

# Lloyd's Market Review

Q1 2026

**As 2026 unfolds, the Lloyd's of London market approaches the year with cautious optimism, mindful of a complex and evolving risk environment.**

The 1 January renewals (1/1) offer an early market view, acting as a barometer for market sentiment and cycle position.

Here, the industry gets its first real glimpse of how it will navigate shifting pricing, heightened global volatility, and the relentless pace of technological change. These early developments set the stage for the market outlook and capital strategies that will define the months ahead.

Beyond the initial renewal season, the London Market Group's ("LMG") latest report, released 5 February 2026, provides a timely pulse check on the market's resilience and the hurdles it faces. Consistent with earlier messaging, capacity pricing remains robust, but as competition increases, the

market's success hinges on underwriters' ability to maintain discipline.

At the same time, Lloyd's is evolving: the report reveals a growing demand for alternative capital, particularly as emerging risks like AI and energy infrastructure grow exponentially.

To stay ahead, the sector must not only adapt but innovate, developing new solutions to attract capital in a controlled fashion and meet these emerging risk profiles.

With Q1 well underway, we consider what these most recent events may mean for the year ahead and indeed, the ones that follow.

## Understanding the renewal cycle

For context, the 1 January renewals are the primary annual period for global reinsurance contracts, particularly in catastrophe and specialty lines. During this time, major insurers (and reinsurers) negotiate coverage with their own reinsurers.

This event is a main indicator of market pricing and terms for the year, impacting business lines across the Lloyd's market, including property, casualty, and cyber insurance.

Key renewal dates are spread throughout the year. European and some large US contracts renew in January. US businesses, especially smaller and regional insurers, have major renewals in May, June, and July. Australian and New Zealand contracts are typically reviewed at the end of June, while most Japanese contracts renew on 1 April. The January renewals are especially important and often set the tone for subsequent renewal discussions.

Date	Key Market
January	European, some US business
April	Japan
May June July	Majority US business
June July	Australia, New Zealand

The 2026 January renewals marked a turning point. After seven years of price increases, reinsurance pricing declined across property, casualty, and specialty lines, with reductions generally in the single to low double-digit range, which was worse than most had hoped for.

2023 altered contract structures and attachment points, and Lloyd’s of London’s emphasis on underwriting discipline has improved coverage and pricing management. These terms have largely remained in place, protecting participants from the volatility of previous down cycles.

Pricing has returned to levels last seen four years ago, driven by surplus capital, strong reinsurer balance sheets, and increased inflows of alternative capital.

It is worth pointing out that lower reinsurance rates are not necessarily a bad thing across the market. Whilst reinsurance provides a third of the Gross Written Premium (GWP) at Lloyd’s (as of FY2024), lower rates help primary insurers as well as reinsurers looking for cover.

We believe that this market cycle differs from previous softening markets. The significant reset in

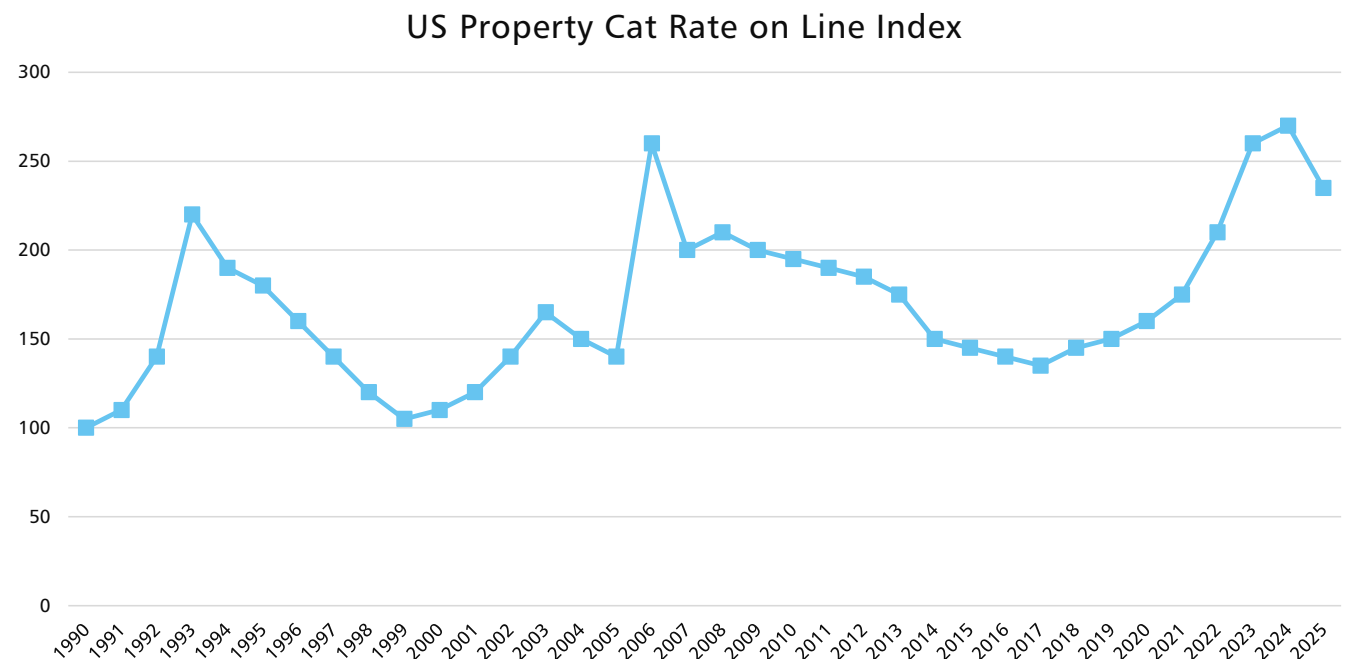
### The reinsurance market

All major reinsurance brokers have released renewal reports early in the new year, and their messages were consistent. Demand for reinsurance companies’ products increased, but appetite to supply reinsurance by the reinsurers increased more rapidly.

The absence of major loss in the second half of 2025 has boosted profitability for the year, in turn allowing retained profit to be deployed as additional capital. Unusually for such a strong run in reinsurance, the market has seen very little in the way of new capital formation.

The following chart, based on data from Guy Carpenter, illustrates the rate on line over time. The rate on line is a very simple metric: dividing the reinsurance policy premium by the policy limit to create an index. This indicates whether insurance prices are increasing or decreasing in the market and serves as a hint at possible performance.

**Figure 1:**  
US Property Cat Rate on Line Index (Guy Carpenter, January 2026)



Although the rate on line declined in the latest renewals, the data highlights the rapid market improvement in 2023 and subsequent adjustments. Despite recent reductions, the index remains above 2022 levels, showing a good rate adequacy and healthy income potential for the year ahead.

## Catastrophe experience and loss trends

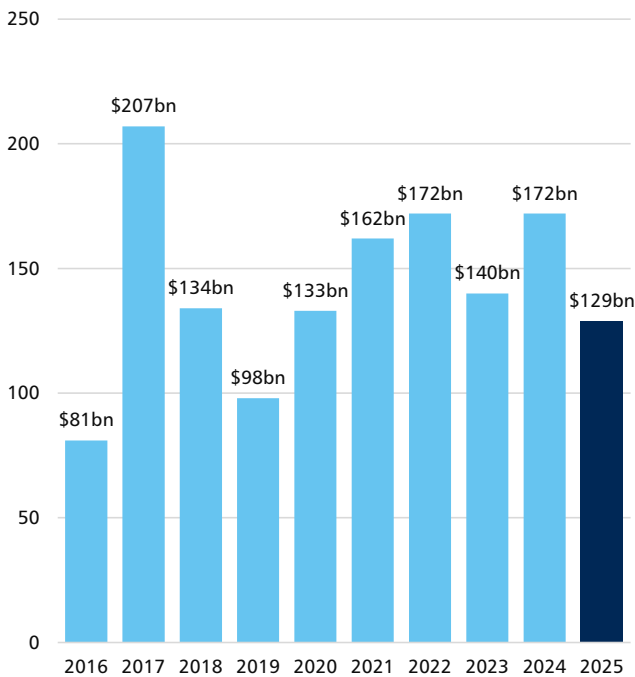
Although it is too early to draw final conclusions for the 2025 underwriting year (as policies remain on risk further into 2026), early indicators are positive. Syndicates report combined ratios<sup>1</sup> for reinsurance in the low seventies, suggesting profit margins near 30p per £1 of premium.

While 2025 was not a year without catastrophic events, for the first time since 2015, there was no landfalling US hurricane. The most notable

events were the California wildfires in greater Los Angeles in January, with the majority of losses falling on 2024 policies, and ongoing severe convective storms (SCS) in the US Midwest.

Swiss Re estimates total insurance losses from natural catastrophes at \$107 billion, a 24% decrease from 2024. This marks the sixth consecutive year of losses above \$100 billion, a level that was once considered exceptional.

**Figure 2:**  
Global insured losses from natural disasters from 2016 onwards (in 2025 \$bn)



Source: Gallagher Re

**Figure 3:**  
2025 global insured losses by peril along with losses averaged over the last 10 years (\$bn)

Global insured losses (\$bn)			
Peril	10-year average	2025	Multiple of average
<i>Primary</i>			
Tropical cyclone	44	6	0.1x
Earthquake	4	3	0.8x
All primary	48	9	0.2x
<i>Secondary</i>			
SCS	45	60	1.3x
Wildfires	9	42	4.7x
Floods	16	7	0.4x
Drought	7	5	0.7x
Winter weather	7	3	0.4x
EU windstorm	3	2	0.7x
Other	0	0	n/a
All secondary	87	119	1.4x

The California wildfires serve as an indicator of continued volatility, even in years when broader event behaviour appears below average and hurricane activity remains above average.

<sup>1</sup>A combined ratio is a key indicator of an insurance company's profitability. It expresses the outgoings of the business (claims and expenses) as a proportion of its premium. At 100%, an insurer's underwriting operation is breaking even, and at 90% it has a profit margin of 10% for every pound of premium income. Insurance companies, and Lloyd's syndicates, also exploit the timing difference between receiving premiums and paying claims to generate investment income. In some classes of business, this difference can be several years, so depending on the investment returns, an insurer can be profitable even when the combined ratio is close to, or above, 100%.

Gallagher Re reports that SCS events across 2023, 2024, and 2025 cost global insurers a combined \$208bn, underscoring the growing impact of this peril. Even without a single major event in those years, the increased frequency of storms and the rising number of rapidly intensifying hurricanes continue to warrant caution.

Despite these pressures, current pricing conditions mean the reinsurance market is supported by a significant amount of available capital, which provides stability across the sector. This vast ecosystem, comprising traditional reinsurers,

Lloyd's syndicates, catastrophe bonds, and insurance linked securities (ILS), represents around US\$500bn in annual premiums, with each segment behaving differently.

Catastrophe bond and ILS markets tend to operate at higher attachment points, the monetary value or frequency of loss from which the reinsurance cover kicks in, than most Lloyd's reinsurance syndicates, and only respond to losses exceeding US\$75bn, a threshold not reached in recent years, resulting in consistent profits but also some pricing pressure due to capital inflows.

## Outlook for 2026

Andrew Colcomb, Head of Syndicate Research  
*Argenta Private Capital*



While brokers can publish market reports within a few hours of the end of the year, syndicates and reinsurers need time to analyse and report on their renewal books.

We are moving into the reporting season, so any listed business needs to take care over any data that it puts into the public domain.

Underwriters have expressed disappointment that price reductions have exceeded plan expectations but are encouraged by the continued strength of terms and conditions, supported by improvements in cedant policies<sup>2</sup>. The market remains robust, though rating levels are below plan, margins are under pressure, and syndicates risk missing business plan targets, which may affect their standing with Lloyd's performance management teams.

We expect further information as syndicates and listed companies release annual statements. Those interested in deeper insights may wish to review presentations from [Hannover Re](#) and [Munich Re](#) on 5 February and 26 February, respectively.

While only a few syndicates write reinsurance, many more purchase it. Easing prices, broader coverage options, and the return of aggregate cover help syndicates balance their books and mitigate rising capital requirements in the coming months.

Returns on capital at Lloyd's have been in excess of 20% since 2023. Insurance remains a cyclical business, with strong results attracting fresh competition. No line of business is immune to this, and we are hearing reports of weakening rates across most lines of business.

Competitiveness manifests in many ways; new business can be hard to come by, and the mere threat of competition on renewals can force underwriters into price cuts.

At present, there is very limited evidence of a weakening in policy terms and conditions beyond price. Business plans for 2026, which needed to pass the "logical, realistic and achievable" test to gain approval from Lloyd's, reflected underwriters' expectations of more competition. It remains early in the year, and although the market will respond to any emerging events, especially natural disasters, conditions are so far developing as anticipated.

<sup>2</sup>An insurance policy that an insurer transfers (or "cedes") to a reinsurer in order to share risk and reduce its own exposure.



Although declining rates and, with them, reduced margins are always disappointing, they are a fact of life in a cyclical market. Given the usual pattern of cycles, with short-lived but often sharp increases in pricing followed by longer-lived but more gentle reductions, underwriters spend far more of their careers in softening markets than in the more rarified and exciting hard markets.

## The London market in the global landscape

Despite a shifting market, the London Market Group's most recent release further solidifies its position as a global leader and a significant player in the UK. It now contributes £61bn to UK GDP and 37% of "City" GDP, up from £49bn in 2020.

On the flip side, smaller, scrappier markets have seen more rapid growth trajectories than the London market, and focus must be applied to maintain this position as market leader.

The LMG shares that focus needs to remain on its more traditional risks while innovating to capture emerging and harder-to-cover risks, such as renewable energy infrastructure, AI, and intangible assets.

To facilitate this coverage, the London market requires access to new and broader sources of capital, aided largely by increased awareness and appetite for Lloyd's of London as an investment, and by the maturity of London Bridge 2 as an avenue for larger-scale, alternative capital.

Chris Lay, Chair of the London Market Group, said, "The London Market was not present in the alternative capital space prior to 2022. While the UK ILS regime has stalled, the success of London Bridge 2 has demonstrated that London can efficiently connect investors to diversified risks."

Capital from private individuals also remains highly sought after, with this capital source often referred to as "sticky", non-intrusive and preferable for underwriting businesses.

## Looking ahead

Throughout these challenges, the Lloyd's market continues to demonstrate resilience and opportunity. Disciplined underwriting and a solid foundation have helped weather softening rates and rising competition, maintaining a sense of stability that is appealing to investors looking for low-correlated, tax-efficient returns.

Looking ahead, the market's continued success will depend on its ability to innovate in the face of emerging risks, and to reserve prudently for years in which we see less favourable points the insurance cycle.

By leveraging technological advancements and continuing to broaden access routes for alternative capital in the market, Lloyd's is well-positioned to deliver sustainable long-term value and remain at the forefront of the global insurance industry. For investors, this represents a compelling opportunity to engage with a dynamic and ever-evolving marketplace.

**Whether you're an existing Lloyd's investor or exploring new investment opportunities, our team is here to help.**

Find out more: [Contact.Us@argentagroup.com](mailto:Contact.Us@argentagroup.com)



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