

2026 Atlantic Hurricane Season.

Quiet, but not risk free



Executive Summary

The Atlantic hurricane season in 2026 has up to now been quiet, but it would be a mistake to take that as indicating a lower level of risk. Even though there has been little activity in the basin, historical evidence shows that one serious event still has the potential to cause a material effect on insurers, reinsurers and investors too. Indeed, in this respect the present season should be seen not as a source of reassurance but as a reminder of the need for discipline, preparedness and adequate pricing.

This year's benign start comes against a backdrop of shifting climate patterns, evolving loss dynamics and continued growth in market capacity. At the same time, the nature of hurricane risk itself is changing, with flooding, rapid intensification and wider economic disruption now playing an increasingly important role alongside traditional wind exposure.

These developments reinforce the need for a clear understanding of the full risk picture, particularly for Lloyd's syndicates and other insurance market participants with exposure to catastrophe-prone classes.

The same message is kept for investors: although good underwriting performance in less busy years may improve results in the short term, the long-term outcomes will rely on careful risk selection, on building a strong portfolio and on maintaining a firm pricing strategy throughout the cycle. A tranquil period may allow for some optimism, but it should not lead to a relaxation of underwriting standards or cause the underlying volatility of the market to be ignored.

We hope that this report gives useful background on the way the 2026 hurricane season might affect market dynamics, portfolio performance and future pricing behaviour throughout Lloyd's and the wider insurance-linked securities sector.

Argenta Private Capital Limited (APCL) would like to express our thanks to Gallagher Re, Artemis, and Argenta Syndicate 2121 & 6134 for their input into our analysis.

August 2026



The 2026 Atlantic hurricane season: Quiet, but not risk-free

The 2026 Atlantic hurricane season has begun with notably subdued activity relative to recent years. To date, only three named storms, Tropical Storms, Arthur, Bertha, and Cristobal have formed. While both did make landfall in the US, they did not translate to widespread material impact. As a result, through early August, the basin has not experienced the early succession of storms that typically heightens risk awareness across the Caribbean, Gulf of Mexico, and U.S. East Coast.

This quieter start aligns with pre-season forecasts. The National Oceanic and Atmospheric Administration (NOAA) anticipated a below-normal year¹, a view reinforced by other institutions. Colorado State University (CSU) recently revised its July outlook to nine named storms for the June to November period, four fewer than recorded in 2025².

Meteorological conditions have been the primary driver. A strengthening El Niño has created an unfavourable environment for cyclone development, reducing atmospheric instability and limiting storm organisation³. El Niño refers to the periodic warming of sea surface temperatures, usually centered in the central and eastern equatorial Pacific. This results in warmer than average weather in the tropical eastern Pacific. La Niña describes the opposite phase, with cooler than average sea surface temperatures in the equatorial Pacific and cooler, drier weather in the tropical eastern Pacific. Both El Niño and La Niña affect global weather patterns, including Atlantic storm activity.

As **Steve Bowen**, Chief Science Officer at **Gallagher Re**, notes: “All signs are pointing to the 2026 Atlantic hurricane season being one of the quietest in a very long time... with the possibility that the current El Niño may become one of the strongest on record in the modern era.”

This dynamic is already visible across the basin. “Wind shear values are elevated, sea surface temperatures [...] are cooler than normal, and there is a substantial amount of Saharan dust in the atmosphere,” Bowen adds. While July is typically a quieter phase of the season from a hurricane or major hurricane perspective ahead of the peak months from August to October, the current lull is particularly pronounced, with minimal activity expected in the near term.

However, a quiet start does not equate to a risk-free year. As Bowen cautions: “Lower activity does not mean zero risk. The old adage that ‘it only takes one’ exists for a reason.” Historical precedent supports this view. Hurricane Andrew in 1992 remains a clear example of a single high-impact event occurring within an otherwise quiet season.

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Steve Bowen,
Chief Science Officer at Gallagher Re

Shifting loss environment

Beyond hurricanes, the broader natural catastrophe environment has also been relatively benign. Gallagher Re reports first-half insured losses approximately 40–45% below the historical average for this point in the year⁴.

Yet the definition of a “quiet year” has evolved. Mid-sized catastrophe events (typically generating losses in the \$500 million to \$1 billion range) are becoming more frequent. While less visible than major disasters, their cumulative impact is significant. As Bowen observes: “A quiet year now still results in approximately \$100 billion of insured losses. Before 2017, a \$100 billion annual insured loss year was considered an upper end outlier.”

This reflects structural shifts across the industry, including improved modelling, increased data availability, and lessons from recent systemic events. While these advances have reduced uncertainty, they have not eliminated it.

At the same time, storm dynamics are evolving. The proportion of storms undergoing rapid intensification⁵ is increasing as global sea surface temperatures rise. Bowen describes additional oceanic heat as “heat-octane jet fuel” for cyclones, enabling faster strengthening and increasing severity risk, particularly in the Caribbean. While Gulf of Mexico temperatures are lower than last year, they remain above average.

Looking ahead, the strength of the current El Niño raises questions around future seasonality. Historically, strong El Niño

phases are often followed by a transition to La Niña conditions. Bowen says that “it is entirely plausible” that the current cycle could shift toward La Niña by 2027, potentially resulting in an above average, and subsequently active season.

From quiet conditions to market dynamics

Despite the recent benign loss environment, the expansion of reinsurance capital is a longer-term trend. Market capacity remains strong, with Bowen noting that “overall, the market has never been healthier.”

In this context, a single large loss event, potentially even exceeding \$100 billion, would likely have only a moderate level of impact on the trajectory of global reinsurance renewal pricing. A more meaningful shift would require a sequence of large-scale events that materially exceed expected loss levels.

At the same time, underlying exposure continues to grow. Socioeconomic factors such as inflation, population growth, and asset concentration are increasing the potential severity of loss events. This means that even as pricing softens, the potential for outsized losses continues to rise.

For insurers and reinsurers, this creates a familiar tension: a quieter loss environment supports profitability in the short term but can also lead to increased competition and downward pressure on pricing.

¹ NOAA predicts below-normal 2026 Atlantic hurricane season | National Oceanic and Atmospheric Administration
² <https://tropical.colostate.edu/Forecast/2026-07.pdf>
³ Steve Bowen, Chief Science Officer at Gallagher Re, July 2026

⁴ Gallagher Re H1 Results, July 2026
⁵ Whereby a tropical cyclone intensifies significantly (at least 35mph) in a 24-hour period: [nhc.noaa.gov/aboutgloss.shtml](https://www.nhc.noaa.gov/aboutgloss.shtml)



A NOAA satellite view of a massive Hurricane Erin churning off the U.S. East Coast taken August 20, 2025. (Image credit: NOAA Satellites)

Implications for Lloyd's syndicates

For Lloyd's syndicates, a benign hurricane season may support near-term underwriting performance, but it does not change the underlying risk environment. The key challenge remains maintaining pricing discipline through the cycle.

As **Ian Burford**, Director of Underwriting at **Argenta Syndicate Management Ltd**, and Active Underwriter for **Syndicates 2121** and **6134**, highlights, hurricane risk itself is evolving. While wind damage has traditionally been the primary concern, recent events such as Hurricanes Helene and Milton have demonstrated that flooding can drive equal or greater losses.

This shift is creating complexity across underwriting and claims. Historically, U.S. homeowners' policies have excluded flood, with storm surge often treated separately from hurricane risk. Increasing regulatory scrutiny and changing claims interpretations are now pushing toward broader recognition of water-related losses.

There is no consistent industry approach to this evolving risk. As a result, insurers are developing their own views, leading to greater divergence in catastrophe modelling and pricing. As Burford explains, this places "increased emphasis on understanding flood exposure, testing model assumptions, and ensuring pricing reflects the full spectrum of hurricane-related losses rather than focusing solely on wind."

In a softer market, the risk is that short-term profitability leads to reduced discipline. However, the fundamental catastrophe exposure remains unchanged. For syndicates, long-term performance will continue to depend on disciplined underwriting, effective exposure management, and maintaining pricing adequacy regardless of recent loss experience.

The role of capital and third-party investors at Lloyd's

Pricing dynamics are ultimately driven by the availability of capital rather than its source. Whether capital comes from traditional reinsurers, retained earnings, or third-party investors, increased capacity places downward pressure on rates.

A benign catastrophe environment can itself generate additional capital through retained profits, further increasing competition. Third-party capital is therefore one component of a broader capital base influencing pricing.

For investors, this creates a trade-off. Strong returns in quieter years may be followed by more challenging conditions if pricing weakens. This reinforces the importance of diversification across syndicates and strategies, rather than reliance on a single segment of the market.

What does a 'normal' vs 'extreme' hurricane year look like financially?

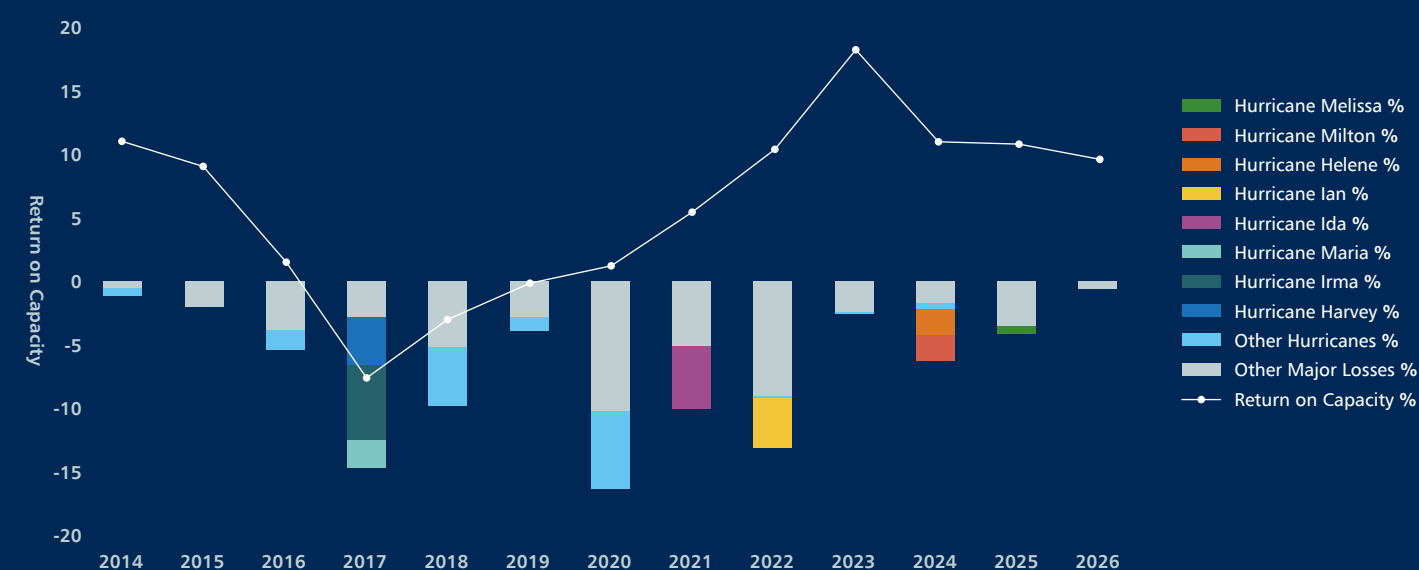
To put this risk into financial context, we have compared historical hurricane losses with overall profitability across a controlled group of Lloyd's syndicates.

The analysis (figure 1) shows that while individual hurricane events can create meaningful loss burdens, the impact on annual performance varies depending on the scale of the event, the wider

underwriting environment and the strength of non-hurricane results.

This helps illustrate why catastrophe exposure cannot be assessed in isolation: a quiet or active hurricane year is important, but syndicate outcomes ultimately depend on how that exposure sits within the broader portfolio and pricing cycle.

Figure 1: Hurricane Losses vs Profit as a percentage of capacity



Source: APCL Research (2026). Analysis of major loss events across a controlled group of Lloyd's syndicates. Hurricane losses are shown both in aggregate and by individual event as a percentage of capacity, alongside return on capacity (%) for the same syndicate group. For each event, the reporting period has been selected to maximise syndicate coverage and comparability.

Lloyd's and ILS: complementary exposures

Developments in the hurricane season also have direct implications for insurance-linked securities (ILS). While both Lloyd's syndicates and ILS markets are exposed to hurricane risk, their positions in the risk stack differ.

As **Steve Evans**, Editor-in-Chief and CEO of **Artemis**, explains, traditional reinsurers and Lloyd's syndicates typically sit closer to the underlying risk, while catastrophe bonds tend to attach higher in the reinsurance structure and are exposed to more remote, high-severity losses. Private ILS strategies can sit lower in the structure, sometimes overlapping more closely with traditional reinsurance.

This distinction shapes how each segment responds to a quiet season. For ILS, the key driver is typically not seasonal activity but whether a major event occurs. These instruments are in general designed to absorb low-frequency, high-severity losses, meaning pricing and investor returns remain highly event-driven.

Evans highlights a potential longer-term concern: "The real question... is what will happen in the coming couple of years if we don't have any major events that draw capital away from the reinsurance industry." A prolonged benign period could sustain elevated capital levels and continued pricing pressure, echoing conditions seen in the 2016–17 soft market.

From an investor perspective, Lloyd's and ILS can be viewed as complementary: "you obtain a different risk and return profile from the two; with Lloyd's you are often getting more of a ground-up investment, whereas ILS gives access to peak exposure returns and risks," says Evans. Both offer diversification benefits, albeit through different mechanisms.

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The new climate reality: interconnected risks

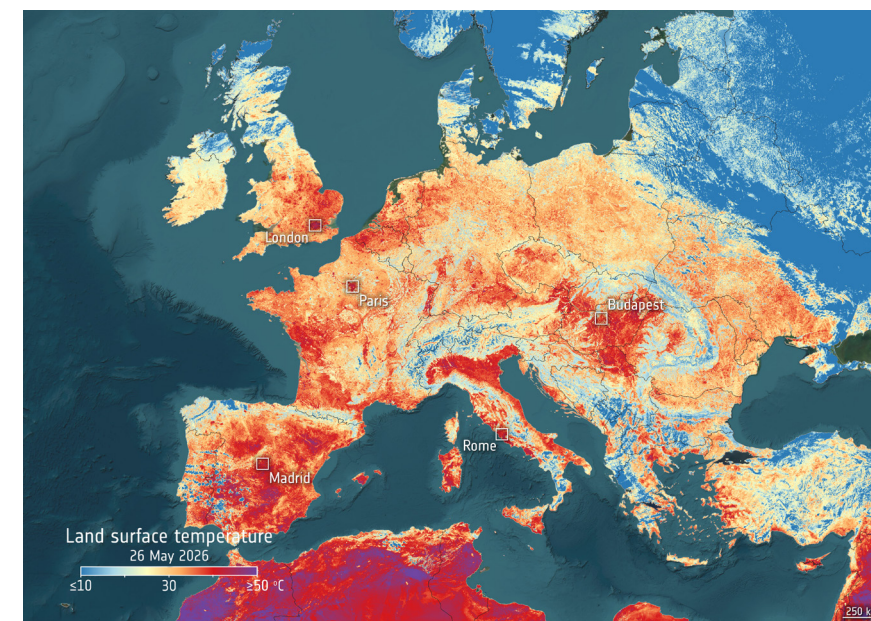
Hurricane activity sits within a broader and increasingly interconnected natural catastrophe landscape.

Extreme heat is emerging as a significant risk factor, with record temperatures across the U.S. and Europe this summer. While historically underrepresented in insured losses, its impacts are becoming more visible. One example is land subsidence in clay-rich regions, where prolonged heat can cause ground contraction and structural damage. In France, subsidence was a key driver of multi-billion-dollar losses in 2023.⁶

At the same time, wildfire activity is increasing across Europe, Canada, and parts of the U.S., while stronger monsoonal patterns are elevating flood risk across parts of Asia.

Beyond physical damage, extreme heat also has broader economic implications, including reduced labour productivity, increased energy demand, infrastructure strain, and risks to agricultural output. In regions such as Africa and India, this can translate into lower crop yields and upward pressure on food prices.⁷

These dynamics highlight a key shift: catastrophe risks are no longer isolated by peril. Impacts can cascade across property, infrastructure, agriculture, and economic systems, reinforcing the need for a more integrated view of risk.



©ESA; contains modified Copernicus Sentinel data (2026), processed by ESA

⁶ France €30m clay subsidence scheme helped only 19 homes in six months
⁷ Steve Bowen, Chief Science Officer at Gallagher Re, July 2026

Understanding hurricane exposure in a Lloyd's portfolio

Hurricanes are multi-sector events with impacts that extend well beyond coastal property. As **Andrew Colcomb**, Head of Syndicate Research at **Argenta Private Capital**, says, they disrupt energy infrastructure, marine transport, port operations, and aviation, often before making landfall and impacting property. Reinsurance underpins many of these exposures, meaning most generalist syndicates are affected to some degree.

Given the obvious risk of ruin from an extreme event, it is worth asking why insurers would want to offer cover on a such a peril. First is demand: cover is often required, particularly where lenders mandate insurance for mortgaged properties. As Colcomb explains, "people don't buy more insurance because it's cheap, they buy it because they need it."

Second, hurricane risk is relatively short-tail. Losses, or the absence of them, become apparent quickly, allowing profits to be realised within a shorter timeframe compared to long-tail lines.

Third, there are barriers to entry. Effective participation requires significant claims-handling capability and operational infrastructure, particularly in responding to large-scale events. The structure and reputation of Lloyd's of London also offer capital efficiencies and scale for underwriting complex, large risks that other markets may struggle to absorb. As a result, many syndicates continue to participate in this class and meet clear market demand, regardless of the prevailing pricing environment.

Insurers manage hurricane risk through selective underwriting and reinsurance purchasing. Reinsurance plays a dual role, providing both risk transfer and capital efficiency, enabling insurers to adjust their risk appetite while limiting downside exposure.

Figure 2: Different loss scenarios; comparison of return on capacity with an illustrative as-if return



Source: APCL Research (2026). Extreme seasons are identified over the selected calibration period, with actual hurricane losses replaced by the average loss burden of active but non-extreme seasons. The resulting reduction in hurricane losses is assumed to improve Profit to Ultimate on a one-for-one basis, while all other variables, including capacity, non-hurricane underwriting results, expenses and investment returns, remain unchanged. This analysis is intended as an illustrative sensitivity rather than a full reforecast.

Ultimately, the objective is not to eliminate catastrophe risk but to control it. As past periods such as 2013–2016 demonstrated, extended benign conditions can flatter underwriting performance and mask underlying pricing inadequacy. When losses return, those weaknesses tend to be exposed quickly.

Managing catastrophe exposure is therefore critical. "If current conditions continue, 2027 portfolio planning should be cautious, particularly around property reinsurance exposures, where losses can aggregate across syndicates and geographies. The opportunity is still there, but it has to be matched to a clear view of risk appetite," explains Colcomb. Portfolios can be structured to limit concentration in 2027, as seen in diversified strategies such as Argenta's managed portfolio, ALPs, which includes nine syndicates with varying exposure profiles across specialty

lines. Some have lower natural catastrophe exposure and write other risks instead, while others focus more heavily on liability or niche sectors such as tech-enabled mobility and sharing economy risks.

Hurricanes remain a central driver of pricing cycles and investor outcomes in the Lloyd's market. Colcomb made an important point on this dynamic: when a major event occurs, clients often say, "I hope my syndicate is not involved," when in fact the opposite may be true. He noted that "if it's a true leader in that class, it should be there and leading the fight back to rebuild and leading the opportunity."

Hurricane risk forms a core component of the Lloyd's market and influences a broad range of classes. Leading syndicates have expertise, discipline and balance sheet strength to assess, price and absorb these risks across their book.



Conclusion

The 2026 Atlantic hurricane season may have started quietly, but it remains far from risk-free. Beneath the benign headline lies a market still shaped by climate volatility, changing loss patterns, and a pricing cycle that can turn quickly when a meaningful event occurs.

For Lloyd's syndicates, the message is clear: disciplined underwriting, careful exposure management and consistent pricing through the cycle remain essential. A calm season can support short-term results, but it should not distract from the long-term reality that hurricane risk is evolving, losses are becoming more interconnected, and the market's reaction to a major event will depend on how well risks have been priced in advance.

Some caution may be warranted when it comes to supporting this risk class in 2027. For investors, the opportunity lies in backing portfolios and syndicates that stay disciplined, rather than relaxed, when conditions are quiet. In a market where "it only takes one" still holds true, resilience and underwriting quality remain the best foundations for durable returns.





Acknowledgements

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We would like to thank our contributors for sharing their expertise and insights, which have helped shape this report.



Steve Bowen

Steve is the Chief Science Officer at Gallagher Re, where he leverages his background in meteorology and passion for science to guide strategies on natural catastrophe risk, climate change, and sustainability. Transitioning from a career in television to the insurance industry in 2007, he also leads the Climate and Sustainability group within Gallagher Re, focusing on data analytics and advisory services to help clients navigate complex risks and regulatory demands. Steve collaborates with governmental agencies, academia, and industry groups, co-authoring scientific journals, and speaking at high-profile events, including at the White House and at various United Nations conferences.



Ian Burford

Ian joined Argenta in 2021 as Underwriting Director and Active Underwriter for Syndicate 2121 and SPA 6134. He brings over four decades of insurance market experience, having begun his career in 1985 at the LPSO in Chatham. Prior to joining Argenta, Ian served as UK CEO of Fidelis Underwriting and Active Underwriter at Novae Syndicates. His career has also included senior positions at ACE Group and in the Bermuda insurance market, giving him extensive experience across underwriting, syndicate management and international insurance operations.



Andrew Colcomb

Andrew joined the Lloyd's market in 1985, initially working on an underwriting box for the then largest syndicate in the market. He was responsible for the syndicate reinsurance programme and for the analysis of data. His move into syndicate research as a members' agent ten years later was a natural one. He has worked in research at four members' agencies, with experience including developing the proprietary syndicate ratings model as well as a methodology to assist in valuation of syndicates at auction. He heads a team of four at APCL, with experience across a broad spread of insurance disciplines including broking, underwriting, reinsurance, performance management and data analytics. Andrew is a Chartered Insurance Underwriting Agent (ACII) and has a degree in Financial Economics.



Steve Evans

Steve is the Owner and Editor-in-chief of two industry publications and has been tracking and analysing ILS and reinsurance market trends since the mid-1990's. www.artemis.bm is the leading publication and data provider devoted to insurance-linked securities, with the largest readership of its kind and also runs the world's largest ILS conferences. www.reinsurancene.ws is a more broadly focused re/insurance publication, again with a targeted and large global audience. As well as running his publishing and events businesses, Steve Evans also provides advisory to a number of initiatives in the ILS, reinsurance and technology sectors.



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