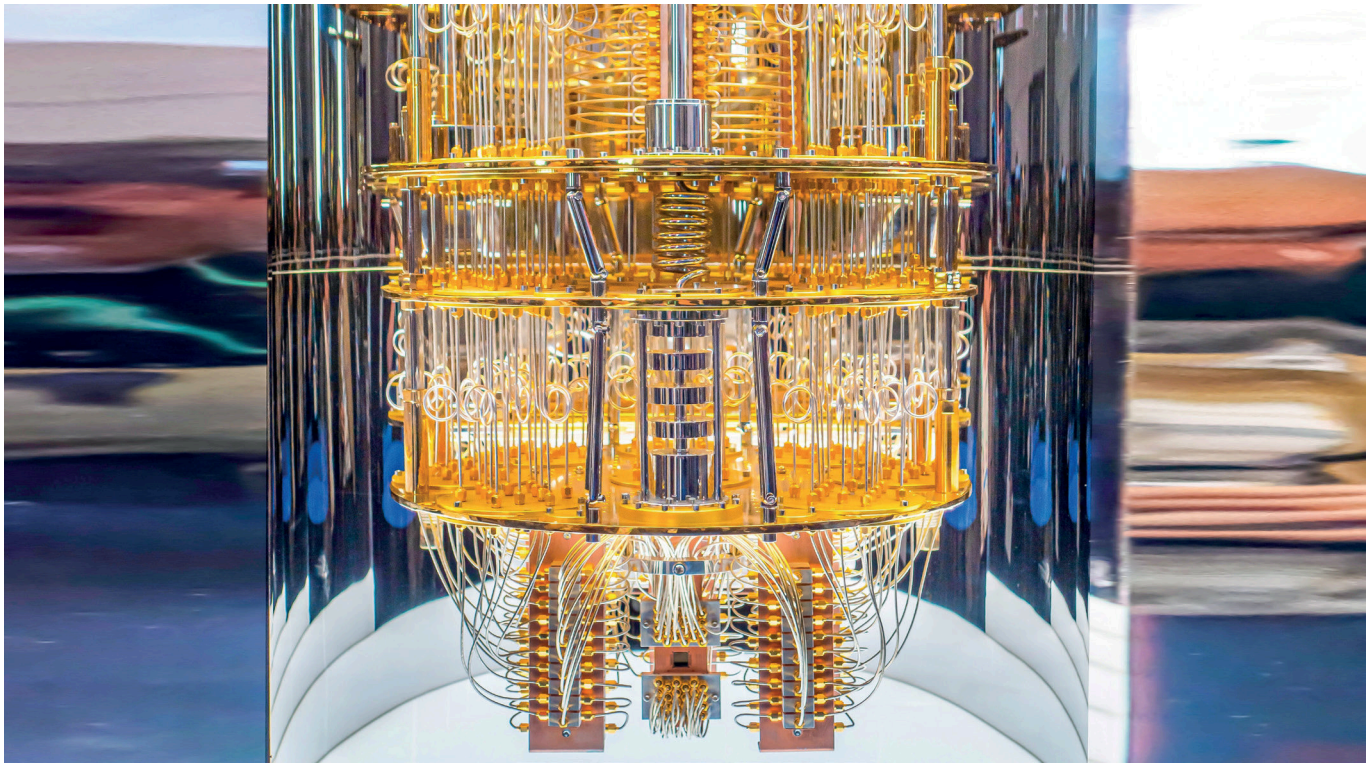
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FEATURE

Quantum computing could unlock APAC pricing advantage

Actuaries are examining how quantum error correction breakthroughs could sharpen nat cat models and parametric pricing, though the technology would bring new risks.

By Blake Evans-Pritchard



From cyclone damage across Australia to crop failure risk in Southeast Asia, the insurance industry has spent decades refining how it prices complex, interlocking risks. This has typically resulted in over-simplification and a tendency to overlook the dependencies that drive the most severe outcomes.

Now actuaries are considering whether quantum computing could be harnessed to address these shortcomings. And a breakthrough in the technology may be closer than previously thought.

One place where the technology is being studied with growing seriousness is Australia — a heavily insured market where rising climate volatility is already pushing some risks towards uninsurability. The country's Actuaries Institute has formed a working group to upskill the profession and explore practical scenarios where quantum computing could make a meaningful difference.

"Things are accelerating. We're potentially on the cusp of this going from 'this is interesting' to 'this is actually usable'," predicts Anthony Lowe, a council member of the Actuaries Institute.

While quantum computers have existed for nearly 30 years, it is only over the past five that (re)insurers have started taking an interest in the technology.

In 2022, Sompo began using models based on quantum computing for some of its insurance underwriting operations, while Axa has been actively exploring how quantum computing could help improve portfolio optimisation. Meanwhile, Munich Re has been participating in industry quantum computing initiatives to explore potential applications in insurance modelling.

Practical applications

The core advantage of quantum computers is that, instead of working through possible solutions one at a time, they can explore many possible solutions simultaneously.

This makes them especially promising for certain complex problems, such as natural catastrophe modelling, capital optimisation and running Monte Carlo simulations used in risk assessment and pricing.

"What perhaps isn't immediately obvious to people that aren't deep in the weeds of the modelling is the level of approximations that have to be made when running Monte Carlo simulations," says Lowe. "This can introduce quite substantial mispricing, resulting in a misallocation of capital."

With conventional computing it is simply not possible to totally eliminate estimates. "You'd end up with a massively complicated model, which would take the age of the universe to run — and I'm totally serious about that," says Lowe.

Quantum computing also has the potential to bring significant benefits to parametric insurance in those countries where the value of policies is relatively low. Lowe gives the example of subsistence farming in Indonesia.

"In this situation it becomes particularly important to price policies accurately at the local level, whereas what's available at the moment is pricing at the 'whole of territory' level," says Lowe.

This pricing misalignment often means that those who have higher-than-average risk will take out insurance policies, while those with lower-than-average risk won't, because it's too expensive.

Joe Fitzsimons, a Singapore-based quantum expert and founder of software company Horizon Quantum, says that quantum computing's ability to search across a far larger space of scenarios is especially useful when accounting for "black swan" events.

This is particularly relevant for nat cat modelling, where the largest losses are often driven by rare, low-probability combinations of extreme weather and climate conditions that are difficult to capture in conventional pricing models.

Growing interest

While quantum computers have been around since the late 1990s, their power has proven hard to harness in real-world applications, largely due to the sensitivity of the technology.

"Anything interacting with the computer—a molecule hitting it, the magnetic field of an oxygen particle passing by, a photon of light that is absorbed by the system—can disrupt the fragile quantum state and lead to critical errors in computation. This has been the challenge for the past 30 years," says Fitzsimons.

> **Things are accelerating. We're potentially on the cusp of this going from 'this is interesting' to 'this is actually usable'.**
>
> Anthony Lowe
> *Council member*
> **Actuaries Institute**



Over the past 18 months, though, breakthroughs in quantum error correction have brought the technology within much closer reach of the insurance industry. As a result, engagement from the sector has been increasing, says Fitzsimons, pointing to a growing number of exploratory discussions, proof-of-concept studies and indirect investments from (re)insurers.

"Quantum technology has been less on the radar of the insurance sector than of many other industries, such as energy, aerospace and defence," says Fitzsimons. "However, I would say they are definitely moving up the table in terms of companies showing interest."

However, Fitzsimons declined to name any particular firm that had been looking at the technology recently, for reasons of confidentiality.

Vulnerabilities

Another reason the insurance sector is closely watching the development of quantum computing is the new cybersecurity vulnerabilities it could introduce, making it easier to break current encryption standards used to protect sensitive policyholder data and financial transactions.

Earlier this year, Google said that it was stepping up commitments on post-quantum cryptography, which some saw as an indication that the quantum era was closer than envisioned.

"Most of the encryption that's used at the moment will be breakable when cryptographically-relevant quantum computers hit the market. Insurance companies will need to re-engineer all of their security from that point of view," says Lowe.

For an industry built on anticipating uncertainty, quantum computing is increasingly being viewed less as a futuristic curiosity and more as both a potential breakthrough in risk modelling and a cybersecurity challenge that insurers cannot ignore.

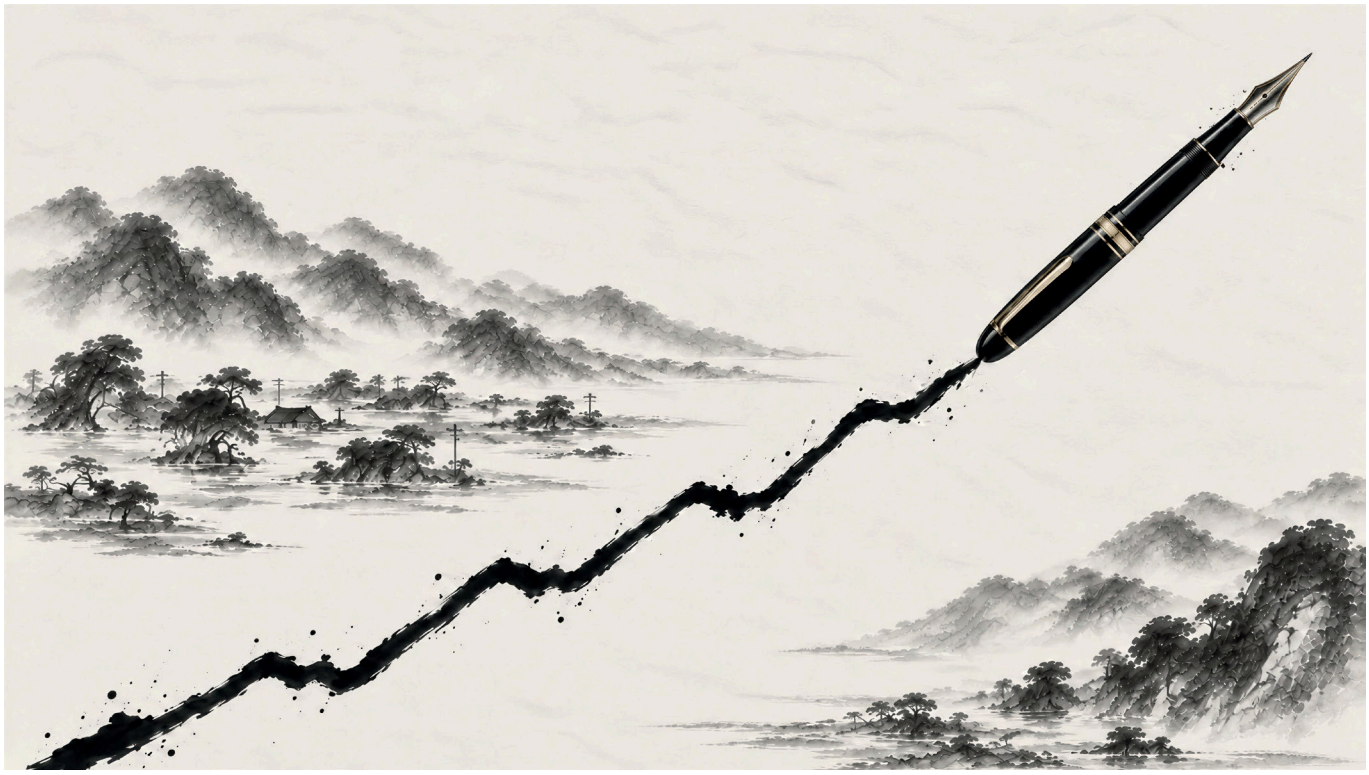

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FEATURE

APAC facultative demand climbs, but margins will be earned on terms

Facultative is evolving from an overflow tool into a strategic one, but with capacity plentiful, reinsurers are being asked to do more for less.

By Joanne Madrid



Cedents across Asia Pacific are turning to facultative reinsurance as two very different pressures push risks beyond what treaty programmes were built to absorb: geopolitical conflict and a new generation of assets too large and complex for treaty limits alone.

Aon reported a 15% rise in APAC facultative demand in the first quarter of 2026, with geopolitical events driving greater demand for war-risk cover in marine and transport, alongside solutions to manage oil-price volatility in downstream energy.

"Facultative reinsurance has evolved from being primarily a source of additional capacity to becoming a strategic risk management tool," says Kevin Leong, Regional Head of Facultative & Corporate Asia-Pacific, MENA and Africa at Munich Re. Clients, he adds, increasingly use it "to access underwriting expertise, improve portfolio management, manage peak exposures, and support business growth in new sectors".

War risk exposes treaty gaps

Conflict in the Middle East is one immediate driver. Standard treaties typically exclude war perils, so the volatility in war-risk rates and capacity is pushing cedents towards the facultative market.

“War risk associated with geopolitical uncertainty is prompting a recalibration of traditional reinsurance strategies,” says Wenwen Chen, Insurance Analyst at S&P Global Ratings. “This has led to increased demand for facultative reinsurance, as insurers negotiate coverage on an individual, case-by-case basis.”

Geopolitical risk ranked as the leading emerging concern in a 2026 WTW survey of 380 senior insurance decision-makers globally, including participants from APAC, with 57% selecting it as their top risk, up from 52% in the previous survey.

Insurers are supplementing cover with regional pools, Chen notes, including the Singapore War Risk Mutual and the Hong Kong Marine War Risks Insurance Pool, launched in November 2025, which offers up to US$200m per vessel for war, piracy and terrorism losses across Greater China and Asia.

But the strain extends beyond hull and cargo. Recent years have exposed how heavily manufacturing, technology production and logistics are concentrated in parts of Asia, says Luc Moremont, Managing Director, Facultative, APAC at Gallagher Re, which is pushing insurers to scrutinise contingent business interruption and supply-chain resilience.

None of this has prompted reinsurers to retreat, says Jeff Saper, Head of Fac, Asia-Pacific at Marsh Re. Rather, geopolitical tension is "contributing to greater underwriting caution, particularly where risks have international supply-chain links, cross-border operations, or sensitivity around sanctions, trade disruption and critical infrastructure".

“While this does not suggest any broad withdrawal of APAC facultative capacity, it does point to a more careful underwriting environment, where reinsurers are paying closer attention to volatility, concentration and wording,” Saper says.

In practice, that means tighter per-risk limits and broader exclusions on exposed geographies and sectors, says Victoria Ohorodnyk, Senior Director, Head of Analytics, AM Best.

> **Data centres are a good example. They combine large asset values, critical business interruption exposures, power dependency, cyber considerations, and concentration risk.**
>
> Luc Moremont
> *Managing Director, Facultative, APAC*
> **Gallagher Re**



> **Facultative reinsurance has evolved from being primarily a source of additional capacity to becoming a strategic risk management tool.**
>
> Kevin Leong
> *Regional Head of Facultative & Corporate Asia-Pacific, MENA and Africa*
> **Munich Re**



Insurers are also making greater use of scenario analysis and accumulation management as they assess exposures through a portfolio lens, Leong says.

Asset scale outgrows treaty limits

If geopolitical conflict is what is straining treaties today, the sheer scale of new projects is what will strain them for years to come.

Investment in infrastructure, energy and digital projects across Southeast Asia and India is creating risks insurers prefer to underwrite selectively rather than absorb into treaties, says Chris Lim, Director, Analytics at AM Best. “These projects would likely require specialist expertise given their complexities,” he says.

According to Moremont, growth sectors such as renewables, battery storage, electric vehicles and digital infrastructure share a common feature: risk characteristics that are still evolving, with little long-term claims data to price against. "Data centres are a good example," he says. "They combine large asset values, critical business interruption exposures, power dependency, cyber considerations, and concentration risk."

S&P estimates data-centre cover will generate about US$10bn in new premiums globally in 2026, with Swiss Re Institute expecting premiums for the segment to reach US$24.2bn by 2030. Hyperscale campuses can reach US$20-50bn in total insured value during construction alone, far beyond single-risk benchmarks, Chen says. Coverage is increasingly structured through layered placements, limits based on probable or maximum foreseeable loss, and globally sourced capacity.

Renewables are on a similar path. "The key trends we observe are larger-scale assets which may go beyond traditional treaty limits and vertical integration of, for example, storage and production into single assets," Leong says, with natural-hazard exposure now compounded by technical risk from new technologies,

supply-chain dependencies and uncertain operational performance.

Cyber also cuts across all of these. Saper says the concern is less standalone cyber than how cyber wording interacts with physical-damage policies; in the Pacific, some reinsurers are already pushing back on broad cyber clauses that could bleed into property exposure.

Buyers hold the cards

This demand is arriving in a market where buyers have the upper hand. New entrants and expanding appetite have left capacity plentiful, with Aon reporting double-digit pricing reductions across property, construction and natural resources. Gallagher Re's half-year facultative report found Southeast Asia firmly buyer-friendly, with clean risks securing reductions of 5-15%, and recent catastrophe and industrial losses failing to trigger a wider correction.

Instead, the market is segmenting. Clean property and well-protected engineering risks benefit most, Saper says, while underwriters stay selective on loss-affected accounts, catastrophe-heavy occupancies and technically challenging exposures.

The pattern mirrors the primary commercial market that feeds facultative demand. Conditions across Asia have stayed favourable for buyers, says Jon Pipe, Head of Commercial Risk Solutions Asia at Aon, though "insurers have doubled down on risk differentiation".

Many risks still saw modest pricing reductions in the second quarter, Pipe notes, but "conditions diverged by product, geography and risk quality, especially where catastrophe, casualty severity, cyber resilience or governance exposures were most acute".

That is where the margin question sits. Ohorodnyk expects demand to stay positive, "although competition amongst both incumbents and new entrants may pressure margins".

> **Facultative reinsurance demand is expected to be positive, although competition amongst both incumbents and new entrants may pressure margins.**
>
> Victoria Ohorodnyk
> *Senior Director, Head of Analytics*
> **AM Best**



> **While this does not suggest any broad withdrawal of APAC facultative capacity, it does point to a more careful underwriting environment.**
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> Jeff Saper
> *Head of Fac, Asia-Pacific*
> **Marsh Re**



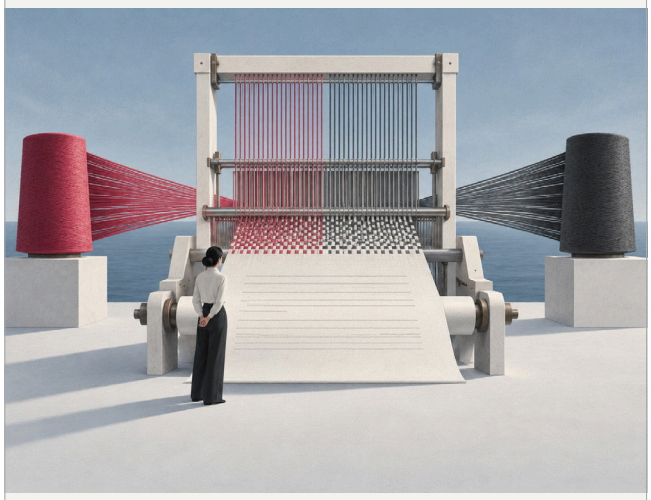
Sustaining them, she says, "will increasingly depend on discipline around terms and conditions rather than rates alone".

Chen cautions that facultative will remain a small, if growing, slice of regional reinsurers' books. But Leong argues the market's direction will be set "less by capacity availability and more by the ability to understand increasingly complex and interconnected risks".

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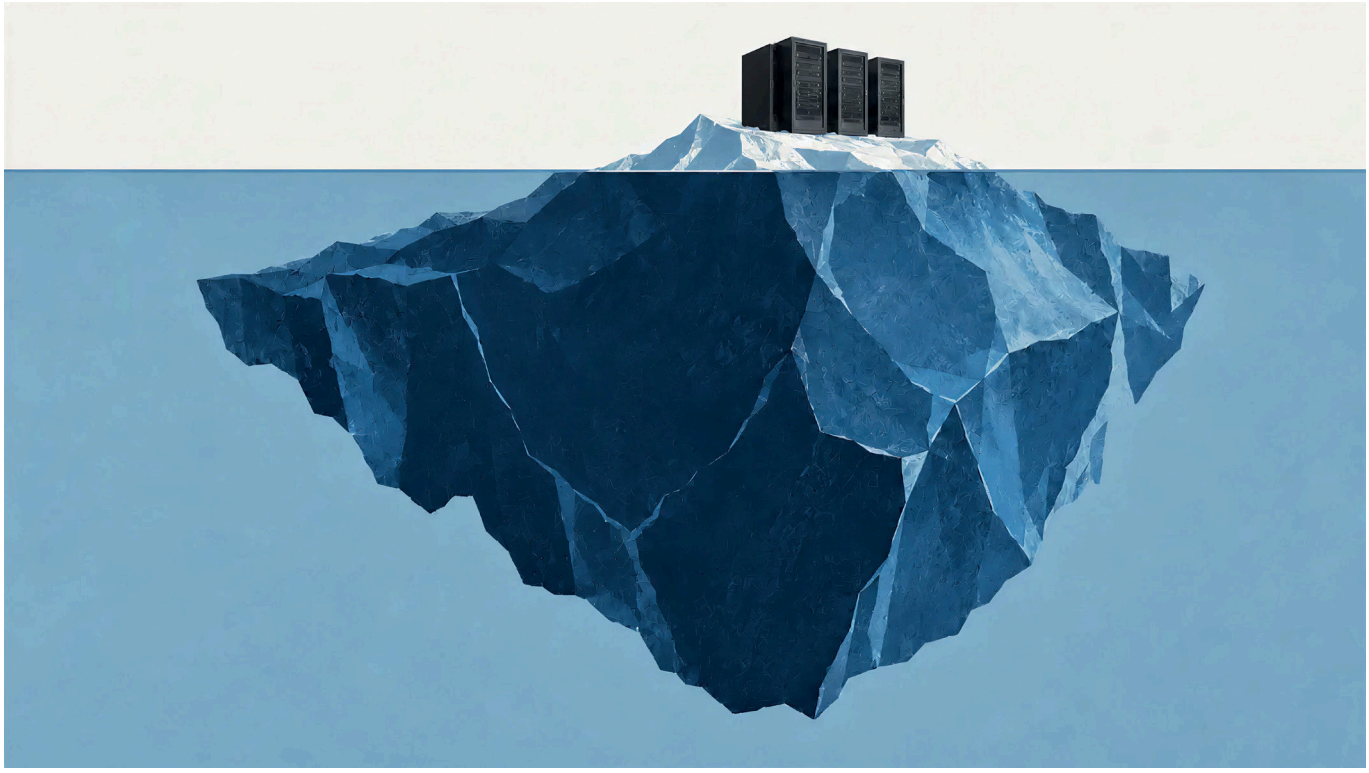
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Insurers start asking tough questions about data centres

Physical risks are well understood, but other exposures could be underestimated.

By Jessica Li



As data centre development accelerates across APAC, insurers are looking beyond physical infrastructure to the increasingly interconnected risks that could bring operations to a halt.

“Leading operators generally understand traditional physical risks well. What can still be underestimated are business interruption, incidents without physical damage and the link between cyber and physical systems,” says Guillaume Parard, AXA XL’s Head of Property & Casualty, Asia.

These exposures can compound the costs of a physical incident, with business interruption potentially running to US$10m or US$20m a day for large hyperscale data centres, Parard says, citing the US market.

Even more concerning, many of the questions around non-physical risks remain extremely difficult to quantify and have yet to be fully addressed.

APAC’s data centre boom

Asia-Pacific remains one of the world's most dynamic markets for data centre development. This is creating significant opportunities for insurers – but plenty of dangers as well.

“Data centres have moved from the back office to the boardroom. They are now critical to revenue, operations and customer experience, with rapid digitisation and AI adoption accelerating that shift across Asia,” says Parard.

Research from Cushman & Wakefield suggests the region’s development pipeline reached a record 19.4 gigawatts in 2025, while CBRE Research says direct investment in the region’s data centres reached US$11.6bn.

As projects grow in scale and complexity, operators need reliable insurance capacity and technical

support throughout the lifecycle of a data centre, from construction and commissioning through to operation.

For insurers, that means having accurate exposure data to assess risk and deploy capacity, while structuring programmes that reflect the scale of hyperscale campuses. It also requires a more joined-up approach to underwriting – bringing construction, power resilience, cyber, catastrophe and recovery risks into a single assessment.

APAC is not a single market, however, and the next wave of development is likely to be shaped by local considerations such as access to power and land. These factors are already influencing where new capacity is being developed.

While established data centres in places such as Singapore, Japan and major Chinese cities will certainly remain important, future growth is expected to come from India and Southeast Asian markets.

“Asia's diversity means assessing data centre risks locally within a consistent regional framework,” says Parard. “Power quality, grid access, permitting, water availability, climate hazards and infrastructure maturity vary widely.”

Keeping the lights on

Data centres can face disruption from multiple sources, from constraints on power supply and failures in on-site generation and battery systems to breakdowns in shared infrastructure. Regulatory changes, water availability, cooling resilience and the reliability of surrounding infrastructure can also affect the continuity of operations.

Cybersecurity adds another layer of complexity, encompassing not only the protection of data but also the operational technology that controls critical systems such as power and cooling.

“The focus must shift from protecting the building to keeping digital services running,” says Parard. “Construction, energy, cyber and business interruption risks belong in one resilience plan.”

The energy transition is also becoming an increasingly important part of this assessment.

The International Energy Agency expects global data centre electricity demand to more than double by 2030, with nearly half of this increase provided by renewables.

As a result, data centre operators are taking greater control of their energy supply, reducing their reliance on the grid but adding new layers of operational risk.

“A campus with its own generation, storage, substations and data halls may rely less on the grid, but one fire, control fault, fuel interruption or commissioning delay can affect the whole facility,” says Parard. “Insurers therefore need to assess the data halls and power systems as one connected risk.”

> **What can still be underestimated are business interruption, incidents without physical damage and the link between cyber and physical systems.**
>
> Guillaume Parard
> *Head of P&C, Asia*
> **AXA XL**



Unanswered questions

The scale and criticality of data centres mean any disruption can carry significant costs.

“For insurers, this turns a traditional property risk into a mix of construction, operational, energy, cyber and business interruption exposures,” says Parard. “A minor cooling, software or power-control fault can quickly disrupt several organisations. Physical damage may be limited, but downtime and reputational costs can be substantial. The priority is keeping services running, not simply protecting assets.”

Yet there remain a number of unanswered questions.

Traditional property policies covering data centres generally provide business interruption cover when there is physical damage to insured property, whether caused by a catastrophe, fire or equipment breakdown. But a software-related malfunction may not meet that trigger.

This issue is not entirely new to insurers. Many insurance policies for traditional material damage do not automatically cover software-related failures. What makes data centres different, though, is the scale of the potential consequences. A data centre represents a huge concentration of IT infrastructure and value, meaning that a malfunction that might result in a relatively contained loss elsewhere could cause significant business interruption at a data centre.

“That’s why we're having those conversations at the moment,” Parard says. “For a data centre, just saying it’s not insured is not satisfactory enough for many stakeholders.”

Some might suggest broadening the definition of material damage to encompass more triggers. But that would create a much wider range of potential scenarios for insurers, many of which may not yet be

fully understood, so couldn't be appropriately priced and managed.

This would be opening a "Pandora's Box" of unexpected claims scenarios with unforeseen consequences, says Parard, and is therefore something that needs to be carefully thought through, as the risk landscape continues to evolve.

The concentration challenge

The geographic shift in development also creates another challenge for insurers: concentration risk.

As developers gravitate towards locations with sufficient power, land and connectivity, multiple insured data centres can become exposed to the same infrastructure dependencies and regional catastrophe risks. This increases the potential for correlated losses, where a single event can affect several insured facilities at once.

This concentration is already evident in Malaysia, where the Malaysian Investment Development Authority reports that 78.6% of the country's operational IT capacity is located in Johor.

For insurers, this increases exposure to shared power, infrastructure and catastrophe risks. A disruption that might once have affected a single facility could, as development becomes more concentrated, have implications across an entire local data centre ecosystem.

This has prompted AXA XL to develop bespoke accumulation methodologies for data centres because traditional approaches do not capture the concentration and interconnectedness of these risks in sufficient detail. The insurer is also fine-tuning its pricing and building its understanding of potential loss scenarios, some based on modelling and others on emerging experience from actual incidents.

These assessments ultimately feed into decisions about how much capacity insurers are willing to deploy and how that capacity is structured. Large projects often rely on layered insurance programmes, with different insurers providing cover at different levels of loss, while reinsurance helps insurers manage wider accumulation across their portfolios.

"Capacity should reflect risk quality and concentration, not headline values alone," says Parard.

New solutions

Many of the risks data centres are exposed to are familiar, but their scale and interconnected nature are changing.

Traditional property, business interruption, construction all risks and delay-in-start-up insurance remain essential, but insurers are increasingly being asked to adapt these products to address the growing complexity of data centre operations.

> **Capacity should reflect risk quality and concentration, not headline values alone.**
>
> Guillaume Parard
> *Head of P&C, Asia*
> **AXA XL**

For instance, AXA XL is seeing a rise in demand for more precise business interruption cover for reduced operations caused by power restrictions, underperforming on-site power and shared-infrastructure failures without physical damage.

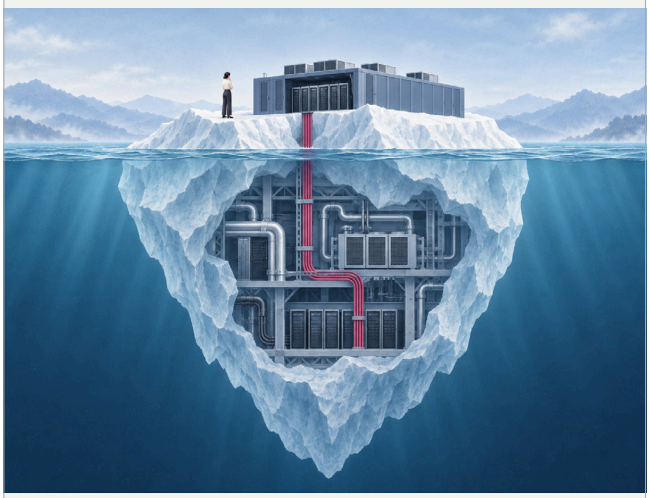
Clients are also increasingly asking for lifecycle programmes, which follow projects from design and construction all the way through to operation, and tailored structures for portfolios spanning several markets.

"AI will continue to increase density and technical complexity," says Parard. "For insurers, the strongest projects will be those that combine reliable power, resilient design and disciplined risk management."

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FEATURE

APAC buyers rethink civil unrest cover as standalone protection gains traction

Large multinational companies are increasingly considering standalone political violence cover while SRCC is commonly incorporated into property insurance in parts of Asia.

By Vipal Durge



Recent protests and civil unrest events across parts of Asia are prompting companies to re-examine how their insurance programmes would respond to political violence, with market participants reporting growing interest in standalone cover and greater scrutiny of policy wording.

The shift appears to be driven by buyers looking to better understand how policies would respond if unrest evolves beyond conventional strikes, riots and civil commotion (SRCC) scenarios.

According to Adam Sullivan, CEO for specialty business in Asia at Gallagher, larger multinational organisations are increasingly assessing political violence and terrorism exposures as part of broader risk-management frameworks rather than viewing them solely as extensions to property insurance programmes.

"We're seeing more sophisticated and complex buyers assessing political violence and terrorism exposures as part of their broader risk-management strategy," Sullivan said.

Echoing the view, Joe Gardner, Aon's broking leader for crisis management, commercial risk solutions in Asia, added that factors such as geographic footprint,

supply-chain exposure, risk-management maturity and the extent of cover available within existing property programmes influence buyers' decision for standalone cover.

India already has an established market for political violence and terrorism cover, while Vietnam could see increased uptake as manufacturers diversify supply chains and establish new operations across the region, he added.

"More broadly, awareness is increasing as unrest occurs in places that may not previously have been considered highly exposed," said Gardner.

In February, WTW said that APAC will continue to face heightened crisis-related pressures in 2026, with SRCC as a core exposure across the region.

Devil in the details

With evolving demand, buyers are also paying closer attention to policy wordings, trigger mechanisms and exclusions.

According to Henry Ang, head of terrorism for APAC excluding India and MENA at Markel, buyers are becoming increasingly focused on understanding exactly where coverage begins and ends, particularly as unrest events become more complex and harder to categorise.

Coverage can vary significantly between policies, with exclusions commonly addressing war, insurrection, rebellion, terrorism, nuclear risks and sovereign actions.

"The distinction between SRCC, terrorism and war is becoming more important," Gardner said, noting that similar incidents can be classified differently under separate policies, creating the potential for disputes where exclusions apply.

> **Underwriters are also focusing more heavily on accumulation exposures, urban asset concentrations and locations where a single event could affect multiple insureds simultaneously.**
>
> Henry Ang
> *Head of terrorism for APAC excluding India and MENA*
> **Markel**



> **We're seeing more sophisticated and complex buyers assessing political violence and terrorism exposures as part of their broader risk-management strategy.**
>
> Adam Sullivan
> *CEO for specialty business in Asia*
> **Gallagher**



The trend is also evident in India, where buyers increasingly are demanding certainty around how policies would respond if protests evolve into broader political violence events, prompting closer scrutiny of trigger mechanisms and peril definitions, said Rahul Gaglani, underwriter for war and terrorism risks for India at Markel.

The increased focus on coverage certainty is mirrored by changes in underwriting behaviour.

Market participants said scrutiny has increased around risks involving concentrated retail exposures, significant business interruption potential, critical infrastructure, vulnerable supply chains and territories experiencing elevated political tensions.

Gardner said underwriters are paying closer attention to markets such as Hong Kong, where previous unrest generated significant claims, alongside Indonesia, Thailand and Cambodia following recent social and political disturbances.

India is also attracting focus as manufacturing investment and supply-chain diversification increase concentrations of insured assets, while Vietnam is expected to receive greater attention as its role in regional supply chains expands, he said.

Ang added that underwriters are also focusing more heavily on accumulation exposures, urban asset concentrations and locations where a single event could affect multiple insureds simultaneously.

Gaglani said digital communication channels and social media are also changing the nature of civil unrest, allowing localised incidents to spread more rapidly and across wider geographies than in the past.

Sufficient capacity remains available

Nonetheless, insurers are not withdrawing capacity from the market.

Sullivan said political violence and SRCC markets remain well capitalised, with meaningful support from both regional and global insurers.

"We're certainly not seeing any shortage of appetite from insurers across the region," he said.

(Re)in Asia reported in November 2025 that global political violence (PV) insurance capacity was rising despite increasing losses.

Instead, market participants describe a more selective underwriting environment. Ang said capacity remains broadly available for well-managed risks.

Aon's Gardner echoed that view, noting that Asian buyers can access both regional and international political violence markets, including London capacity.

"It would be unusual for a client to require a limit for which capacity could not be found," he said.

Gaglani also described the Indian market as disciplined rather than capacity constrained. Underwriters continue to support the class but are placing greater emphasis on exposure management, proximity to transport hubs, retail concentrations and areas exhibiting elevated protest indicators.

However, when it comes to losses from SRCC events, industry experts agree that larger claims are frequently driven by operational disruption.

"In our experience, the smallest SRCC claims are typically those where losses are limited to property damage and business operations remain largely unaffected," Gardner said.

> **In India, underwriters continue to support the class but are placing greater emphasis on exposure management, proximity to transport hubs, retail concentrations and areas exhibiting elevated protest indicators.**
>
> Rahul Gaglani
> *Underwriter for war and terrorism risks for India*
> **Markel**



> **The distinction between SRCC, terrorism and war is becoming more important.**
>
> Joe Gardner
> *Broking leader for crisis management*
> **Aon**

Sullivan similarly noted that large losses are more likely where unrest affects airports, ports, logistics hubs, manufacturing facilities, retail districts or other locations critical to economic activity.

As a result, civil unrest risks are being viewed through a comprehensive risk-management and mitigation lens.

Sullivan said organisations increasingly view civil unrest through the lens of interconnected risks, where supply chains, transportation networks, geopolitical developments and reputational concerns can all be affected simultaneously.

"I think insurance remains an important balance-sheet tool, but increasingly the conversation is about preparation and continuity rather than simply post-event recovery," Sullivan said.

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FEATURE INTERVIEW

Markel puts APAC at the heart of growth plans

Markel APAC head Sucheng Chang aims to nearly double the regional book within five years, with recent expansion setting the pace and new opportunities in view.

By Blake Evans-Pritchard



(RE)IN CONVERSATION

Sucheng Chang

Asia Pacific Managing Director
Markel

Sucheng Chang has been Markel's head of Asia Pacific for a little more than a year. During his whirlwind tenure, the firm has opened an office in Perth, established Korean and Japanese desks, launched a Warranty & Indemnity (W&I) business in the region and strengthened its leadership in Greater China. And the business shows no signs of slowing down.

"We're still heavily weighted towards the London market, which has been our traditional strength and is still the fastest-growing region for us. However, if we are going to meet our ambitious growth targets, we will have to look for new opportunities in APAC," says Chang.

Earlier this year, Markel International president Andrew McMellin, Chang's boss, said that he wanted to grow Markel's APAC business from its current level of US$275m to US$500m over the next three to five years.

Chang says that the message from the top is to have a 50/50 split between London and the rest of the world, with APAC accounting for 10% of the total international business by 2030. At present, the region accounts for 6–7% of the international business.

"Mine is certainly an exciting role to be in at the moment, but there's obviously a lot of pressure as well. As a business unit, the APAC team needs to be able to deliver this growth and, more importantly, profitability," says Chang.

> **If we are going to meet our ambitious growth targets, we will have to look for new opportunities in APAC.**
>
> Sucheng Chang
> *Asia Pacific Managing Director*
> **Markel**

> **This is a really exciting capability for us to pursue, with far less penetration in APAC than in the more developed markets.**
>
> Sucheng Chang
> *Asia Pacific Managing Director*
> **Markel**

Chang says that he is always on the lookout for new opportunities in the region.

APAC's construction sector, for instance, is one area in which Markel does not currently operate. However, it could ultimately prove quite attractive, provided that the specialty insurer is able to manage some of the technical complexity embedded in the sector.

Markel's W&I business, launched this year, is also likely to provide further opportunities for expansion. Right now, India, Singapore and Hong Kong are driving W&I growth, but Chang hopes recent investments in Korea and Australia will open up new opportunities in those markets.

In China, Markel is already strong in marine and casualty underwriting, but is looking to build out its offering in other lines. To help drive that, the business hired the experienced Chelsea Jiang from AXA as managing director for Greater China, not long after Chang's own appointment.

Looking at new opportunities in China, autonomous vehicles, for instance, could give Markel a way to apply its specialist expertise, though the class comes with its own set of complex new risks, from software defects to over-the-air update failures, and little loss data yet to price them.

But that complexity provides opportunity. "Every business we operate in is complex and sophisticated. That's the value proposition of Markel," says Chang.

Australia

Markel has had an onshore presence in Australia since 2024. Earlier this year, the specialty insurer opened a new Perth office, bringing its total number of offices in the country to four: Sydney, Brisbane, Melbourne and Perth.

Markel has also launched new business lines in the country: marine last year and fine art and specie in June this year.

Having added two new business lines and a new office in the country, Chang expects that the business will report close to A$100m (US$71.5m) in gross written premium (GWP) by year-end. The team in Australia are also keen to look at where other opportunities in the country might exist, with W&I being firmly in their sights.

"There's still a long way to go. Australia is one of the biggest insurance markets in APAC, and we have the aspiration to get a lot bigger than we are," says Chang.

But Australia is also a crowded market, with 87 APRA-regulated general insurers operating in the country and a deep pool of specialist capacity through Lloyd's. Markel's strategy is therefore to carve out a position in the market through specialist expertise and close relationships with brokers and clients.

"We launched the Perth office to support our thesis that, if we're going to be in local markets, we need to be as close as possible to the brokers and the end clients that we serve," says Chang. "We have some very worthy competitors in the market that have been around for a long time, but giving brokers the right products and the right systems to enable growth has so far worked out very well for us."

Japan and Korea

It is early days for Markel in Japan and Korea. The business launched only in February with its first head of Korea and Japan, and it often takes a few years to gain meaningful traction in a new geography. Nonetheless, Chang says that the firm has big ambitions for both markets.

"Both of these markets are huge economies within Asia. We have seen especially large amounts of activity in Korea over the past year," says Chang. "We expect Japan to follow the same trajectory as we build out our Japanese business and continue to invest in Japanese talent."

In Korea, Markel is targeting a range of specialist lines, with marine and professional and financial risks (PFR) among the key areas of focus. Korea is one of the world's largest marine markets and has significant activity in PFR, while its position as a W&I centre also presents opportunities.

Japan is at an earlier stage, with Markel yet to spell out a specific product focus as it builds its local capabilities and relationships.

"Right now, Korea and Japan are only a small part of our overall APAC footprint, but we anticipate that they will grow in line with the size of these economies over time," says Chang.

W&I

Like others who have dipped their toes in the water, Markel sees vast potential in W&I. But there are significant risks as well. The class can produce large claims when deals go wrong, while the complexity of M&A transactions makes it particularly important for insurers to maintain disciplined underwriting and pricing.

The insurer is not new to the class, having written W&I for more than a decade, but is now building out its APAC business. Markel has appointed Siddick Khan as senior underwriter for W&I in Hong Kong, also covering Singapore and other key markets across APAC. Shubhi Nigam has joined as a dedicated W&I underwriter in India.

“This is a really exciting capability for us to pursue, with far less penetration in APAC than in the more developed markets. Deal volumes continue to grow, so it’s a great time to be entering this market,” says Chang.

This is supported by the data. APAC showed a 5% increase in M&A volume in 2025, according to Gallagher, with India, South Korea and Japan leading the way. Australia also saw a rise in cross-border M&A, according to the broker.

The rise in claims provides an important counterbalance, however. Marsh recorded 40 reports of transactional risk claims in 2025, double the previous year’s total. More than US$80m was paid to Marsh clients across the region, setting records for both total annual payouts and the largest single claim.

Chang accepts that the market is “complex, concentrated and competitive”, but points out that W&I in APAC is “probably less competitive than many other markets we are in, such as PFR”. One reason is the market’s heavy reliance on managing general agents (MGAs), with only a handful of traditional insurers underwriting the class directly.

“If you look at the broking space, every broker is gearing up and adding additional broker distribution. This means that penetration is going to go up over time, and, as the claims figures from Marsh show, customers are now starting to derive real value from the product,” says Chang.

Picking the right opportunities

For Chang, the breadth of opportunity across APAC is matched by the diversity of risks and markets. The task is therefore not to pursue every avenue, but to identify where Markel’s specialist expertise, local knowledge and underwriting talent give it a genuine edge.

> **We try to be very selective about where we grow and how we grow – we’re not growing for growth’s sake.**
>
> Sucheng Chang
> *Asia Pacific Managing Director*
> **Markel**



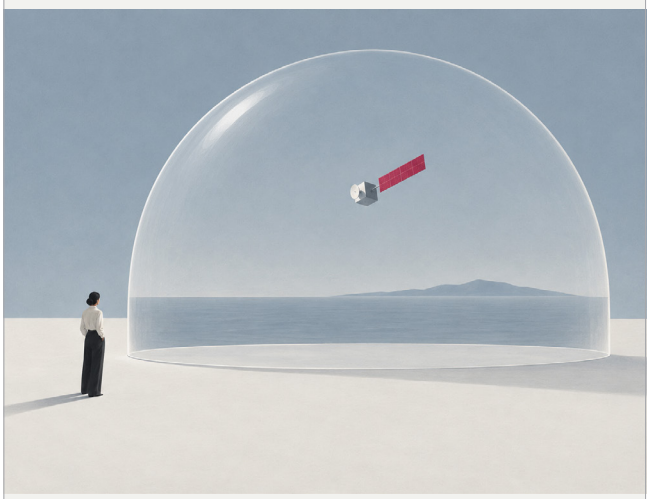
That approach will become increasingly important as the business expands into areas such as construction, while continuing to build its presence in W&I, Australia, Japan, Korea and China.

“We try to be very selective about where we grow and how we grow – we’re not growing for growth’s sake,” says Chang. “We look at those markets that fit with what Markel is doing, where we can have the most value and where we can find the local talent that can take us to the next level.”

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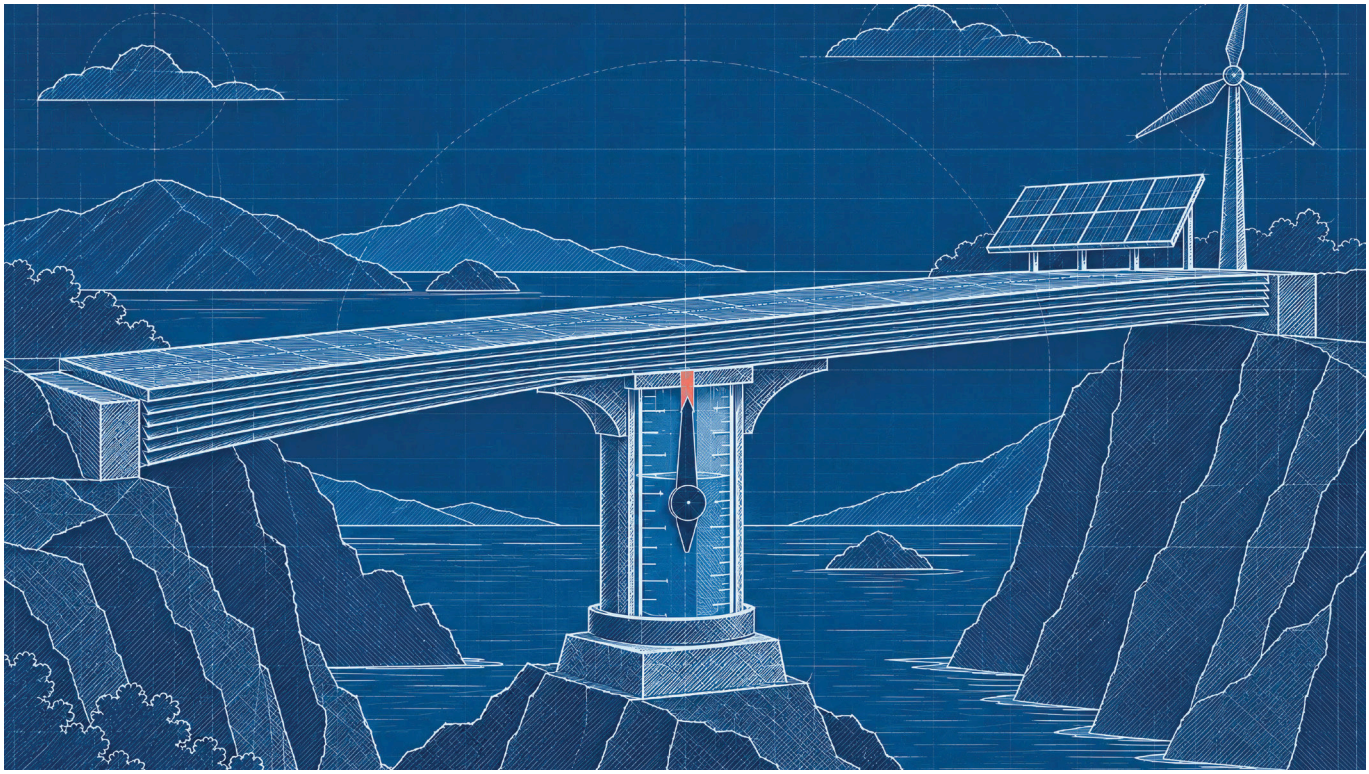
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FEATURE

Parametric cover moves from gap-filler to financing tool for Asia's renewables

Lenders and investors are pulling parametric cover into Asia's renewable-energy financing as insurers refine triggers and eye grid and storage assets.

By Joanne Madrid



Parametric insurance is gaining traction among Asia's renewable-energy projects as developers and investors seek protection against weather-driven revenue losses that conventional policies may not cover.

Traditional-market capacity for renewable-energy risks has shrunk over the past two to three years, with gaps persisting even where cover is available, S&P Global reported in June. Projects face "significant non-damage and loss-of-revenue exposures" that conventional products cannot address, said Ben Qin, head of Asia at Descartes.

These include consecutive periods of low wind, solar irradiation or water availability that cut output without damaging equipment. Such volatility worries both equity and debt, Qin said: "[It's] enough to have an impact on the cost of financing, and sometimes even on the availability of investment."

Solar irradiation has fallen sharply in Indonesia, Malaysia and Brunei since the start of the century, according to Bloomberg, adding to the weather-related revenue risks renewable-energy projects face.

"Parametric insurance provides a transparent and objective-based solution," Qin said. "It's often purchased at the request of lenders and/or investors, who increasingly accept parametric coverage as a guarantee of liquidity."

By protecting projected revenue and trimming the tail of a project's revenue-risk profile, cover can lower debt risk, make financing more attractive and "increase project valuations".

Risk-dependent capacity

Asia added 513.3 GW of renewable capacity in 2025, taking its total to 2,891 GW, or 56.1% of global installed capacity, according to Willis. The region accounted for 74.2% of new global capacity that year.

Larger projects, particularly in solar, bring "substantial financing requirements, growing risk exposures and increasing demand for insurance solutions", said Marcel Andriesse, head of agriculture centre & parametric at Swiss Re, which has completed several larger parametric transactions in the region.

Yet demand does not translate into uniform underwriting appetite. Large drought schemes remain difficult to underwrite, particularly in regions with strong or unpredictable climate trends, Andriesse said. "The insurance industry may be hesitant to cover a persistent trend, but remains willing to provide protection against extreme events. The challenge is to design products that distinguish between these two elements and offer meaningful protection at a sustainable price."

Technology matters too. Qin said capacity remains "relatively thin" for immature, higher-risk technologies such as floating solar, which Descartes is currently assessing. Because capacity providers take on the risk of an event occurring rather than the size of the loss, they need confidence in the trigger and the science behind it. "Once that's in place, capacity opens up," he said.

> **For renewables, product development is likely to extend beyond wind, solar and hydropower production into battery energy storage systems and grid infrastructure.**
>
> Michele Pignoli
> *Head of ART & Parametric*
> **Generali Global Corporate & Commercial**



> **[It's] enough to have an impact on the cost of financing, and sometimes even on the availability of investment.**
>
> Ben Qin
> *Head of Asia*
> **Descartes Underwriting**



Location and asset concentration also weigh. Michele Pignoli, head of alternative risk transfer and parametric at Generali Global Corporate & Commercial, said typhoon exposure in the Taiwan Strait, coastal Japan and parts of eastern and southern China constrains cover for offshore wind, where high asset values sit in storm-exposed waters, and repairs can be complex.

In Australia, hail, severe convective storms and wildfire can push up deductibles or lower sub-limits on conventional cover for utility-scale solar. It's a gap where parametric cover "can provide an additional layer of protection", Pignoli said.

Designing triggers around the exposure

Basis risk remains a concern for buyers, though Qin said it was not unique to parametric insurance. With no adjusting process, "the circumstances and amount of a payout are always entirely predictable."

Andriesse said basis risk had proved "much less of an issue" across Swiss Re's renewable, agriculture and catastrophe books than industry debate suggested. The harder problem was that "historical experience does not always fully reflect today's risk environment", making regular reviews of policy structures increasingly important.

Insurers are nonetheless refining triggers to track actual losses more closely. Descartes has engaged engineers to bombard solar panels with hailstones of various sizes to show how damage varies with intensity, Qin said. The results allow it to structure and price escalating payouts, while localised radar can verify an event and start payment immediately.

For offshore wind, Pignoli said modelling the wind field across a project's full footprint and at turbine hub height better reflects conditions than checking whether a storm track passes within a fixed radius of a single point. Yield models can also apply the manufacturer's turbine-specific power curve to link wind speeds with expected production.

Some policies use multiple measures of exposure. Etiqa Malaysia's Solar Energy Shortfall Insurance, launched in 2023, measures both solar irradiation and energy production, and excludes shortfalls caused by maintenance, equipment breakdown or curtailment.

Hybrid programmes could broaden appeal, according to Pignoli. A parametric component "can provide rapid liquidity following a qualifying event", while the conventional indemnity programme "subsequently addresses the measured physical damage and longer-term business interruption loss".

Aon and AboitizPower's Philippines programme, for example, paired a parametric derivative using regional wind-speed thresholds with a matching named-peril policy issued through a local insurer. Typhoon Rai triggered it in December 2021, and payment was made within 30 days.

Grid assets draw growing interest

Qin expects parametric cover to gain ground for transmission and distribution networks, which he described as "typically the most vulnerable but the least-well insured" assets in the sector. Cover can fund recovery, repair and replacement and address interruption and delay, and is already being adopted "on a national or state scale", he said.

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> **The scale of investment in data centres is enormous, and some projects are approaching the limits of what the insurance and reinsurance industry can realistically absorb.**
>
> Marcel Andriesse
> *Head of agriculture centre & parametric*
> **Swiss Re**



Pignoli identified potential applications including sustained ambient-heat cover for batteries, earthquake triggers for subsea cables and wildfire cover for transmission networks.

"For renewables, product development is likely to extend beyond wind, solar and hydropower production into battery energy storage systems and grid infrastructure," he said. "These are areas of potential product development, rather than statements that standardised products are already widely available."

Capacity may also constrain cover for the largest projects, particularly data centres. "The scale of investment in data centres is enormous, and some projects are approaching the limits of what the insurance and reinsurance industry can realistically absorb," Andriesse said. "Parametric solutions face similar capacity constraints, as ultimately the same risk capital is required."

Climate patterns add a further concern. As of September, forecasts indicated El Niño was strengthening and expected to persist through the Northern Hemisphere winter of 2026–27, with historical analogues suggesting a transition to La Niña in 2027–28.

In APAC, La Niña has "historically been associated with increased typhoon activity across the Philippines, Taiwan and South China, alongside heightened flood and cyclone risk in eastern Australia", said Pignoli. These are regime shifts that reinforce the value of structures that can be recalibrated as hazard data evolves, he noted.

Qin said buyers should use the current window to prepare for a return to hard property-market pricing: "One large storm or earthquake in the wrong place is all it would take."

FEATURE

Grid access rules push data centres into new insurance risk territory

As operators assume greater responsibility for power infrastructure, insurers face new questions around batteries, construction, curtailment and BI coverage.

By Joanne Madrid



New grid-access rules across Asia Pacific are pushing data-centre operators to take on greater responsibility for their own power infrastructure, broadening the exposures insurers need to assess from the facility itself to generation, storage and grid-support systems.

Wood Mackenzie, which tracks more than 32 GW across over 1,150 planned projects in eight APAC markets, said rapid growth in electricity demand from data centres is prompting tighter grid-access requirements, with developers being asked to install battery storage, manage curtailment and support grid stability.

For insurers, that shift means assessing a broader range of infrastructure alongside the data centre facility.

“Insurers now need to understand the power systems themselves,” said Dave Kong, Head of Engineering Lines & Construction, APAC, Zurich Insurance. “How many are running to meet peak load demand, and how much redundancy is designed in for planned and forced outages, accidents and maintenance?”

“Those questions matter even more where Delay in Start-Up cover is included for the construction phase, or Business Interruption for operations,” Kong adds.

The requirements vary by market. Japan is exploring conditional access that could allow facilities to connect before grid reinforcement is completed if operators can reduce demand through batteries or load shedding. Australia has proposed rules that would require large data centres to help keep the grid stable during disturbances. Singapore, Malaysia, and South Korea are using capacity, energy-efficiency, and other controls to manage growth on constrained networks.

These rules are changing what gets built alongside data centres. Power supply and related infrastructure can account for 20% or more of total investment, Kong said, with new projects expected to include substations, battery energy storage systems (BESS), gas-fired generation, renewables and potentially small modular reactors.

“That will inevitably shape risk appetite, capacity availability, and bring in a different underwriting skill set, as underwriters currently assessing data centres and power construction will have differing appetites and capacity to balance,” he said.

Batteries raise fire, construction risks

Battery storage is among the most immediate implications.

Larger systems increase the amount of stored energy at data centre sites and introduce thermal runaway and other fire exposures, alongside maintenance, electrical, and control-system risks, expanding the scope and complexity of projects that could ultimately affect how insurers deploy capacity.

“The introduction of grid-access requirements has the potential to increase exposures to larger battery storage systems with greater stored energy,” says Brett Gardiner, Chief Underwriting Officer Australia & Chief Underwriting Officer First Party, Asia Pacific at Liberty.

“So, while there are obvious benefits in terms of capacity and output, it does require careful assessment of the associated risks and may influence our appetite, capacity and coverage terms.”

> **The introduction of grid-access requirements has the potential to increase exposures to larger battery storage systems with greater stored energy.**
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> Brett Gardiner
> *Chief Underwriting Officer Australia & Chief Underwriting Officer First Party, Asia Pacific*
> **Liberty**



> **That will inevitably shape risk appetite and capacity availability, and bring in a different underwriting skill set.**
>
> Dave Kong
> *Head of Engineering Lines & Construction, APAC*
> **Zurich Insurance**



The implications begin before a facility becomes operational. Trent Cannings, Regional Head of Natural Resources & Construction at Allianz Commercial, Asia Pacific, notes that mandatory battery co-location and grid-support obligations can introduce significant construction-phase risk, particularly where lithium-ion systems are installed near high-value computing equipment.

Prototypical or refurbished turbines used to meet grid obligations can raise reliability concerns, while late-stage design changes needed to accommodate regulatory requirements can add scheduling pressure, increase the potential for human error, and extend testing and commissioning timelines. “These in turn can elevate CAR claims frequency and severity, as well as delay-in-start-up losses,” Cannings adds.

Curtailment changes the BI equation

The implications for business interruption (BI) become more complicated where grid access comes with curtailment or other support obligations.

Data centres may be granted earlier grid access if they can reduce demand through battery storage, load shedding, or other measures. In return, operators will need to take on greater responsibility for managing power use and may have to curtail consumption when instructed by the grid, potentially disrupting services and revenue without any physical damage at the facility.

“Insurers need to understand how curtailment could affect service commitments, revenue and recovery times, and whether losses arise from physical damage, regulatory instructions, or contractual grid-support obligations,” said Guillaume Parard, Head of Property and Casualty, Asia at AXA XL.

The changing balance between external utility failure and on-site power-system failure could also affect how losses are treated.

Larry Liu, Managing Director for Communications, Media and Technology at Marsh Asia, said property BI has often excluded utility-grid outages while covering failures of on-site systems such as generators, cooling and uninterruptible power supplies.

But if a BESS or power-conversion system fails, "the 'within Insured's control' line moves", shifting the loss from a utility-peril exclusion into covered property damage and business interruption.

"Historically, property BI often excludes utility-grid outages but covers failures of on-site systems: gensets, cooling, UPS," Liu said. "But now, if the BESS or power-conversion system didn't perform, that's arguably 'within the insured's control'."

> **Insurers need to understand how curtailment could affect service commitments, revenue and recovery times, and whether losses arise from physical damage, regulatory instructions or contractual grid-support obligations.**
>
> Guillaume Parard
> *Head of Property and Casualty, Asia*
> **AXA XL**



On-site power infrastructure does cut reliance on constrained grids. However, it also concentrates once-separate risks in one place.

Terence Williams, Head of Commercial Risk, Asia Pacific at Aon, notes that co-located power and data centre infrastructure can create single points of failure, with power outages, equipment breakdowns or cyber incidents potentially cascading across multiple assets and tenants.

“Where facilities rely on behind-the-meter generation or hybrid power systems, insurers need to consider how a failure in one part could affect the entire campus,” Williams said.

‘Not entirely negative’

While the additional power infrastructure introduces new risks for insurers, it can also strengthen data centre resilience by giving operators greater control over their electricity supply.

“It's not entirely negative; it’s a balance,” said Dan Cunningham, Head of Risk Engineering and Loss Prevention, Asia at Generali Global Corporate & Commercial.

“While grid-support obligations increase the complexity of operations and increase the risk from fire, explosion and equipment breakdown, if equipment is properly designed, installed and maintained, grid-support requirements can improve resilience, giving more control to our customers.”

For insurers, the challenge will be determining whether those resilience benefits offset the additional concentration and operational risks created as data centres take on a greater share of their own power infrastructure.

That is likely to require closer scrutiny of battery fire protection, redundancy, maintenance and operational controls, alongside underwriting and risk-engineering expertise traditionally associated with power generation rather than conventional commercial property, Cunningham said.

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FEATURE INTERVIEW

Gallagher Re APAC bets on advisory, structured deals and specialty amid soft market squeeze

Gallagher Re's new APAC CEO Roshan Perera sees renewable energy, EV supply chains and data centres driving demand for specialist reinsurance and advisory solutions.

By Joanne Madrid



(RE)IN CONVERSATION

Roshan Perera

CEO for APAC
Gallagher Re

Gallagher Re is steering its Asia-Pacific business towards structured deals, capital advisory and speciality lines as a flood of reinsurer capital undercuts the economics of its core business: placing treaty capacity.

The broker is not alone in repositioning, as softening markets have prompted Aon, Marsh Re and Howden Re to pursue similar strategies. Gallagher Re's challenge, however, is distinct. The third-largest broker is still building out the APAC franchise acquired through the Willis Re deal in 2021, amid intensifying competition from rapidly expanding rivals such as Howden Re.

Roshan Perera, who became Gallagher Re's CEO for APAC in February, frames the shift as client-led. "In this environment, clients are looking for more than capacity," he tells (Re)in Asia. "They are looking for strategic advice, market insight and innovative solutions that support long-term growth."

The rationale is straightforward. Softer reinsurance pricing can weigh on brokerage income from traditional placements, as conventional placement revenues remain linked to premium volumes. Advisory and structured businesses, meanwhile, can provide a more diversified source of income.

Perera's background reflects the direction Gallagher Re is seeking to take. His 27 years in insurance have been spent in technical and consulting roles. He joined Gallagher Re in 2022 from NMG Consulting, where he advised insurers, reinsurers and regulators across Asia's emerging markets, before leading the broker's APAC strategic solutions team.

Record capacity, falling rates

Gallagher Re's own Reinsurance Market Report put dedicated reinsurance capital at a record US$688bn in the first half of 2026, up 5% from year-end 2025.

> **In this environment, clients are looking for more than capacity.**
>
> Roshan Perera
> *CEO for APAC*
> **Gallagher Re**



Its Reinsurance Composite posted a 19.9% return on equity (ROE), but revenues fell 6.1% as property and speciality pricing softened.

The impact on rates has been particularly pronounced in APAC, where Gallagher Re reported catastrophe rate reductions of 12.5% to 17.5% at the July renewals on loss-free Australian and New Zealand programmes, with returning Asian and London capacity adding to supply.

Benign losses in the first half of 2026, with insured catastrophe losses in Asia below US$2bn, the region's lowest first-half total since 2017, have added to downward pressure on rates.

Perera acknowledges the dynamic. “The improved profitability of the reinsurance sector and increased availability of capital create opportunities for clients, but they do not eliminate uncertainty,” he says. “Our strategy is focused on helping clients make the most of market conditions while remaining prepared for future volatility.”

The broker is working with cedents to restructure programmes, improve capital efficiency and look beyond conventional treaty to structured transactions and alternative sources of protection. That leads, he says, to a focus on "larger and more complex opportunities" where the broker's analytics and global market access matter most.

Looking ahead over the next 12 to 24 months, Perera identified specialty lines, climate and catastrophe solutions, alternative capital, structured reinsurance, and MGA and delegated-authority business as key growth areas.

Beyond traditional growth areas, Perera sees rising demand for solutions tied to Asia's energy transition and digital expansion, including renewable energy projects, electric vehicle supply chains and data centres. "These trends are creating new and evolving risk challenges for insurers and, in turn, new opportunities for innovative risk transfer solutions and capital deployment," he said.

These are exposures where loss history is thin and modelling immature, which plays to a broker with analytical depth, though it also means the business is slow to scale, he added.

Building out capability

On building capabilities, Perera said Gallagher Re has strengthened leadership and specialist expertise in several APAC markets over the past year and is building selectively in speciality, capital solutions, delegated authority and emerging-risk sectors.

The thread running through it is a pairing of advisory depth with transactional execution. "Clients increasingly need a partner that can help them understand and navigate complex risk challenges while also delivering effective placement outcomes and access to capital," Perera said.

Whether cedents will pay for that advice when capacity is abundant remains to be seen. In a soft market, the buyer holds the leverage, and some may focus primarily on pricing. Perera believes that competition on pricing alone will not solve capital, regulatory and emerging-risk challenges facing APAC insurers.

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FEATURE

Statutory floor, compliance mindset leave Korean firms underinsured on cyber risks

Voluntary premiums are climbing fast, yet many firms still carry too little cover for their real exposure.

By Blake Evans-Pritchard



The low level of mandatory limits set by Korean authorities is reinforcing a compliance-driven mindset, limiting demand for higher levels of cyber protection.

Korea's Personal Information Protection Act requires firms that exceed certain size and data thresholds to buy personal information leakage compensation insurance or set aside reserves.

However, insurers and brokers note that the minimum coverage limits are significantly below the scale of potential losses from cyber incidents.

"Exposure varies from company to company. However, it's clear that for the vast majority of mid to large Korean companies their exposure is many multiples of the statutory minimum of KRW 100 million (US$66,000). For the largest Korean corporations, the exposures are easily in the tens or hundreds of millions of US$," says Sean Letz, Asia cyber leader at Marsh.

A massive data breach at e-commerce company Coupang, which is headquartered in the US but derives most of its business from Korea, shows the dangers of not purchasing sufficient cyber protection. The firm was ultimately fined more than KRW624.7bn by Korean regulators – a record amount – while its insurance cover was capped at the statutory minimum of KRW1bn. The data breach affected about 33.7 million users.

"Many organisations continue to view cyber risk as something that can be engineered away in the same way as many traditional physical risks," says Letz. "Unfortunately, cyber and technological risks evolve far more rapidly than conventional risk management frameworks can adapt to. A single technological change, zero-day vulnerability, software flaw or unexpected system failure can suddenly compromise critical systems or render them inoperable."

Letz adds that Korea is "one of the most dynamic and technologically advanced economies in the world", suggesting that a major cyber event could cause economic losses "measured in the hundreds of millions or even billions of US dollars".

Rapid growth

Despite this cultural reluctance to buy cyber cover, data from Miller Insurance suggests premiums grew by 64% last year, from KRW28bn in gross written premiums (GWPs) in 2024 to KRW46bn in 2025.

However, this was largely driven by demand from larger enterprises, principally those involved in telecommunications, e-commerce and financial services.

Sangsoon Kim, head of cyber for Korea at Miller Insurance, says that these companies have a number of things in common, including the handling of large volumes of personal data, heightened exposure to reputational risk and growing alignment with global standards.

Kim says this growth trajectory reflects a structural shift among larger enterprises. The challenge is now to extend this trend to the smaller segment of the market.

> **If senior management does not see a clear linkage between higher limits and the organisation's most material loss drivers, budgets tend to stay near the minimum.**
>
> ES Cho
>
> *Task Force Lead for Cyber and Digital Assets*
>
> **Lockton Korea**



> **… it's clear that for the vast majority of mid to large Korean companies their exposure is many multiples of the statutory minimum of KRW 100 million (US$66,000).**
>
> Sean Letz
>
> *Asia Cyber Leader*
>
> **Marsh**



Untapped potential

ES Cho, task force lead for cyber and digital assets at Lockton in Korea, says that, in order to shift SMEs in Korea from compliance-driven purchasing toward meaningful risk transfer, the first priority should be to restore confidence that the product will respond predictably in a real loss.

"Many buyers remain anchored to the statutory minimum not because they underestimate cyber risk, but because they are uncertain how coverage will perform once policy conditions, exclusions, documentation requirements and the practical realities of forensic investigation are applied under stress," he says.

Cho says there are several reasons the compliance-buying mindset persists, even as both the frequency of cyber-attacks and the potential financial impact of those incidents continue to grow.

First, there is a confidence issue. Buyers are not always convinced that larger limits translate into proportionally better financial protection once policy conditions, sub-limits and evidentiary requirements are applied in a real incident.

The claims process itself is often viewed as friction-intensive, typically requiring extensive forensic investigations and documentation.

Finally, Cho says that there is a persistent product-to-risk mismatch: large loss scenarios increasingly come from operational disruption and systemic business interruption, whereas many buyers still associate insurance with data breaches and third-party liability.

"If senior management does not see a clear linkage between higher limits and the organisation's most material loss drivers, budgets tend to stay near the minimum," says Cho.

He adds that "companies need clearer, more predictable coverage value – especially for severe, complex loss scenarios – before they move to materially higher limits".

Jon Choi, director of insurance risk consulting at CyberCube, argues that the signalling from regulators may not be helping.

"If the legal requirement is small, boards may view that amount as an implicit regulatory signal of adequacy, even when modelled losses are far higher. That can reduce demand for higher-limit excess layers unless brokers, insurers, and regulators clearly explain the gap," he says.

Unlocking this opportunity will require insurers to strike a careful balance between expanding access and managing their own risk. While affordable, tailored products could help broaden adoption among SMEs, insurers remain mindful of the profitability challenges involved.

> **With appropriate product design, better risk segmentation, government support, and increased market participation, the SME segment has the potential to become the single most important growth opportunity for the Korean cyber insurance market.**
>
> Sangsoon Kim
> *Head of Cyber for Korea*
> **Miller Insurance**



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> Jon Choi
> *Director of Insurance Risk Consulting*
> **CyberCube**

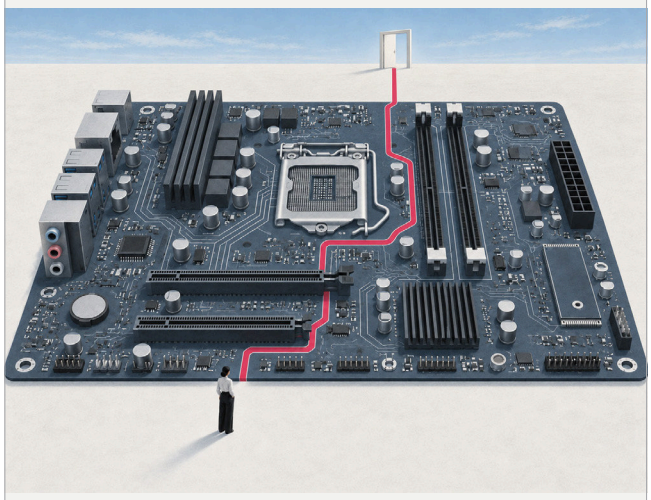


"There is certainly a short-term tension between increasing SME adoption and maintaining insurer profitability," says Kim. "However, I do not see it as a zero-sum relationship. With appropriate product design, better risk segmentation, government support, and increased market participation, the SME segment has the potential to become the single most important growth opportunity for the Korean cyber insurance market."

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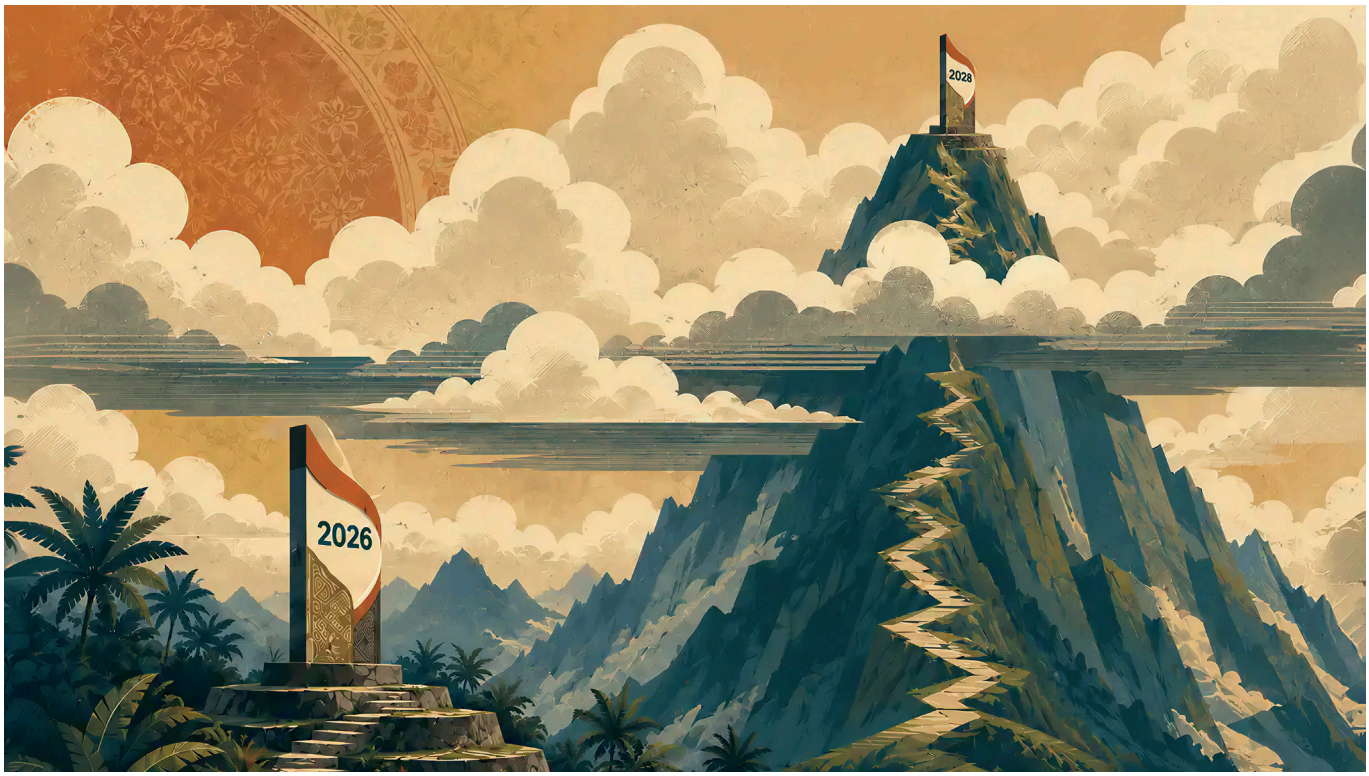
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FEATURE

Indonesian insurers on track for end-2026 capital rules, but 2028 poses bigger test

More than 80% of insurers have already met OJK's 2026 requirements, but experts say capital alone will not fix weak fundamentals as tougher 2028 rules loom.

By Joanne Madrid



Indonesia's insurers are expected to largely meet the first phase of new minimum capital rules by the end of 2026, but industry experts say the real test will be going beyond simply meeting the equity threshold.

Based on May 2026 monthly reports, the Financial Services Authority of Indonesia (OJK) said 118 of the country's 145 insurance and reinsurance companies, or 81.38%, had met the minimum equity requirement set for the end-of-2026 deadline.

However, experts say the remaining firms below the threshold are largely smaller, weaker players, and even those that reach the required capital level may continue to face underlying structural challenges.

“Meeting the number is not the same as being healthy,” said Dirk Stuip, Marketing Advisor at MIR Insurance Brokers, a Lockton Global Partner. “Some companies may reach the minimum equity threshold but still have weak fundamentals: poor underwriting, inadequate reserves, legacy claims, weak governance, thin liquidity or overreliance on reinsurance.”

Under OJK’s rules, conventional insurers must hold a minimum equity of IDR250bn (US$13.8m) by the end of 2026, while conventional reinsurers must hold IDR500bn. Sharia insurers and reinsurers face lower thresholds of IDR100bn and IDR200bn, respectively.

The increase has been described as “a significant global MCR event”, lifting Indonesia’s minimum capital requirements to levels comparable with Taiwan and far

above those in South Korea and Malaysia.

Even so, some shareholders appear to be waiting to see how strictly OJK enforces the new capital rules.

Jonathan Hekster, Operating Partner at Braxton Capital, said market activity has so far been more limited than expected, consisting mainly of licence withdrawals and capital injections by bank-owned insurance subsidiaries.

“We are not seeing a lot of action,” he said. “It looks like owners are playing a game of chicken with the regulator.”

Consolidation on the cards

Most observers still expect consolidation to become the dominant theme.

Chris Lim, Director of Analytics at AM Best, said that while some insurers will be able to meet the requirements through retained earnings and organic capital generation, that option is less realistic for smaller, underperforming companies.

“Apart from possible M&A activities, industry discussions are ongoing to allow smaller players who are unable to meet the minimum capital requirements to be absorbed into larger insurance groups,” Lim said.

Mergers, acquisitions and KUPA insurance groups—under which affiliated insurers are brought together under a common holding structure—are expected to play a larger role.

John Spence, Managing Director at Asian Capital Advisors, said portfolio transfers could also become more common, allowing stronger insurers to acquire selected books of business without assuming all of a company's liabilities.

Insurers may therefore meet the 2026 deadline through a combination of capital management and restructuring measures, rather than a wave of forced exits.

"Expect only limited exits or forced mergers in H2 2026," Spence said.

> **Meeting the number is not the same as being healthy**
>
> Dirk Stuip
> *Marketing Advisor*
> **MIR Insurance Brokers**



> **We are not seeing a lot of action. It looks like owners are playing a game of chicken with the regulator.**
>
> Jonathan Hekster
> *Operating Partner*
> **Braxton Capital**



Yet consolidation is unlikely to be straightforward, with transactions potentially complicated by valuation disagreements, legacy liabilities, tax considerations, governance issues, IT integration challenges, product rationalisation and overlapping distribution networks.

“Everyone says ‘merger’ or ‘consolidation’ as if it is simple. It is not,” Stuip said. “The companies that need consolidation most are often the hardest to consolidate.”

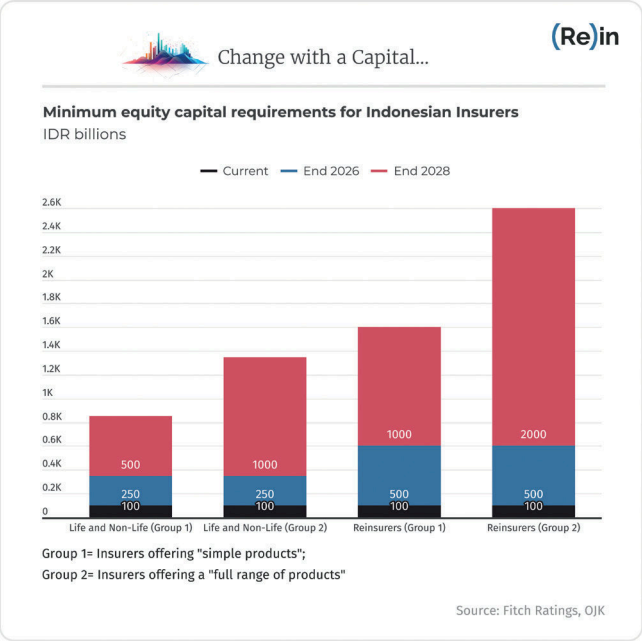
2028 raises the stakes

The first deadline may be manageable, but 2028 is expected to be far more disruptive.

Minimum equity requirements will double again, while insurers must also meet requirements under OJK's capital classification framework, called Kelompok Perusahaan Perasuransian Berdasarkan Ekuitas (KPPE). The framework sorts insurers into two tiers based on equity. Firms with more capital fall into the higher tier (KPPE 2) and can sell the full range of products, while those with less sit in the lower tier (KPPE 1) and may write only simpler business.

According to Jessica Pratiwi, Associate Director at Fitch Ratings, the majority of insurers in Fitch's portfolio do not yet meet the second-stage capital requirement. “Within Fitch’s rated portfolio, we estimate that around 70% of insurers do not yet meet the second-stage requirement, and less than half are likely to meet it organically,” she said.

“A company that cannot reach KPPE 2 may face limitations on product range, growth ambition and institutional credibility,” Pratiwi adds.



The second phase will be considerably more demanding for both life and non-life insurers, Hekster said. He estimates that at least a dozen domestic life insurers may still fall well short of the IDR1t requirement by 2028.

In non-life, he expects only around ten privately owned domestic insurers to reach the threshold organically, leaving many others to choose between injecting fresh capital, merging or scaling back their ambitions.

Hekster added that the pressure reflects Indonesia's problem of having too many insurers chasing too little scale, which he hopes OJK will tackle more aggressively.

"If we compare the number of Indonesian insurers with markets like India or Vietnam, there are just way too many players," he said. "Many are sub-scale and competing for scarce resources, which has already led to a string of company failures in recent years."

Macroeconomic pressures loom

Even insurers capable of raising capital may face a more challenging operating environment.

Stuip said rupiah weakness could raise the cost of international reinsurance and retrocession, while also raising claims costs in motor and health through imported spare parts, medicines, medical devices and medical services.

Health claims inflation remains another pressure point, even as new co-payment rules aim to curb overclaims, moral hazard and overtreatment.

Investment volatility could also affect solvency buffers if interest-rate movements weigh on insurers' bond and equity holdings.

> **Within Fitch's rated portfolio, we estimate that around 70% of insurers do not yet meet the second-stage requirement, and less than half are likely to meet it organically.**
>
> Jessica Pratiwi
> *Associate Director*
> **Fitch Ratings**



Insurers will also need to manage a wider set of regulatory adjustments, adding pressure, said XinYa Ong, Financial Analyst at AM Best.

"Broader refinements relating to the risk-based capital framework and IFRS 17 implementation could create operational, reporting, and capital management challenges as insurers adapt to new requirements over the medium term," Ong said.

Pratiwi added that Indonesia's PSAK 117 accounting standard, which took effect in January 2025, could reduce reported equity for some insurers, adding further pressure on companies with already thin capital buffers.

Fewer but stronger

Despite the challenges, industry participants broadly expect the reforms to reduce fragmentation and strengthen the sector's capital base.

Spence said the market would likely emerge with "fewer but stronger players", although some specialist markets could offer clients less choice.

The 2026 deadline is expected to remove the weakest companies or push them into stronger groups, while the tougher 2028 regime will determine which insurers remain full-service operators, which specialise, which merge and which ultimately exit the market.

For clients, brokers and corporate buyers, Stuip said insurer selection should no longer be based only on price.

"Do not assess insurers only by premium competitiveness," he said. "From 2026 onwards, capital strength, reinsurance security, claims-paying ability, governance, FX exposure and regulatory status should become core placement criteria."

FEATURE

Japan AIR market braces for stricter regime, not slower growth

Industry experts expect future AIR growth to hinge on access to third-party capacity, suitable matching assets and demonstrable risk transfer.

By Joanne Madrid



Japan's updated supervisory guidelines on asset-intensive reinsurance (AIR) are unlikely to slow a market that has become a key capital-management tool for life insurers. They may, however, shape which deals proceed and on what terms.

The Financial Services Agency's (FSA) revised insurance-supervision guidelines, effective from 1 July, require insurers to evaluate reinsurance transactions by their economic substance rather than treaty form alone. The changes raise expectations around risk transfer, recapture rights, collateral, counterparty oversight, concentration limits and stress testing.

"In practice, insurers now have to look beyond the contract wording to the deal's economic effect," says Chris Hodgeman, managing partner of Belstan Capital. "This means more stress-testing, greater attention to collateral, and limits on counterparty exposure."

The revised guidance followed a sharp increase in reinsurance activity as life insurers prepared for Japan's economic value-based capital regime, J-ICS, which took effect on 31 March. AM Best said life insurers' reinsurance cession rate rose to more than 24% of gross premiums in 2023 and 2024, from just 9.8% in 2020. Aggregate reinsurance leverage, measured as reinsurance ceded as a percentage of capital and surplus, reached 14.8% in 2024, up from 4.8% four years earlier.

New deals show demand holding up. On 13 October, Pacific Life Re announced its second structured reinsurance transaction in Japan this year, aimed at improving an unnamed major life insurer's capital efficiency under the new J-ICS regime. The next day, Bermuda-based Chariot Re announced its first deal covering Japanese liabilities: a retrocession with a

MetLife affiliate covering about US$1.6bn of account value from US dollar whole life and annuity policies. A week earlier, Prismic, also based in Bermuda, agreed to reinsure about US$5bn of reserves backing recently written US dollar whole life policies from Prudential Financial's Japanese affiliates.

S&P Global Ratings estimates AIR represents about 10% of Japanese life insurers' policy reserves. The agency expects the new framework to improve risk management without materially slowing AIR use.

Substance over form

Greg Solomon, consulting actuary and adviser at Eigengrey Consulting, describes the substance test as the most consequential aspect of the July changes.

"It can prevent a deal from being put in place, and indeed can force an existing deal to be significantly restructured or terminated," he says, if the treaty wording and collateral agreement do not justify the credit taken for the arrangement.

Insurers will need to show that an AIR structure genuinely transfers risk, including through appropriate recapture and termination rights, collateral arrangements, counterparty assessment and stress testing. They must also consider a prospective reinsurer's financial strength, ability to withstand severe market disruption and the cedant's existing exposure to that counterparty.

Solomon does not view the new requirements in isolation. Risk transfer, recapture, collateral, concentration and stress testing must all be adequate for a transaction to pass the broader substance test.

Others expect the practical impact to extend well beyond the substance test itself. Taikin Kweon, vice president, life, Asia-Pacific, at Marsh Re, says the revisions will require clearer evidence of risk transfer, more careful contract design, stronger collateral analysis, and closer management of counterparty and asset concentration.



Hot AIR balloons

(Re)in

Publicly announced Asia Asset Intensive Reinsurance (AIR) deals

1 January to 14 October 2026

Reinsurer	Cedent	Date announced	Country	Value (US$bn)
Aflac Re Bermuda	Japan Post Insurance	31/03/2026	Japan	Undisclosed
Talcott Life Re, Ltd.*	Japan Post Insurance*	31/03/2026	Japan	0.65*
Prismic Life Reinsurance International	Daiichi Life Insurance	10/04/2026	Japan	Undisclosed
Resolution Life	Undisclosed	04/06/2026	Hong Kong	Undisclosed
Resolution Life	Undisclosed	04/06/2026	Hong Kong	Undisclosed
Resolution Life	Undisclosed	04/06/2026	Japan	Undisclosed
Pacific Life Re	Anshin Life	09/06/2026	Japan	Undisclosed
RGA	Sumitomo Life	08/07/2026	Japan	Undisclosed
RGA	Anshin Life	08/07/2026	Japan	Undisclosed
Pacific Life Re	Undisclosed	19/08/2026	Japan	Undisclosed
Pacific Life Re	Undisclosed	08/09/2026	Hong Kong	Undisclosed
Prismic Life	Prudential Financial	06/10/2026	Japan	5
Pacific Life Re	Undisclosed	13/10/2026	Japan	Undisclosed
Chariot Re	MetLife Reinsurance Company of Hamilton	14/10/2026	Japan	1.6

*Expansion of existing deal

Source: (Re)in Asia

> **This means more stress-testing, greater attention to collateral, and limits on counterparty exposure.**
>
> Chris Hodgeman
> *Managing Partner*
> **Belstan Capital**



"If recapture rights are too broad in favour of the cedant, questions may arise regarding both the substance of risk transfer and the stability of the transaction," Kweon says. "As a result, recapture provisions are likely to require even more careful design than before."

No fixed limits

The FSA has not imposed fixed exposure limits. Instead, insurers must set their own thresholds and identify high-risk transactions, with controls scaled to a deal's size and duration.

"That means a large, long-duration, asset-intensive block is held to a higher standard than a small, straightforward treaty," Hodgeman says.

Hodgeman says insurers will also be expected to model simultaneous recaptures and reinsurer failures across multiple counterparties, including the effect on solvency margins, reserves, liquidity and asset rebalancing.

Victor Hai, head of life, Asia-Pacific at Marsh Re, says the changes strengthen expectations for reinsurer due diligence and governance. He says collateral, recapture, stress testing, and concentration should be assessed together and balanced according to each transaction's structure.

"If there are other add-on structures then, yes, risk transfer will need to be checked. However, in all transactions there has been full risk transfer, so we don't really see that as an issue," Hai says.

Intragroup appeal and next phase of growth

Tighter scrutiny may support greater use of affiliated reinsurers, as cedants seek to reduce counterparty risk and the cost and complexity of dealing with external providers.

About 70% of Japanese AIR transactions were already ceded within insurance groups at the end of FY2023, according to FSA monitoring data cited by S&P. The remaining 30% went to third parties.

Solomon says the documentation and due diligence required under the new rules may be easier to complete when a cedant has greater visibility into a group reinsurer's solvency, liquidity, and asset quality. But he cautions that intragroup AIR does not reduce overall group risk.

"While they [intragroup deals] pose less information asymmetry and contractual friction, they don't reduce overall default probability, and it does not reduce group-level risk at all, since the exposure simply moves inside the perimeter."

Kweon says affiliated reinsurance can offer closer alignment with a group's capital policy and asset-liability-management strategy. Regulators will nevertheless expect arm's-length pricing, fair treatment and evidence that risk transfer is substantive.

On the longer-term outlook, Hodgeman points to significant untapped demand. Citing Freshfields' estimates, he believes that up to 30% of Japan's in-force life reserves may be addressable for offshore reinsurance, potentially creating US$150bn–300bn of transactions over the next five years.

He identifies legacy, high-guarantee back books and new business linked to retirement-savings demand as the main drivers.

Marsh Re estimates only about 5% of the addressable market has been completed so far. Hai points to RGA's July block coinsurance transaction with Sumitomo Life—the mutual insurer's first such deal—as a sign that mutuals may become more active cedants.

But growth will still depend on external capacity. Solomon says third-party reinsurers' ability to take on more Japanese exposure may be constrained by concentration risk, the availability of suitable long-dated matching assets, and evolving rules in Bermuda, the US, and other offshore domiciles.

"Growth might be more selective and increasingly sophisticated, rather than simply rapid in volume terms, as the market develops within the objectives to optimise regulation, accounting, and capital efficiency," Kweon says.

> **It can prevent a deal from being put in place, and indeed can force an existing deal to be significantly restructured or terminated.**
>
> Greg Solomon
> *Consulting Actuary and Adviser*
> **Eigengrey Consulting**



> **As a result, recapture provisions are likely to require even more careful design than before.**
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> Taikin Kweon
> *Vice-President, Life, Asia-Pacific*
> **Marsh Re**



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A clearer view of **AIR.**

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FEATURE

Hong Kong's ambitions in China's NewSpace market face capacity, expertise headwinds

With international markets still central to space risk placements, the city needs to bridge the gap by building specialist capabilities.

By Gloria Methri



Hong Kong's ambitions to become a hub for China's expanding commercial space sector face a rocky road ahead, with limited local underwriting capacity, gaps in technical information and a shortage of specialist expertise among key hurdles.

The backdrop is a rapidly expanding commercial space market in China. "NewSpace is the main emerging trend. China's space is growing rapidly, and the commercial space segment is attracting huge investment," said John Munro, Global Head, Space, Aviation & Aerospace at Marsh.

Hong Kong, in turn, is seeking a complementary role in the sector. In its 2026 Policy Address, the Insurance Authority (IA) announced plans to study systemic risks

> **NewSpace is the main emerging trend. China's space is growing rapidly, and the commercial space segment is attracting huge investment.**
>
> John Munro
> *Global Head, Space, Aviation & Aerospace*
> **Marsh**



> **Space infrastructure is an area that deserves greater attention.**
>
> Ben Spain
> *Senior partner*
> **Gallagher**



arising from commercial aerospace development and the city's potential role in the ecosystem.

However, Munro points out that only one insurer currently covers space risks in Hong Kong, and that insurer operates on a follow-the-market basis, takes selective risks, and maintains a small line.

"The clients want to see increased capacity because the market currently has insufficient capacity for the largest risks," Munro added.

China itself has expanded its domestic insurance capacity. A Beijing-based commercial space co-insurance consortium wrote more than CNY10bn (US$1.5bn) in cover for 25 private launch projects in its first year, after it launched in March 2025.

Regardless, international markets remain central to most space placements.

Ben Spain, senior partner at Gallagher, described Hong Kong as "an important hub for insurance across all aerospace risks". Space placements, however, rely on a broader international market.

"In terms of capacity and reinsurer backing, there is quite a geographic spread, especially when MGAs are considered; however, London remains dominant by some margin," Spain said.

Furthermore, space insurance covers several stages of a mission, including pre-launch, launch, in-orbit operations and third-party liability, each presenting different underwriting challenges.

"The Hong Kong insurance underwriters are not set up to write space business, so the risks are placed in the international market, which has a mature set of underwriters, some of whom have 30 years plus of experience," Munro said.

The opportunity and the obstacles

Favourable market conditions, however, are supporting the commercial case. "Pricing for Chinese space risks has been competitive, reflecting a favourable loss ratio over the past three or four years," Munro said.

For Hong Kong, the opportunity may therefore lie in helping operators navigate complex risks and access international capacity rather than immediately building a substantial domestic underwriting market.

Oscar Fong, VP, aviation and aerospace at Marsh Risk Hong Kong, said the city's established insurance and reinsurance infrastructure, international market access and proximity to mainland China could position it as a regional hub for cross-border space risks.

"However, only a relatively small number of insurers in Hong Kong have historically participated [in the space], often with limited capacity," he told (Re)in Asia in September.

Nonetheless, limited technical information remains an issue.

Even when international capacity is available, sufficient technical information is crucial for satellites and emerging technologies, where limited operational experience can make potential losses harder to evaluate.

"Two key constraints that we see are the level of underwriting information we can make available to underwriters, especially on the satellite side; and the complex method of placement, where multiple parties are all engaged at the same time," Spain said.

Limited flight history presents a further challenge for newer technologies. Underwriters use operational

> **The clients want to see increased capacity because the market currently has insufficient capacity for the largest risks.**
>
> John Munro
> *Global Head, Space, Aviation & Aerospace*
> **Marsh**

experience to assess risks and determine pricing and capacity, making it harder for ventures with little flight heritage to secure support. “Buy-in for new technology remains slower than we see in other jurisdictions,” Spain said.

As a result, “the majority of risks we see entering the international reinsurance market are for the launch phase only,” he added.

Gallagher plans to work with Chinese clients and insurers to develop solutions for reusable launch vehicles and satellite constellations. Improving the transfer of technical information would help underwriters assess these risks, Spain said.

For NewSpace ventures, the challenge also concerns how insurance is delivered. Munro said startups often need faster underwriting decisions than traditional space risks require, while limited flight heritage can restrict the coverage available.

Developing the specialist knowledge needed to support these risks will require investment, but Hong Kong may struggle to generate enough business to justify the cost, Munro said.

Spain said the challenge extends beyond insurance to funding and capital, business support, legal services, and risk management. These capabilities can support market growth but are difficult to establish before a sufficient volume of business develops.

“We often see a chicken-and-egg situation where the knowledge follows business growth, but business growth is reliant on knowledge to grow,” he said.

> **Two key constraints that we see are the level of underwriting information… and the complex method of placement.**
>
> Ben Spain
> *Senior partner*
> **Gallagher**

Spain cited the UK’s Catapult model, which supports the development of specialist capabilities for businesses, as one approach other jurisdictions could consider.

The longer-term opportunity could extend beyond conventional satellite and launch insurance to permanent infrastructure in orbit.

“Space infrastructure is an area that deserves greater attention,” according to Spain. “We are seeing very large-scale projects that are developing permanent, long-term infrastructure in earth orbit—for example commercial space stations, solar power facilities, and moon bases.”



FEATURE INTERVIEW

Howden Re's Marshall pushes APAC cedents beyond "set and forget" reinsurance buying

By Saxon East



(RE)IN CONVERSATION

Karl Marshall

Managing Director, Head of Advisory and Analytics APAC

Howden Re

With experience as QBE's global chief actuary and as appointed actuary for several insurers in Australia and New Zealand, Karl Marshall has the kind of background an ambitious broking firm like Howden Re was quick to spot.

Following a casual conversation, a senior figure at Howden Re invited Marshall to consider joining the broker, though no specific role had been defined at the time.

That was resolved in March 2024, when Marshall joined as head of advisory and analytics, Asia Pacific (APAC).

Marshall saw a clear opportunity. In his view, investment in analytics among broking firms in Australia and New Zealand had waned.

"20 years ago, the market was stronger than it is now. We've gone backwards," he says.

"I felt like there was an opportunity to try and reverse that trend."

Today, Marshall leads a team advising clients on reinsurance strategies that support their capital needs and help manage earnings volatility, while developing Howden Re's analytics capabilities across the region.

The Marshall way

Central to Marshall's approach is a professional philosophy built around what he calls "skill set, toolset and mindset".

Mindset is crucial: analysts need to turn model outputs into practical decisions for clients, not simply deliver numbers.

His clearest example is a catastrophe-cover review. A client asked Marshall's team to independently assess whether its cover was sufficient.

The existing broker's estimate fell within the range produced by Marshall's team. The difference was how they presented the uncertainty around it.

Rather than offer a single definitive figure, they showed the client a wider range of possible outcomes.

The client decided to buy more cover, opting for protection towards the higher end of that range.

For Marshall, the example illustrates what analytics should achieve: not simply producing a number, but helping clients understand the uncertainty around it and make better decisions.

"The ones that succeed are saying, 'What does this all mean for you? What can you do better based on this? What can you change based on this?'"

Regional differences

APAC is not a single, homogeneous reinsurance market. For Marshall, one of its defining features is the difference in how insurers understand risk, capital and reinsurance.

Australia and New Zealand are mature markets, where insurers increasingly weigh the cost of ceded capital against retained risk.

Reinsurance is used not only for catastrophe protection, but to manage capital requirements and earnings volatility.

Japan is also advanced, while other markets are at different stages of developing risk-based capital frameworks.

In some, reinsurance purchasing remains more traditional.

Marshall describes the approach: “That's what we did last year. That's what we're going to do this year. That's going to be next year. Set and forget. So there's not a lot of thought that goes into that.”

He links much of this difference to regulation. Where risk-based capital regimes are established, insurers tend to ask more considered questions about how reinsurance can optimise capital. Elsewhere, purchasing and analysis may remain more basic.

A similar divide exists in catastrophe modelling. Markets with greater exposure, modelling investment and government involvement—including Australia, New Zealand and Japan—tend to have more developed models and sophisticated risk solutions.

In parts of Southeast Asia, models are still evolving, which can limit the choices insurers consider.

Marshall stresses this is not down to a lack of talent, but to markets having different systems and levels of maturity.

> **20 years ago, the market was stronger than it is now. We've gone backwards. I felt like there was an opportunity to try and reverse that trend.**
>
> Karl Marshall
> *Managing Director, Head of Advisory and Analytics APAC*
> **Howden Re**

That creates an opportunity for his team: bringing ideas developed in more advanced markets into local conversations and adapting them to local needs.

Combined with Howden Re’s ability to draw on expertise in London and Europe, it gives clients access to both regional knowledge and wider global capabilities.

The AI conundrum

As organisations face growing expectations to deploy artificial intelligence, Marshall has a clear view about the role it should play.

He sees a gap between the industry’s enthusiasm for AI and its practical use. Machine learning and automated pricing have been used in general insurance for years, with models generating insights for actuaries to assess.

His concern is adopting AI simply to appear innovative. Some organisations allow it to drive decisions without fully understanding its outputs; others deploy it without a clear purpose.

“We still need to be the ones making the decisions,” he says. “And ensuring that we’re still owning the solution to a particular problem.”

Marshall therefore sees AI as an enabler, not a replacement for actuarial and catastrophe specialists. It can automate work and help teams make decisions faster, freeing experts to concentrate on interpretation and client advice.

The opportunity is to find applications that deliver genuine value and ‘turbocharge’ people’s work.

“AI is about providing us with tools that enable us to make better decisions faster. However, we need to be comfortable with what it is telling us, we need to be comfortable with what it is saying.”

The regulatory opportunity

The differences between APAC markets also create an opportunity as more jurisdictions develop risk-based approaches to capital.

As these frameworks mature, insurers have greater reason to think about reinsurance as more than protection against catastrophe and other risks.

They can consider the cost of transferring risk versus retaining it, and how reinsurance can support capital efficiency and manage earnings volatility.

For Marshall, that should create greater demand for the kind of analytical approach his team provides – moving reinsurance away from a ‘set and forget’ renewal decision towards a broader strategic discussion.

“We’re well placed to help them solve the problems of the future, not just the problems of the past,” Marshall says.

In APAC’s ever-changing reinsurance market, Marshall’s focus remains firmly on what analytics can actually achieve: better decisions for clients.

FEATURE

Asia's HNW insurance race intensifies as insurers compete on scale, service and global reach

As the region's wealthy population expands, insurers are investing in global HNW platforms and bigger underwriting limits while navigating emerging risks from premium financing and portfolio concentration.

By Joanne Madrid



Competition in Asia's high-net-worth (HNW) insurance market is moving up a gear as insurers race to attract wealthy, globally mobile clients through larger underwriting capacity, integrated cross-border platforms and broader wealth management capabilities.

The past year has seen a wave of strategic moves across the region. In late July, Sun Life consolidated its HNW operations across Bermuda, Hong Kong, Singapore and Dubai to launch Sun Life Private Wealth. In June, AXA launched AXA Global Private, bringing together life, wealth, health and speciality insurance under a single platform. FWD launched a three-jurisdiction HNW hub spanning Hong Kong, Singapore and Bermuda in 2025.

Others have also expanded their dedicated offerings across a variety of areas. Examples include AIA opening its invitation-only Alta Prestige wealth centre focused on integrated wealth and legacy planning, Chubb Life Hong Kong establishing its first HNW wealth centre, HSBC Life Singapore introducing Prestige Circle, pairing wealth advisory with longevity and lifestyle concierge services, Manulife creating a global high-net-worth division under a dedicated CEO based in Hong Kong, and Prudential Singapore launching a specialised advisory suite.

The strategies highlight differing approaches to competing for HNW clients. AXA, for example, is leveraging AXA XL's speciality expertise to pair life and wealth planning with cover for fine art, luxury homes, cyber risks, kidnap and ransom under a one-stop-shop platform.

Policy size is increasingly becoming a point of competition. In February, Manulife Singapore issued a US$300m life insurance policy, surpassing the previous Guinness World Record set by HSBC Life Hong Kong's US$250m policy in 2024.

Speaking at the Sun Life Private Wealth launch event, Clement Lam, CEO for Hong Kong, said the insurer can support sums assured of US$270m-US$300m. Sun Life may not have gone public about the size of its largest policies, but Lam said the insurer is competitive when it comes to jumbo HNW policies. "We have been consistently writing big cases, and our underwriting capacity is one of the best in the market," he said.

> **There's no secret, everybody is eyeing this segment.**
>
> Sally Wan
> *CEO*
> **AXA Greater China and AXA Global Private**



Wealth growth raises the bar

The competition is also being fuelled by Asia's expanding private wealth market. According to Capgemini Research Institute, the region was the fastest-growing market for wealth creation in 2025, with financial wealth rising 10.5% year on year to US$29.7 trillion and its HNWI population increasing 9.4% to 8.3 million.

The larger HNW pool is driving demand for more sophisticated products. "Products such as private placement life (PPL) insurance, variable universal life (VUL) and indexed universal life (IUL) are increasingly being used as tools for wealth preservation, succession planning and cross-border asset structuring," said Kyle Thompson, director of financial and retirement services at Gallagher Benefits & HR Consulting Division.

But as wealth grows, so do client expectations. Geoffrey Au, chief product and in-force officer at HSBC Life Hong Kong and Macau, said insurers now compete not only on product design but also on the quality and speed of service.

> **In particular, we are seeing increased presence of insurers in Bermuda under a more centralised operating model to better support the HNW client and referral source.**
>
> Hazel Etherington-Squires
> *Head of Life and Health Underwriting, Claims and HNW for Hong Kong, Taiwan and APAC ex-China*
> **Swiss Re**



"Every step of the customer and distributor journey matters because of the high expectations of the client and the intense competition of this market," he said.

According to Au, many HNW families in Hong Kong are second- or third-generation wealth holders focused on preserving wealth and planning for future generations. In mainland China, by contrast, many wealthy clients remain first-generation entrepreneurs, making succession planning and preparing heirs to manage family wealth a greater priority.

HNW clients go global

Asia's HNW clients are also becoming more globally dispersed, reshaping their insurance decisions. Sujoy Ghosh, the newly appointed CEO of Sun Life Private Wealth, said affluent families often hold assets, run businesses and maintain residences across several countries, while their beneficiaries may live elsewhere. This can lead them to purchase insurance outside their home markets, depending on their protection, savings and succession-planning objectives.

"Clients have become very global in nature," he said. "They are looking for the best solutions that we can provide, irrespective of which jurisdiction it comes from."

In response, insurers are adopting more integrated cross-border operating models. "Many insurers and brokers are expanding into new locations," said Hazel Etherington-Squires, head of life and health underwriting, claims and HNW for Hong Kong, Taiwan and APAC ex-China at Swiss Re. "In particular, we are seeing increased presence of insurers in Bermuda under a more centralised operating model to better support the HNW client and referral source."

The recent platforms developed by Sun Life, FWD and AXA are examples of this broader shift towards multi-jurisdiction HNW operations. AXA's model, for instance, assigns distinct roles to its Hong Kong and Bermuda licences. “The Hong Kong licence taps the onshore wealth, while the Bermuda licence captures the offshore wealth when customers fly out from their home countries,” said Sally Wan, CEO of AXA Greater China and AXA Global Private.

Larger cases, greater risks

The market's growth presents significant opportunities for insurers, but the race for larger and more complex policies is also resulting in new challenges.

Jateen Vaghela, an independent actuarial consultant, said one area of concern is the evolution of premium financing, which allows clients to fund only part of a policy's premium upfront while borrowing the remainder.

> **Insurance is a unique business where the more you sell, the greater risks you take. It’s not always a good thing.**
>
> Jateen Vaghela
> *Independent Actuarial Consultant*
> **Black Ink Partners**



This issue came under greater regulatory scrutiny recently after Manulife withdrew a leverage feature from a Hong Kong life policy targeting HNW clients. Bloomberg reported that the offering allowed customers to purchase a US$80m policy using nearly four times leverage while projecting returns exceeding 10%.

Such arrangements have traditionally relied on loans from banks. More recently, however, some insurers have begun using policy loans—originally intended to provide liquidity to existing policyholders—to help finance new policy purchases, potentially shifting more financing risk onto insurers' own balance sheets.

"Using internal policy loans as a replacement for external bank premium financing is highly creative, but it steps outside the bounds of traditional insurance business," he said.

Insurers also face long-term guarantee exposures. Participating products, for example, combine life insurance with savings and investment features, making long-term investment performance critical to meeting policyholder expectations.

Vaghela warned that while insurers may benefit immediately from strong sales, the financial cost of guarantees may not emerge until decades later.

“Insurance is a unique business where the more you sell, the greater risks you take,” he said. “It’s not always a good thing.”

Still, the size and growth of the HNW segment continue to attract insurers. In Hong Kong, direct new business premiums from participating products rose 53.7% year-on-year to HK$125.65bn (US$16.02bn) in the first quarter of 2026, accounting for the majority of new life insurance sales, according to Insurance Authority data.

In the same quarter, HSBC Life recorded the highest average premium per policy among Hong Kong's five largest writers of direct individual new business, at approximately HK$1.27m. FWD Life (Bermuda) followed at HK$869,796, while BOC Life averaged HK$703,316.

With more and more insurers pursuing the same pool of wealthy clients, the pressure to stand out is rising. “There’s no secret, everybody is eyeing this segment," Wan said.

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FEATURE

APAC insurers take 'wait and watch' approach to prediction markets

Insurers see prediction markets as a source of data and a possible hedging tool rather than a rival, but regulation, settlement and data integrity remain obstacles in APAC.

By Joanne Madrid



APAC insurers are watching prediction markets for possible uses in weather-risk assessment and narrowly defined hedges, but they are not yet treating them as established insurance or reinsurance tools. The evidence so far suggests the platforms are some way from becoming a competitive threat.

"The [APAC] industry is in a cautious wait-and-watch mode," said Sankarshan Basu, Vice President – Operations/Finance of the Asia Pacific Risk and Insurance Association (APRIA). "They are yet to treat these markets as standard insurance or reinsurance tools."

Prediction markets allow users to trade binary contracts on a specified future event. A "Yes" contract priced at 65 cents implies a roughly 65% market probability; it pays US$1 if the event occurs and nothing if it does not.

Growth has been explosive. Combined monthly volume on the two largest platforms, Kalshi and Polymarket, rose from under US$5bn in September 2025 to about US$24bn in April 2026, according to Pew Research Center, and regulators are now scrutinising their push into stock and corporate-event contracts. But sports, politics and crypto make up around 90% of that volume. Weather and catastrophe contracts remain a rounding error.

For insurers, the nearer-term relevance lies in two possible supplementary roles: as a real-time market signal alongside existing models, or as a parametric-style hedge for a narrow and objectively measurable exposure.

In a region heavily exposed to typhoons, floods, droughts and extreme rainfall, and where only 14% of disaster losses are insured, such contracts could

become relevant over time, according to Patrick Brown, Head of Climate Analytics at Interactive Brokers, whose firm designs weather contracts for risk transfer.

“The Northwest Pacific is the most active tropical cyclone basin, and by most measures the gap between economic and insured losses is wider in Asia than almost anywhere else,” he said. “This indicates that parametric-style event contracts might be particularly applicable in the region and represents an opportunity there.”

The strongest applications, according to Basu, are risks combining low frequency and high severity, rapidly changing information and objectively measurable triggers: typhoon, cyclone, flood, drought and extreme-rainfall risks, and supply-chain disruption linked to geopolitics.

Competitor or customer?

Whether that amounts to a threat depends on the time horizon.

In narrow niches, event contracts are already undercutting insurers. In February, Kalshi and broker Game Point Capital launched a programme allowing NBA teams to hedge performance-bonus payouts at a cost of around 6%, against the 12-13% typically charged by traditional providers. Kalshi also lists hurricane landfall contracts by US city and storm category, marketed to homeowners as an alternative to insurance.

Brown said the contracts could "certainly compete with some existing insurance products", particularly parametric covers for narrow weather and catastrophe exposures. Their standardised, exchange-traded structure allows buyers to adjust a position quickly, cutting overhead compared with bespoke cover.

> **The insurance industry itself seeks to lay off a substantial amount of risk, so we see the industry not as a competitor overall but rather as a potential user of the contracts.**
>
> Patrick Brown
> *Head of Climate Analytics*
> **Interactive Brokers**



> **The [APAC] industry is in a cautious wait-and-watch mode. They are yet to treat [prediction markets] as standard insurance or reinsurance tools.**
>
> Sankarshan Basu
> *Vice President - Operations/ Finance*
> **Asia Pacific Risk and Insurance Association (APRIA)**



But he sees the industry as a buyer rather than a rival. "The insurance industry itself seeks to lay off a substantial amount of risk, so we see the industry not as a competitor overall but rather as a potential user of the contracts," he said.

The structural limits are significant. A prediction market pays whoever holds the winning position, whether or not they suffered a loss; insurance pays an indemnified loss. And a contract's capacity is only as deep as its speculators on a given day, whereas reinsurance commits capital for the full cover period.

That is why Basu called the comparison with insurance-linked securities (ILS) "useful, but incomplete". ILS transfers catastrophe risk and locks up capital against it; prediction markets discover and trade probabilities. A traded contract can hedge a defined exposure, but it provides no committed loss-absorbing capital and earns no capital-relief recognition from regulators.

"It will not be a 'prediction markets versus ILS', but a scenario where prediction markets supply information to make ILS and catastrophe underwriting more efficient," he said.

Bans and broken payouts

Two barriers keep even that role at arm's length in APAC: regulation and settlement. For starters, event contracts fall into very different legal categories across the region.

Singapore blocked Polymarket in December 2024 as an unlicensed gambling service, and in April its Gambling Regulatory Authority warned that circumventing the block is an offence carrying fines of up to S$10,000 (US$7,816) or six months' jail, after a surge in bets on Singapore's daily temperature. Australia's ASIC warns that no prediction market operator is licensed to run a financial market in Australia and that users are "more likely to lose money than make money". In Hong Kong, the Home and Youth Affairs Bureau has said

sports betting on prediction markets is illegal, while the Securities and Futures Commission has said some event contracts may count as financial products.

In the US, by contrast, Kalshi, ForecastEx and Polymarket's US arm operate under Commodity Futures Trading Commission oversight. “What would need to change is likely regulatory recognition first, then enough liquidity and data for risk managers to become sufficiently familiar and comfortable with prediction markets to engage at scale,” Brown said.

Settlement is the other problem. Kalshi ran a market on whether Ayatollah Ali Khamenei would cease to be Iran's Supreme Leader. But when US-Israeli strikes killed him in February, Kalshi said its rules did not count death as leaving office. It paid "Yes" holders 9 cents a contract, the price just before the strikes, rather than US$1. Kalshi refunded fees and covered any net losses, but traders lost the winnings they expected on a market that drew around US$54m in trading. It now faces a class action.

> **What would need to change is likely regulatory recognition first, then enough liquidity and data for risk managers to become sufficiently familiar and comfortable with prediction markets to engage at scale.**
>
> Patrick Brown
> *Head of Climate Analytics*
> **Interactive Brokers**

The platforms also do not always agree on what happened. On 8 February, Cardi B danced and mouthed words during Bad Bunny's Super Bowl half-time show, and Kalshi and Polymarket reached different answers on whether she had "performed". Kalshi judged the outcome unclear. It paid "Yes" holders 26 cents and "No" holders 74 cents a contract, the last traded price before it paused the market. Polymarket ruled that she had performed and paid "Yes" holders the full US$1.

Data integrity is a further concern: France’s national weather agency, Météo-France, has asked police and prosecutors to investigate two unusual temperature readings at Paris Charles de Gaulle airport in April that coincided with successful Polymarket bets on Paris temperatures.

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> *Vice President - Operations/Finance*
> **Asia Pacific Risk and Insurance Association (APRIA)**

For an insurer, a hedge that can be settled at the discretion of an exchange committee or an anonymous token vote carries a basis risk no catastrophe model captures. Thin liquidity compounds it; Brown noted that liquidity "has to be built" by pairing natural hedgers with risk-premium seekers. Meanwhile, wildfire and conflict markets add moral hazard and reputational objections.

The likelier near-term path is experimentation: insurers using event-market data to supplement catastrophe models while selectively considering contracts for specific exposures, Basu said. "I believe it will happen," he added. "The question is when."

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