

2026 ASIA PACIFIC MARKET WATCH

Gallagher Re



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Foreword



Roshan Perera
CEO, Asia Pacific

We are proud to present the fourth annual edition of Gallagher Re's APAC Market Watch, tracking the risk and opportunity across the region's non-life insurance markets. This intelligence has been drawn from the on-the-ground insights of Gallagher Re's client advocates and practitioners covering 14 mature and emerging markets in the region, as well as selected publicly available data sources.

Non-life markets in Asia Pacific continued to show their resilience and diversity in the past year. Although non-life premium growth decelerated on average across the region, it remains healthy and attractive in a global context. The slowdown is partly a reflection of cyclical pricing developments in some of the more mature markets, and comes on the back of improved underwriting performance. Nevertheless, the structural growth outlook for the region remains compelling, reflecting comparatively low insurance penetration rates in many markets, and GDP growth that compares favorably to the global average.

As markets in Asia Pacific continue to mature, the opportunity for the insurance industry will develop in new ways. Accident and health insurance, for example, is a key growth driver across the region. Furthermore, the ongoing development of risks such as cyber, data centers and electric vehicles means that the demand for innovative insurance solutions remains high.



Looking ahead, we see five broad themes that will determine the near-term trajectory of our industry

1 An uncertain macro and geopolitical environment:

GDP growth across the APAC markets accelerated slightly in 2025, recovering to 2023 levels following a slowdown last year. The seven mature economies that we cover expanded by an average 2.1% (1.4% in 2024), while the seven emerging markets grew by 5.3% (5.1% in 2024). However, in many markets, accelerating economic growth did not lead to correspondingly faster gains in non-life insurance premiums. In fact, across the region, non-life premium growth slowed to 5.1%, on the back of portfolio pruning in some markets and rate cycle softening in others. While still healthy, this average 5.1% growth rate represents the slowest non-life industry expansion since 2021. As we head towards 2027, the global GDP growth outlook is somewhat more cautious, reflecting the Middle East conflict and its impact on energy prices and commodity supply chains. This uncertain economic backdrop, coupled with the potential for further geopolitical tensions, is a key risk for the sector.

2 "Super" El Niño in control:

This year's El Niño could be the strongest ever with some reports indicating it may surpass the 1877-78 event. From the insurance perspective, it may reduce aggregate climate-related insured losses relative to La Niña and neutral years. Nevertheless, across the Asia Pacific region, it has the potential to materially reshape the risk landscape and the timing and composition of potential insured losses. Reduced rainfall may reduce the possibility of flood-related losses while increasing the potential for drought, heat effects and wildfires. At the same time, changes in tropical cyclone frequency, intensity and track can shift risk towards vulnerable coastal populations. Lower average rainfall should not be interpreted as lower catastrophe risk, as isolated but severe flood and cyclone events may still drive material losses.

3 Insurers internationalize in search of profitable growth:

For many insurers across the region, slowing premium growth has coincided with improved profitability and capital build-up. This is putting pressure on management teams to find alternative growth opportunities. Although this may lead to consolidation in some markets, insurers are increasingly looking abroad for growth. Such initiatives focus particularly on third-party reinsurance and specialty lines (Lloyd's and MGAs), market segments with materially improved profitability and growth over recent years and relatively lower barriers to entry.

4 AI moves from operational tool to insurable risk:

Across Asia Pacific, artificial intelligence is no longer confined to pilots and innovation teams. Practical, real-world business applications are beginning to spread through the economy in ways that are creating demand for new insurance covers. At the same time, the rapid development of infrastructure needed to support the AI economy — semiconductors, data centers and so on — is underpinning economic growth in several Asian markets and leading to new opportunities for insurers.

The issue for insurers is that the risk is moving faster than many policy wordings, rating models and accumulation controls were built for. For APAC insurers, AI creates many exciting new opportunities, from underwriting these new business liabilities, to providing coverage for the infrastructure that underpins the technology, and realizing the gains to be had from the ongoing adoption of AI in their own operations.

5 A reinsurance market softening offers strategic options for clients:

Excess capital continues to build up in the reinsurance market, driven by continued strong profitability for the traditional reinsurers and material inflows in alternative capital. Although this may lead to further rate softening, more importantly it is creating an opportunity to reshape program structures. This may allow clients to redeploy savings into broader protection, improved earnings durability, cleaner terms and greater capital flexibility.

As one of the largest regional and global reinsurance brokers, we are well positioned to help clients turn these challenges into opportunities. Whether it's optimizing capital, structuring innovative reinsurance protection, delivering customized deals, or enabling growth in new lines and markets to diversify, our role is to deliver sources and solutions with deep expertise, that combine global expertise with local insight.

We hope you find this report insightful. We welcome your perspectives and look forward to continuing our partnership with the industry, supporting strategic decision-making and sustainable growth across the region.

APAC Thematics Overview

1

Uncertain macro and geopolitical environment remains a challenge

GDP growth across the APAC markets accelerated slightly in 2025, recovering to 2023 levels following a slowdown last year. The seven mature economies that we cover expanded by an average 2.1% (1.4% in 2024), while the seven emerging markets grew by 5.3% (5.1% in 2024). Overall, with average growth of 4.4%, the 14 major APAC markets in this report continued to outperform global GDP expansion of 2.9% in 2025. Economic performance in 2025 was still below the five-year average for most markets, however, with the exceptions of Hong Kong, Indonesia, Taiwan and Vietnam.

For the non-life insurance industry, the headline premium-growth rate decelerated to its lowest level in the past five years (details below). However, the sector continues to expand at a healthy pace. On a five-year basis, non-life premium growth remains ahead of GDP growth and penetration rates increased (with the exception of China).

Looking ahead, the World Bank estimates global economic growth will slow to 2.5% in 2026. Although concerns over trade tensions may have eased off somewhat, a key driver of the slowdown is the Middle East conflict and its impact on energy prices and commodity supply chains. That said, the World Bank's latest outlook report[1] anticipates that growth will rebound in 2027, assuming that energy supplies will recover, monetary easing will resume and trade will strengthen.

Prospects for the APAC economies are broadly aligned with the global picture, i.e. a modest slowdown in 2026 followed by a recovery in 2027, but with growth figures that continue to be relatively higher than the global average. The outlook for China, however, is slightly more muted. The World Bank expects China's economic growth to slow to 4.2% in 2026 (from 5% in 2025), and does not expect any recovery in 2027 or 2028, citing weaker domestic consumer demand as a key factor.

On the back of the Middle East conflict, the Bank expects global inflation to increase to 4% in 2026, before easing back down to 3.1% in 2027 as global oil prices moderate. Importantly, core inflation is expected to see little impact from the conflict — suggesting that while insurers may take a temporary hit from increased claims costs, the impact should be limited in the long-term. However, the longer energy prices remain elevated and commodity supply chains remain disrupted, there is an increased risk of spillover and with that a potentially more sustained increase in claims costs.

Because of these concerns over inflation, bond yields increased in most major markets in 2026 — reversing some of the declines witnessed in 2024/25. This offers insurers the prospect of higher reinvestment yields, potentially mitigating some of the claims cost pressures.

2

“Super” El Niño in control: What it means for risk in 2026 and 2027

Key takeaways

- El Niño this year could be the strongest ever with some reports indicating it may surpass the 1877-78 event
- It may reduce aggregate climate-related insured losses relative to La Niña and neutral years
- It has the potential to materially reshape the risk landscape, and the timing and composition of potential insured losses across the Asia Pacific region
- El Niño is a naturally occurring climate pattern and should not, on its own, be attributed to climate change

“Super” El Niño

2026 is emerging as one of the strongest El Niño years in recent decades, potentially rivaling the most powerful events since records began. The occurrence of three strong El Niño episodes within just 11 years, in 2015, 2023 and 2026, is highly unusual. The scientific community continues to assess the underlying drivers.

Sea-surface temperatures across the Pacific reached record levels during the third quarter of 2026, coinciding with rising global air temperatures. El Niño effectively releases heat stored in the ocean into the atmosphere, while La Niña generally increases ocean heat storage. As a result, El Niño years are typically among the hottest within the broader global warming trend and can intensify extreme heat on land.

Effect on Asia Pacific

El Niño also changes the regional risk landscape by shifting rainfall patterns and generally reducing precipitation across significant parts of Asia Pacific. These changes can alter the balance of physical losses across countries and across natural catastrophe perils.

Based on Gallagher’s research, the typical impacts may vary considerably across the region:

- **Australia:** During El Niño phases, there is often a decrease in rainfall in eastern and northern areas, leading to drier winter and spring conditions.
- **Mainland China:** There is increased potential for floods in the south and droughts in the north.
- **India:** Northern Hemisphere summer monsoon rainfall generally tends to be below normal during El Niño phases. June 2026 was reportedly India’s driest June in more than a century, highlighting the potential implications for agriculture and water availability.
- **Japan:** Above-average rainfall is expected across all of Japan, especially in the southern/western regions, driven mostly by tropical cyclones and seasonal rainfall. There is increased risk of heavy localized flooding.
- **Southeast Asia:** El Niño can increase heat and drought risk in several countries. Below-average rainfall is expected across the Southeast Asia region and corresponds to the temperature increases under El Niño conditions.
- **South Korea:** Below-average rainfall is expected in the north, transitioning to above-average along the southern coastal regions driven by tropical cyclone-derived rainfall.
- **Western North Pacific typhoon basin:** El Niño conditions are associated with higher typhoon frequencies across much of the basin and a greater incidence of tracks that recurve towards Japan and Northeast Asia, with longer lifecycles.

The remainder of 2026 is likely to be characterized by a strengthening El Niño, elevated late-season typhoon risk, increasing heat and drought stress, and considerable regional rainfall variability.

Losses are likely to be lower than average

El Niño events typically reach peak intensity later in the calendar year. The release of ocean heat associated with the event can also influence global temperatures in the following year, raising the possibility that 2027 could become the warmest year on record.

However, higher temperatures and more extreme weather conditions do not necessarily translate into higher insured losses overall. Analysis of Gallagher Re’s insured-loss database for 1980 to 2025 indicates that climate-related peril losses during El Niño years have historically been lower than during La Niña and neutral years. This pattern is evident both globally and across Asia Pacific.

The key takeaway is that El Niño changes the distribution of risk rather than uniformly increasing it. Reduced rainfall may lower exposure to some flood-related losses while increasing the potential for drought, heat effects, wildfires and agricultural impacts. At the same time, changes in tropical cyclone frequency, intensity and track can shift risk towards vulnerable coastal populations.

Lower average rainfall should not be interpreted as lower catastrophe risk, as isolated but severe flood and cyclone events may still drive material losses.

Managing Risk

Climate change adds further complexity by increasing variability in climate conditions and natural catastrophe activity. Its influence should not be interpreted solely through the experience of a single year, or in the immediate future, but over the longer term.

In a changing world, being equipped with functional risk solutions to assess and quantify catastrophe risk is paramount. Gallagher Re's team of catastrophe and climate specialists have deep insight and understanding of the current and coming impacts of climate variability on the (re)insurance industry.

Working closely with our research partners, our experts deploy the latest analytical expertise to identify and assess risk exposures, and help (re)insurers to manage them. With our presence across the Asia Pacific region, we harness our first-hand global and local knowledge, whilst leveraging our academic partners, to help clients navigate through weather and climate uncertainty.

What is ENSO?

ENSO is a recurring pattern of climate variability of the tropical Pacific that has worldwide effects on seasonal weather and climate. It is split into three phases: El Niño (warm phase), neutral and La Niña (cool phase). ENSO arises from interactions between the atmosphere and the ocean across the Pacific and results in one of Earth's largest and most influential natural climate patterns.

In El Niño conditions, sea surface temperatures in the eastern equatorial Pacific Ocean are warmer and the equatorial trade winds are weaker, while the reverse is true for La Niña conditions. In neutral conditions, the temperatures, winds, convection, and rainfall across the tropical Pacific are near their long-term averages. The acronym ENSO stands for El Niño-Southern Oscillation, with the latter term referring primarily to the atmospheric component of the combined system. This is typically measured through air pressure anomalies. The ENSO footprint historically has had the greatest influence during the months of December to March and is most strongly felt in regions close to the Pacific Ocean.

Figure 1:

Pacific sea surface temperature anomalies in October 2026

Oceanic heat in the key Niño 3.4 region demonstrates El Niño conditions

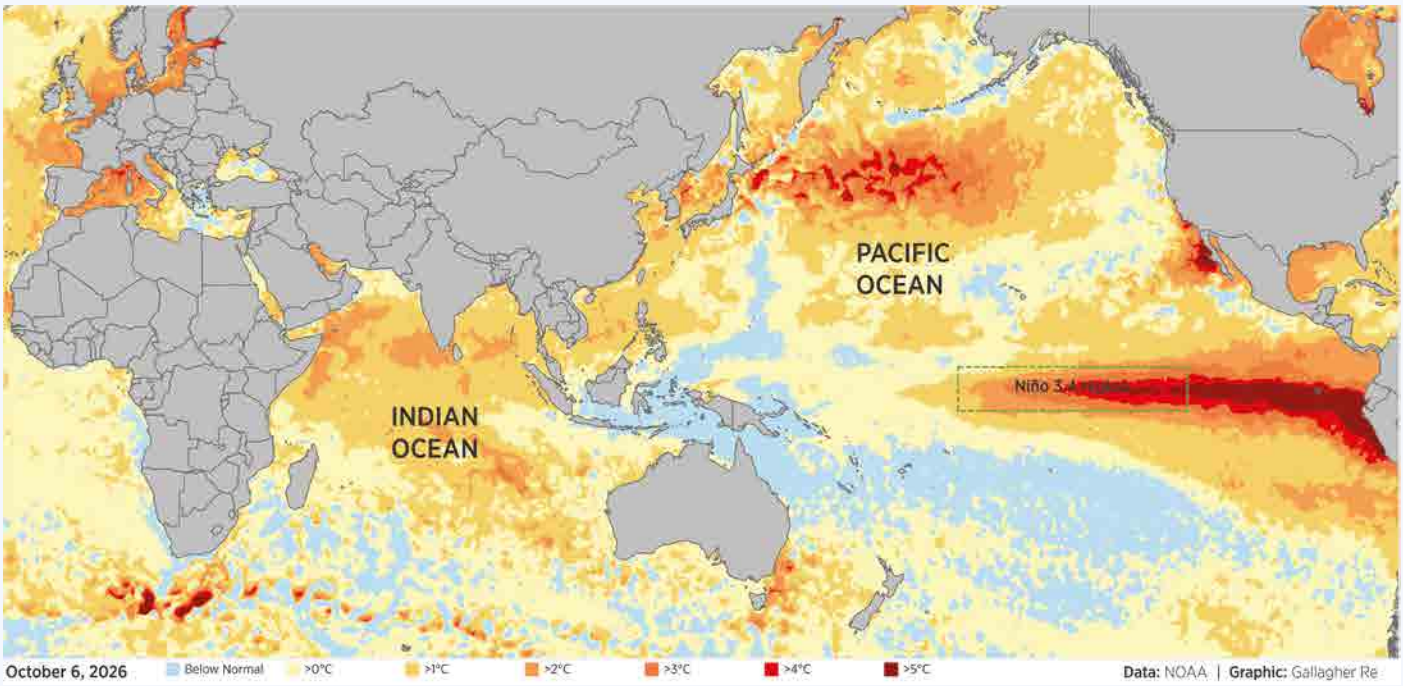
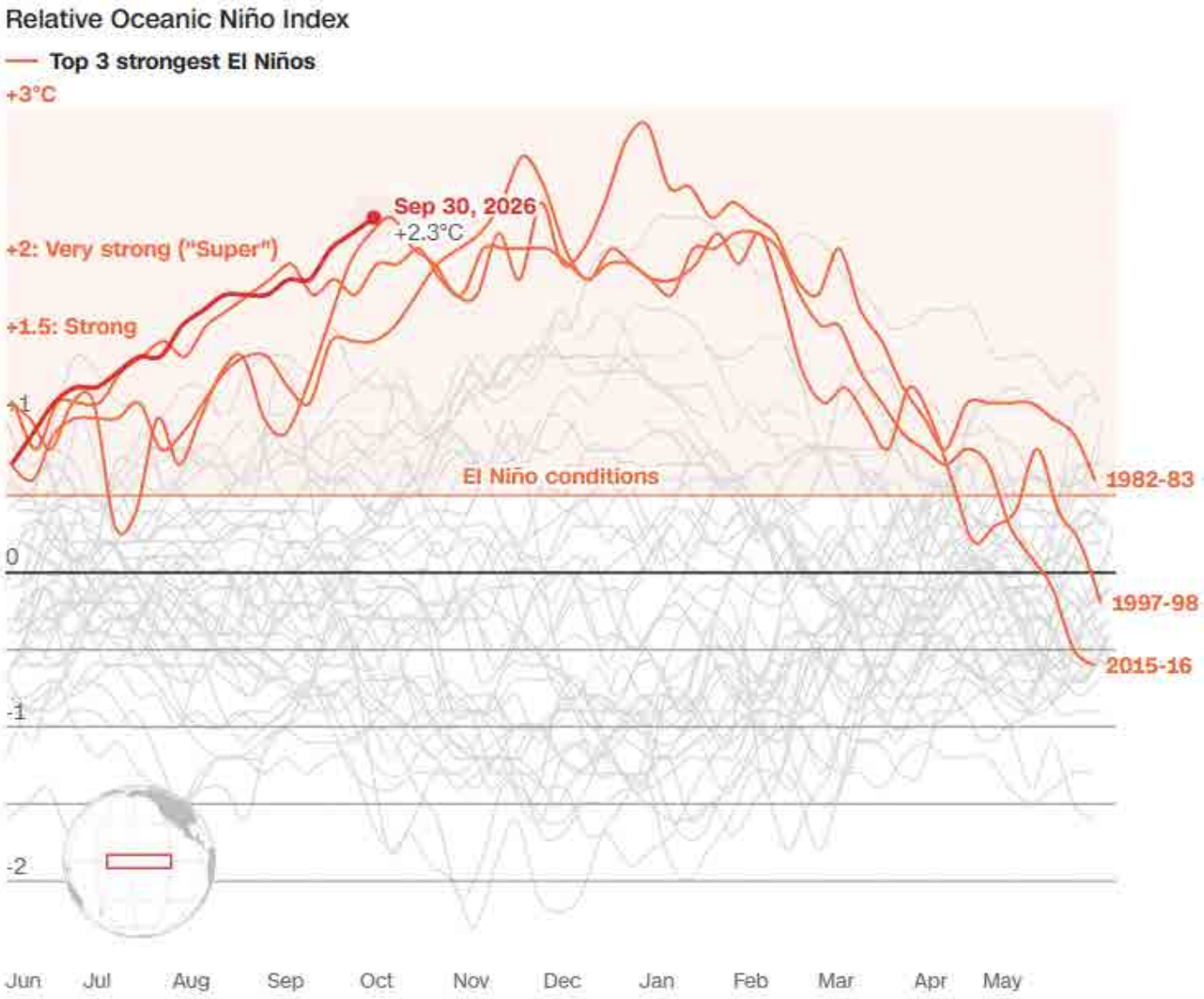


Figure 2:



Notes: Ocean temperatures are hotter than normal for this time of the year in the central equatorial Pacific, compared to the hottest El Niños on record. Temperatures reflected within the central Pacific El Niño region: 170°W to 120°W and 5°S to 5°N.
Data: NOAA
Graphic: Sam Hart, CNN

3

Asian insurers internationalize in search of profitable growth

Across the 14 APAC markets in this report, non-life premium growth slowed to 5.1% in 2025 (7% in 2024) on average, the slowest growth rate since 2021. This deceleration was witnessed across most markets, but was particularly visible in New Zealand, Australia, India and Taiwan. South Korea was an exception, reporting strong growth of 9.1% in 2025, driven by retirement insurance — albeit traditional P&C premium income for South Korea was largely unchanged. It was one of only four non-life markets to deliver a premium growth rate above 7%, the others being Hong Kong, Singapore and Vietnam.

Although the drivers of the slowdown are not universal across the region, several of the more mature markets (Australia, New Zealand, South Korea and Taiwan) have started to witness rate softening, after underwriting margins reached historically high levels on the back of meaningful rate increases over the past several years (not the case for South Korea). Meanwhile, markets such as China and Japan have witnessed increased efforts by insurers to prune their portfolios and address weak underwriting profitability, potentially affecting growth. As discussed earlier, average GDP growth for the region of 4.4% is stable compared to 2024 and remains an important driver of insurance business expansion.

For many insurers across the region, slowing premium growth has coincided with improved profitability and capital build-up. Higher interest rates and portfolio running yields are a key contributor to the improved profitability over recent years, despite interest rates coming off their highs in most markets during 2025 (Japan being the exception). As already discussed above, underwriting margins also notably improved in some of the more mature markets in recent years (Australia, Japan, New Zealand and Taiwan most significantly) and this continued in 2025.

The combination of a slowdown in organic growth and a build-up of excess capital is putting pressure on management teams to find alternative growth opportunities. This may include diversification into new lines of business, but these opportunities tend to take time to develop, and are still relatively nascent beyond the main property and motor lines in most markets. For some of the more fragmented markets, the slowdown in organic growth could potentially lead to increased consolidation, as in Australia for example, where Allianz has acquired RAA Insurance Limited (announced December 2024) and IAG acquired RACQ (announced November 2024) and is pursuing RAC Insurance (announced May 2025, but competition authorities have now blocked the deal, pending a final appeal). In markets such as Japan and South Korea that are already relatively concentrated, there may be less opportunity to do so.

The Japanese 'Big Three' insurers have a particularly large total of excess capital to redeploy, due to the ongoing sale of equity holdings. Sompo and MS&AD have started to redeploy some of the excess capital through M&A; Sompo acquiring specialty insurer and reinsurer Aspen, while MS&AD has acquired a 15% stake in commercial lines and specialty insurer W.R. Berkley. Tokio Marine's corporate activity has been more limited, but in May it resumed discussions with Malaysia's RHB Bank about acquiring its insurance arm. Tokio's broader growth / M&A ambitions have been highlighted in the past and were reiterated as an important consideration for the strategic partnership with Berkshire Hathaway.

Amongst the Korean insurers, Samsung announced in June the acquisition of an increased (+21% to 40%) shareholding in the Lloyd's insurer Canopius, while DB Insurance announced a deal to acquire US-based specialty insurer Fortegra in September last year.

Internationalization through M&A to date has focused on specialty lines and reinsurance, market segments that have shown strongly improved profitability and growth over the past three years. Organic internationalization growth efforts (for those with an existing presence in overseas markets) are focused on commercial lines, specialty lines and reinsurance, mainly driven by the larger Japanese insurers and QBE. Geographically this is particularly focused on the US, but also increasingly Europe and emerging markets.

Insurers lacking a pre-existing overseas platform are focused on developing growth opportunities through third-party reinsurance, MGAs and exposure via Lloyd's. These are market segments with relatively lower barriers to entry. This also often leads to an initial focus on geographies and lines of business that the insurer is already operating in, or which are closely adjacent to the existing portfolio. As experience grows, insurers are able to develop the infrastructure and capabilities to create a more formal proposition and independent business unit.

4

AI moves from operational tool to insurable risk

Across Asia Pacific, artificial intelligence is no longer confined to pilots and innovation teams. Practical, real-world business applications are beginning to spread through the economy in ways that are creating demand for new insurance covers. At the same time, the rapid development of infrastructure needed to support the AI economy — semiconductors, data centers and so on — is underpinning economic growth in several Asian markets and leading to new opportunities for insurers.

Regulators are moving too, extending governance, privacy and cybersecurity frameworks to cover AI-enabled decision-making. The issue for insurers is that the risk is moving faster than many policy wordings, rating models and accumulation controls were built for.

That gap is already visible. By the end of 2025, 63% of businesses globally had either operationalized AI or implemented it in parts of their organization, up from 45% a year earlier, according to Gallagher's AI adoption research. One in five said their AI capabilities were fully operational, compared with 9% in 2023. Formal controls have not kept pace: fewer than half had adopted an AI risk-management framework.

APAC is not waiting on the sidelines. Certain markets — led by the likes of Taiwan, Singapore and South Korea — are leaning heavily into the emerging AI economy, and this is creating new opportunities for insurers to develop covers. In Taiwan, for example, the development of infrastructure to support the AI boom is increasing sums insured for semiconductor plants, data centers and energy storage projects. Similar trends are visible in South Korea. Meanwhile, in Singapore, the government is taking an active role developing technologies such as autonomous, AI-driven vehicles, creating opportunities for insurers willing to underwrite such emerging risks.

More broadly, as businesses increase their adoption of AI, this creates new exposures. Errors, hallucinations, intellectual property infringement, privacy breaches and automated decisions can sit across cyber, professional indemnity, product liability, employment practices and general liability. In our adoption research, one in five insurance professionals surveyed by Gallagher said a client had experienced an AI-related loss or claim in the previous year, and just over half said the loss was fully covered.

This is where "silent AI" becomes difficult for the market. Many wordings were drafted before AI systems could generate content, make recommendations or complete workflows with limited human oversight. That leaves insurers potentially carrying exposure they have not identified, modeled or priced. Doubtless, that is why 40% of our survey respondents said they expected new AI-related insurance policies to come onto the market. Additionally, 40% expected specialist endorsements to be developed, while 35% expected AI-specific exclusions.

The first specialist insurance propositions are already in market, as we have noted in our regular InsurTech reports. Munich Re's aiSure targets financial losses linked to AI performance, while Armilla and Testudo have developed solutions for AI risk and third-party liability. Verisk has also introduced optional generative-AI exclusions for commercial general liability products. Investor interest is reinforcing this direction of travel. AI-focused companies accounted for 95.2% of global InsurTech funding in Q1 2026 and 99.1% in Q2. In Q2 alone, they raised USD2.42B across 95 deals.

That is why Gallagher Re has established a new Digital Risk Practice, to help insurers and reinsurers make sense of this shift. It brings together expertise across AI liability, cyber, data centers, the digital economy and digital assets because, in practice, these risks rarely stay in neat product silos. The focus is on the practical work the market now needs: understanding concentrations, quantifying accumulation, tightening policy language and building reinsurance structures that can support growth rather than simply react to loss.

Looking ahead

For APAC insurers, AI creates many exciting new opportunities, both in underwriting the business liabilities that come with wider AI adoption, and in providing coverage for the infrastructure that underpins the technology. And that is over and above the gains to be had from the ongoing adoption of AI in their own operations — from improving risk selection and pricing, to better customer service.

All of this puts a premium on market intelligence. Insurers need to understand where AI is being used, what exposures it creates, how those exposures aggregate and whether existing policy language responds as intended. The silent risk is becoming visible. The choice now is whether to exclude it, carry it unintentionally or embrace it, with fully-informed underwriting and risk management.

5

Reinsurance market update: An environment that favors buyers

As we approach the 2027 renewal season, the Asia Pacific reinsurance market remains firmly in buyers' favor. Ample capacity, strong reinsurer balance sheets, and sustained competition continue to create attractive purchasing conditions for cedants across the region. While declining rates have become commonplace in recent renewal cycles, the more important consideration for insurers today is not that reinsurance is becoming cheaper, it is how best to utilize the current market environment to achieve their strategic objectives.

In the current market, buyers have an opportunity to revisit the structure of their programs — to optimize retentions, reduce earnings volatility and enhance capital efficiency, as well as ensuring that they support their growth ambitions overall. The abundant capacity provides insurers with greater flexibility to tailor protection to their specific risk appetite and strategic priorities. Strong reinsurer earnings, robust capital positions, and improved underwriting performance underpin these market conditions. Pricing has softened materially across many lines of business in the direct, reinsurance and retrocession markets, while coverage terms and structural flexibility have generally improved.

While these trends are evident globally, several factors make the Asia Pacific market particularly attractive. The region continues to demonstrate strong economic growth prospects, rising insurance penetration, and increasing demand for risk transfer solutions. In addition, relatively favorable loss experience across much of the region in recent years has reinforced reinsurer confidence and appetite for Asia Pacific business. This has encouraged both existing and new markets to continue deploying capacity in the region, intensifying competition and reinforcing the advantageous conditions for buyers.

Importantly, insurers across Asia Pacific are increasingly purchasing reinsurance in more sophisticated ways. Beyond traditional earnings protection, many organizations are exploring program structures designed to support capital optimization, facilitate growth into new product segments, manage peak exposures, and improve balance sheet resilience. As regulatory frameworks continue to evolve and capital efficiency becomes an increasingly important management objective, reinsurance is playing a larger role in helping insurers achieve both financial and strategic goals.

Against this backdrop, the key challenge for buyers is not whether capacity is available, but how to deploy reinsurance most effectively. Organizations that proactively review program design, retention strategies, risk tolerances, and portfolio objectives are likely to be better positioned to take advantage of the current environment. The availability of capacity creates opportunities that may have been difficult to achieve during harder market conditions.

Looking ahead, the prevailing market sentiment is that supply is likely to remain ahead of demand through the upcoming renewal season. Nevertheless, there are several factors that could slow, stabilize, or potentially reverse the pace of market softening. A significant global catastrophe event, for example, could materially alter reinsurer sentiment. Broader economic factors such as renewed inflationary pressures, adverse capital market developments, or broader market dislocation could also impact pricing dynamics.

As one of the world's leading reinsurance brokers, Gallagher Re is well-positioned to help clients navigate these conditions. Our aim is to help insurers maximize the value they get from reinsurance throughout the market cycle — whether that's through capital optimization initiatives, structured and alternative risk solutions, innovative program design, or growth-oriented transaction structures. Our global insight, advisory and analytics capabilities, coupled with the depth of our local knowledge across Asia Pacific, allows us to help clients achieve their long-term strategic ambitions.

How we can help

At Gallagher Re, reinsurance is our core business — but our role goes beyond that of a traditional broker. We help clients solve real problems, translate strategic intent into measurable outcomes, and put the focus on quality across every dimension of their business. This enables better decisions, stronger portfolios, and more resilient business models.

We support insurers and reinsurers in achieving quality through:

Analytics and advisory

Our specialists work directly with clients and brokers to deliver actuarial analytics, catastrophe modeling, and climate sustainability services — developing tailored solutions that help businesses manage risk and achieve strategic goals.

Tailored reinsurance solutions

From treaty and facultative placements to parametrics and alternative risk transfer, we design solutions that reflect the complexity of clients' portfolios and the realities of their operating environments.

Pricing and portfolio strategy

We provide data-driven insights to help clients calibrate retention levels, optimize treaty structures, and benchmark pricing — ensuring portfolios are aligned with risk appetite and market conditions.

Access to global capacity and innovation

We connect clients to reinsurers with appetite for emerging risks and opportunities, and facilitate strategic partnerships that support diversification and growth.

Regulatory and capital planning

We assist clients in navigating IFRS 17, RBC regimes, and solvency requirements, helping them structure capital efficiently and prepare for regulatory stress tests and disclosures.

Strategic growth advisory

We support clients in identifying and capturing growth opportunities — whether through market entry, product innovation, or portfolio diversification. Our advisory services help insurers navigate evolving demand, regulatory shifts, and competitive dynamics to build sustainable, forward-looking strategies.

Our approach is grounded in **technical expertise**, **disciplined execution**, and **deep market knowledge**. In a market where **quality** is the foundation of performance, Gallagher Re is committed to delivering it — consistently and strategically.

APAC in Numbers

Economic and insurance indicators

Economic and insurance market performance varies widely across Asia Pacific. For the purposes of this analysis, we have split the region into Mature Asia and Emerging Asia. The former describes seven developed insurance markets: Singapore, Australia, Hong Kong, New Zealand, Taiwan, South Korea, and Japan. Emerging Asia refers to seven key developing markets where penetration rates are lower and growth rates may be expected to be higher: Mainland China, Malaysia, Thailand, the Philippines, Indonesia, Vietnam, and India.

Figure 1:

Comparison of economic and insurance indicators in 2025

Economic Indicators (2025)							
Market	**Population** (M)	**Real GDP per Capita** (USD)	**Real GDP Growth** (5-year CAGR; 2020-2025)	**Total GWP** (Life + Non-Life) (USD M)	**Total GWP Growth** (5-year CAGR; 2020-2025)	**Real GDP Growth** (2025)	**Total Insurance Penetration**
Mature Asia							
Singapore	6.1	75,589	5.2%	41,441	3.3%	5.0%	6.7%
Australia	27.6	65,580	2.5%	69,206	6.4%	1.4%	3.3%
Hong Kong	7.5	54,268	2.4%	106,286	7.3%	3.5%	23.2%
New Zealand	5.3	38,781	1.8%	7,948	7.3%	0.5%	3.1%
Taiwan	23.3	35,375	4.9%	92,923	-2.8%	8.8%	10.1%
South Korea	51.7	31,061	2.4%	184,894	3.7%	1.0%	10.0%
Japan	123.4	30,585	1.3%	325,335	4.8%	1.2%	7.4%
Emerging Asia							
Mainland China	1,406.6	13,661	5.4%	873,797	6.2%	5.0%	4.4%
Malaysia	36.0	11,891	5.2%	26,276	6.5%	5.2%	5.2%
Thailand	71.6	5,109	2.4%	31,366	2.9%	2.4%	5.1%
Philippines	116.8	3,377	5.8%	9,260	10.4%	4.4%	1.9%
Indonesia	285.7	2,846	4.8%	16,830	1.4%	5.1%	1.2%
Vietnam	101.6	2,528	6.2%	9,356	5.4%	8.0%	1.8%
India	1,463.9	2,450	7.8%	132,664	9.4%	7.6%	3.5%
Sub Region	**Total Population** (M)	**Average Real GDP Per Capita** (USD)	**Average Real GDP Growth** (5-yr CAGR; 2020-2025)	**Total GWP** (USD M)	**Average GWP Growth** (5-yr CAGR; 2020-2025)	**Average GDP Growth** (2025)	**Average Total Insurance Penetration**
Mature Asia	245.0	37,113	2.3%	828,033	3.9%	2.1%	7.9%
Emerging Asia	3,482.2	7,197	5.7%	1,099,548	6.4%	5.3%	4.0%
Overall Asia	**3,727.1**	**9,163**	**4.7%**	**1,927,582**	**5.3%**	**4.4%**	**5.1%**

Non-Life (2025)								
Market	**Non-Life Share of Wallet** (SOW)	**Non-Life GWP** (USD M)	**GWP Growth** (5-year CAGR; 2020-2025)	**GWP Growth** (2025)	**Penetration****	**Loss Ratio**	**Combined Ratio** (2025)	**Combined Ratio** (2024)
Mature Asia								
Singapore	12%	5,077	8.4%	9.6%	0.8%	50.3%	89.5%	89.7%
Australia	77%	53,601	9.4%	6.0%	2.5%	59.6%	86.0%	89.3%
Hong Kong	13%	13,940	12.6%	8.0%	1.6%	65.1%	95.3%	95.1%
New Zealand	76%	6,058	8.7%	-2.2%	2.3%	52.1%	78.7%	78.6%
Taiwan	10%	9,157	8.8%	5.7%	1.0%	50.3%	85.3%	90.2%
South Korea	52%	96,485	6.3%	9.1%	5.2%	88.9%	110.1%	106.1%
Japan*	24%	79,426	2.1%	3.3%	1.6%	61.0%	92.1%	96.1%
Emerging Asia								
Mainland China	29%	250,883	5.3%	3.9%	1.3%	71.5%	98.1%	99.0%
Malaysia	29%	7,594	7.8%	6.4%	1.5%	58.5%	94.6%	95.2%
Thailand	31%	9,762	3.2%	2.2%	1.5%	68.2%	94.2%	94.7%
Philippines	26%	2,413	10.6%	6.0%	0.5%	43.0%	95.3%	93.0%
Indonesia	43%	7,236	9.5%	2.7%	0.5%	58.7%	90.2%	146.2%
Vietnam	41%	3,846	11.6%	15.6%	0.7%	36.2%	NA	NA
India	26%	34,196	10.2%	6.2%	0.9%	82.9%	110.5%	109.5%
Sub Region	**Average Non-Life Share of Wallet** (SOW)	**Total Non-life GWP** (USD M)	**Average GWP Growth** (5-year CAGR; 2020-2025)	**Average GWP Growth** (2025)	**Average Penetration**	**Average Loss Ratio**	**Average Combined Ratio** (2025)	**Average Combined Ratio** (2024)
Mature Asia	32%	263,743	5.9%	6.2%	2.3%	70.3%	97.0%	97.5%
Emerging Asia	29%	315,931	5.9%	4.3%	1.1%	71.4%	99.0%	101.0%
Overall Asia	**30%**	**579,674**	**5.9%**	**5.1%**	**1.5%**	**70.9%**	**98.1%**	**99.4%**

*Figures are for members of the General Insurance Association of Japan (GIAJ) only.

**Insurance penetration calculated using Direct Written Premium (DWP) where available.

Note: Figures for Singapore include SIF business only. India's Loss Ratio and Combined Ratio are from the FY2024-25 period (year ending March 2025). Combined Ratio figure is not available for Vietnam.

Due to the implementation of IFRS 17, some markets' data are released on different bases and are not directly comparable to historical figures, e.g. Thailand.

Sources: World Bank, various insurance association and regulatory websites, Gallagher Re estimates

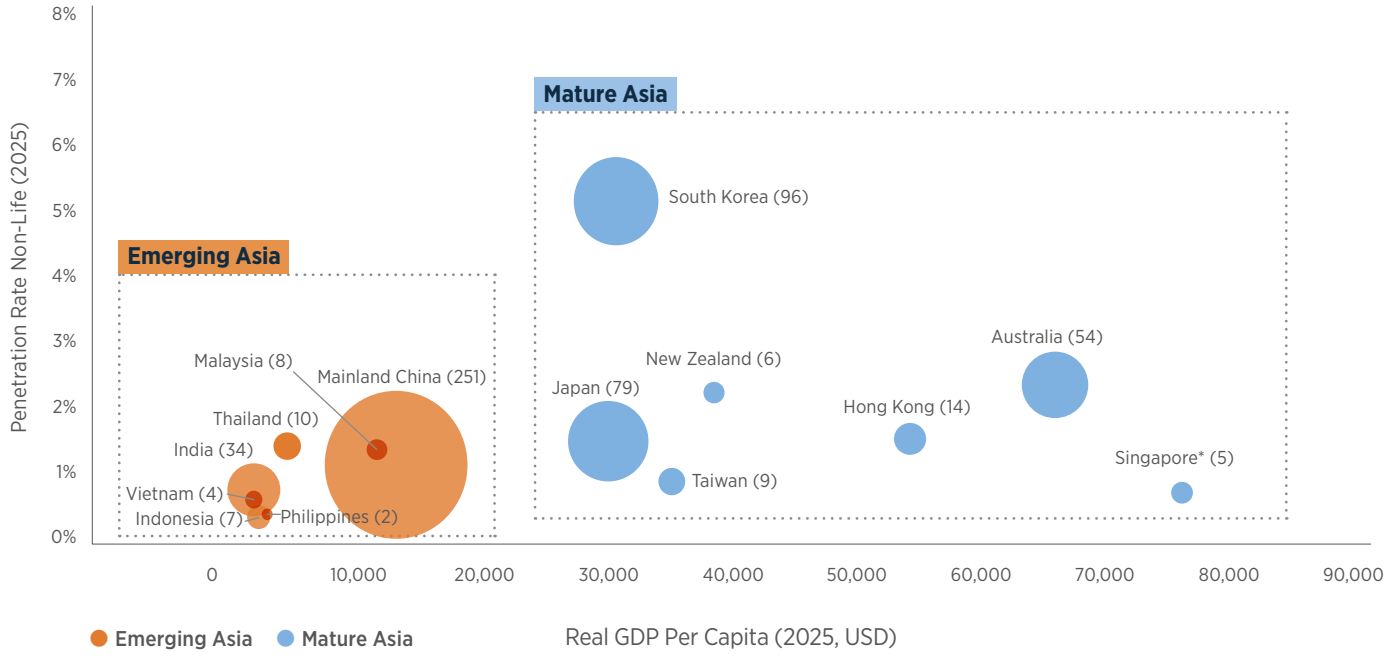
Economic growth and insurance protection gap

Emerging Asia markets generally have lower insurance penetration rates than Mature Asia markets, alongside lower GDP per capita.

Figure 3:

Comparing insurance penetration rates across the APAC region

Real GDP per capita vs non-life insurance penetration rates and 2025 GWP, in USD billions



*Singapore insurance penetration includes SIF business only.

Sources: World Bank, various insurance association and regulatory websites, Gallagher Re estimates

Notes: Insurance penetration rates have been calculated using Direct Written Premiums (DWP) where available. All figures are for non-life insurance business only. Figures in parentheses give the 2025 non-life GWP in USD billions.

GDP: Emerging Asia continued to outperform with average real GDP growth of 5.3% in 2025, led by Vietnam (8.0%) and India (7.6%). Growth in Mature Asia was subdued at 2.1%, with New Zealand (0.5%) dragging down the average.

Insurance Penetration: Non-life penetration remained low in Emerging Asia (1.1%), as observed in India, Vietnam and Philippines (<1%) despite strong premium growth. Mature Asia maintained a higher penetration rate (2.3%), supported by regulatory maturity and higher insurance awareness, driving demand.

Protection Gap: Catastrophe events are highlighting the protection gap, with events such as Typhoon Yagi and the December 2025 Thailand floods demonstrating the scale of underinsurance. Insured losses accounted for only a small fraction of the total economic losses.

Affordability pressure: Mature markets like Australia and New Zealand are facing a different challenge as insurers are increasingly adopting granular risk-based pricing. These premium adjustments require careful balancing to avoid inadvertently altering buying behavior and constraining future penetration growth.

Non-life growth

Across APAC, non-life GWP outpaced real GDP over the five years to 2025, but regional performance decoupled in 2025 as Emerging Asia's GWP growth lagged macroeconomic expansion.

Over the five-year period, Mature Asia maintained stronger relative insurance outperformance than Emerging Asia, achieving a 5.9% GWP CAGR against a modest 2.3% GDP CAGR. Meanwhile, Emerging Asia's 5.9% GWP CAGR marginally exceeded its 5.7% GDP expansion.

The outperformance in Mature Asia continued in 2025 with GWP growing by 6.2% against 2.1% GDP growth, driven primarily by South Korea, Australia, Singapore, and Hong Kong.

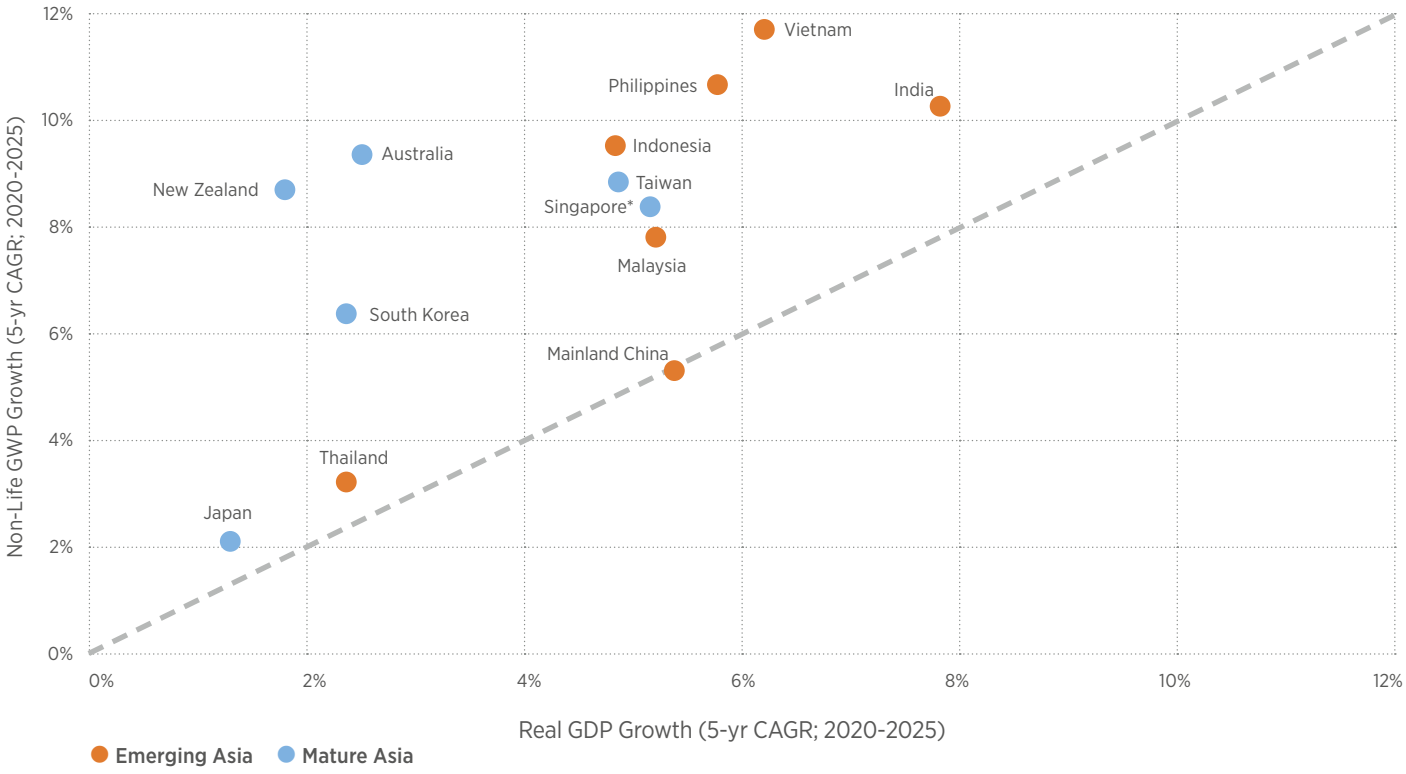
Several Mature Asia markets diverged from long-term trends in 2025, with Taiwan underperforming against GDP expansion, while New Zealand's GWP contracted by 2.2% due to weaker economic activity and a softer rate environment.

Emerging Asia's non-life growth slowed to 4.3% in 2025, falling 1.0ppt behind GDP growth. This slowdown was largely driven by Mainland China and India, whose dominant market scale pulled down the sub-regional aggregate.

Vietnam emerged as the clear positive outlier in Emerging Asia, delivering exceptional GWP growth of 15.6% exceeding its 8.0% GDP expansion in 2025.

Figure 4:

Non-life GWP growth vs real GDP growth



*Non-life GWP growth for Singapore includes Singapore Insurance Fund (SIF) business only.

Sources: World Bank, various insurance associations and regulatory websites.

Note: Hong Kong is excluded due to non-comparability of 2025 data with previous years.



Non-life underwriting performance

APAC overall underwriting profitability improved in 2025, with the regional average combined ratio (COR) improving by 1.3ppt from 99.4% in 2024 to 98.1% in 2025.

Mature Asia delivered consistently strong profitability with an average COR of 97.0% in 2025, though year-on-year improvement remained limited as positive performance across several markets was offset by deterioration in South Korea.

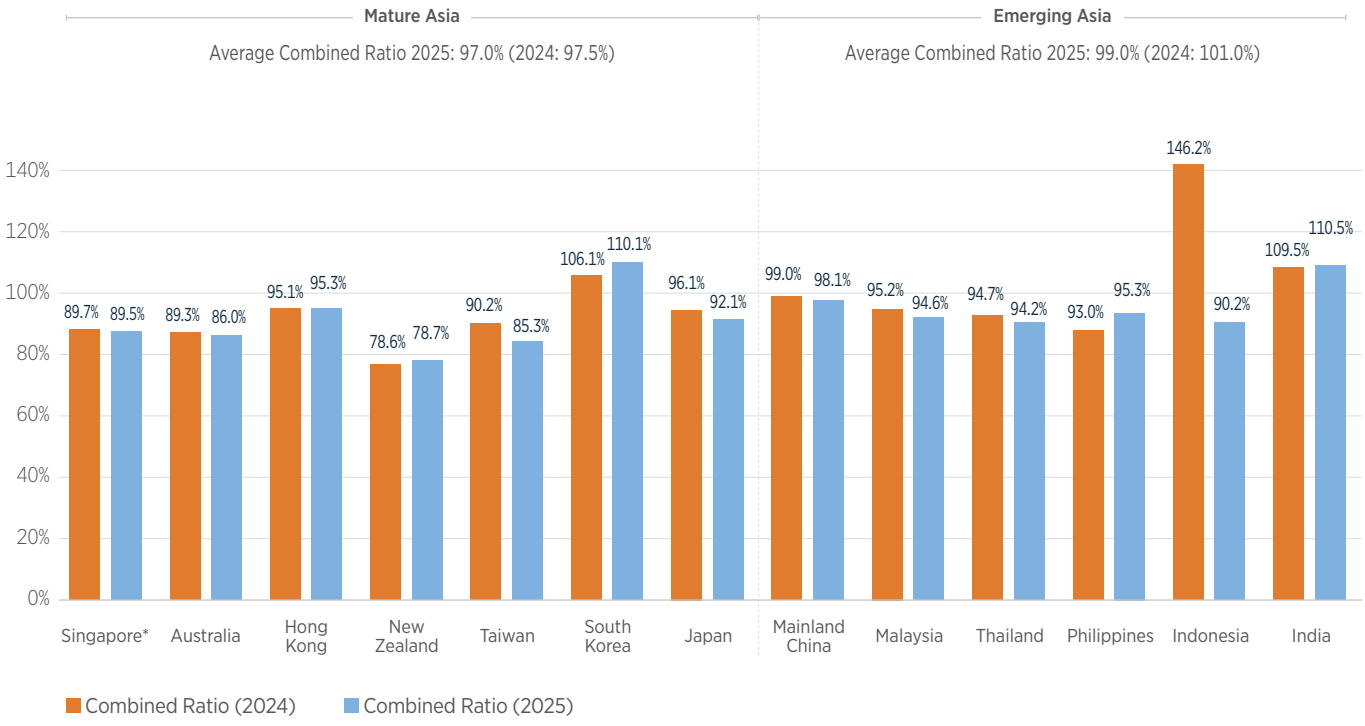
Emerging Asia delivered the largest headline improvement, shifting from an underwriting loss position of 101.0% in 2024 to 99.0% in 2025. This was heavily influenced by Indonesia's significant 56ppt COR recovery following improved claims experience and the absence of prior-year reserve distortions.

Australia and New Zealand recorded among the lowest CORs in APAC, driven by premium rate increases and benign natural catastrophe activity in 2024 and 2025.

Underwriting pressures remained persistent in South Korea and India, which continued to operate above a 100% COR due to intensifying primary market price competition in South Korea and losses among public sector insurers in India.

Figure 4:

Non-life underwriting profitability (measured by Net Combined Ratio) by market, 2025 vs 2024



*Combined ratio for Singapore includes Singapore Insurance Fund (SIF) business only.

**All figures reflect non-life insurance only; India Combined Ratio is on a Gross Direct Basis and 2024 refers to FY 2023-24 March end. No Combined Ratio has been published for Vietnam.

***FY2025 Combined Ratio data for Thailand is under IFRS 17 and not directly comparable to historical data. Australia Combined Ratio is presented on an IFRS 17 basis. All other market combined ratios reflect an IFRS 4 (or equivalent) basis.

Sources: Various insurance association and regulatory websites, Gallagher Re estimates

Business mix

Emerging Asia remains anchored by motor (c. 50% of 2025 non-life premiums), nearly double the motor premiums of Mature Asia (c. 29%).

Both Mature Asia and Emerging Asia show a structural shift away from motor. Motor share contracted 1.8ppt in Mature Asia and 1.6ppt in Emerging Asia from 2022 to 2025.

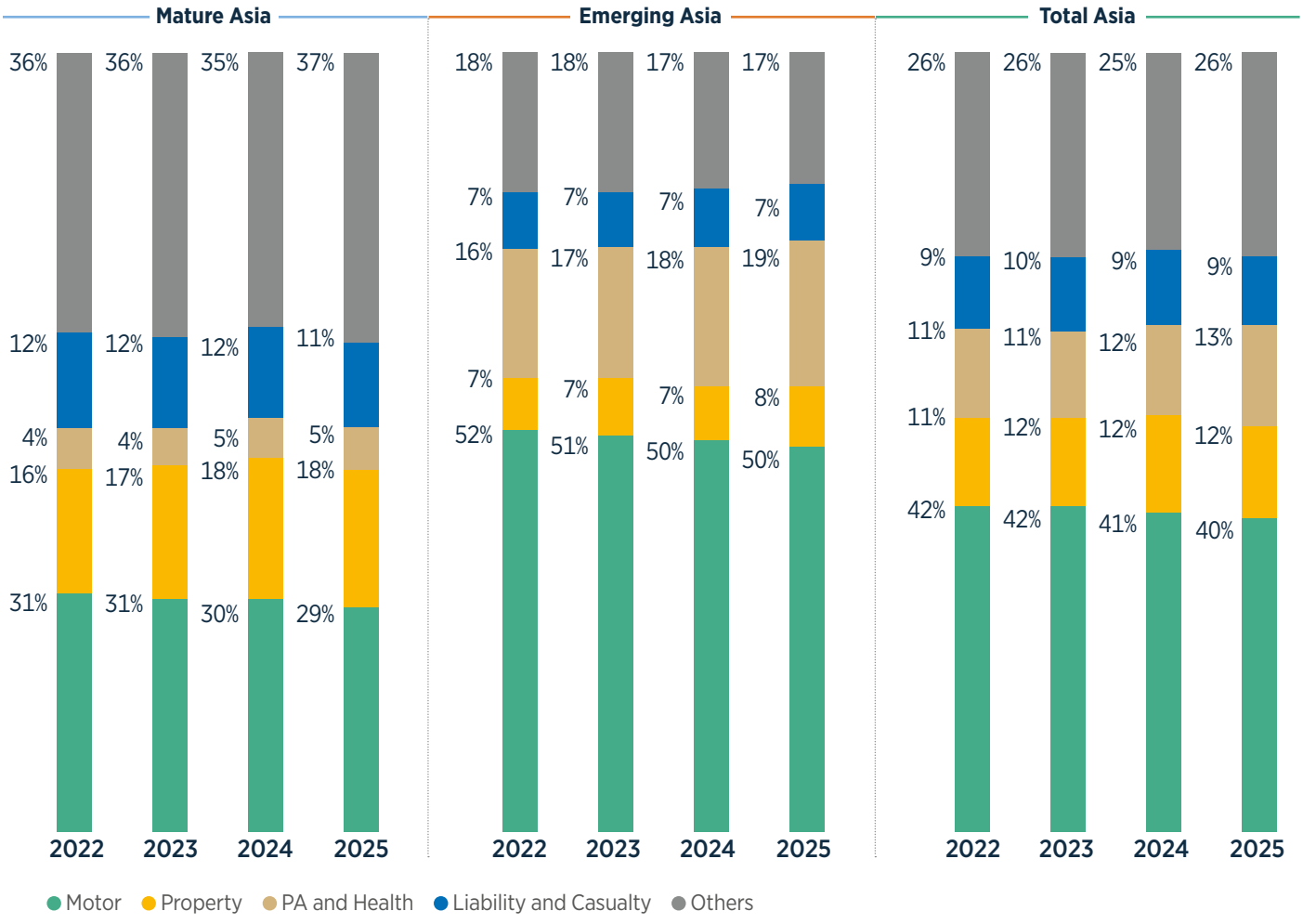
Personal accident (PA) & health represents the key growth segment across the region, rising by 2.5ppt in Emerging Asia (to 19.0%) and 0.6ppt in Mature Asia (to 5.1%).

Mature Asia's higher "others" segment share is skewed by South Korea idiosyncrasies, where long-term health insurance (c. 50% of 2025 non-life premiums) alongside annuities and pension products (c. 23%) are counted within the non-life segment.

Figure 6:

Insurance business mix across APAC markets

By 2022-2025 gross premiums



Sources: World Bank, various insurance associations and regulatory websites

Notes: For 2025, Philippines data is based on the 2024 premium breakdown due to data unavailability. For 2024, data from 2023 were used for comparison purposes. Similar approach is taken for the 2023 and 2022 premium breakdown.

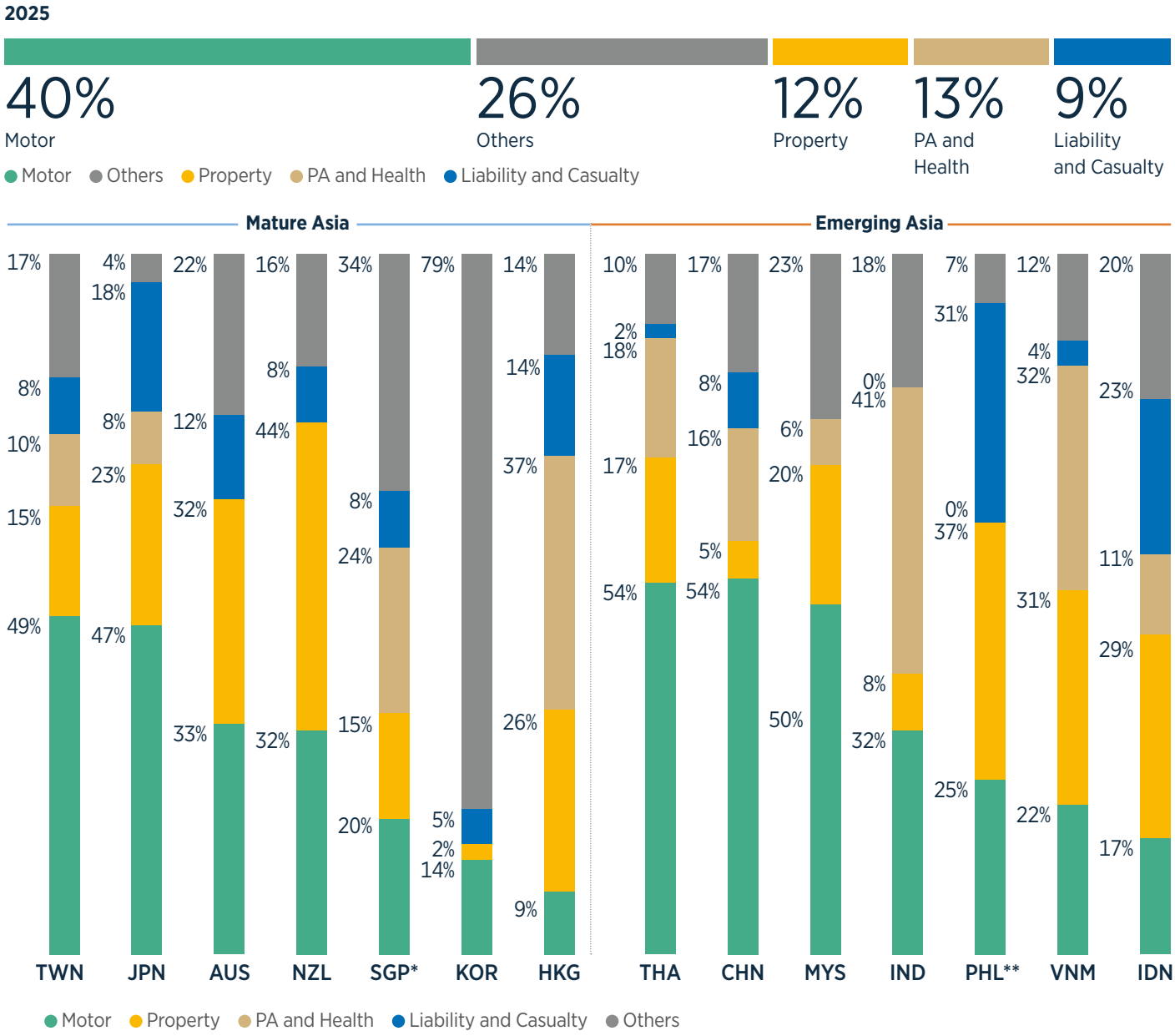
Key market observations

- Motor insurance dominates non-life portfolios across Thailand (54%), Mainland China (54%), Malaysia (50%), Taiwan (49%), and Japan (47%), with compulsory third-party regulations underpinning most of the markets in the region.
- Property insurance remains a key segment across most Mature Asia markets and catastrophe-exposed Emerging Asia markets such as the Philippines, Vietnam, and Indonesia.
- PA & health segment momentum in Mainland China and India is underpinned by an expanding middle-class, rising affluence, increasing protection demand, and supportive policy tailwinds such as healthcare reforms and tax incentives. In Hong Kong, the segment is driven by demand for supplemental protection and cross-border mobility initiatives. Meanwhile, despite ongoing profitability challenges in Vietnam, the segment continues to post strong growth driven by employer-sponsored programs and the bancassurance distribution channel.
- Emerging technology, mobility, and sustainability trends are creating new growth opportunities beyond traditional insurance lines, with rising demand for cyber and digital-asset-related coverages (e.g. Hong Kong, India, Japan), AI-related infrastructure and manufacturing protection needs (e.g. Mainland China, Taiwan, Singapore, South Korea), electric and autonomous vehicle covers (e.g. Mainland China, India, Singapore), and climate-transition solutions such as renewable energy and green infrastructure.

Figure 7:

Insurance business mix across APAC markets

By 2022-2025 gross premiums



*Business mix for Singapore includes Singapore Insurance Fund (SIF) business only. **For 2025, Philippines data is based on 2024 premium breakdown due to data unavailability.

Sources: World Bank, various insurance associations and regulatory websites

Regulatory overview

The risk-based capital (RBC) framework is now the prevailing solvency regime across Asia, operational across all markets within Mature Asia and most markets within Emerging Asia. In Emerging Asia, India and Vietnam are targeting a transition to risk-based regime by 2027 and 2028 respectively. Concurrently, regulators regionwide are continuously refining the capital regimes to improve balance sheet resilience.

Across both Mature Asia and Emerging Asia, sustainability reporting requirements are increasingly converging towards International Sustainability Standards Board (ISSB) standards.

Note: Key updated regulatory developments highlighted throughout.

Regulatory Developments in Mature Asia							
Item	**Singapore**	**Australia**	**Hong Kong**	**New Zealand**	**Taiwan**	**South Korea**	**Japan**
Accounting framework*	IFRS equivalent SFRS(I) 17 (January 2023)	IFRS equivalent AASB 17 (January 2023)	IFRS equivalent HKFRS 17 (January 2023)	IFRS equivalent NZ IFRS 17 (January 2023)	IFRS equivalent IFRS 17 (January 2026)	IFRS equivalent K-IFRS 1117 (January 2023)	Japanese GAAP (JGAAP) IFRS 17 (Voluntary adoption)
Capital framework	RBC2 ORSA	RBC ICAAP	HK RBC ORSA	ISS (risk-based standard to align with IFRS 17) No ORSA requirement	**TW-ICS (implemented January 2026)** ORSA	K-ICS ORSA	**J-ESR (effective FYE March 2026)** ORSA
Planned capital developments	-	-	Refinements to RBC regime set to commence on December 31, 2026.	The development of the Stage 2 Final Solvency Standard is underway alongside broader legislative updates to the Insurance Prudential Supervision Act.	-	**New Core Capital Ratio rule effective January 1, 2027, requires insurers to maintain at least 50% of their required capital in high-quality Tier 1 capital.** **Mandatory adoption of K-IFRS 1118 effective January 1, 2027.**	**Regulatory focus is expected to shift to supervisory implementation, with emphasis on insurers' implementation, financial soundness and risk management, alongside monitoring market conditions.**
Climate / Sustainability	Extended timelines for implementing climate reporting requirements in a phased approach, aligned with the IFRS Sustainability Disclosure Standards. MAS incorporated long-term climate scenarios as part of the 2022 industry-wide stress test exercise. Mandatory climate reporting for listed issuers from FY 2025, and large non-listed companies to follow from FY 2030.	APRA released "Prudential Practice Guide CPG 229 Climate Change Financial Risks" in 04/2021 and expects entities to incorporate climate risk into organizations' risk management framework. APRA conducted Climate Vulnerability Assessment for insurers in 2023. Government mandated climate-related financial disclosures for some insurers from 2025. The Insurance Council of Australia released guidance for the measuring and reporting of Scope 3 emissions in 2025.	Guideline on Enterprise Risk Management (GL21) requires authorized insurers to include climate risk in their ERM framework. Mandatory disclosure of Scope 1 and 2 greenhouse gas emissions for all listed companies in 2025.	Mandatory climate reporting for large financial entities, including insurers, covering climate adaptation and mitigation strategies. The reporting process is supervised by the FMA.	The FSC requires life and non-life insurers to adopt the IFRS Sustainability Disclosure Standards on a phased basis. In Phase 1, insurers with paid-in capital of NTD10B (USD319.2M) or above must publish FY2026 sustainability disclosures in 2027.	No ESG or climate disclosure requirement applies specifically to insurers. General sustainability disclosure rules for listed companies are being phased in. Result of climate stress test exercise involving banks and insurance companies published.	Mandatory annual sustainability disclosures for public companies starting from fiscal year ending March 31, 2023. Starting from 2027, such disclosures must comply with new standards set by the Sustainability Standards Board of Japan (SSBJ), with timing of application varying by company size. The FSA requires supervisory-led scenario analyses to assess climate-related risks.
Minimum capital requirements	General insurer: SGD10M (USD7.8M) Short-term Personal Accident and Health policies: SGD5M (USD3.9M) Licensed reinsurer: SGD25M (USD19.4M)	AUD5M (USD3.3M)	General insurer: HKD10M (USD1.3M) Composite insurer / insurer writing statutory classes: HKD20M (USD2.6M) Captive: HKD2M (USD0.3M)	Short-term insurance (non-captive): NZD 3M (USD 1.7M) Short-term insurance (captive): NZD 1M (USD 0.6M) Long-term insurance contracts: NZD 5M (USD 2.9M) Insurers licensed before September 8, 2010 with annual gross premium income less than NZD 1.5M: N/A	Insurer: TWD2B (USD63.8M) Foreign insurer: TWD50M (USD1.6M) Foreign insurer in operation for less than three years: TWD2B (USD63.8M) or meet the minimum credit rating requirements Digital non-life insurer: TWD 500M (USD 16.0M) Digital life insurer: TWD 1B (USD 31.9M)	Insurer: KRW30B (USD20.8M) Foreign insurer: KRW3B (USD2.08M) Small-sum, short-term specialized insurer: KRW2B (USD1.39M) NB: Min cap varies by line of business for insurers writing single line business.	Domestic insurer: JPY1B (USD6.4M) SASTI insurer: JPY10M capital (USD0.06M) plus JPY10M (or more) deposit. Foreign insurer: JPY200M deposit (USD1.3M) plus requirements on asset holdings in Japan.
Minimum solvency margin	100%	100%	100%	80% of prescribed solvency capital (absolute minimum NZD3M)	**100% (implemented January 2026)** (Insurers must also maintain a minimum net worth ratio of 3% in at least one of the last two periods)	100% **(Regulator intervention ratio reduced from 150% to 130% in 2025)**	**100% (J-ESR economic solvency ratio, replacing the 200% solvency margin ratio floor from FYE March 2026)**

Regulatory Developments in Emerging Asia							
Item	**Mainland China**	**Malaysia**	**Thailand**	**Philippines**	**Indonesia**	**Vietnam**	**India**
Accounting framework*	IFRS equivalent Chinese Accounting Standards 25 (January 2023 for listed insurers; January 2026 for all other insurers)	IFRS equivalent MFRS 17 (January 2023)	IFRS equivalent TFRS 17 (January 2025)	IFRS equivalent PFRS 17 (January 2027)	IFRS equivalent PSAK 117 (January 2025)	Local Vietnamese Accounting Standards (VAS) IFRS adoption is encouraged, not yet mandatory	IFRS equivalent Ind AS 117 **(effective from April 2026, with a one-year forbearance period)**
Capital framework	RBC/ C-ROSS II SARMRA (ORSA equivalent)	RBC ICAAP	RBC2 ORSA	RBC2 ORSA for general (re)insurers with GWP above PHP2B (USD34.0M)	RBC	Fixed solvency margin regime	Factor-based solvency regime
Planned capital developments	**Draft amendment to Insurance Law released in September 2026 includes proposal to increase minimum capital requirement from CNY200M (USD28.6M) to CNY1B (USD143M).**	RBC2: BNM issued the exposure draft on June 28, 2024; implementation targeted for January 2027. **DITO: Applications open January 2, 2025 to December 31, 2026; capital starts at MYR30M, rising to MYR100M upon full licensing.**	The OIC is exploring the development of the RBC 3 framework. **The OIC is considering an increase to non-life insurer minimum paid-up capital requirements, potentially raising the threshold from THB300M to THB1B.**	N/A	Insurers are expected to comply with Phase 1 minimum capital requirement increase by December 31, 2026, and a further increase expected in 2028. **OJK is developing a new RBC framework to align with IFRS 17 reporting.**	The transition to the new RBC regime has been deferred from 2028 to 2031.	**RBC framework expected to be implemented around April 2027, with timing yet to be officially confirmed by the regulator.**
Climate / Sustainability	The NFRA has issued sustainability standards for insurers, requiring management focus on ESG risks (including in investment decisions). The NFRA issued an implementation plan on green financing for insurance companies in 2025. Shenzhen, Beijing, and Shanghai stock exchanges issued sustainability reporting guidelines. Companies listed on target index need to disclose by April 30, 2026. The Ministry of Finance (MOF) finalized the Basic Guidelines for Corporate Sustainability Disclosure in December 2024 and released general requirements for sustainability information disclosure.	BNM's Climate Risk Management & Scenario Analysis Policy Document updated in March 2025. BNM conducted an industry-wide Climate Risk Stress Testing (CRST) with submission due June 30, 2025 for Cohort 1 and December 31, 2025 for Cohort 2. Climate disclosure under the National Sustainability Reporting Framework (NSRF) will phase in from FY 2025.	Mandatory sustainability disclosure for listed companies. The OIC released non-mandatory sustainability disclosure guidelines for life and non-life insurance companies. The OIC incorporated climate-related and natural catastrophe risks in the 2025 OIC Stress Test. The OIC launched a CAT Scenarios Stress Test project to develop an industry-wide catastrophe stress testing framework.	Mandatory sustainability reporting for all public listed companies by 2026. Current SEC regulations allow companies to report using a "comply or explain" method.	OJK has issued ESG regulations requiring corporations to demonstrate their sustainability credentials annually. Indonesia launched its Sustainability Disclosure Standards in 2025, which are expected to take effect on January 1, 2027.	Public listed companies are required to disclose sustainability performance in annual reports, with ISSB alignment under consideration. No sustainability disclosure or climate risk guidelines specific to insurers.	Mandatory annual sustainability disclosure for the top listed companies. No sustainability disclosure requirements specific to insurers. The regulator requires all Indian Insurance Companies, Branches of Foreign Reinsurers, and Lloyd's India to have a Board-approved ESG framework and monitor ESG activities.
Minimum capital requirements	Per business class: CNY200M (USD28.6M) All classes: CNY1.5B (USD214.4M) Per branch: CNY20M (USD2.86M); Max capital for multiple branches CNY500M (USD71.4M) General reinsurer: CNY200M (USD28.6M) Composite reinsurer: CNY300M (USD42.9M)	General insurer and local reinsurer: MYR100M (USD24.7M)	General insurer: THB300M (USD9.5M) General reinsurer: THB300M (USD9.5M)	General insurer: PHP1.3B (USD22.1M); Reinsurer: PHP3B (USD50.9M); Microinsurer PHP0.5B (USD8.5M) Co-operative: PHP0.65B (USD11.0M)	**By December 31, 2026:** **Insurer: IDR 250B (USD15M)** **Sharia insurer: IDR 100B (USD6M)** **Reinsurer: IDR 500B (USD30M)** **Sharia reinsurer: IDR 200B (USD12M)** **Credit/suretyship insurers: Higher of IDR 250B (USD15M) or 150% of applicable minimum equity requirement.**	General insurer writing general and health insurance*: VND400B (USD15.2M). General reinsurer writing general and health insurance: VND500B (USD19.0M). *Different minimum capital applies to insurers writing aviation and/or satellite insurances.	Insurer (local and foreign): INR1B (USD11.1M) Reinsurer (local): INR 2B (USD 22.2M) Reinsurer (foreign): INR 0.5B (USD 5.6M)
Minimum solvency margin	100% (Core solvency ratio: 50%)	130% (Supervisory Target Capital Level)	140%	100%	120%	25% of total retained premiums or 12.5% of total original GWP plus inward reinsurance premium, whichever is greater.	150%

*Accounting framework reflects individual company reporting standards, under which most markets have implemented IFRS 17 (or equivalent). Industry-level data presented throughout this report may still reflect an IFRS 4 basis, except for Australia and Thailand, where industry data are reported on an IFRS 17 basis.
**Information on these pages is accurate based on Gallagher Re's understanding of the regulatory developments at the time of writing.
NB: FX Rate as at January 1, 2026.
Sources: Various insurance association and regulatory websites.



Market Landscape Reports

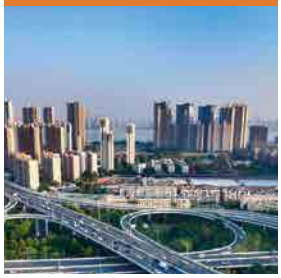
Color Key

Mature Asia | Emerging Asia

Australia



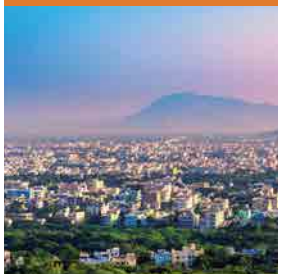
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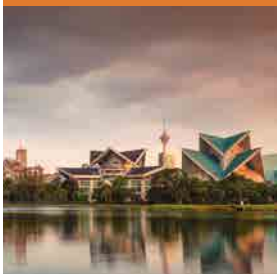
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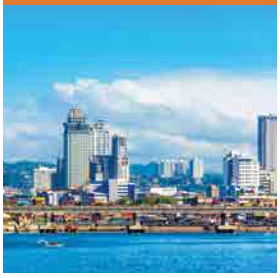
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New Zealand



Philippines



Singapore



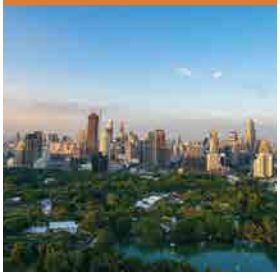
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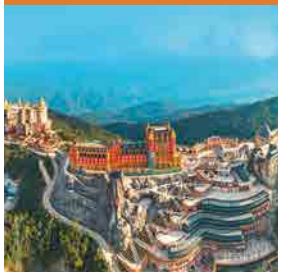
Taiwan



Thailand



Vietnam



Australia



Market Overview

Economic landscape

Australia's GDP grew by 1.4% in 2025, the same rate as last year. This year, the economy has been buffeted by global headwinds stemming from the conflict in the Middle East. Higher global oil prices led to upward pressure on domestic fuel prices and weaker consumer and business sentiment, though these pressures were partly offset by a temporary government policy to halve fuel excise tax.

Inflation, meanwhile, has remained elevated. Headline consumer price inflation was estimated at 4.8% for June 2026, above the central bank's 2%-3% target range[1]. Having raised the main cash interest rate three times in 2026, the Reserve Bank of Australia (RBA) left it unchanged at 4.35% at its meeting in June.

For insurers, inflation has supported premium growth in personal lines, but in commercial lines, increased competition has limited the extent to which insurers can pass through cost increases.

The economic environment has nonetheless been supportive for industry earnings. The year to June 2025 represented a second consecutive year of especially strong investment performance relative to the prior decade[2]. Stronger investment returns have helped offset pressure on underwriting margins, and a relatively benign catastrophe experience has also supported results. Even so, elevated operating costs and climate-related exposures remain important constraints on medium-term profitability.

Year	Population (M)	Real GDP per Capita (USD)	Real GDP (Growth Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	27.19	65,706	1.4%	4.4%	3.0%
2025	27.61	65,580	1.4%	3.6%	2.9%

Sources: World Bank; national and official statistics

Market landscape

Australia is the Asia Pacific region's fourth-largest non-life insurance market by gross written premiums, with just under AUD80.4B (USD53.6B), according to data collected by the insurance regulator APRA. As of June 2026, there were 79 general (re)insurers authorized to write new or renewal business. The market remains concentrated around four major players: IAG, Suncorp, QBE, and Allianz, but fast-growing challenger brands such as Hollard, Youi, and Auto & General have established a strong presence. There have been two new entrants since 2025, AmTrust Specialty Limited and Europ Assistance Australia (a travel insurance arm of Generali). These demonstrate the market is still attracting fresh capacity and specialist propositions.

While Australian insurance mergers and acquisition (M&A) remains relatively steady, the Australian Competition and Consumer Commission (the ACCC) has introduced a new mandatory merger control regime from January 1 2026. The full implications of this have yet to play out, but the changes are expected to increase execution risk and frictional costs for notifiable transactions, due to potential longer approval timelines[3]. As we noted last year, a notable recent M&A trend has been the acquisition of regional motor clubs' insurance businesses, such as IAG's purchase of RACQI and Allianz's purchase of RAAI. However, in September 2026, the ACCC ruled against IAG's bid for RAC Insurance[4]. IAG said it would pursue an appeal procedure, which may take until April next year[5].

Competition, however, is rising across several parts of the market. In personal lines, smaller insurers increased their share of both the home and motor markets between 2019 and 2024[6], underlining that concentration at the top has not prevented share gains by second-tier players. In commercial insurance, meanwhile, the introduction of new Managing General Agents (MGAs) and Lloyd's capacity has further expanded available options for buyers[7].

Premium growth across the market has been slowing in recent years, but has remained substantial. Non-life GWPs increased by 6% in the fiscal year to June 2025, down from 9.6% in fiscal year 2024 and 12.2% the year before that. Nevertheless, underwriting and profitability have improved, helped by relatively benign catastrophe losses and strong investment returns, as well as premium rate increases. The industry's net combined ratio remained below 100% across all four quarters of fiscal year 2025[8].

Looking across major lines of business, most trends remain consistent from last year. Householder business continues to perform strongly, supported by prior rate increases and relatively mild catastrophe activity, although average claim sizes are still increasing at a high single-digit pace. Motor results are improving as supply chain constraints ease, but the growing uptake of electric vehicles could lead to rising repair costs over time. Financial lines continue to soften as competition increases, while inflation in legal costs remains a headwind for profitability. Liability is also seeing continued rate softening, though it remains profitable to date. Commercial property profitability has been helped by favorable weather conditions, but softer pricing and inflationary pressure present a less comfortable forward outlook.

In the retail market, premium affordability and insurability have become a central issue for the industry – moving from insurers' sixth most commonly reported business challenge in 2025 to the first in 2026, according to Gallagher Bassett[9]. Fueled by global inflation and climbing claims costs, premium increases mean that, for many Australian households, insurance has become one of their largest non-discretionary expenses[10].

	Penetration		GWP (USD M)		GWP (AUD M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	3.2%	2.4%	65,963	50,561	98,936	75,836	63.8%	89.3%	9.6%
2025	3.3%	2.5%	69,206	53,601	103,801	80,395	59.6%	86.0%	6.0%

Sources: World Bank, Australian Bureau of Statistics (ABS), Australian Prudential Regulation Authority (APRA) and Gallagher Re estimates
Exchange rate: (as of January 1, 2026) AUD1.50 = USD1.00
Note: Since July 2023, APRA data aligns with AASB 17, e.g. replacing traditional premiums with insurance revenue. Loss ratio and combined ratio are Gallagher Re estimates based on new APRA quarterly data. FY2025 runs from July 1, 2024 to June 30, 2025. GWP for the total industry from APRA includes inward intragroup reinsurance arrangements, which can result in double counting and an overstated total market written premium.

Risk landscape

Natural catastrophe activity has been relatively benign in recent months, but long-term climate risk remains and some significant events have impacted the industry. In March 2025, Ex-Tropical Cyclone Alfred made landfall north of Brisbane and caused losses including coastal erosion, flooding, and power outages across southeast Queensland. As of May 2026, the Insurance Council of Australia reported industry incurred losses of AUD1.57B (USD1.05B) and 133,000 claims from the event. Importantly, a portion of losses incurred was recovered under the Cyclone Pool, alongside other reinsurance recoveries, helping reduce insurers' net retained impact from the event. Later in the year, severe storms and hail in South-East Queensland and Northern New South Wales generated more than 92,000 claims and losses estimated at approximately AUD2B (USD1.33B) in losses by the ICA as of May 2026[11]. This loss continues to develop with only 52% of claims closed, and has impacted some insurers' reinsurance programs.

Despite these events, capital adequacy has remained strong. The total industry Prescribed Capital Amount ratio stood at 1.77 times as of December 31, 2025, compared with 1.84 times in the prior corresponding period[12].

Beyond catastrophe risk, claims inflation remains a core concern. Rising construction and repair costs, labor shortages, supply chain disruption, and elevated materials prices continue to place pressure on claims severity, especially in property and motor. Even though broader claims inflation has moderated versus earlier peaks, it still threatens to erode pricing gains if underlying repair and replacement trends remain elevated.

Regulatory developments

Two recent regulatory developments stand out as significant. As we noted last year, the regulator APRA has been consulting with the industry since late 2024 on proposed reforms to reinsurance capital rules, which would allow insurers to access a broader range of reinsurance solutions. In July 2026, APRA finalized its amendments[13] including the removal of the strict reinstatement requirement for certain alternative reinsurance structures, such as cat bonds. It also proposes allowing Appointed Actuaries to determine capital treatment for certain arrangements without prior APRA approval. The proposals have been generally well-received by the industry, and implementation is targeted for January 2027.

Meanwhile, the Insurance Council of Australia is also undertaking a redraft of the country's General Insurance Code of Practice, with the aim of making it "consumer-centric, modern and fit for purpose", and incorporating feedback from a 2022 parliamentary inquiry into floods, as well as an independent review[14]. The redraft is expected to be completed this year, with implementation to follow later.

Pricing environment

In the primary market, there is a marked split in current pricing trends between personal lines and commercial lines, according to figures from local industry sources[15]. In personal lines, home insurance rates are projected to rise by around 5% to 7% during 2026, while the price forecast in domestic motor ranges from broadly flat to +5%; reflecting ongoing efforts to keep pace with claims inflation.

In commercial lines, however, there is more evidence of softening. Pricing in financial lines is projected to fall by around -5% to -10% in 2026; primary liability by between -2.5% to -7%, and double-digit decreases for commercial property. Increased underwriting capacity, new MGAs, and broader competition are key drivers.

In the reinsurance market, conditions are favorable for buyers. Plentiful capacity, attractive returns through 2025, and continued appetite for Australian risk have led to rate reductions across much of the market.

Discounts have been more pronounced in facultative reinsurance than in treaty, and generally stronger in property than casualty. Buyers are responding by purchasing additional limit, expanding coverage, and in some cases seeking direct rate relief. The broader global backdrop is also supportive, with record sector capital available for deployment.

An important development is the return of appetite for frequency and earnings-protection covers. After cat treaty attachment points rose over recent years, improved reinsurance conditions have allowed capacity to re-emerge for covers that protect against more frequent events and earnings volatility. Major transactions by Suncorp[16] and IAG[17] illustrate how buyers are using multi-year aggregate structures to stabilize net claims costs and reduce volatility outside traditional treaty protections.

Headwinds

- → **Claims inflation:** Repair, construction, labor, and supply chain pressures continue to place upward pressure on claims severity, especially in property and motor, creating ongoing risk to underwriting margins.
- → **Insurance affordability:** Household insurance affordability is under pressure, with a risk that continuing premium increases may change buying behavior and constrain top-line growth.
- → **Climate risk:** Higher catastrophe volatility, exposure concentration in high-risk areas, and the long-term effects of climate change continue to pose a challenge for insurers. Losses have increased each decade, amplifying earnings volatility and contributing to insurance affordability pressures. Climate risk is a central, long-term constraint on industry growth and profitability.

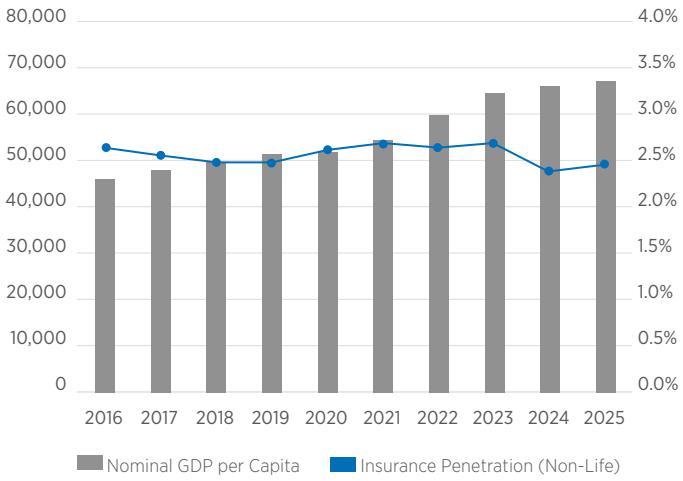
Tailwinds

- → **MGA-led growth opportunities:** MGAs have increased their role and market share in Australia in recent years, particularly in commercial and specialty segments. They offer insurers a capital-efficient way to access specialist underwriting expertise, broaden distribution, and respond more quickly to growth opportunities.
- → **More efficient use of reinsurance capital:** Increased capacity and more flexible reinsurance solutions are allowing insurers to improve earnings stability, optimize capital deployment, and support shareholder value. APRA's constructive regulatory reforms should further facilitate this.
- → **AI-driven profitability gains:** AI is creating significant opportunities to improve underwriting, claims management, operational efficiency, analytics, and customer engagement, supporting more resilient long-term profitability[18].

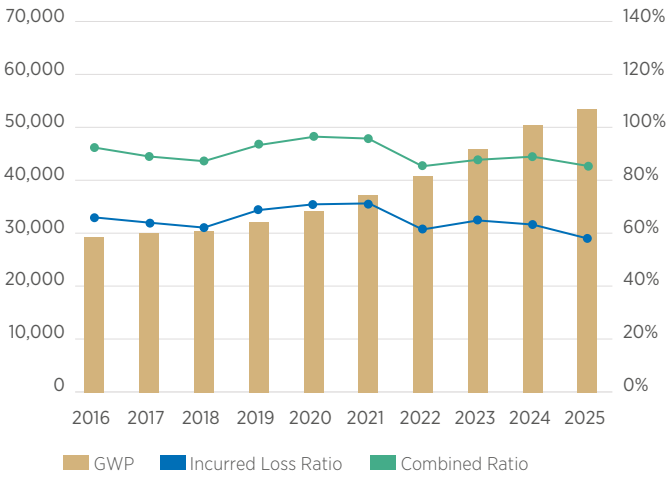


Australia in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)





- **22%** Private Motor
- **22%** Other
- **20%** Household
- **12%** Fire and Industrial Special Risk
- **6%** Commercial Motor
- **5%** Publ. and Prod Liability
- **5%** CTP Motor
- **4%** Employers' Liability
- **3%** Professional Indemnity
- **1%** Mortgage



- **30%** Government Securities
- **22%** Financial Securities
- **22%** Other Securities
- **13%** Indirect Investments
- **8%** Deposits
- **3%** Equities
- **2%** Loans
- **0%** Property Investments

Sources: World Bank, Australian Bureau of Statistics (ABS), Australian Prudential Regulation Authority (APRA)
Note: Since July 2023, APRA data aligns with AASB 17, e.g. replacing traditional premiums with insurance revenue. Loss ratio and combined ratio are Gallagher Re estimates based on APRA quarterly data. The time period corresponds to a twelve-month period from July 1 to June 30 (eg FY2025 runs from July 1, 2024 to June 30, 2025).
The drop in non-life penetration from 2024 reflects the change from using GWP to DWP (available in AASB 17 data filing). DWP removes the impact of inward intragroup reinsurance and avoids the double-counting inherent in industry GWP figures.
P&C excludes health for Australia; "Other" includes inward reinsurance

Non-Life Regulation

The regulator: overview

The Australian Prudential Regulatory Authority (APRA) is the regulator for the insurance industry, with the Australian Securities and Investments Commission (ASIC) providing consumer protection regulation.

Item	Approach
Accounting framework	IFRS equivalent (AASB 17)
IFRS 17 implementation	January 2023
Capital framework	Quantitative: Risk-based capital (RBC) framework Qualitative: Internal Capital Adequacy Assessment Process (ICAAP)
Climate/Sustainability	APRA released 'Prudential Practice Guide CPG 229 Climate Change Financial Risks' in April 2021 and expects entities to incorporate climate risk into organizations' risk management framework. APRA's Climate Vulnerability Assessment (CVA) Information Paper was released in 2026. The Insurance Council of Australia released guidance for the measuring and reporting of Scope 3 emissions in 2025. Government mandated sustainability reporting is phased over the next three years across three groups of reporting entities, with the first reporting cohort including many large insurers required to prepare annual sustainability reports for financial years commencing on or after January 1, 2025. Reports are to be made in accordance with AASB S2 Climate-related Disclosures.

Planned capital developments

- APRA consulted on amendments to the general insurance reinsurance framework to improve access to alternative reinsurance arrangements, with the consultation closing on January 30, 2026. APRA finalized the amendments on July 7, 2026, introducing targeted changes to facilitate access to alternative reinsurance structures, expand the role of Appointed Actuaries in assessing certain reinsurance arrangements, and reduce regulatory burden. The changes will take effect from January 1, 2027.

Source: Australian Prudential Regulation Authority (APRA)



Catastrophe, Pooling & Reinsurance

Catastrophe risk

Under the current RBC framework, the insurance concentration risk capital charge is determined as the greater of the following:

- Natural perils vertical requirement: net 1:200 PML or gross 1:200 modeled loss less reinsurance recoverables
- Natural perils horizontal requirement, which is the PML for the greater of:
  - > Three times the gross loss from a 1-in-10-year event on a whole of portfolio basis, less reinsurance recoverables
  - > Four times the gross loss from a 1-in-6-year event on a whole of portfolio basis, less reinsurance recoverables
- Other accumulations vertical requirement: The PML for an accumulation of losses arising from a common dependent source or non-natural perils, calibrated to a 1-in-200-year return period

The natural perils horizontal requirement also allows for a reduction to the "premium liability offset" — i.e. the portion of the net premium liability provision which relates to catastrophic losses. This is to ensure there is no double counting.

Climate Disclosures: Mandatory climate-related financial disclosures began in 2025 under AASB S1/S2. Insurers must prepare for reporting on physical, transition, and litigation risks. The Insurance Council of Australia has released guidance on how insurers can report Scope 3 emissions.

Reinsurance

APRA has published GPS 230 Reinsurance Management, which sets out requirements on reinsurance management. It requires insurers to maintain a specific reinsurance management framework as part of their overall risk management framework.

There is no statutory requirement on maximum reinsurance cession. However, as outlined in GPG 245 Reinsurance Management Strategy, APRA expects general insurers to cede no more than 60% of their total written premium in any 12-month period.

Under the current RBC framework, the risk capital factor for reinsurance exposure (ie considered within asset concentration risk component) varies depending on the counterparty grade of the respective reinsurers.

Asset concentration risk in current RBC considers both reinsurance and non-reinsurance exposures. For reinsurance exposures, there is no capital charge for reinsurers with a minimum rating of A- (S&P equivalent); a risk charge is applied if the recovery remains outstanding.

Sources: Australian Prudential Regulation Authority (APRA)

Pooling arrangements

Terrorism (Re)insurance Pool	The Australian Reinsurance Pool Corporation (ARPC) is a public financial corporation established by the Terrorism Insurance Act 2003, since renamed the Terrorism and Cyclone Insurance Act 2003. On September 30, 2025 Treasury released a consultation paper reviewing the Act and the future of both pools; comments closed on November 11, 2025. The terrorism reinsurance scheme is administered by the ARPC, providing primary insurers with reinsurance for Commercial Property and associated business interruption losses arising from a declared terrorist incident.
Cyclone Reinsurance Pool	In May 2021, the Federal Government announced the establishment of the reinsurance pool to cover residential (including strata) & SME business properties (up to AUD5M sum insured) against cyclones and related flood damage. The pool is backed by an AUD10B (USD6.7B) Federal Government guarantee. The pool commenced in July 2022 and is administered by the ARPC. Membership is mandatory for property insurers above a size threshold and voluntary for Lloyd's syndicates and unauthorized foreign insurers. Since January 1, 2025 all insurers must cede eligible northern Australia cyclone and associated flood risk to the ARPC. Premium Discounts: From April 1, 2025, ARPC offers discounts for strata properties with risk mitigation measures (e.g. roof strengthening, window protection, upgraded doors), extending to SME properties from April 1, 2026.

Cyber

The Privacy and Other Legislation Amendment Act 2024 (Cth) received assent on December 10, 2024, amending the Privacy Act 1988 (Cth). It introduced new offences for 'doxxing' effective from December 11, and a statutory tort for serious invasions of privacy, effective from June 10, 2025. Penalties under the Privacy Act now sit within a three-tier regime, with the top tier (serious interference with privacy by a body corporate) set at the greater of AUD50M (USD33.3M), three times the benefit obtained, or 30% of adjusted turnover. The first civil penalty under the Act, AUD5.8M (USD3.9M), was imposed in October 2025, and a draft second tranche of reforms was released on August 31, 2026.

The Cyber Security Act 2024 (Cth), which received assent on November 29, 2024, implements initiatives under the 2023-2030 Australian Cyber Security Strategy. Ransomware payment reporting has applied since May 30, 2025 to entities with turnover of AUD3M or more, requiring a report to the Australian Signals Directorate within 72 hours, with a compliance-focused phase since January 1, 2026. Mandatory smart device security standards commenced on March 4, 2026. For financial institutions, APRA's CPS 230 Operational Risk Management came into force on July 1, 2025 alongside CPS 234.

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability	Climate Change Adjustment/ Projections
Earthquake	Australia experiences minor to moderate earthquake risk from intra-plate seismic events. Recent events include the 2021 Mw 5.9 Victoria earthquake which caused light shaking in Melbourne CBD. Geoscience Australia refined its view of hazard across the country in 2023 updating and extending the earthquake catalogue, updating the fault-source model, augmenting the Australian Ground-Motion Database and revising the seismic-source and ground-motion characterizations model logic trees through expert elicitation.	✓	✓ Moody's	✓		
Tropical Cyclone/ Typhoon (Flood & Surge)	Australia is located in a region of high tropical cyclone (TC) activity with cyclones originating in the South Pacific and South Indian oceans. On average, the Australian region receives about 15 cyclones annually. Northern, western and eastern parts of Australia are prone to TC encounters, with the north-western region receiving a relatively higher number of TCs.	✓			✓ Both frequency and severity	✓ Adjustments for various climate scenarios
Flood	Flood is one of the key perils in Australia. The dominant cause of flooding is rainfall associated with low pressure systems and tropical cyclones.			✓ GRe probabilistic flood model	✓ Both frequency and severity	✓ Adjustments for various climate scenarios
Other: Severe Convection Storm: Hail	Almost all losses from severe convective storms in Australia emerge from hail and flash floods. Large hailstones can cause damage to the roofing, windows and cladding of buildings, as well as hull damage to automobiles, trains, planes and boats.	✓		✓ Hail footprint for accumulation risk	✓ Risk relativity measure	
Other: Bush fire	Bushfires are common throughout Australia and have caused loss of life and significant damage to property.	✓		✓ Historical event footprint overlay to estimate exposure and/or loss Stress testing accumulation risk	✓ Bush fire attack Level and fuel load	✓ Adjustments for various climate scenarios

NB: Global Solutions are available to facilitate scenario modelling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Australia specific

Footnotes

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16. Suncorp sets five-year aggregate cover above hazard allowance, Insurance Business, April 24, 2026
17. IAG reduces earnings volatility with long-term reinsurance agreements, IAG, June 28, 2024
18. Ensuring we are better insured: How AI can improve outcomes for Australians, Insurance Council of Australia, August 25, 2025

Exchange rate (as of January 1, 2025): AUD1.50 = USD1.00

Mainland China



Growth Slows, but Green and Tech Insurance Booms

Economic landscape

Mainland China maintained a steady economic trajectory in 2025, with a GDP gain of 5.0%, supported by continued corporate activity, household wealth accumulation and asset growth. This has provided a constructive backdrop for the non-life insurance sector, particularly as new opportunities emerge in lines such as accident and health, liability, and new energy vehicle (NEV) insurance. Offsetting this, the growth in traditional motor insurance has slowed.

Inflation (as measured by the CPI) was effectively flat in 2025, providing a cost-side advantage for insurers compared with markets facing persistently rising prices. Nevertheless, the one-year bank deposit rate of 0.95%[1] illustrates a low-interest-rate environment that is reducing investment yields and increasing the importance of underwriting profitability.

The increasingly complex global tariff and trade environment may have a limited direct impact on Mainland China's non-life insurance premiums, since the commercial insurance lines most affected represent only a small portion of the overall market. Statutory business and personal insurance lines are anticipated to show greater resilience under these conditions. However, as the Chinese non-life insurance market continues to mature, it is unlikely to maintain the high growth rates seen between 2014 and 2024.

Year	**Population** (M)	**Real GDP per Capita** (USD)	**GDP Growth** (Annual)	**Interest rate** (at Dec 31)	**Inflation** (Annual)
2024	1,408.98	12,993	5.0%	3.1%	0.2%
2025	1,406.59	13,661	5.0%	3.0%	0.1%

Sources: World Bank, National Bureau of Statistics of China, People's Bank of China / National Interbank Funding Center
Note: Interest-rate figures in the table are intended to represent the one-year loan prime rate (LPR) at year-end.

Market landscape

Mainland China remains Asia's largest non-life insurance market by premium volume, but the industry has entered a phase of moderate growth and quality-focused differentiation. Total insurance premium reached CNY6.12T (USD873.8B) in 2025, up 7.4%, while non-life insurance companies' premium was reported at CNY1.76T (USD251.0B), up 3.9%. The market comprises 86 property and casualty insurers, with net profit exceeding CNY80B (USD11.4B) for the first time in 2025, although profitability remains concentrated among top-tier players. The leading insurers continue to benefit from data, brand, capital strength, and scale advantages, while smaller and mid-sized players face greater pressure to improve underwriting quality and expense discipline.

Mainland China also has a large and diverse domestic reinsurance market, comprising several state-owned reinsurers (e.g. China Re, PICC Re), foreign branches and subsidiaries, and domestic reinsurer start-ups. The preferential use of domestic reinsurers is encouraged by the risk-based regulatory regime, the China Risk-Oriented Solvency System II, known as C-ROSS II. Under C-ROSS II, insurers in Mainland China receive better solvency capital recognition when ceding business to licensed domestic reinsurers compared to overseas or "offshore" reinsurers, unless the latter meet relevant recognition criteria or provide eligible collateral[2].

	Penetration		GWP (USD M)		GWP (CNY M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Gross Loss Ratio	Combined Ratio	Growth Rate
2024	4.2%	1.3%	813,381	241,415	5,696,310	1,690,690	71.9%	99.0%	6.5%
2025	4.4%	1.3%	873,797	250,883	6,119,420	1,757,000	71.5%	98.1%	3.9%

Sources: World Bank, National Bureau of Statistics of China, People's Bank of China/National Interbank Funding Center, National Financial Regulatory Administration (NFRA), Insurance Association of China (IAC), China Agriculture Re, The Asset, Asia Insurance Review, (Re)in Asia
Exchange rate: (as of January 1, 2026) CNY7.00 = USD1.00.
Note: Unless otherwise stated, USD figures shown in parentheses are converted from original CNY amounts using this exchange rate and are rounded to one decimal place where applicable.

Competition has shifted from scale-driven expansion toward quality-focused differentiation. The "filing-implementation consistency" reform, or Baoxing Heyi (报行合一), has extended pricing and expense discipline from motor to non-motor lines, requiring insurers to adhere more closely to filed terms, rates, and loading assumptions[3]. This may reduce high-commission, low-rate competition over time, although the full impact on business mix and market structure will take a while to emerge[4].

Motor insurance remains the largest segment of Mainland China's non-life insurance market, accounting for approximately 53.5% of total premiums in 2025, down from 54.0% in 2024[5]. This dominance is supported by compulsory third-party liability coverage, which is nationally tariffed, and voluntary motor rates are also highly regulated[6].

Mainland China leads the world in consumer adoption of electric and new energy vehicles (NEVs), creating significant growth opportunities for motor insurers. This includes increased demand for NEV export insurance solutions[7]. NEV insurance has reached a profitability inflection point, with the top three players achieving underwriting profitability and combined ratios below 100%. Nevertheless, the overall industry segment continues to record underwriting losses due to higher claim frequency, repair complexity, and expensive components such as batteries[8].

These dynamics are causing a gradual shift in the market, with insurers increasingly focusing on non-motor lines and specialty products to diversify their portfolios and improve overall underwriting results[9].

Other significant business lines include health, which increased to 12.9% of gross premiums in 2025, and agriculture, which accounted for 8.9%. Health GWP reached CNY227.4B (USD32.5B), while agriculture GWP reached CNY155.6B (USD22.2B). Both lines have benefited from regulatory encouragement and government subsidies in recent years. In agriculture, China Agriculture Re continues to play a central role in the national agricultural catastrophe risk-sharing mechanism[10]; following a 2025 ownership transfer, Central Huijin holds approximately 55.9% of the company[11]. Product development is also becoming more diversified, with growing emphasis on income- or revenue-oriented covers and parametric agricultural solutions[12].

Health insurance continues to be one of the fastest-growing major lines, with 2025 GWP rising by 11.3% year on year. Growth has been supported by product innovation, broader medical reimbursement demand, and policy changes stemming from the DRG (Diagnosis Related Groups) health reform implemented between 2017 and 2021[13]. The country's rapidly aging population has also driven appetite for higher-premium medical reimbursement policies[14].

Risk landscape

Several notable historical nat cat losses have continued to affect insurers' sentiment, including those stemming from Typhoon Yagi in 2024 and Typhoon Ragasa in 2025. In a generally soft market environment, pricing has declined for most treaties in 2026, but loss-affected programs, including those with exposure to Typhoon Ragasa and other major events, experienced premium rate increases during renewals. These developments reinforce the need for accumulation management, catastrophe modeling, and risk selection across property, motor, agriculture, renewable energy, and logistics-related exposures.

Emerging risks are also becoming more prominent. New-energy vehicles, renewable energy facilities, intelligent driving, robotics, and drones are evolving faster than traditional actuarial models can fully capture. This creates growth opportunities in specialty and technology-related insurance products, but also increases uncertainty around claims frequency, repair costs, liability attribution, and accumulation risk. Insurers are therefore revising their underwriting strategies and reinsurance arrangements, to better manage exposure across these evolving risk classes.

Climate-related events remain a structural underwriting challenge. The increasing frequency and severity of extreme weather events are complicating accumulation exposure management, while the growth of renewable energy projects under Mainland China's "dual carbon" goals is expanding the scope of insured assets exposed to typhoon, flood, fire, and operational risks.

Regulatory developments

A major recent regulatory development is the National Financial Regulatory Administration (NFRA)'s Notice on Strengthening Non-Motor Insurance Business Supervision, issued on September 30 2025 and effective from November 1 2025. This notice requires strict adherence to filed policy terms and rates, and prohibits circumvention through endorsements, side letters, or split coverage. It also caps acquisition costs at filed levels; requires rate back-testing and dynamic adjustment mechanisms; and tightens premium collection and receivables management requirements.

The notice represents one of the most disruptive regulatory shifts in the non-motor insurance market in recent years. In the short term, business models relying on high commissions and low-rate competition may face premium contraction. Over the longer term, the reform is intended to encourage more risk-based pricing and benefit those insurers with stronger actuarial, underwriting and risk-control capabilities. Smaller and undercapitalized insurers, on the other hand, may face solvency stress or pressure to exit the market.

On solvency regulation, C-ROSS II remains the core risk-based capital framework. The transition period for the Solvency Supervision Rules (II) was extended to the end of 2025, and early 2026 reporting indicates the industry has moved into full post-transition implementation, with continued emphasis on capital quality, risk management, and market-discipline disclosure[15].

Accounting and reporting requirements are also evolving. In June 2025, the Ministry of Finance and NFRA issued guidance on further implementing the new Accounting Standard for Business Enterprises No. 25 – Insurance Contracts, which is broadly aligned with IFRS 17. Listed insurers and overseas-listed insurers that had already adopted the standard continue to apply it, while other enterprises subject to Chinese Accounting Standards are required to implement it from January 1 2026, with simplified alternatives available for certain non-listed enterprises[16]. Recent global IFRS 17 reporting reviews also indicate that disclosure practices are maturing, although comparability challenges remain[17].

C-ROSS II and IFRS 17 are pushing China's non-life insurers toward more disciplined, capital-efficient underwriting. C-ROSS II increases pressure on capital quality, solvency management, pricing discipline and reinsurance optimization, while IFRS 17-aligned reporting makes underwriting profitability, onerous contracts and assumption-driven volatility more transparent. Together, they should favor larger, well-capitalized insurers with stronger actuarial, data and risk-management capabilities. But they are likely to increase the pressure on smaller insurers with weaker underwriting, or thinner capital buffers.

Pricing environment

In the primary market, the pricing environment is too complex to describe as a simple 'softening' or 'hardening' cycle. It remains too early to determine whether rates are universally rising or falling, as the regulatory focus is on compressing acquisition costs, improving policy-rate consistency, and restoring risk-premium adequacy. Non-life premium growth has moderated, and underwriting performance remains uneven across lines, making technical pricing and expense discipline increasingly important. In this environment, underwriting profitability has shifted from being a "nice-to-have" to an operational necessity.

Reinsurance market conditions remain broadly soft, with greater differentiation by cedant performance and loss experience. Treaties with good performance continue to achieve lower prices and improved terms, while loss-affected treaties, including those impacted by Typhoon Ragasa or other major losses, have seen rate increases. Structural changes in proportional treaties, including higher retentions, have also increased the need for corresponding excess-of-loss limits. Domestic insurers continue to rely heavily on annual treaty programs for systematic risk transfer, with facultative placements generally reserved for exceptional risks and treaty-excluded exposures.

Headwinds

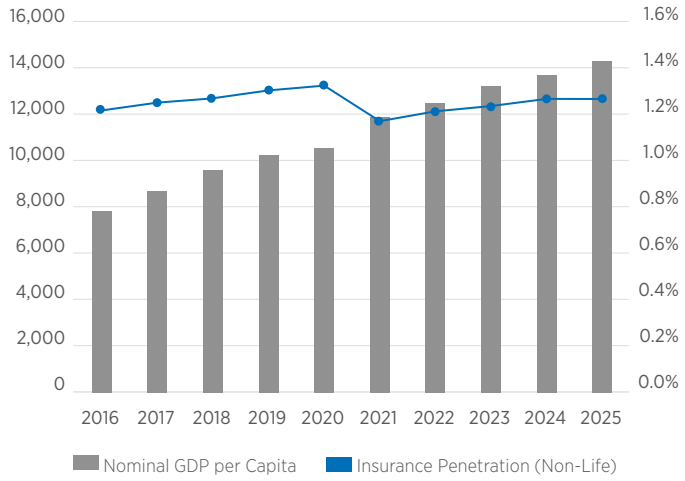
- → **Slowing premium growth:** Non-life premium growth is moderating as the large motor insurance market matures, and economically sensitive lines such as commercial property, engineering and liability reflect weaker macroeconomic momentum. The non-motor regulatory transition may also slow near-term growth for smaller insurers that rely heavily on high-commission distribution models.
- → **Investment pressure:** Very low deposit rates and lower investment yields are reducing the ability of insurers to offset underwriting losses through investment income.
- → **Claims cost pressure:** Rising repair complexity, higher medical and liability claims severity, and technology-linked exposures such as NEVs are increasing loss-cost volatility and making technical pricing more challenging.

Tailwinds

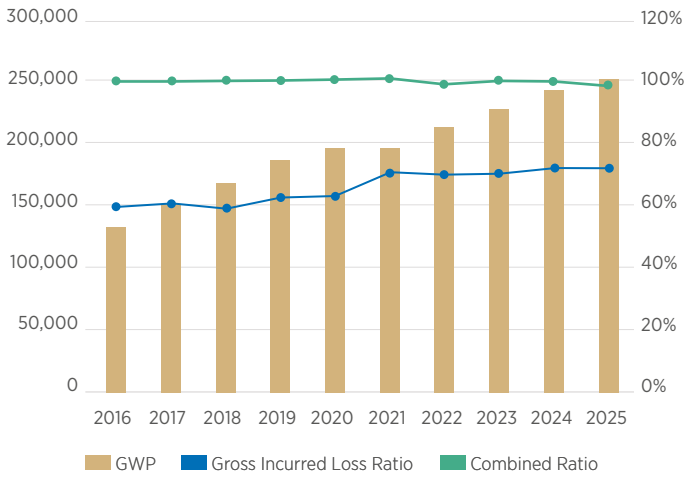
- → **NEV and Green Insurance:** NEV insurance is anticipated to be a major growth area over the next three years, with leading insurers beginning to demonstrate more sustainable underwriting performance. China's "dual carbon" goals also continue to support demand for renewable energy, green infrastructure, and climate-related insurance solutions.
- → **AI and emerging technology insurance:** Intelligent driving, robotics, drones, and other technology-linked exposures are creating new protection needs and specialty product opportunities.
- → **Reinsurance differentiation:** Cedants with stronger underwriting performance and clearer risk management are better positioned to secure favorable terms in a soft but increasingly performance-sensitive reinsurance market.

Mainland China in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



- **54%** Motor Vehicle
- **13%** Health
- **9%** Agriculture
- **8%** Liability
- **5%** Property
- **3%** Accident Injury
- **3%** Guarantee and Export Credit
- **2%** Other
- **2%** Freight Transport
- **1%** Engineering



- **45%** Government and Public Bonds
- **17%** Financial Bonds
- **16%** Deposits
- **13%** Corporate Bonds
- **9%** Securities and Investment Funds

Sources: World Bank, National Financial Regulatory Administration (NFRA), Insurance Association of China (IAC)

Non-Life Regulation

The regulator: overview

In 2023, the National Financial Regulatory Administration (NFRA) was officially established to replace the China Banking and Insurance Regulatory Commission (CBIRC) as the insurance regulator for Mainland China.

Item	Approach
Accounting framework	IFRS equivalent — the Chinese Accounting Standards (CAS) has a high degree of alignment with IFRS 4 and will be replaced by a version of IFRS 17 (specific to Mainland China).
IFRS 17 implementation	The mandatory effective date is staggered over two phases: January 1, 2023 for all Chinese listed insurers, and January 1, 2026 for all other insurers.
Capital framework	China Risk-Oriented Solvency System (C-ROSS II), a Solvency II type of risk-based approach. Solvency-Aligned Risk Management Requirements and Assessment (SARMRA), equivalent to Own Risk and Solvency Assessment (ORSA).
Climate/Sustainability	The NFRA has issued sustainability standards for insurance companies and requires management to focus on ESG risks (including ESG considerations in their investment decisions). The NFRA issued an implementation plan on green financing for insurance companies in 2025. The Shenzhen, Beijing, and Shanghai stock exchanges issued sustainability reporting guidelines. Companies listed on target indexes need to disclose by April 30, 2026. The Ministry of Finance (MOF) finalized the Basic Guidelines for Corporate Sustainability Disclosure in December 2024, putting forward general requirements for sustainability information disclosure following the International Sustainability Standards Board (ISSB)'s disclosure framework (based on IFRS S1).

Source: National Financial Regulatory Administration (NFRA)

Planned capital developments

In September 2026, a draft revision to the Insurance Law was released for public consultation. Key proposals include increasing minimum capital requirement from CNY200M (USD28.6M) to CNY1B (USD143M) and expanding permitted investment assets.

Source: National Financial Regulatory Administration (NFRA)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

Under the current capital framework, catastrophe insurance risk is based on a 1-in-200-year return period; the only perils considered for solvency purposes are earthquake, windstorm and flood.

Catastrophe risk capital charges are applied to net retained aggregates for a 1-in-200-year recurrence period on a geographical basis, adjusted only for proportional reinsurance.

Reinsurance

The mandatory local cession of 20% to China Re and the priority cession to domestic reinsurers were abolished in 2005 and 2009 respectively.

China Agriculture Reinsurance Corporation (CARC), established in 2020, was mandated to reinsure a quota share of all agricultural insurance business in Mainland China. In 2025, CARC's majority stake (55.9%) was transferred from the Ministry of Finance to Central Huijin Investment Ltd., signaling a shift in governance and possibly strategic direction.

To register as a reinsurer, company must have

- Appropriate ratings : at least "A-" equivalent from international rating agencies if leading a treaty, or at least "BBB" equivalent if not leading.
- Maintain a minimum capital of CNY200M for professional reinsurers or CNY100M for treaty leading direct insurers, meet solvency standards of its jurisdiction, and if a branch, its head office must fulfill these criteria.
- For all lines of business (other than Aviation, Aerospace, Nuclear, Oil and Credit), cession to a single reinsurer must not exceed 80% of the sum insured on any one insurance policy.

The C-ROSS II preferential treatment for Hong Kong reinsurers remains in effect. Eligible reinsurers licensed by the Hong Kong Insurance Authority with a non-life solvency ratio of at least 200% and a minimum A- rating continue to benefit from reduced counterparty credit risk charges under the framework.

Cyber

Personal information and data security regulation rests on three pillars: the Personal Information Protection Law (PIPL), Cybersecurity Law (CSL), and Data Security Law (DSL). The CSL was amended with effect from January 1, 2026, introducing fines of up to CNY10M (USD1.4M). The Regulation for the Administration of Network Data Security took effect on January 1, 2025, introducing stricter consent and data-sharing obligations, and the PIPL Compliance Audit Measures, effective May 1, 2025, require periodic audits, which are mandatory for handlers of the personal information of more than ten million individuals.

The Cyberspace Administration of China's Measures on National Cybersecurity Incident Reporting, effective November 1, 2025, set tiered reporting windows: one hour for critical information infrastructure operators, two hours for state organs and four hours for other network operators. Enforcement has intensified, including a CNY10 million PIPL fine against Trip.com in June 2026. PIPL fines can reach CNY50M (USD7.1M) or 5% of annual revenue.

Sources: NFRA, China Re P&C

Pooling arrangements

China Nuclear Insurance Pool (CNIP)	Established in 1999 to provide insurance coverage and risk management services for the nuclear power industry. Coverage includes material damage and third-party risks. The pool comprises domestic and foreign (re)insurance companies and is managed by China Re P&C. All premiums written by individual members are ceded to the pool, which are retroceded to each member according to their respective non-life insurance market share.
China Residential Earthquake Insurance Pool (CREIP)* renamed to China Urban and Rural Residential Catastrophe Insurance Pool (CURRCIP)	This pool was established in 2015 and has been writing policies from July 1, 2016. China Re P&C acts as the sole reinsurance observer to the pool. China Re P&C is responsible for assessing the pool's earthquake risks, designing insurance products, premium rating as well as arranging risk diversification for the pool. In March 2024, the NFRA announced it will expand the coverage offered by the China Residential Earthquake Insurance Pool to include other catastrophe perils, such as typhoons, floods, rainstorms and landslides. It will also increase coverage amounts. The new pool will be renamed the China Urban and Rural Residential Catastrophe Insurance Pool (CURRCIP) as a result.
China Belt & Road Reinsurance Pool	Established in 2020 to facilitate the placement of special risks arising from "Belt & Road Initiative" projects, including delayed start-up (DSU) and political violence. The pool is managed by China Re P&C.
China Integrated Circuit Insurance Pool	Established in 2021 and led by PICC P&C, this pool is formed by 18 members to help safeguard the domestic micro-chip industry, which is subject to increasingly strict US export sanctions. The pool, which has capacity of around USD1B, is said to have replaced some facultative cessions that previously went to Hong Kong and Singapore.

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Mainland China is prone to seismic events. Historical data shows that Western China is more active than Eastern China. Mainland China's tectonic condition is driven by the ongoing collision of the Indian-Australian plate into the Eurasian plate. Tsunami risk is low, as coastal provinces are less exposed to earthquake risk.	✓	✓ Moody's & Verisk	✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Mainland China encounters about seven tropical cyclones (TC) on average a year. Southeast China is relatively more vulnerable to TC risk. The superposition of the Asian monsoon and cyclone season, along with the large river basins like Pearl, Yangtze and Yellow river, make eastern Chinese provinces highly vulnerable to TC induced flood risk.	✓			
Flood	Mainland China is flood-prone and destructive floods frequently affect the country. Almost two-thirds of territory suffers from the threat of flooding, which can cause significant economic losses. This is due to the influence of seasonal monsoon and complex terrain, together with large river basins like Pearl, Yangtze, and Yellow rivers.	✓	✓ Moody's	✓	
Other: Agriculture	Mainland China is the world's largest agricultural economy and a major importer of agricultural commodities. China is also the second largest market for agriculture insurance.	Gallagher Re's Agriculture View of Risk is a blended approach based on clients' historical performance, market results and vendor models. Combined with historical yields and weather data, the various approaches help generate a set of PML curves where the sensitivity to assumptions is tested. The final step of the risk assessment is a PML curve included within a range that considers the assumptions used.			

NB: Global Solutions are available to facilitate scenario modelling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

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Exchange rate (as of January 1, 2026): CNY7.00 = USD1.00.

Hong Kong



Rising Ambition as a Regional Reinsurance Hub

Economic landscape

Hong Kong's economy strengthened in 2025 and early 2026. Real GDP growth improved to 3.5% in 2025 and accelerated to 5.9% year-on-year in Q1 2026, supported by strong external trade, technology-related exports, recovering domestic demand and resilient services activity[1]. Inflation was modest at 1.4% in 2025, while interest rates eased to 4.0% at year-end under the Linked Exchange Rate System. The stronger macro backdrop has supported insurance-sector demand, particularly in accident and health, property damage and inward reinsurance, although business sentiment is sensitive to external trade volatility, geopolitical risk and local consumption trends.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	7.52	52,263	2.6%	4.8%	1.7%
2025	7.50	54,268	3.5%	4.0%	1.4%

Sources: World Bank, official statistics

Market landscape

Hong Kong's insurance market is mature, international and highly intermediated. As of July 2026 there were 159 authorized insurers, comprising 86 pure general insurers, 51 pure long-term insurers, 19 composite insurers and three special-purpose insurers[2]. The market continues to benefit from Hong Kong's position as a financial center, gateway to Mainland China and regional risk management hub, while competition has intensified as both primary and reinsurance capacity has increased.

	Penetration		GWP (USD M)		GWP (HKD M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	18.5%	1.6%	81,979	12,911	637,848	100,453*	66.4%	95.1%	49.3%*
2025	23.2%	1.6%	106,286	13,940	826,971	108,458	65.1%	95.3%	8.0%

Sources: World Bank, Insurance Authority (IA)
Exchange rate: (as of January 1, 2026) HKD7.78 = USD1.00
Notes: Based on provisional statistics on general business and includes direct business and inward reinsurance. *From 2024, figures reflect IFRS 17 and HK RBC changes and are not comparable to previous years. The combined ratio is estimated by Gallagher Re using the formula: 1 minus the undiscounted underwriting profit/loss, divided by net earned premium (NEP). Claims ratios are given on a net basis and calculated as net incurred claims (excluding expenses) divided by net earned premium (NEP). DWP is used to calculate the non-life penetration rate

The Hong Kong Insurance Authority (HKIA)'s 2025 provisional statistics[3] recorded total non-life insurance gross premiums of HKD108.5B (USD13.9B), up 8.0% year-on-year, and net premiums of HKD74.1B (USD9.5B), up 6.3%. Direct business accounted for around 50.5% of gross premiums at HKD54.8B (USD7.0B), while inward reinsurance contributed HKD53.7B (USD6.9B), illustrating Hong Kong's importance as a regional reinsurance hub.

Accident and health was the largest 2025 segment at HKD39.6B (USD5.1B), followed by property damage at HKD28.3B (USD3.6B) and specialty and reinsurance-related classes at HKD15.3B (USD2.0B). Direct business growth was led by accident and health, general liability, property damage and motor, while inward reinsurance growth was driven mainly by offshore property damage and accident and health.

Industry-wide operating profit rose 39.7% to HKD11.4B (USD1.5B), although underwriting profit declined to HKD2.9B (USD0.4B). Direct business underwriting profit improved to HKD3.2B (USD0.4B), while inward reinsurance recorded an underwriting loss of HKD0.4B (USD0.1B). Underwriting profit for onshore property damage business also dropped substantially to HKD15.8M from HKD0.6B after claims were paid and reserves set aside for the Wang Fuk Court fire.

Risk landscape

Hong Kong experienced an active year for weather and cat risk in 2025[4], with several large-loss events testing market resilience. Key events included Typhoon Wipha in July, severe flooding during the Black Rainstorm Signal in August, Super Typhoon Ragasa in September and the Wang Fuk Court fire in Tai Po in November. The typhoon and rainstorm activity has reinforced the importance for insurers of robust cat modeling, accumulation management and adequate reinsurance protection.

Other forms of risk are also developing. The ongoing digitalization of the economy puts a continued focus on cyber and technology risks, with Hong Kong's digital asset reforms potentially creating additional demand for insurance covering custody services, cybercrime, professional liability and regulatory exposure, in particular. Separately, drone-related activities are expected to create new product opportunities, particularly where logistics, emergency response and medical transport use cases expand.

Integration with southern China's Greater Bay Area is a central strategic theme. The Northbound Travel for Hong Kong Vehicles scheme has expanded the addressable motor-related risk pool, with around 140,000 eligible Hong Kong vehicles and more than 10 insurers introducing third-party liability coverage for Mainland China exposure[5]. Hong Kong is also positioning itself as a regional hub for reinsurance, captives and insurance-linked securities, supported by Mainland policy recognition and ongoing regulatory efforts to strengthen cross-border risk transfer mechanisms.

Regulatory developments

The Risk-Based Capital (RBC) regime, effective since July 2024, is now shaping capital, reinsurance and investment decisions. In 2026, the HKIA consulted on RBC enhancements covering infrastructure investments, general business capital requirements, indexed universal life business, crypto assets and specified stablecoins, with implementation targeted for December 31 2026, subject to the legislative process[6].

The refinements may reduce capital charges for qualifying infrastructure investments, and align digital asset treatment[7] with Hong Kong's broader policy agenda. Climate disclosure, cyber risk management and catastrophe bond development also align with Hong Kong's sustainable finance and regional risk transfer ambitions.

Elsewhere, a marine specialty risk pool was established in late 2025, initially focused on war risk protection for shipowners with Chinese interests. It was subsequently expanded to international vessels. The HKIA may now invite additional companies to contribute capacity, further developing this mechanism for Hong Kong to support the region's marine insurance markets.

Pricing environment

Hong Kong's primary insurance market became more competitive in 2025, with most lines experiencing rate reductions as capacity increased and insurers sought growth. In property business, pricing was affected by loss experience and natural catastrophe exposure, while casualty, financial lines and cyber pricing experienced more selective hardening depending on account quality, claims history and limits purchased.

Motor pricing remained competitive. This part of the market may see new opportunities from cross-border mobility initiatives and potential ride-hailing regulation. Accident and health is a key growth line, supported by rising demand for supplemental protection and regional mobility, although claims inflation and medical utilization require continued monitoring.

Reinsurance conditions softened materially in 2025, particularly for loss-free excess-of-loss programs, where rate reductions exceeded 10%. Proportional treaty commissions increased by more than two percentage points in some cases, and cedants sought higher treaty capacity and fewer restrictions to support business expansion.

Despite softer conditions, reinsurers focused on natural catastrophe accumulation, property loss activity and the quality of cedants' portfolios.

Capacity remained ample from both regional and global reinsurers, reinforcing Hong Kong's position as a stable reinsurance center. However, the swing of the inward reinsurance segment to an underwriting loss in 2025 highlights that pricing adequacy and risk selection remain important, especially for offshore property damage, general liability and accident and health portfolios.

Marine and specialty pricing is likely to be influenced by war risk developments, specialty pool capacity and broader geopolitical risk, while aviation and specialty liability lines are likely to be dependent on global market capacity and loss trends.

Headwinds

- **Intense market competition and softening rates:** Increased primary and reinsurance capacity is driving rate reductions and higher treaty commissions, which may pressure margins if claims activity normalizes or deteriorates.
- **RBC and capital management transition:** The RBC regime and proposed 2026 refinements require insurers to reassess capital allocation, reinsurance purchasing, infrastructure investments and digital asset exposures.
- **Climate, catastrophe and large-loss volatility:** Typhoons, extreme rainstorms and large property losses such as Wang Fuk Court underline the need for disciplined underwriting, catastrophe modeling and adequate reinsurance protection.

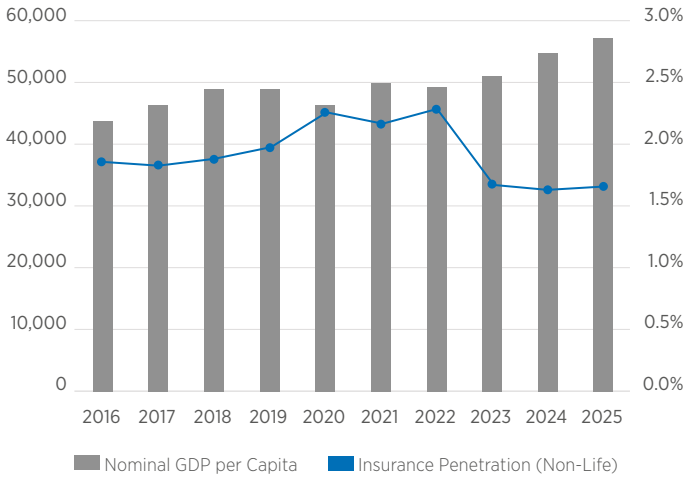
Tailwinds

- **Greater Bay Area and cross-border mobility:** Northbound vehicle travel, potential future cross-border insurance schemes and China policy recognition provide growth opportunities for motor, liability and specialty covers.
- **Regional reinsurance and specialty risk hub:** The HKIA's encouragement of catastrophe bond issuance, growth in captive structures, and the marine specialty risk pool support Hong Kong's ambition to be a global risk management center.
- **Emerging risks and product innovation:** Digital assets, cyber, and the emerging drone economy create new demand for specialty insurance, advisory support and risk management solutions.

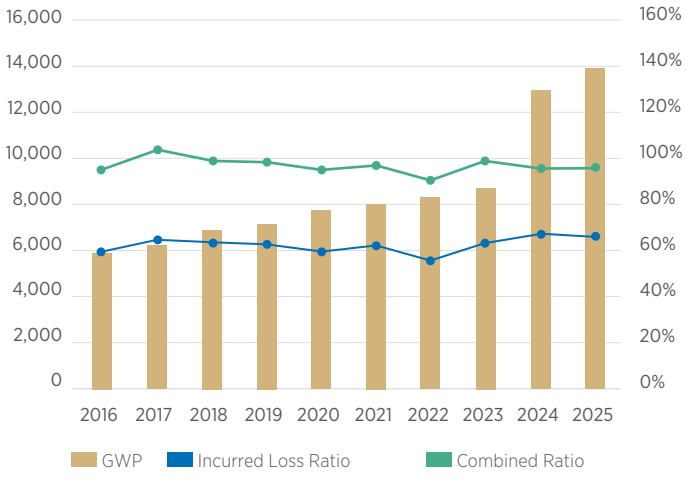


Hong Kong in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



- **36%** Accident and Health
- **26%** Property
- **14%** Others
- **10%** General Liability
- **9%** Motor Vehicle
- **5%** Pecuniary Loss



- **34%** Debt Securities
- **21%** Other
- **20%** Cash and Deposits
- **15%** Reinsurance Assets
- **8%** Equities (including portfolio investment)
- **2%** Properties

Sources: World Bank, Insurance Authority (IA)

Notes: From 2024, figures for the Hong Kong insurance industry are based on Provisional Statistics on General Business (Jan-Dec 2024). Includes Direct Business and inward reinsurance on an Accident Year Basis. Figures reflect IFRS 17 and HK RBC changes and are not comparable to previous years.

Combined Ratio is estimated by Gallagher Re using 1- undiscounted underwriting profit/loss over Net Earned Premium (NEP). Claims Ratios are Net basis and net incurred excluding expenses/NEP.

The drop in penetration rate since 2023 was driven by using Direct Written Premium (DWP) instead of GWP for prior years to avoid double counting of market intergroup reinsurance.

GWP increased from 2024 due to the change in data filing requirements following the move to the new HK RBC regime in July 2024 .

Non-Life Regulation

The regulator: overview

The Insurance Authority (IA) is the insurance regulator for Hong Kong.

There are two Insurance Advisory Committees (IACs), one for long-term business and one for general, to advise the IA on industry-related issues.

Item	Approach
Accounting framework	IFRS equivalent (HKFRS 17)
IFRS 17 implementation	January 2023
Capital framework	HK RBC regime from July 1, 2024 Own Risk and Solvency Assessment (ORSA)
Climate/Sustainability	Mandatory disclosure of Scope 1 and 2 greenhouse gas emissions for all listed companies in 2025, with HKFRS S2 as voluntary standard. Guideline on Enterprise Risk Management (GL21) requires authorized insurers to include climate risk in their ERM framework.

Planned capital developments

In May 2026, IA finalized enhancements to the RBC framework which includes preferential capital treatment for qualifying infrastructure investments, lower risk capital requirements for general business and refinements to capital treatment of offshore reinsurance business and selected asset classes. The amendments are set to commence on December 31, 2026, subject to legislative process.

Source: Insurance Authority (IA)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

Under the HK RBC regime, effective July 1, 2024, the catastrophe risk charge must cover both natural and man-made catastrophes:

- Nat cat charge: the maximum net loss for windstorm plus the maximum net loss for earthquake, plus the counterparty credit risk charge on reinsurance assets
- For direct insurers the exposure base is the gross regional aggregate limit, multiplied by a risk factor to give a 1-in-200-year loss and then adjusted for a two-event scenario:
  - > Regional risk factors: Hong Kong 0.20% windstorm and 0% earthquake; Macao 0.60% and 0% recoverables
  - > Mainland China 0.30% windstorm and 0.40% earthquake recoverables
- Man-made cat exposure base is the maximum foreseeable loss from fire or explosion affecting one risk-separated unit, one aircraft or one vessel, with separate rules for trade credit and mortgage indemnity

Insurers may apply to the IA for approval of an internal model for catastrophe risk — the standard model applies to all other risk modules. The 2024 Policy Address flagged a review including fine-tuning the capital requirement for catastrophe risks.

Climate Disclosures: The Guideline on Enterprise Risk Management (GL 21) requires authorized insurers to reflect climate risk in their ERM and ORSA, and listed companies must disclose Scope 1 and 2 emissions from 2025. Hong Kong targets carbon neutrality by 2050 and a 50% cut in carbon intensity from 2005 levels by 2035. The ISSB Sustainability Disclosure Standards are being implemented as one of the Green and Sustainable Finance Steering Group's 2025 priorities.

Reinsurance

The Guideline on Reinsurance (GL 17) sets standards for reinsurance management systems, retention setting, program design and reinsurer panel selection; arrangements must be reported to the IA and any deal with insignificant risk transfer needs prior IA approval.

GL 17 imposes no minimum reinsurer security, though market practice is not to accept anything below "BBB". GL 12 caps credit for recoverables from affiliated reinsurers rated below S&P "AA-" at 10% of net assets unless collateral is supplied.

Reinsurance counterparty credit charges range from 0.4% to 38.8% by financial strength rating (e.g., 0.4% for AAA, 1.6% for A+ to A- and 6.2% unrated), with no distinction between onshore and offshore reinsurers.

14 professional non-life and composite reinsurers are licensed and taxed at 8.25%. 2024 inward reinsurance premiums reached HKD49.04B (USD6.30B), of which HKD41.21B (USD5.30B) was offshore, although hub status has been eroded by Beijing, Shanghai and Singapore.

The Insurance-Linked Securities (ILS) Grant Scheme subsidizes issuance costs up to HKD12M (USD1.54M) per issue for ILS with a maturity of three or more years and a size of at least HKD250M (USD32.1M), supporting Hong Kong's role as a regional ILS hub; the pilot scheme is planned to run to 2028. Recent issues include Taiping Re's USD35M Silk Road Re (January 2025), the first local multi-peril, multi-trigger deal, and Peak Re's USD50M Black Kite Re (April 2025).

Cyber

The Personal Data (Privacy) Ordinance (PDPO) remains the predominant law governing privacy and data protection. Amendments proposed by the Privacy Commissioner would establish mandatory breach notification, a data retention policy requirement and direct regulation of data processors, but no bill had been introduced as at September 2026 and breach notification remains voluntary. Fines for breaching the PDPO currently reach HKD1M (USD128,500).

The Protection of Critical Infrastructures (Computer Systems) Ordinance (Cap. 653), passed on March 19, 2025, came into force on January 1, 2026 and covers eight sectors, with operators being designated in phases from mid-2026. Designated operators must maintain computer-system security management plans, conduct risk assessments and report incidents within 12 hours for serious incidents and 48 hours otherwise, with maximum fines of HKD500,000 or HKD5M (USD64,260 or USD642,600) depending on the offence.

Pooling arrangements

Motor Insurers' Bureau (MIB)	Membership is compulsory for all insurers authorized to write compulsory motor business. The First Fund compensates victims of unknown and uninsured drivers and covers bodily injury above the HKD100M (USD12.85M) compulsory limit on an unlimited basis, funded by a 1% levy on motor premiums. The First Fund also provides ground-up cover up to HKD200M (USD25.71M) for third party bodily injury caused by an act of terrorism. The Insolvency Fund, funded by a 2% levy, meets claims left unsettled by insurer insolvency and absorbed most of Target Insurance's liabilities after its 2022 winding up.
Employees' Compensation Insurance Residual Scheme (ECIRS)	Established by the HKFI in May 2007 as insurer of last resort for high-risk occupations such as demolition, tunnelling, scaffolding and diving; every EC insurer must participate, sharing premiums and claims in proportion to prior-year EC market share. Risks are accepted only where three insurers have declined cover or quoted at least 30% above HKFI benchmark rates; loss experience is poor, driven by fatal claims among small-scale scaffold erectors. EC compulsory-class levies total 10.8% of premium, including 3.1% for the EC Assistance Scheme, 2.0% for the Insurers' Insolvency Fund and 3.0% for the government terrorism scheme. The government EC terrorism scheme provides up to HKD10B (USD1.29B) of reinsurance cover for EC claims arising from an act of terrorism. Participation is voluntary, but all insurers opt in except BHSI, which writes EC terrorism net and does not charge the 3% levy. There is no terrorism or natural catastrophe pool for property; terrorism is a standard market exclusion with stand-alone cover typically limited to HKD10M (USD1.29M). A war-risk pool backed by five local insurers was created in November 2025 with USD130M of capacity for shipowners.

Sources: Insurance Authority (IA), Hong Kong Federation of Insurers (HKFI)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Hong Kong lies within the Eurasian Plate. The seismicity of Hong Kong is low to moderate. Historical records suggest that Hong Kong does not experience frequent, large magnitude earthquakes, and there is no history of insured earthquake losses; the Dangan Islands fault 35 km to the south is nonetheless capable of a magnitude 7.5 event and Hong Kong has no earthquake building code.	✓	✓ Moody's & Verisk	✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Typhoon is the main natural peril in Hong Kong, however, typhoon risk is considered medium which can be explained by the location and the size of the territory. An average of 1-2 typhoons every year come across/close to Hong Kong. The IA's RMS study puts the 1-in-200-year insured loss at HKD15-18B (USD1.9-2.3B); Wipha (July 2025) caused around HKD2B (USD257M) of economic loss, while Saola and Haikui (September 2023) drove HKD1.9B (USD244M) of incurred losses from nearly 15,000 claims.	✓			
Flood	Hong Kong is at risk of urban flooding, which is annual but historically localized; there is no Hong Kong-specific flood model, and government drainage investment is running at around USD1B.	✓	✓ Moody's	✓	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

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Exchange rate (as of January 1 2026): HKD7.78 = USD1.00

India



Growth Strong, Profitability Under Pressure

Economic landscape

India remains one of the fastest-growing major economies in Asia Pacific, with GDP growth rising slightly to 7.6% for 2025. Strong domestic consumption, continued infrastructure investment and a large middle class continue to support economic activity despite ongoing global uncertainty. Interest rates have remained relatively stable, helping to sustain business confidence, while investment income remains an important contributor to insurer profitability.

Market sentiment remains positive, particularly around India's expanding middle class. The country's middle-income population is expected to reach around 700 million by 2030, representing close to half of the population, while spending power has increased materially over the past five years. This remains an important driver for retail insurance growth, particularly in health, motor, personal accident and digitally distributed products.

There are, however, some near-term pressures. Exchange rate depreciation has been one of the more visible macroeconomic headwinds over the past year, while fuel prices, which were relatively stable for much of the period, have recently increased[1].

Market landscape

India's non-life insurance market remains attractive, with growth underpinned by demographics, rising consumer spending, government-backed insurance expansion and increasing digital adoption. The market is retail-led, with health accounting for more than 40% of insurers' business and motor contributing around 30% to 35%, highlighting the importance of retail lines in the overall market.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	1,450.94	2,298	7.1%	6.5%	5.0%
2025	1,463.87	2,450	7.6%	5.3%	2.2%

Sources: General Insurance Council, Insurance Regulatory and Development Authority (IRDAI)

Gross direct premium written by general and health insurers reached INR3.08T (USD34.2B) during the 12 months ended March 31, 2025, up 6.2% from INR2.9T (USD32.2B) in 2023-24. According to data from the Insurance Regulatory and Development Authority of India (IRDAI), private sector general insurers account for about 52% of the market, while public sector insurers account for about 32%. Specialized insurers wrote around 4% of premiums in 2024–25, whereas standalone health insurers accounted for about 12%.

	Penetration		GDPI (USD M)		GDPI (INR M)		Non-Life		
Year	All Insurance	Non-Life (Incl. Health)	All Insurance	Non-Life (Incl. Health)	All Insurance	Non-Life (Incl. Health)	Loss Ratio	Combined Ratio	Growth Rate
2024	3.5%	0.9%	124,462	32,202	11,196,024	2,896,730	82.5%	109.5%	12.8%
2025	3.5%	0.9%	132,664	34,196	11,933,827	3,076,110	82.9%	110.5%	6.2%

Sources: IRDAI, General Insurance Council of India
Exchange rate: (as of January 1, 2026) INR89.96 = USD1.00
Note: 2025 refers to FY 2024-25 (end-March 2025) for industry data, and Dec-end 2025 for economic data; Gross Direct Premium Income (GDPI) figures refer to business within India only; GDPI is used to calculate the non-life penetration rate

Health insurance is the largest and most strategically important segment. General and health insurers collected INR1.18T in health insurance premium in 2024-25, excluding personal accident and travel, representing growth of 9.12% over the previous year. During the year, health insurers covered 580M lives under 26.5M policies, with group business contributing the largest share of premium, followed by individual business and government-sponsored schemes.

The Indian non-life market is dominated by five public-sector insurers and a similar number of large established private insurers, but new and potential entrants are increasing competitive intensity. There has been little significant consolidation activity in the past 12-18 months, although interest from new entrants and international insurers remains strong. New players in the market in recent months include Jio Insurance, a joint venture with Allianz. The increase in the foreign direct investment limit to 100% has further strengthened the market's appeal to global carriers and reinsurers.

Reinsurance activity is also being reshaped by the development of GIFT City (a financial-services center established in Gujarat). The number of reinsurers operating through GIFT City has grown substantially, although this is not necessarily all new capacity. In many cases, existing capacity is being repositioned to benefit from tax efficiencies, regulatory advantages and more favorable placement treatment within India's order of preference[2].

Insurance penetration remains low by global standards, but this represents a growth opportunity rather than a sign of limited demand. The overall insurance market penetration rate was 3.5% in 2025, unchanged from the year before, with non-life (including health) at 0.9%. Government initiatives, including the "Insurance for all by 2047" agenda, are helping introduce insurance concepts to wider parts of the population. Over time, this may support further private market demand as awareness, affordability and digital access improve.

Growth opportunities are strongest where product design and distribution meet changing consumer behavior. Motor affinity products, electric vehicle-related covers, cyber insurance, surety, parametric solutions and embedded insurance are all identified as areas of potential expansion. Cyber is particularly promising given India's rapid digitalization[3], while surety continues to gain attention as a potential alternative to traditional bank guarantees.

Risk landscape

India has benefited from a relatively benign natural catastrophe experience in recent years. The absence of major catastrophe losses has supported profitability for insurers and reinsurers, particularly in crop and catastrophe-exposed portfolios. This has contributed to favorable reinsurance outcomes for Indian buyers and helped sustain strong appetite for Indian risk.

At the same time, large risk losses are becoming more prominent. Industrial fire losses have increased in frequency and severity, with one recent event reaching around INR20B (USD222M). These losses appear to be driven primarily by increasing asset values, higher replacement costs and the expanding scale of industrial activity.

Health claims are a key area of focus. According to IRDAI, net incurred claims under health insurance rose to INR848.50B (USD9.4B) in 2024-25, an increase of about 11% from the previous year. The overall health incurred claims ratio improved slightly to 86.98%, from 88.15% in 2023-24, although performance remains uneven across government, group and individual business[4].

Across the wider non-life sector, underwriting performance remains mixed. Non-life underwriting losses increased to INR302.76B (USD3.37B) in 2024-25, from INR285.55B (USD3.17B) in the previous year. Public sector insurers accounted for a large share of industry underwriting losses. The industry's overall loss ratio and combined ratio also increased slightly, to 82.9% and 110.5% respectively.

Nevertheless, aggregate net profit for the non-life sector rose to INR131.54B (USD1.46B) in 2024-25, compared with INR101.19B (USD1.12B) in 2023-24. Investment income continued to play an important role in supporting overall profitability.

Regulatory developments

The Indian insurance industry has enjoyed a generally supportive framework in recent years. As noted elsewhere in this report, the regulator IRDAI has been pursuing a policy program aimed at broadening participation and increasing the market penetration rate; while authorities have also taken steps to attract reinsurers to GIFT City.

IFRS 17 became applicable from April 1, 2026, although some insurers have been given flexibility as they complete implementation. The market currently views IFRS 17 largely as an accounting change, with limited immediate capital impact. A risk-based capital (RBC) framework is expected to follow, possibly as soon as next year, with insurers currently beginning internal analysis to assess their readiness.

Pricing environment

India's primary insurance market has softened materially in the past 12-18 months, driven by keen competition for standard products, among both new market entrants, plus more aggressive growth strategies from established insurers.

The elimination of the 18% sales tax on life and health insurance policies in September last year has also helped to stimulate demand.

The primary market has seen rate reductions of around 30% this year, with property, marine and crop highlighted as particularly competitive, while health has remained relatively steadier. In the reinsurance market, insurers secured price reductions around 15% to 20% at the main April 1 renewal, and similar reductions for those who renew at July 1.

The pressure is likely to be most visible in commercial insurance lines, where competition among direct insurers remains intense. Property fire pricing, which had moved closer to recommended levels in the previous cycle, is now facing renewed pressure as insurers compete for market share.

For reinsurers, India remains attractive because of recent portfolio profitability and limited major catastrophe experience, but pricing discipline will remain an important test as competition deepens.



Headwinds

- **Pricing pressure and competition:** The market is becoming competitive, with new entrants and more established players pushing rates. This is creating pressure on underwriting discipline, particularly in property, marine, crop and other commercial segments.
- **Persistent underwriting losses:** Underwriting profitability remains a challenge across parts of the market. Non-life underwriting losses increased in 2024-25 and public sector insurers continue to account for a significant share of industry losses.
- **Uneven health performance:** Health insurance is a major growth engine but claims inflation, group health losses and affordability pressures are weighing on performance. Though the overall incurred claims ratio improved slightly in 2024-25, claims costs continue to rise in absolute terms, according to IRDAI's figures.

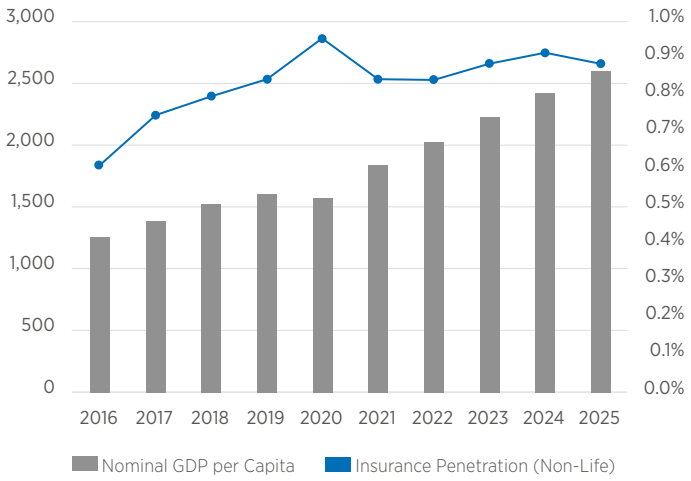
Tailwinds

- **Strong economic and retail market fundamentals:** India's macroeconomic environment remains resilient, with GDP growth of 7.6% in 2025 and continued optimism around consumer demand. The country's expanding middle class, combined with a predominantly retail-focused insurance market, continues to support demand for health, motor, personal accident and digitally distributed products.
- **Government push for wider access:** IRDAI's "Insurance for all by 2047" agenda, along with large government-backed schemes, is helping introduce insurance to broader parts of the population. These schemes also create business for insurers and reinsurers while building long-term familiarity with insurance as a protection tool.
- **Digital insurance and new product opportunities:** India's digital economy creates significant room for embedded and affinity-based products. Mobile payments, aggregator platforms and digital-first insurers have already changed customer expectations, while emerging segments such as cyber, electric vehicle-related products, surety and parametric insurance offer additional avenues for growth.

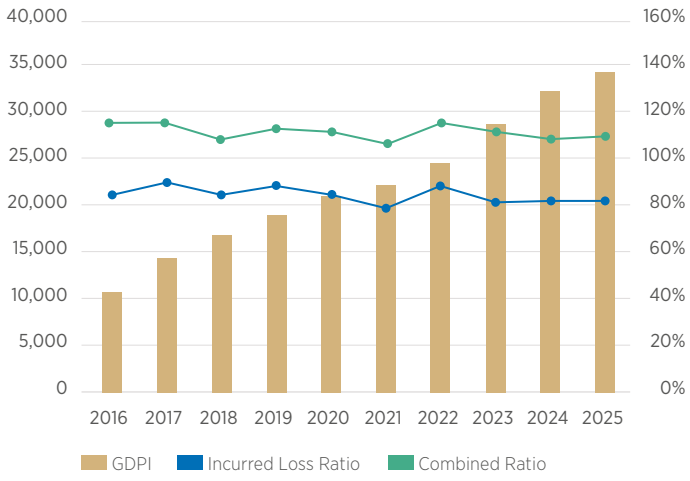


India in Numbers

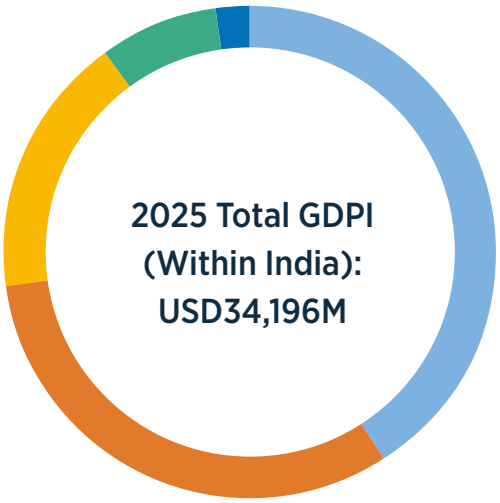
GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from April 1 to March 31 (e.g., FY2024 runs from April 1, 2023 to March 31, 2024)



- **41%** Health
- **32%** Motor
- **17%** Others
- **8%** Fire
- **2%** Marine



- **30%** Approved Investments
- **27%** Central Govt Securities
- **18%** State Govt & Other Approved Securities
- **15%** Infrastructure Investments
- **8%** Housing & Loans to State Govt for Housing and Fire Fighting Equipment
- **2%** Other Investments

NB: Gross Direct Premium Income (GDPI) figures refer to business within India only; GDPI is used to calculate the non-life penetration rate
Sources: World Bank, Insurance Regulatory and Development Authority (IRDAI), General Insurance Council. Note: IRDAI has recently revised the formats for reporting, excluding premiums from long-term policies from the reporting of premiums, effective October 2024.

Non-Life Regulation

The regulator: overview

The Insurance Regulatory and Development Authority of India (IRDAI) is the insurance regulator for India.

Item	Approach
Accounting framework	IFRS equivalent (Indian Accounting Standards 117)
IFRS 17 implementation	Ind AS 117 is effective from April 1, 2026, with a one-year forbearance mechanism for insurers that are not yet ready.
Capital framework	Factor-based solvency; India risk-based capital (RBC) framework expected from April 1, 2027 (no official confirmation).
Climate/Sustainability	No sustainability disclosure requirements specific to insurers; Mandatory annual sustainability disclosure for top listed companies. The IRDAI (Corporate Governance for Insurers) Regulations 2024 ("CG Regulations") and the IRDAI's Master Circular on Corporate Governance for Insurers 2024 of May 22, 2024 require all Indian Insurance Companies to have a Board-approved ESG framework and monitor ESG activities. Similarly, the IRDAI's "Master Circular on Reinsurance" of May 31, 2024 extends these requirements to Branches of Foreign Reinsurers ("FRBs") and Lloyd's India.

Planned capital developments

IRDAI is expected to roll out a risk-based capital framework around April 2027; however, no official implementation date has been notified by the regulator.

Source: Insurance Regulatory and Development Authority (IRDAI)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There is no framework specifying a fixed catastrophe return period that must be purchased; however, under the IRDAI master circular insurers must ensure their reinsurance arrangements for catastrophe accumulations are adequate.

The catastrophe modeling report/purchase basis and return period estimates supporting catastrophe buying must be approved by the board for each peril, and insurers must file a synopsis of the catastrophe modeling report along with their reinsurance program with the regulator.

Reinsurance

The compulsory cession to the state-owned reinsurer General Insurance Corporation of India (GIC Re) is 4% for FY2025/26 (April 1, 2025 to March 31, 2026), covering all classes except terrorism and nuclear. The Bharat Maritime Insurance Pool was launched in May 2026 and covers both hull and cargo.

Under the IRDAI Reinsurance Regulations 2018 (pre-2024):

- Cedants must seek terms from: (1) all Indian reinsurers who are registered with IRDAI and have been transacting reinsurance business in the past three years with a minimum credit rating of A-, and (2) a minimum of four foreign reinsurance branches (FRBs) with a minimum credit rating of A-.
- Cedants must offer the best terms for participation in the prescribed order of preference. The first category of preference is GIC Re, followed by category one branches, other Indian reinsurers or category two branches, FRBs in Special Economic Zones, other Indian insurers (facultative) and cross-border reinsurers (CBRs).
- Cross-border cession limits vary depending on the CBRs' credit ratings: 20% (A+ or higher), 15% (BBB+ to A+) and 10% (BBB- to BBB+).
- All FRBs must retain a minimum of 50% of its Indian reinsurance business.

Post 2024-25:

- IRDAI is maintaining the 4% mandatory cession to GIC Re for FY2025–26, despite industry calls for its removal, to enhance insurer flexibility and profitability.
- From FY2025–26, cross-border reinsurers must post 75% collateral if rated A- or above, and 100% if below A-, using Letters of Credit or funds withheld. This is excluded from solvency margin calculations.
- IRDAI has reduced the reinsurer preference categories from six to four, merging FRBs and IIOs. The order of cession remains in operation; collateral guidelines apply in addition to it.

Cyber

India's privacy regime is moving from the Information Technology Act 2000 and the Information Technology Rules 2011 to the Digital Personal Data Protection Act 2023. The Digital Personal Data Protection Rules, notified on November 13, 2025, bring the Act into force in phases; the Data Protection Board provisions applied immediately, while most obligations, including 72-hour breach reporting to the Board, will apply from around May 2027. The Board will be able to issue penalties of up to INR2.5B (USD27.8M) per instance.

Until then the operative breach-reporting regime remains the CERT-In Directions, effective June 27, 2022, which require reporting of listed incidents within six hours and 180-day log retention. In the securities sector, SEBI's Cybersecurity and Cyber Resilience Framework now applies, following compliance deadlines that ran to August 31, 2025. India still has no binding AI statute, although amendments to the IT Rules that are effective from February 20, 2026 require the labeling of AI-generated content.

Pooling arrangements

Indian Nuclear Insurance Pool (INIP)	The INIP was established in 2015 by the state-owned reinsurer GIC Re and several other non-life insurers. GIC Re is the manager of the pool while the New India Assurance Company (NIAC) is responsible for issuing policies and administering claims on behalf of the pool. The INIP provides capacity to cover Nuclear Operators Liabilities under section six of the Civil Liability of Nuclear Damage Act (CLNDA) 2010. It currently only covers risks in cold zones (i.e., outside the reactor) with plans to extend its coverage to areas within the reactor.
Indian Market Terrorism Risk Insurance Pool (IMTRIP)	The IMTRIP was established in 2002 by all non-life insurers in India as an initiative to create domestic capacity for providing terrorism insurance cover, following the withdrawal of coverage by international reinsurers as a result of the 9/11 attacks. The Pool Underwriting Committee is responsible for determining the premium rates. Funding of the pool is entirely dependent on premiums as the state has no direct involvement. 100% of terrorism risks underwritten by any insurer is ceded to the IMTRIP. GIC Re is the manager of the IMTRIP and is responsible for arranging reinsurance protection for the pool. The net risk is retroceded back to the members in proportion to their individual subscription.
Indian Fertilizer Insurance Pool	The pool was established in 2022 to provide coverage for fertilizer shipments from Russia and Belarus, as European reinsurers were unwilling to provide reinsurance support due to the Ukraine-Russia conflict. GIC Re is said to contribute majority of the pool funds, with contributions also coming from other multi-line non-life insurers. Recent reports indicate that the pool is likely to be extended to cover oil and gas imports.
Bharat Maritime Insurance Pool	Launched in May 2026, the Bharat Maritime Insurance Pool covers both marine hull and marine cargo business. GIC Re also runs the Government of India Hull War Risk Scheme.

Sources: Insurance Regulatory and Development Authority (IRDAI)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Earthquake risk is a major peril for the Indian market, with probabilistic models available from most of the major vendors. Gallagher Re has evaluated vendor models to establish our Own View of Risk.	✓	✓ Moody's	✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Tropical cyclone risk is a relatively low-risk peril for India. Gallagher Re has evaluated this model to establish our Own View of Risk.	✓			
Flood	Flooding is one of the key perils for the Indian market. Flooding can occur from two key sources, namely, precipitation induced flooding from Tropical Cyclone (TC) and flood from Non-TC sources. Gallagher Re has evaluated the available vendor models for flood hazard in India.	✓		✓ GRe scenario and probabilistic flood model	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Fuel prices rise amid inflation concerns, Economic Times, June 2026
2. GIFT City attracts global reinsurers with tax incentives, Economic Times, January 2026
3. Cyber insurance demand grows rapidly in India, Business Standard, June 2026
4. IRDAI Annual Report 2024-25, IRDAI.gov.in, November 17, 2025

Exchange rate (as of January 1, 2026): INR89.96 = USD1.00

Indonesia



Recovery Underway, but Economic Risks Linger

Economic landscape

Indonesia's economy remained resilient through 2025, although the overall momentum became more mixed over the course of the year. After expanding by 5.03% in 2024, economic growth reached approximately 5.11% in 2025[1], supported by domestic consumption, infrastructure investment and a relatively stable macroeconomic framework.

Monetary conditions became increasingly accommodative last year, as inflation remained well-contained within Bank Indonesia's target range. However, the re-emergence of inflationary concerns in the wake of the conflict in the Middle East has led the central bank to raise its primary benchmark rate again, to 5.75% as of July 2026[2].

Nevertheless, domestic demand has kept Indonesia's economy growing this year, according to the central bank, driven by government stimulus spending. Bank Indonesia projects that credit growth will remain within the 8% to 12% range in 2026 — which is particularly important to the insurance industry, thanks to the substantial premiums generated from credit insurance.

Year	**Population** (M)	**Real GDP per Capita** (USD)	**GDP Growth** (Annual)	**Interest rate** (at Dec 31)	**Inflation** (Annual)
2024	283.49	2,729	5.0%	6.0%	2.3%
2025	285.72	2,846	5.1%	4.8%	1.9%

Sources: Statistics Indonesia (Badan Pusat Statistik or BPS); Bank Indonesia

Market landscape

Following a period of strong expansion in 2023, premium growth in Indonesia's non-life market slowed sharply to approximately 5.7% in 2024. This deceleration continued into 2025, when premiums expanded by just 2.7%. The market has shifted into a lower-growth environment.

This slowdown is closely linked to the broader macroeconomic backdrop. Softer credit growth, tighter lending standards and more cautious consumption have directly affected demand in key insurance segments. Credit insurance, which is closely tied to bank lending volumes, has been particularly impacted, while motor insurance has seen weaker performance in line with declining vehicle sales and financing activity.

Despite this slowdown in top-line growth, the market experienced a strong recovery in profitability in 2025, following significant deterioration in the previous year. Non-life gross written premium reached IDR120.8T (USD7.24B), with the combined ratio improving materially to approximately 90.2% from elevated levels in 2024 (on net earned basis). The loss ratio also improved significantly, reflecting better claims experience and the absence of prior-year reserve distortions.

At the segment level, the market remains concentrated in a small number of key lines. Property insurance continues to be the largest contributor, with direct written premiums of approximately IDR32.9T (USD1.97B), supported by commercial activity and infrastructure-related risks. Credit and surety lines remain significant but face continued pressure from elevated loss dynamics and weaker lending growth. Motor insurance, traditionally a core retail line, has experienced declining premiums and ongoing margin pressure.

	Penetration		GWP (USD M)		GWP (IDR M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	1.2%	0.5%	16,790	7,048	280,390,096	117,705,682	98.2%	146.2%	5.7%
2025	1.2%	0.5%	16,830	7,236	281,050,860	120,834,162	58.7%	90.2%	2.7%

Sources: BPS and Gallagher Re estimates
Exchange rate: (as of January 1, 2026) IDR16,699.50 = USD1.00
Notes: Gross Direct Premium Income (GDPI) is used to calculate the non-life penetration rate

Particularly fast-growing sectors in 2025 included property and retail, together with embedded insurance products linked to e-commerce and digital distribution. These areas reflect changing consumer behavior and offer potential avenues for future expansion. However, overall market growth remains constrained by broader macroeconomic conditions.

Taken together, these trends suggest that the Indonesian market is currently defined by slowing growth, largely driven by macroeconomic pressures, alongside a recovery in profitability supported by improved claims experience. Over the longer term, however, the sustainability of this recovery will depend on more fundamental structural shifts in underwriting behavior.

Risk landscape

Indonesia is highly exposed to natural catastrophe risks, including flood, earthquake and other climate-related events. However, catastrophe experience in 2025 was relatively benign, contributing positively to underwriting results, particularly in property lines. This favorable experience should be viewed as cyclical rather than structural, as underlying exposure levels remain significant.

The primary risk focus has increasingly shifted toward credit insurance deterioration and health-related claims inflation. Credit insurance continues to exhibit elevated loss ratios, reflecting both legacy exposures and ongoing sensitivity to macroeconomic conditions, particularly in the lending market. The moderation in credit growth raises the potential for further stress in this segment if economic conditions weaken further.

Health and personal accident lines also face pressure from rising medical costs and utilization trends, contributing to claims volatility. Unlike catastrophe risk, these pressures are more structural in nature and require ongoing pricing and underwriting adjustments.

As a result, the key risk dynamics in the Indonesian market are increasingly driven by interactions between macroeconomic conditions, product design and claims behavior.

Regulatory developments

Three regulatory initiatives have been particularly significant in recent years; increases to insurers' minimum capital requirements, government-led consolidation, and reforms to credit insurance products.

Capital reforms under OJK Regulation 23/2023 have imposed higher minimum capital requirements on Indonesian insurers in a staged program over several years, rising to IDR250B (USD15M) by 2026 and increasing again by 2028. These measures are intended to strengthen solvency levels but also accelerate consolidation, particularly among smaller insurers. Meanwhile, from January 1, 2025, OJK Regulation 22/2024 and Circular SEOJK 23/2024 introduced enhanced periodic reporting, while IFRS 17-based insurance accounting became mandatory from the same date.

Indonesia's proposed New RBC reform is expected to be implemented from 2027, introducing a more risk-sensitive and forward-looking solvency regime, to be aligned with international standards and PSAK 117. While this may strengthen policyholder protection, and improve risk management, it may place additional capital requirements on top of the increasing minimum capital requirement, and add to compliance pressures on smaller insurers.

The government is playing an active role in market consolidation, through its state investment management body Danantara. As part of broader plans to streamline state-owned entities — reducing duplication and enhancing competitiveness — Danareksa proposed the merger of 16 state-owned insurers into three last year[3]. Media reports suggest this could be completed by the end of 2026[4]. Separately, Danareksa also announced plans for consolidating three state-owned reinsurers — Indonesia Re, Nasional Re and Tugu Re — into a larger entity.[5]

Credit insurance, a source of concern over persistently high loss ratios, has also been a focus for regulators. OJK Regulation 20/2023, which came into force last year, has introduced a 20% co-insurance requirement for lending banks, in order to reduce moral hazard and improve underwriting discipline in a line that had become systemically important to market profitability. Product governance and reporting requirements have been tightened further through later regulations and circulars.

Regulatory developments are also reshaping reinsurance flows. Enhanced reporting requirements, including more stringent bordereaux-style reporting, have increased compliance complexity for domestic reinsurers. Combined with financial strength considerations, this has contributed to a shift of business towards international reinsurance markets. The removal of compulsory domestic cession requirements has further intensified competition between domestic and international reinsurers, allowing local insurers greater flexibility in accessing global capacity.

Pricing environment

The primary-market pricing story remains one of constraints. In Indonesia's two most important tariffed classes, property and motor, rates have remained broadly unchanged since 2017 despite inflation, changing exposure patterns and industry pressure for revision. Property pricing is broadly flat under tariff constraints, while motor remains below technical levels for some risks and is a persistently difficult segment, particularly as electric-vehicle-related repair issues gain attention.

Non-tariff retail and digital segments are showing stronger growth, driven by consumer-oriented products, embedded covers and e-commerce-linked innovation rather than a broad-based hardening of rates. The market has seen growth in gadget protection, purchase protection and other bundled retail products, and these areas increasingly look like the clearest source of topline expansion. Even so, competition remains intense and some growth is still volume-led rather than purely price-led.

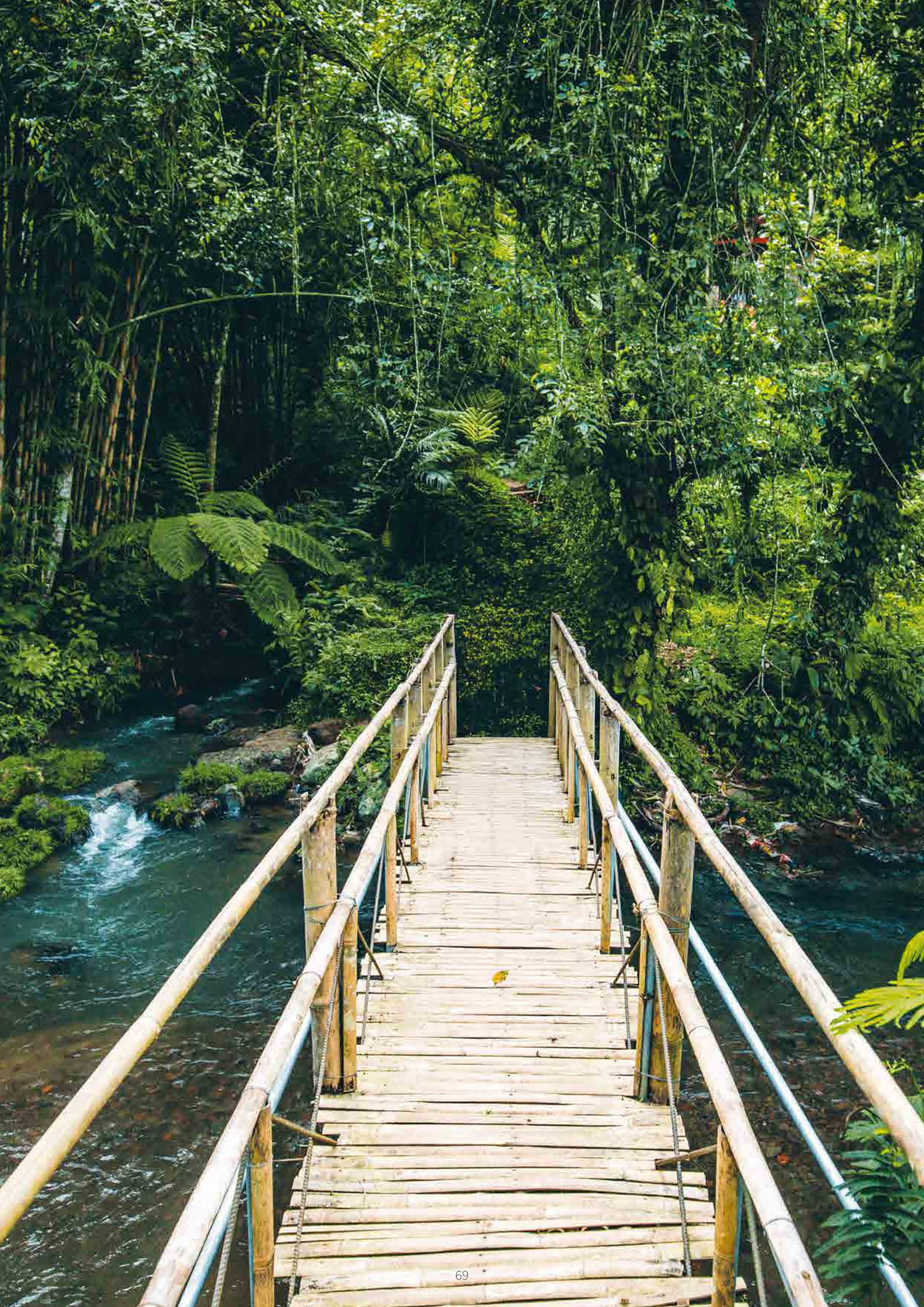
Reinsurance conditions softened in 2025, with increased capacity and better terms, particularly from international markets. Capacity remains available, particularly in property, and reinsurers have been more competitive than their domestic counterparts. That is strategically important because softening reinsurance partly offsets the earnings strain created when primary-market tariffs do not keep pace with underlying risk cost. However, appetite remains more selective in stressed lines such as credit, and domestic reinsurers face rising competition.

Headwinds

- → **Macroeconomic softness:** Any slowdown in the economic backdrop, including weaker credit growth and moderated consumption, may reduce demand in key insurance lines such as credit and motor.
- → **Ongoing pressure in credit and health segments:** Elevated loss ratios and claims inflation are affecting earnings stability.
- → **Structural pricing constraints and competitive intensity:** These are likely to remain limits on margin expansion, particularly in tariff-regulated lines.

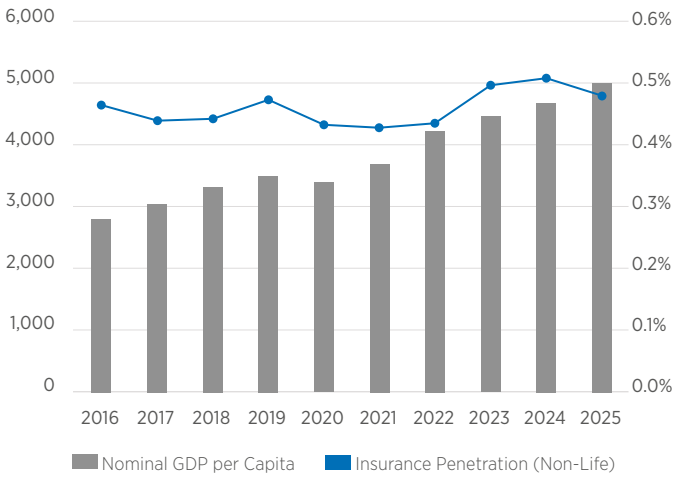
Tailwinds

- → **Strong recovery in profitability:** The turnaround in insurers' results in 2025 has been supported by benign claims experience and the absence of prior-year reserve distortions.
- → **Improving reinsurance market conditions:** Including increased capacity and softer pricing supporting underwriting margins.
- → **Significant long-term growth potential:** The Indonesian market has relatively low insurance penetration, and benefits from rising awareness and the expansion of retail and embedded insurance products.

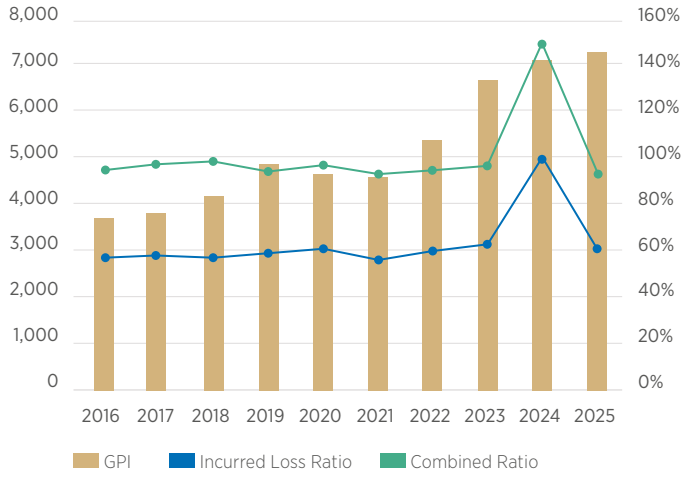


Indonesia in Numbers

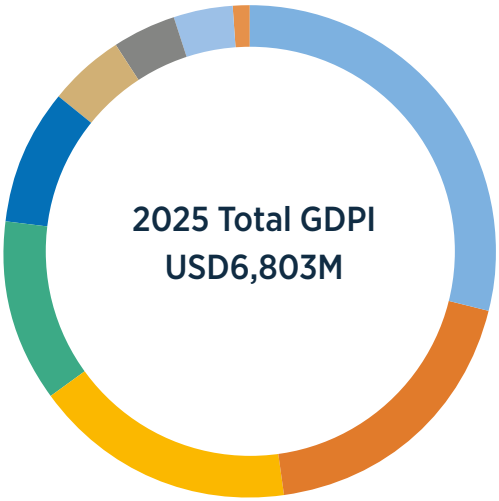
GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year; Gross Premium Income (GPI) is for general insurers only (excluding reinsurers); Gross Direct Premium Income (GDPI) is used to calculate the non-life penetration rate



- **29%** Property
- **19%** Credit and Surety Bond
- **17%** Motor
- **12%** PA and Health
- **9%** Cargo, Marine Hull, Aviation
- **5%** Others
- **4%** Engineering
- **4%** Liability
- **1%** Energy
- **0%** Satellite



- **36%** Marketable Securities Issued by Republic Indonesia
- **19%** Mutual Fund
- **18%** Time Deposit
- **11%** Bonds
- **10%** Direct Investment
- **4%** Stocks
- **2%** Other

Sources: Otoritas Jasa Keuangan (OJK), Asosiasi Asuransi Umum Indonesia (AAUI), World Bank.

Non-Life Regulation

The regulator: overview

The Financial Services Authority or Otoritas Jasa Keuangan (OJK) is the insurance regulator for Indonesia.

Item	Approach
Accounting framework	IFRS equivalent (PSAK 117)
IFRS 17 implementation	January 1, 2025
Capital framework	Risk-based capital (RBC) framework
Climate/Sustainability	OJK issued ESG regulations requiring corporations to demonstrate their sustainability credentials annually (POJK No. 51/POJK.03/2017) and laid out standards for green bond issuance (POJK No. 60/POJK.04/2017). Indonesia launched its Sustainability Disclosure Standards in 2025, which is to take effect on January 1, 2027.
Regulation for Digital Channels	OJK issued Regulation POJK.08/2024 concerning administration and risk management of digital marketing channels.

Planned developments

- Insurers are expected to comply with Phase 1 of the increase in minimum capital requirements to IDR250B (USD15M) by December 31, 2026, with a further increase expected in 2028 to IDR500B (USD30M) for KPPE 1, or IDR1T (USD60M) for KPPE 2.
- OJK is finalizing a "New RBC" framework which will align to the IFRS 17 financial reporting and introduce more risk-sensitive solvency, including ORSA, revised risk calibrations and tiered capital classifications, which is expected to be implemented in 2027.

Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

Mandatory premium tariff for catastrophe perils is as follows:

- Premium tariff for earthquake insurance is set for five risk zones established based on occupancy code and construction type. No discounts are allowed.
- Premium tariff for flood insurance is divided into two areas: (1) Jakarta, Banten and West Java; and (2) Areas outside Jakarta, Banten and West Java. For each area, premium tariff is set for four risk zones based on flood inundation level from past events.

OJK mandates that all non-life insurers and reinsurers acquire protection for a 1-in-250-year catastrophe loss event. (Re)insurers who have established a catastrophe reserve based on a minimum 250-year return period may be exempted from this requirement.

Reinsurance

Mandatory cession to PT Reasuransi MAIPARK Indonesia on each and every property earthquake risk; mandatory cession, which varies from 5%-25% of the sum insured, depending on the risk location in Indonesia, provides MAIPARK with a sustainable premium base.

On June 18, 2020, the OJK issued a new regulation (POJK No.39/2020) which set requirements on self retention and domestic reinsurance support. In particular:

- Foreign reinsurers must have a minimum rating of BBB (or the equivalent).
- Since January 1, 2021, cedants have been able to place up to 100% of "simple risks"* with reinsurers residing in countries with a bilateral agreement with the Indonesian government.
- The mandatory minimum cession of 25% to domestic reinsurers for non "simple risks" (including Property) ceased to apply after December 31, 2022; insurers are still expected to seek domestic capacity where possible as long as it is placed with reinsurers residing in countries with a bilateral agreement with the Indonesian government.
- Danantara plans to merge the three domestic professional reinsurers, Indonesia Re, Nasional Re and Tugu Re.

Cyber

Indonesia's Personal Data Protection (PDP) law took effect in October 2024, governing all parties that conduct personal data processing. It is aligned closely with the EU's GDPR. Sanctions range from substantial fines, of up to 2% of a company's annual revenue, to prison sentences. Its implementing regulation, issued on July 16, 2026, takes effect on January 16, 2027.

Enforcement in practice remains limited: as at September 2026 the national data protection authority had not been established, with the Ministry of Communication and Digital Affairs supervising in the interim. Sector-specific rules continue to apply; in banking, POJK 11/2022 and SEOJK 29/2022 require annual cyber maturity self-assessments, penetration testing and incident reporting to OJK within 24 hours. The Cyber Security and Resilience Bill is now under deliberation in Parliament.

*"Simple risks" includes motor, health, personal accident, credit, life and surety business

Pooling arrangements

Indonesian Terrorism and Sabotage Insurance Pool (PATS)	PATS was established in 2001 to provide protection for property damage due to acts of terrorism and sabotage, and was extended to cover business interruption following the 2018 Surabaya bombings. The pool consists of members of Konsorsium Pengembangan Industri Asuransi Indonesia Terorisme-Sabotase (KPIAI-TS). Participation in the pool is entirely voluntary.
Pool Reasuransi Gempa Bumi Indonesia (PRGBI) i.e. Indonesian Earthquake Reinsurance Pool	PRGBI began operations on January 1, 2003 to provide reinsurance for property earthquake risk. PRGBI was replaced by a public liability company, PT Reasuransi MAIPARK Indonesia (MAIPARK) with effect from January 1, 2004, initially licensed as an insurer (PT Asuransi MAIPARK Indonesia) and re-licensed as a reinsurer under its current name in 2014, with mandatory participation from all Indonesian non-life insurers and reinsurers. Mandatory cession of 15% for all areas on each and every property earthquake risk, subject to a maximum of USD3.5M any one risk (applicable to underwriting years from 2014 onwards.) See Information Table.
Pool Kerjasama Surety dan Custom Bond Indonesia (PKSCBI) i.e. Indonesian Surety and Custom Bond Pool	The state-owned reinsurer, PT Reasuransi Indonesia Utama (Indonesia Re), is the manager of the pool. Voluntary cession of 10% to PKSCBI on each and every surety bond policy issued, for a maximum sum insured of IDR1B.
Konsorsium Barang Milik Negara (KABMN) i.e. State Property Insurance Consortium	KABMN was established by the Indonesian General Insurance Association (AAUI) in 2019 to protect national assets against disaster risks. MAIPARK is the administrator of the pool while PT Asuransi Jasa Indonesia (Jasindo) is responsible for the issuance of policies. KABMN provides protection against disaster risk for Ministry of Finance offices, training facilities and healthcare facilities. The scope of KABMN may be expanded to include other assets such as roads, bridges and other infrastructure.
Konsorsium Asuransi Risiko Khusus (KARK) i.e. Special Risk Insurance Consortium	KARK created Konsorsium Asuransi Pasar (KAPAS) to cover property risks relating to pasars (ie markets) as pasars were deemed an unfavorable risk due to the high loss potential. KARK also manages Konsorsium Asuransi Mikro (KOSMIK) which distributes the standard micro insurance products issued by the AAUI. At the time of writing, KARK's official website indicates that the membership comprises of 63 non-life insurers and reinsurers.

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Earthquake and associated Tsunami risk is significant and considered the major peril in Indonesia. All major vendor model companies offer an Indonesia EQ Model as part of their Asia EQ model suite. Tsunami is a sub peril in all the vendor EQ models.	✓		✓ Scenario Model using GEM	
Tropical Cyclone/ Typhoon (Flood & Surge)	N/A				
Flood	Flood is prevalent, with Jakarta particularly susceptible to major floods during monsoon season, exacerbated by an aging water management system.	✓		✓ GRe Indonesia flood model	
Volcano	Indonesia has one of the world's highest concentrations of active volcanism with around 36 volcanoes within 500 km of Jakarta. Volcano is a secondary peril with no models available in market.			✓ 1883 Krakatau eruption and Volcano Radius scenario	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Indonesia's Economic Growth in 2025 was 5.11 Percent, BPS-Statistics Indonesia, February 5, 2026
2. BI-Rate Held at 5.75%: Strengthening Stability, Supporting Economic Growth, Bank Indonesia, July 22, 2026
3. Danantara Plans to Merge 16 SOE Insurance Firms into 3 Entities, Tempo.co, September 30, 2025
4. Indonesia:Merger of state-owned insurers targeted for completion this year, Asia Insurance Review, June 18, 2026
5. Merger Without Recapitalisation Puts Indonesian Reinsurers Under Strain, Fitch Ratings, August 14, 2025

Exchange rate (as of January 1, 2026): IDR16,699.50 = USD1.00



Japan

Shifting Competitive Dynamics as the Market Rebounds

Economic landscape

Japan's GDP grew by 1.2% in 2025, following a -0.2% contraction the year before. The economy began 2026 with a continuation of this recovery, with real GDP for January-March rising by 0.5%, marking a second consecutive positive quarter[1]. However, the country's central bank has said it expects economic growth to slow somewhat in the 2026 fiscal year due to the impact of rising oil prices associated with the Middle East conflict[2].

Inflation has eased from the levels seen in 2023 and 2024. Headline CPI was 1.4% year-on-year in April 2026, below the Bank of Japan's 2% target. However, the central bank expects rising crude oil prices to lift energy and goods prices, pushing inflation into the high 2% range in fiscal 2026 before easing back in 2027.

At its June 2026 Monetary Policy Meeting, the Bank of Japan raised its policy interest rate from 0.75% to 1.00%, the first time the rate has reached 1% in more than 30 years[3].

This shift has important implications for insurers. Japanese government bond yields have been rising steadily in recent years, with the 30-year rate nearing 4% as of the end of July; and the 10-year rate just over 2.8%. Both are substantially higher than a year ago. Rising rates may create unrealized losses on domestic bonds held by non-life insurers. Under IFRS accounting, the direct impact of these bond market moves on insurers' bottom line may be less pronounced, for technical reasons.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	123.98	30,076	-0.2%	0.3%	2.7%
2025	123.37	30,585	1.2%	0.8%	3.2%

Sources: World Bank; national and official statistics

Market landscape

Japan is one of the largest and most mature non-life insurance markets in Asia. There are 35 domestic non-life insurance companies, 21 foreign non-life insurance companies operating as branches, and a Lloyd's operation. These include reinsurance companies. The market is dominated by the three mega non-life insurance groups, MS&AD, Sompo and Tokio Marine. MS&AD's merger of its two principal subsidiaries, MSI and ADI, is proceeding as planned and is scheduled to complete by April 2027[4].

The large insurance groups have announced they will sell their cross-shareholdings by March 2031. The resulting cash inflow is likely to free up significant sums that can be redeployed elsewhere, including on overseas acquisitions. Of note to the Asia region, Tokio Marine has recently revived discussions with Malaysia's RHB Bank about acquiring its insurance arm, as we comment on in the Malaysia section of this report[5].

Japan also has a system of "kyosai", or co-operative insurers, which play a key role in the market. They are excluded from the analysis in this report, however, as they operate under separate regulatory frameworks to commercial non-life insurers. This report follows convention by reporting figures sourced from the General Insurance Association of Japan (GIAJ) whose 31 members account for the majority of non-life insurance business written.

	Penetration		GWP (USD M)		GWP (JPY M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only*	Loss Ratio	Combined Ratio	Growth Rate
2024	7.4%	1.6%	311,764	76,879	48,849,751	12,046,042	64.1%	96.1%	3.9%
2025	7.4%	1.6%	325,335	79,426	50,976,144	12,445,139	61.0%	92.1%	3.3%

Sources: World Bank, Financial Services Agency (FSA), General Insurance Association of Japan (GIAJ), Foreign Non-Life Insurance Association of Japan (FNLIA), Life Insurance Association of Japan (LIAJ)
Exchange rate: (as of January 1, 2026) JPY156.69 = USD1.00
Note: The above figures are for members of the General Insurance Association of Japan (GIAJ) only, and include direct premiums written abroad. They exclude "kyosai". All figures relate to the Japanese fiscal year, i.e. 2025 figures relate to the 12 months ended March 31, 2026.

Japan's non-life market continued its recovery in fiscal year 2025, as GWPs expanded by 3.3% to approach JPY12.5T (USD79.4B). While the growth rate was slightly down on 2024, it represented a continuation of the turnaround from the contraction of 2023. Voluntary motor insurance is both the largest and fastest-growing major business line, expanding by 4.8% last year to JPY4.8T (USD30.7B). Fire (property) GWPs grew by 4% to JPY2.9T (USD18.4B).

Underwriting results have also improved for a second year running. The GIAJ's figures show the non-life industry's loss ratio declined to 61% in fiscal 2025, down from 64.1% in 2024 and 64.3% the year before that. The combined ratio improved to 92.1%, from 96.1% the previous year and 96.9% in 2023.

A major structural theme is the changing competitive dynamic between large domestic groups, smaller domestic insurers and foreign market participants. Japanese insurers, especially the major three groups, have been reducing capacity deployment in certain lines, including commercial property and general liability, as part of a broader underwriting remediation effort. Some foreign insurers view this as an opportunity to expand their footprint in Japan and are investing accordingly.

For a number of years, Japan's Financial Services Agency (FSA) has been studying whether the promotion of retail insurance brokers will create a healthier competitive environment. This may include lowering barriers to entry for the insurance broker industry. Major insurance brokers view this as a significant business opportunity, and some have begun expanding in the Japan market. In some cases, overseas brokers have acquired the in-house agents of major Japanese companies, while other acquisitions have been undertaken by bank-related agency firms.

By line of business, several trends stand out. In motor, claims inflation has led to significant premium increases in recent years. In property (fire), a relatively benign year for natural catastrophe losses in 2025 has helped profitability, but that comes off the back of multiple years of increased claims and rising premiums. Commercial property in particular has experienced significant and sustained underwriting losses in the past, prompting suggestions that this line should be subject to enhanced monitoring by the FSA. Authorities have duly increased their monitoring of whether premium rates for corporate fire insurance are appropriately risk-based, and whether sufficiently focused safety inspections are taking place. At the same time, insurers have made attempts to improve profitability in this line through a series of remediation measures, including price adjustments and reviews of underwriting controls. These remediation efforts have clearly driven significantly improved results.

Underwriting results have remained stable in general liability business too, largely due to the profitability of Japanese domestic SME accounts. Insurers are actively continuing their "re-underwriting" of business with US exposure, reducing the capacity they deploy in the US and increasing rates.

In specialty lines, 2025 saw Japan's best-ever year for profitability in the direct cargo insurance market, making a healthy contribution to insurers' profits. Market participants also anticipate a stable and profitable result for 2026, despite the uncertainty introduced by the Middle East conflict. Meanwhile in marine hull, premiums are expected to increase in the direct market, similarly to previous years and in marked contrast to many other segments. Lastly, activity in offshore energy is expected to remain robust, with premiums for offshore renewables anticipated to increase from the second half of 2026 as more construction projects commence.

Risk landscape

Japan experienced a relatively benign year for natural catastrophe losses in 2025. Floods in August in the southern island of Kyushu were among the year's most significant events, causing insured losses of about USD500M[6]. Nonetheless, the country is significantly exposed to earthquakes, typhoons and floods.

Cyber risk moved sharply up the agenda following the September 2025 attack on Asahi Group Holdings by the Qilin ransomware group[7]. The attack disrupted digital operations, halted production at most of the group's 30 factories, caused nationwide product shortages and potentially exposed the personal data of more than 1.5 million individuals. Asahi was forced to rely on manual processes for orders and shipments, and analysts estimated a material drop in domestic operating profit because of the disruption. It is likely to amount to the largest cyber insurance claim in Japan to date, and has increased demand for higher coverage limits among certain cyber clients.

The wider cyber insurance market remains a growth area, although its current contribution to insurers' overall business remains limited compared with traditional lines. Pricing is broadly stable except for a small number of loss-affected accounts, where pricing and other terms have adjusted in favor of insurers. Personal cyber insurance, often bundled with cybersecurity services, is also gaining popularity as phishing attacks and other incidents remain elevated. Furthermore, the Asahi incident came only a few months after the introduction of Japan's new Active Cyber Defense Law, which was passed in May 2025. This emphasizes the need for more pre-emptive cybersecurity measures.

Regulatory developments

A revision of Japan's Insurance Business Act was enacted in May 2025 and took effect on June 1, 2026. Measures include stronger governance requirements for large agencies representing multiple insurers, reinforced insurer responsibility for agent oversight, prohibitions on excessive inducements to customers and agents, rectification of cross-shareholdings, and restrictions on secondees from insurers.

Further reforms are also under consultation or consideration, including tighter rules for in-house agencies, controls around co-insurance arrangements, enhanced monitoring of commercial-line pricing adequacy, and potential frameworks to support captives and cross-border placements. The market impact is not yet clear, as some measures have only recently taken effect while others remain in progress. Over time, enforcement, agency consolidation and increasing talent mobility are likely to be important factors in shaping how Japan's distribution landscape evolves.

IFRS adoption remains optional and applies only to consolidated accounts, while unconsolidated insurer accounts continue to report under J-GAAP (Japanese Generally Accepted Accounting Principles). Sompo HD and Sompo Japan applied IFRS to their annual securities reports from FY2024, while Tokio Marine and MS&AD are applying IFRS from FY2025. Separately, the economic value-based solvency framework (J-ESR) was implemented at March 31, 2026, although the impact may be limited for larger players because similar concepts have already been embedded in their risk management systems for several years.

Pricing environment

In the primary market, non-life insurance premiums are on an upward trend for both personal and corporate policies, driven by factors such as increasing repair costs due to rising inflation. In particular, with regard to corporate insurance, premiums have risen by approximately 30% over the past five years as domestic insurers have sought to improve their profitability. In corporate fire insurance, for example, the three mega non-life groups reported a combined profit in the 2025 financial year for the first time in 16 years. Whilst progress has been made in raising rates, measures to improve terms and conditions — including further rate increases — are being implemented for individual policies that are still deemed to be unprofitable.

Each company is shifting away from its traditional focus on top-line (revenue) growth and steering towards underwriting based on premiums that reflect actual risk levels.

In the reinsurance market, the April 1 renewal saw a continuation of the softening trend from the prior year. While the April renewal closely reflected the global dynamics seen at January 1, Japanese cedants achieved double-digit risk-adjusted reductions in certain areas for a second consecutive year, while also securing broader improvements to non-cat treaty terms and conditions.

The supply-demand balance in Japan was particularly favorable for buyers. The market is an attractive diversifier for global reinsurers seeking growth, while strengthened balance sheets among major buyers and reduced exposures in some lines limited additional demand. The cumulative balances of catastrophe programs following the 2018–19 typhoon losses are also returning to positive levels, and underwriting remediation in commercial fire and US-exposed liability portfolios has improved underlying profitability.

The facultative market is moving differently, experiencing expansion. Facultative reinsurance is becoming a more important tool in supporting underwriting remediation by large Japanese insurance groups, while better underlying terms, conditions and risk information mean that risks previously considered challenging can now be readily placed.

Headwinds

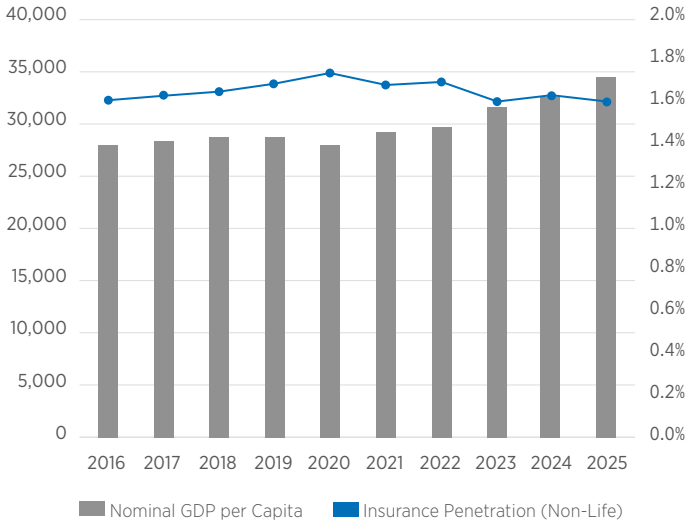
- → **Inflation and claims severity:** A shift from decades of little or no inflation to a more inflationary environment is pressuring claims costs, especially motor own-damage.
- → **Natural catastrophe exposure:** Japan remains highly exposed to earthquakes, typhoons and floods.
- → **Demographic contraction and distribution disruption:** Population decline may shrink major lines such as automobile and personal fire insurance, especially in rural areas.

Tailwinds

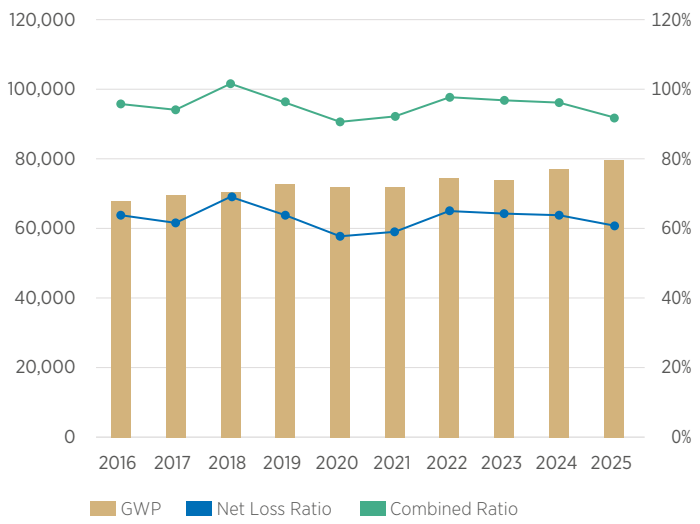
- → **Capital release from cross-shareholding sales:** Sales of cross-shareholdings by the three mega non-life insurance groups are creating significant cash inflows, potentially supporting M&A and further overseas expansion.
- → **Greater labor mobility and cultural change:** Aging demographics, changing employment norms, overseas expansion by the major groups and restrictions on secondments to agents and corporate clients are increasing labor market mobility and may support cultural change within the industry.
- → **Underwriting discipline and niche opportunities:** The major groups' increased focus on underwriting profit may create divergence in underwriting appetite, opening niche opportunities for mid-sized and smaller insurers.

Japan in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



Note: Annual figures refer to twelve-month periods from April 1 to March 31; Gross Direct Premium is used to calculate the non-life penetration rate



- **39%** Voluntary Automobile
- **23%** Fire
- **18%** Miscellaneous Casualty
- **8%** Compulsory Automobile Liability
- **8%** PA
- **4%** Marine and Inland Transit



- **39%** Foreign and Other Securities
- **18%** Stocks
- **18%** Bonds
- **14%** Other
- **5%** Loans
- **4%** Deposits
- **2%** Real Estate

NB: The above figures are for members of the General Insurance Association of Japan (GIAJ) only and include direct premiums written abroad
Sources: World Bank, Financial Services Agency (FSA), General Insurance Association of Japan (GIAJ), Foreign Non-Life Insurance Association of Japan (FNLIA), Life Insurance Association of Japan (LIAJ)



Non-Life Regulation

The regulator: overview

Under the Insurance Business Act (IBA), the Prime Minister of Japan is the insurance regulator for Japan. However, most authority has been delegated to the Japan Financial Services Agency (JFSA) with the exception of a few significant powers (e.g. granting and revoking insurance business licenses).

Item	Approach
Accounting framework	Japanese GAAP (JGAAP)
IFRS 17 implementation	Voluntary adoption
Capital framework	Japan Economic Value-based Solvency Framework (effective FYE March 2026) (J- ESR). • Quantitative: Japan Economic Solvency Ratio. • Qualitative: three-pillar structure covering solvency requirements, risk management and supervisory review (including ORSA), and public disclosure.
Climate/Sustainability	Mandatory annual sustainability disclosures for public companies starting from fiscal year ending March 31, 2023. Starting from 2027, such disclosures will need to comply with new standards set by the Sustainability Standards Board of Japan (SSBJ), with the timing of application varying depending on the size of the company. FSA requires supervisory-led scenario analyses to assess climate-related risks.

Planned capital developments

Following implementation of the Economic Value-based Solvency Framework from the financial year ending March 31, 2026, the regulatory focus is expected to shift from framework design to supervisory implementation. Key areas of attention will include assessing insurers' implementation of the new framework and continuing to monitor their financial soundness and risk management frameworks, while closely monitoring the impact of changes in the economic and financial environment and market structure.

Source: Financial Services Agency (FSA), General Insurance Association of Japan (GIAJ)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

The maximum policy period for residential earthquake insurance is five years. The sum insured for residential earthquake risk must be between 30%-50% of the sum insured of the principal residential fire policy, subject to a maximum of JPY50M for buildings and JPY10M for contents.

The General Insurance Rating Organization of Japan (GIROJ) determines and files the standard rates of residential earthquake insurance with the JFSA. The rates are set for four risk zones based on the building structure (e.g. wooden or not wooden).

Depending on the building age or its earthquake-resistance level, discounts ranging from 10%-50% can be applied to the standard rates. However, these discounts cannot be stacked.

For each group of business except residential earthquake insurance and compulsory automobile liability insurance (CALI), insurers are required to set aside catastrophe loss reserves to be used to reimburse catastrophe losses. The release of catastrophe loss reserves is triggered when the annual loss ratio exceeds the predefined threshold.

Under the new J-ESR effective from the financial year ending March 31, 2026, insurers are expected to assess catastrophe exposures using an economic-value-based framework and incorporate catastrophe and reinsurance risks into their capital management, ORSA and risk governance processes.

- Insurers may use regulatory-approved internal models for natural catastrophe risk measurement, subject to regulatory approval and ongoing supervisory monitoring;
- Natural catastrophe risk is explicitly incorporated within the ESR required capital calculation and is calibrated broadly to a 99.5% confidence level (approximately a 1-in-200-year standard).

Reinsurance

Insurers are expected to establish appropriate retention and reinsurance policies through the board or another body with delegated authority, covering retention limits, reinsurer financial strength, counterparty risk and concentration exposures.

Under J-ESR, credit risk forms part of the Pillar 1 required capital calculation. Insurers are expected to maintain appropriate ERM and ORSA frameworks for the identification, monitoring and management of key risks, including risks arising from reinsurance arrangements.

Cyber

The Act on the Protection of Personal Information (APPI) has governed the protection of personal data in Japan since 2003. The triennial review produced an amending Act, passed by the Diet on July 10, 2026 and promulgated on July 17, 2026, which introduces Japan's first administrative surcharge for serious violations affecting more than 1,000 individuals and raises corporate criminal fines. The surcharge applies by July 2028 at the latest; until then the maximum penalty remains the criminal-track JPY100M (USD638,200) for non-compliance with a Personal Information Protection Commission order or unlawful database disclosure.

Japan's most consequential cyber legislation in a decade, the Active Cyberdefence Law (Acts 42 and 43 of 2025), was enacted on May 16, 2025 with phased implementation to full effect by 2027, introducing incident reporting duties on critical infrastructure operators. The AI Promotion Act, passed on May 28, 2025, is a promotion-oriented framework statute carrying no penalties; Japan's first AI Basic Plan followed in December 2025.

Source: Financial Services Agency (FSA), General Insurance Association of Japan (GIAJ), General Insurance Rating Organization of Japan (GIROJ)

Pooling arrangements

Japan Residential Earthquake Reinsurance Pool	Japan Earthquake Reinsurance Company (JER) was established in 1966 to provide residential earthquake protection. 100% of residential earthquake risks underwritten by any member insurance company is ceded to JER. JER is responsible for arranging reinsurance with the government via an excess of loss structure. A part of the net risk is retroceded back to the member companies according to a prescribed ratio and further reinsurance is not permitted. The earthquake coverage provided by cooperative insurers is not ceded to JER.
Japan Atomic Energy Insurance Pool (JAEIP)	JAEIP was established in 1960 to provide mandatory property and liability insurance to Japanese nuclear plant operators. However, JAEIP does not offer utilities coverage for damage from earthquake or tsunami, or business interruptions.
Japan Aviation Insurance Pool (JAIP)	100% of aviation insurance underwritten by any member insurance company is ceded to JAIP and allocated to each member according to a prescribed ratio. JAIP determines the insurance premium payable to ensure that the premium would not vary from one underwriter to another. JAIP is responsible for arranging reinsurance for the pool.
Mutual Pool for Compulsory Automobile Liability Insurance (CALI) & Compulsory Automobile Liability Mutual Aid (CALMA)	100% of compulsory automobile liability risks underwritten by insurers participating in the CALI and CALMA schemes is ceded to the mutual pool. The risks are then redistributed to each insurer in the pool.
Housing Defect Liability Insurance Pool	Non-life insurance companies provide protection to housing defect liability insurance corporations up to a certain amount. Above a certain amount, non-life insurance companies share risks within the members through a pooling arrangement.
Marine Cargo Reinsurance Pool	Cargo policies meeting certain criteria are ceded to the pool.
Marine Hull Reinsurance Pool	Hull policies meeting certain criteria are ceded to the pool.

Gallagher Re's View of Risk

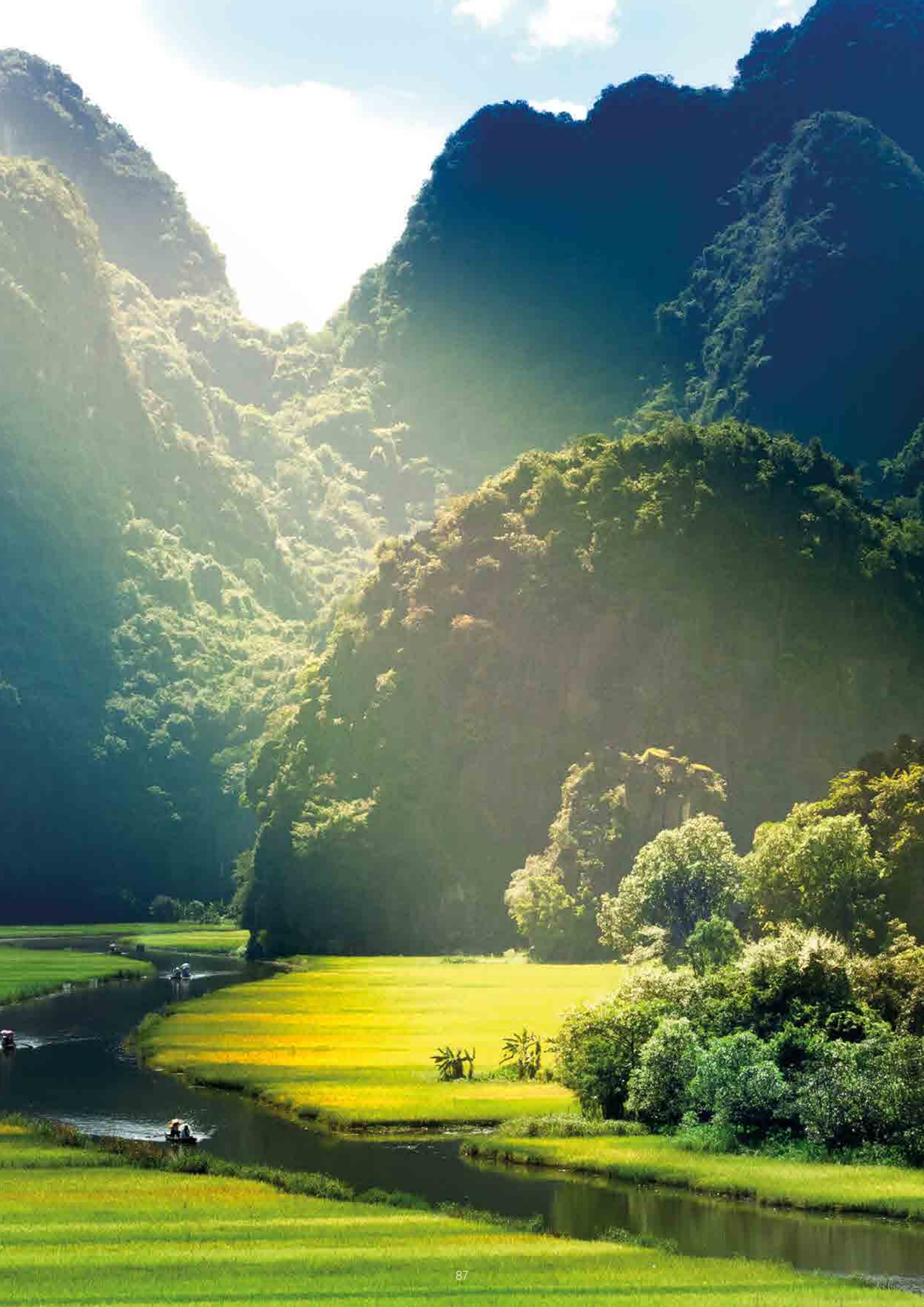
Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Japan is located on the Pacific Ring of Fire, a subduction-driven region that extends from Chile up the western edge of the Americas and down the eastern rim of Asia Pacific. Earthquake risk is one of the most important perils for the Japanese market, with probabilistic models available from all major vendors.	✓	✓ Verisk	✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Typhoons pose a significant natural hazard to Japanese communities, representing the most frequent cause of property loss to residential, commercial and industrial portfolios. A normal year in terms of tropical cyclone (TC) activity would see between 25 and 30 TCs in the Western North Pacific (WNP), with around two to three typhoons making landfall in Japan.	✓	✓ Moody's & Verisk	✓ Wind scenarios for Typhoon via Kinetic Corp	
Flood	Floods occur frequently in Japan and have caused significant damage in the past. Rivers are generally short and steep as the country is mountainous, resulting in rapid flow of rainfall waters. About 70% of Japanese citizens live within river basins and in coastal areas which are heavily defended.	✓			
Volcano				✓	
Tsunami				✓ Deterministic & probabilistic tsunami model	
Hail	Notable hail events have occurred every year since 2022, though there is significant uncertainty over insured loss frequency and severity. There is no vendor model available.			✓ Probabilistic model	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Japan's Economic Outlook for FY2026 and FY2027 (May 2026), NLI Research Institute, May 20, 2026
2. Outlook for Economic Activity and Prices, Bank of Japan, April 2026
3. Bank of Japan raises rates to 31-year high, flags more to come, Reuters, June 16, 2026
4. MS&AD units sign final agreement for 2027 merger, FilingReader.com, February 13, 2026
5. RHB and Tokio Marine take a second shot at merger, Insurance Business, May 13, 2026
6. Gallagher Re 2025 Natural Catastrophe Report, Gallagher Re, January 21, 2026
7. Japan's Asahi hack that halted beer production claimed by Qilin ransomware group, Asahi Shimbun, October 8, 2025

Exchange rate (as of January 1, 2026): JPY156.69 = USD1.00





Malaysia

Takaful Growth Continues, but Claims Inflation Bites

Economic landscape

Malaysia's economy was resilient in 2025, with real GDP expanding by 5.2%, supported by firm household spending, a stable labor market and continued investment activity across multi-year projects, high-technology services and advanced manufacturing. Inflation averaged 1.4%, the lowest level in five years, although cost-of-living pressures continued to shape consumer sentiment. Looking into 2026, Bank Negara Malaysia (BNM) expects economic growth to moderate to a range of 4% to 5%, reflecting a more uncertain global environment[1]. The domestic economy nevertheless enters this period from a position of relative strength, underpinned by resilient consumption, moderate inflation, a sound financial sector and Malaysia's continued role in regional trade and investment flows.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	35.56	11,440	5.1%	3.0%	1.8%
2025	35.98	11,891	5.2%	2.8%	1.4%

Sources: World Bank; national and official statistics

Market landscape

Malaysia's general (non-life) insurance market continued to expand in 2025, although growth moderated from the stronger post-pandemic rebound seen in the prior two years. Gross written premiums for the non-life insurance industry (including takaful) increased by 6.4% to MYR30.8B (USD7.6B) in 2025, and the combined ratio improved to 94.6%. Despite overall strength, however, there are clear pressure points emerging in motor and medical lines.

Motor insurance remains the largest class of business, contributing MYR15.5B (USD3.8B) and representing 50.3% of the non-life insurance portfolio in 2025. Growth in the motor line slowed to 7.1%, compared with 8% in 2024, reflecting a more mature vehicle sales environment and rising affordability pressures. Fire (property) insurance remained the second-largest line, contributing MYR6.1B (USD1.5B) or 20% of total non-life insurance premiums, while personal accident reached MYR2B (USD0.5B), supported partly by travel-related demand.

	Penetration		GWP (USD M)		GWP (MYR M)		Non-Life		
Year	All Insurance	Non-Life Only (Incl. Takaful)	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	5.3%	1.5%	25,350	7,139	102,848	28,965	59.0%	95.2%	7.7%
2025	5.2%	1.5%	26,276	7,594	106,605	30,811	58.5%	94.6%	6.4%

Sources: World Bank; ISM Insurance Services Malaysia Berhad; Life Insurance Association of Malaysia (LIAM); Bank Negara Malaysia (BNM)
Exchange rate: (as of January 1, 2026) MYR4.06 = USD1.00
Note: Direct Written Premium is used to calculate the non-life penetration rate

Malaysia is a relatively internationalized and competitive non-life market, with foreign-owned insurers prominent among the largest players. There has been consolidation at the top end of the market in recent years, with some notable deals in 2023 and 2024. More recently, Japan's Tokio Marine has revived discussions with Malaysia's RHB Bank about acquiring its insurance arm[2], and unveiled a distribution partnership in August[3].

At the same time, the takaful (Islamic insurance) sector is strategically important to Malaysia's wider ambition to be a regional Islamic finance hub. In the non-life segment, takaful GWPs expanded by 12.4% to MYR6.6B (USD1.6B), significantly outpacing conventional insurance (4.8%), with the motor line growing particularly strongly. This means the non-life market splits roughly 78%-22% between conventional insurance and takaful products.

The Labuan International Business and Financial Centre is an important part of Malaysia's insurance ecosystem. It acts as an offshore hub for insurers, reinsurers, captives, brokers and retakaful (takaful reinsurance) activity, particularly for regional and cross-border business. This role may become more relevant as Malaysia's takaful market expands and operators face constraints in available retakaful capacity. Effective January 2, 2025, BNM's Hajah and Darurah policy provides a formal framework for Islamic financial institutions, including takaful and retakaful operators, to apply Shariah exceptions based on need or dire necessity. In the takaful context, this clarifies the circumstances under which conventional reinsurance may be used, including where retakaful capacity is insufficient or where risks could threaten fund stability.

Risk landscape

Flood is Malaysia's most significant natural catastrophe exposure. The country is exposed to two annual monsoon seasons: the north-east monsoon from November to February and the south-west monsoon from May to September. The 2021-2022 flood event was significant for the insurance market and remains a key benchmark, having generated estimated insured losses of USD700M (MYR 2.5B) and increasing insurers' focus on flood accumulation, underwriting controls and catastrophe modeling. Flood-related claims may be less frequent than motor claims, but their severity potential remains high, particularly where events affect urban centers, industrial estates or highly concentrated commercial property exposures.

The industry has seen greater awareness of flood protection since the 2021 event, but pricing adequacy is a key concern. Flood cover is commonly purchased as an add-on to motor or fire policies, and higher take-up does not necessarily translate into commensurate premium adequacy if rates remain highly competitive. This is particularly relevant as regulatory capital requirements begin to recognize catastrophe risk more explicitly under the upcoming RBC2 framework. Insurers with higher flood exposure, weaker data granularity or less developed catastrophe modeling capabilities may face greater capital and underwriting pressure.

Elsewhere, the motor business line remains a key pressure point for insurers. The portfolio continues to face higher claims frequency than other lines, as well as inflation in repair and spare parts costs. The loss ratio for this line was 69% in 2025, a slight downtick from 70% in 2024 but still notably elevated compared to other major lines. Furthermore, the increasing adoption of newer vehicle technologies, including electric vehicles, adds further uncertainty to factors such as repair costs and battery replacements. Alongside the government and police, the market regulator, the BNM, is taking an active hand in attempting to reduce accident rates and claims. It ran a digital accident-reporting pilot in conjunction with the police last year, and set up a joint task force with the Ministry of Transport and others to encourage smart driving technology[4].

Medical inflation is a growing affordability and claims challenge. Healthcare cost inflation was estimated at 15% in 2024 and market commentary points to further pressure in 2025, materially above the broader Asia Pacific average. The government has responded with a policy program known as "RESET", which among other things aims to increase oversight of private healthcare providers and promote more price transparency[5]. In addition, the BNM has also put forward a standardized "base medical health insurance/takaful (MHIT) plan" that is designed to deliver a minimum affordable protection to consumers. Earlier this year, BNM said pilot implementation of this plan is scheduled for the second half of 2026, and is expected to be available to the public from early 2027[6].

Regulatory developments

Malaysia's landmark reform of its Risk-Based Capital framework, known as RBC2, is targeted for implementation from January 1, 2027[7]. The proposed framework is intended to align Malaysia more closely with international capital standards and to improve risk sensitivity across both assets and liabilities. For general insurers and general takaful operators, the introduction of a catastrophe risk charge is particularly significant, with flood risk singled out for specific treatment, as noted above. RBC2 is expected to create stronger incentives for insurers to improve data quality, catastrophe modeling, as well as optimizing their reinsurance purchases.

On the accounting front, BNM has also said it plans to implement the Malaysian Financial Reporting Standard (MFRS), which is aligned with IFRS, within its regulatory reporting framework from 2026 onwards. This means that insights derived from the framework will be steadily incorporated into insurers' prudential assessments — "strengthening alignment with prevailing accounting standards", in the BNM's words[8].

Digitalization is another key BNM priority. The regulator set up a new licensing regime for new Digital Insurers and Takaful Operators (DITOs) beginning in 2025, with a two-year application period until the end of 2026. BNM said early interest in the program was "encouraging"[9] but there has been no further communication since. Meanwhile, the regulator is also tying its ongoing motor tariff liberalization to stronger digital claims and distribution capabilities[10].

The BNM has also had a clear focus on climate risk management in recent years. It conducted a Climate Risk Stress Testing exercise in 2025 that covered the entire banking and financial sector, including insurers and takaful operators[11]. All submissions were due in by December 31 and the regulator has not released any results so far. In addition, it updated its regular climate disclosure requirements in March 2025[12].

Pricing environment

Malaysia's pricing environment is gradually becoming more risk-based as motor and fire tariff liberalization progresses. In motor, tariff flexibility has allowed insurers to vary prices around tariff rates, with additional flexibility available to insurers that meet operational and digitalization requirements. This supports more differentiated pricing by risk segment, but the persistent underwriting losses in motor show that pricing adjustment is incomplete relative to claims inflation.

In fire and property business, pricing is supported by demand for commercial property protection, infrastructure investment and the need to reflect higher material and reconstruction costs. However, climate risk and flood accumulation will increasingly influence underwriting appetite and reinsurance strategy. As RBC2 brings catastrophe risk more explicitly into capital requirements, insurers are likely to place greater emphasis on exposure management, flood mapping, policy wording, sub-limits and reinsurance structures. This may support more sustainable pricing over time, especially for flood-exposed portfolios.

The reinsurance and retakaful environment is an important strategic issue. Conventional reinsurance capacity is generally available, but pricing and terms remain sensitive to flood exposure, loss experience and data quality. Retakaful capacity is more constrained, which can create practical challenges for takaful operators seeking shariah-compliant protection. This reinforces the relevance of Labuan's role as a regional insurance and retakaful hub as takaful business grows. The Malaysian Takaful Association, working with the domestic takaful markets, is looking to create additional retakaful capacity for industrial risks through the creation of a second surplus supported by existing retakaful operators.

Headwinds

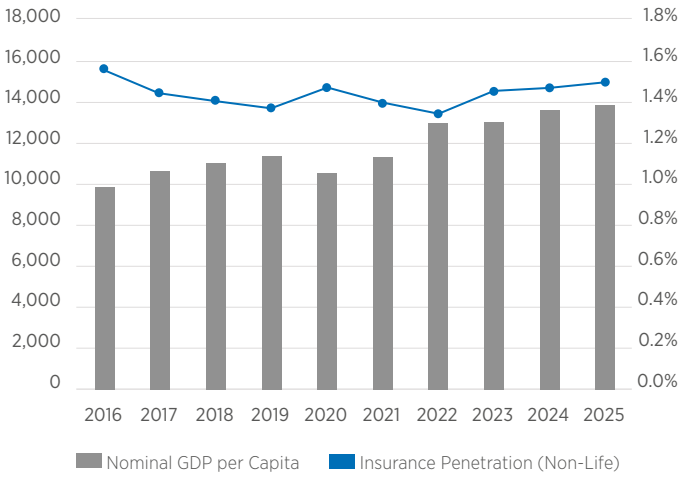
- **Claims inflation and underwriting challenges in motor and medical insurance:** The loss ratio in motor, the largest line of business, held steady at 69% in 2025. Despite efforts by the authorities, rising accident frequency and repair costs inflation remain structural challenges. Meanwhile, healthcare cost inflation is also elevated. The government's RESET strategy and "base MHIT" plan may help improve affordability for consumers, but will have considerable implications for the insurance sector.
- **RBC2 and climate risk implementation burden:** The upcoming RBC2 framework and climate stress testing requirements should strengthen resilience over time, but will require investment in data, modeling, governance, reinsurance optimization and capital management.
- **Retakaful capacity constraints:** The takaful market is facing limited availability of shariah-compliant reinsurance capacity, which may remain a bottleneck for growth and risk transfer despite clearer regulatory guidance on when conventional reinsurance may be used.

Tailwinds

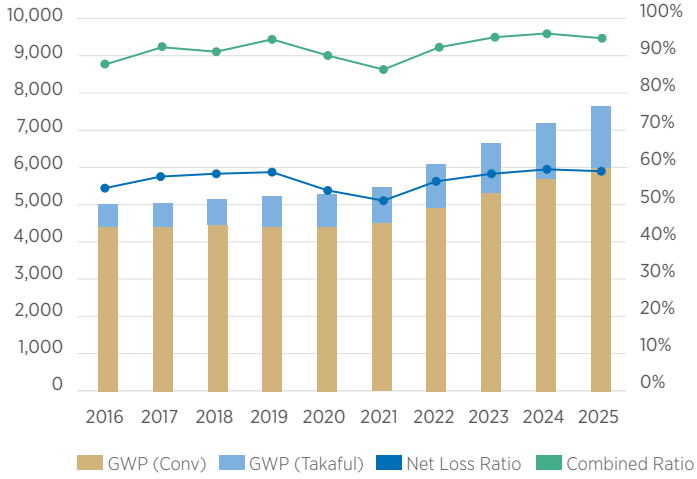
- **Resilient domestic economy and Islamic finance leadership:** Malaysia's stable growth, moderate inflation and strong Islamic finance ecosystem provide a supportive backdrop for insurance and takaful development. The takaful sector is benefiting from regulatory support, product awareness and Malaysia's regional positioning.
- **Digitalization and inclusion:** BNM's digital insurer and takaful operator framework, together with broader financial inclusion objectives, should support innovation in distribution, servicing and claims. Digital channels may also help insurers reach underserved segments more efficiently.
- **Improved risk modeling and pricing discipline:** RBC2, climate stress testing and continued tariff liberalization should encourage better flood modeling, more granular pricing and stronger exposure management. Over time, these developments can support a more resilient and technically disciplined market.

Malaysia in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)

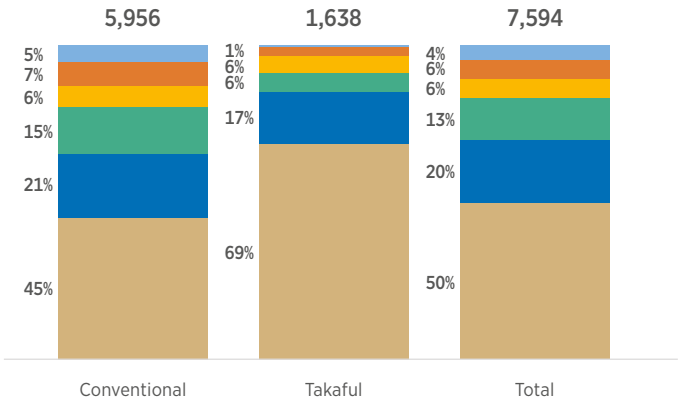


Non-Life Premium and Claims (USD M)

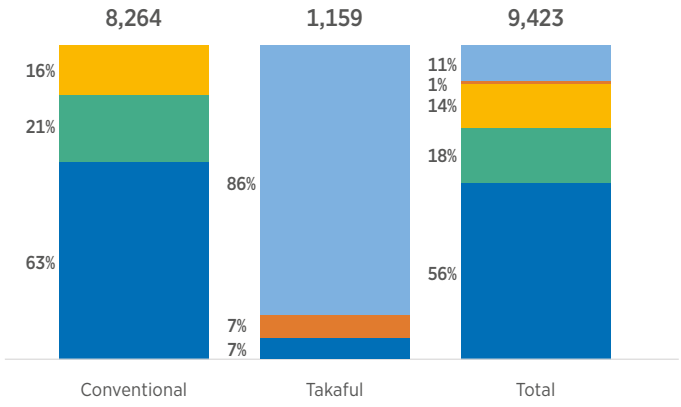


NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year; Direct Written Premium is used to calculate the non-life penetration rate

2025 Non-Life GWP (USD M)



2025 Investment Mix (USD M)



Sources: World Bank, ISM Insurance Services Malaysia Berhad, Life Insurance Association of Malaysia (LIAM)

Non-Life Regulation

The regulator: overview

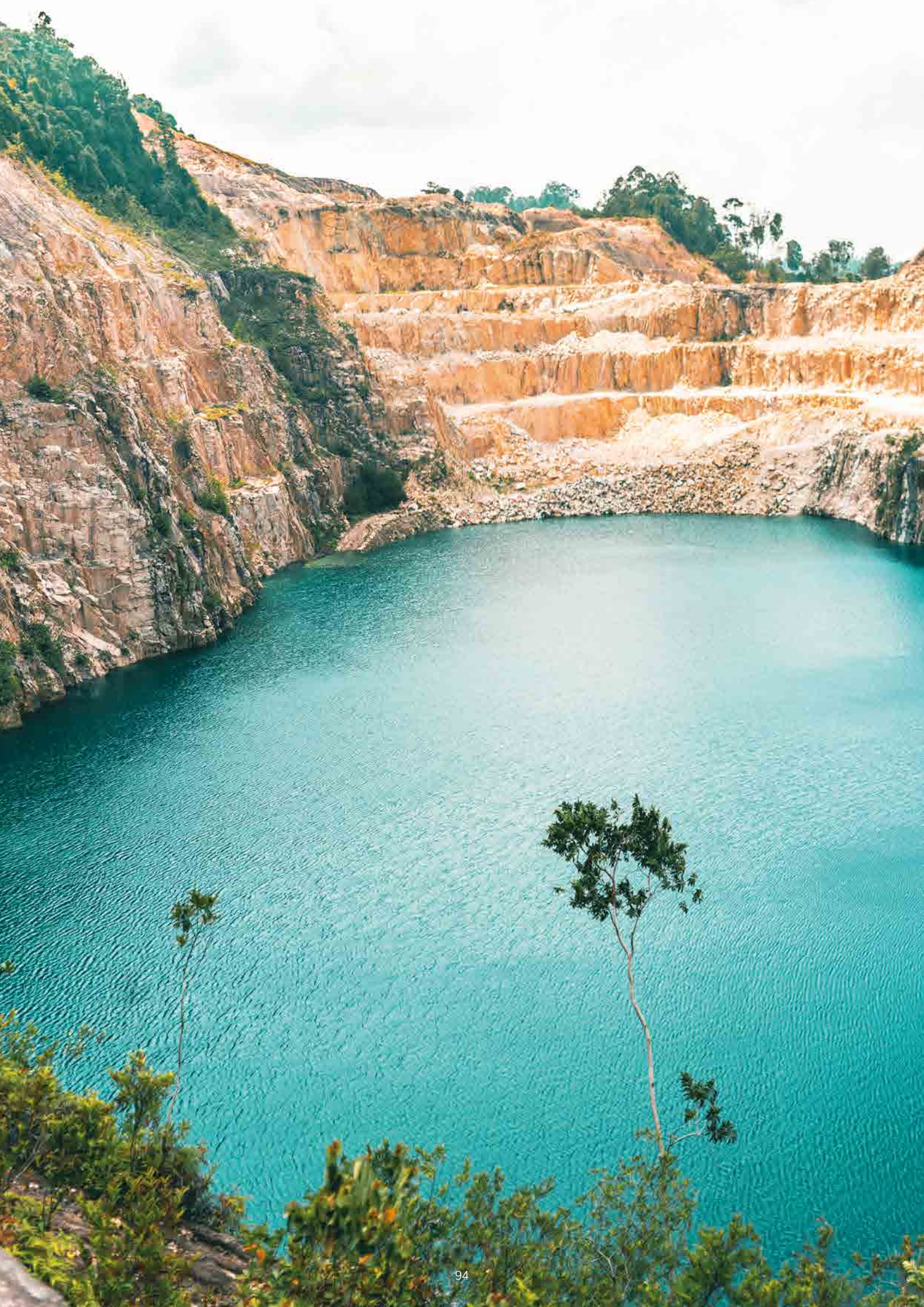
Bank Negara Malaysia (BNM) is the insurance regulator for Malaysia.

Item	Approach
Accounting framework	IFRS equivalent (MFRS 17)
IFRS 17 implementation	January 2023
Capital framework	Quantitative: Risk-Based Capital (RBC) framework for conventional insurers and a comparable RBCT framework for takaful operators Qualitative: Internal Capital Adequacy Assessment Process (ICAAP)
Climate/Sustainability	BNM's Climate Risk Management & Scenario Analysis Policy Document (BNM/RH/PD 028-124) was updated in March 2025. BNM conducted an industry-wide Climate Risk Stress Testing (CRST) with submission due June 30 2025 for Cohort 1 and December 31 2025 for Cohort 2. Phased sustainability reporting requirements under the National Sustainability Reporting Framework (NSRF), aligned with ISSB, are starting from FY2025.

Planned developments

- **RBC2:** BNM issued the Exposure Draft on the Risk-Based Capital Framework for Insurers and Takaful Operators on June 28, 2024. The consultation closed on December 31, 2024, and BNM indicated an intended implementation date of January 1, 2027, with parallel reporting from January 1, 2026.
- **DITO:** BNM issued its Policy Document on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators on July 9, 2024. Applications are accepted between January 2, 2025 and December 31, 2026. Licensed DITOs are subject to a lower paid-up capital requirement during the foundational phase (MYR30M), increasing to MYR100M upon full licensing requirements being met.

Source: Bank Negara Malaysia (BNM)





Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There are currently no minimum catastrophe reinsurance coverage requirements for local insurers. Typically, insurers purchase between the 1-in-200-year and 1-in-250-year return periods based on the outputs of flood models.

There are several requirements affecting catastrophe risk in the new Exposure Draft of June 2024. For flood peril in relation to business within Malaysia, a licensed general insurer/general takaful operator must use a catastrophe model or factor-based approach (multiplying a factor by the sum insured). For other material perils (EQ, WS and flood outside Malaysia) they should use gross aggregate limit multiplied by a factor to determine the catastrophe risk capital requirements. Furthermore, the usage of catastrophe models will be subject to the demonstration of adherence to model governance ("safeguards").

On February 29, 2024, BNM published the "2024 Climate Risk Stress Testing Exercise — Methodology Paper" (CRST), which details the scope, approach, and requirements for Climate Risk Management and Scenario Analysis. Insurers are categorized into two cohorts based on size, portfolio exposure to climate risks, and internal readiness. Cohort 1 insurers were asked to submit their results by June 30, 2025, while Cohort 2 had until December 31, 2025.

Reinsurance

BNM reviews the requirements on voluntary cession (VC) to the national reinsurer Malaysian Reinsurance Berhad (Malaysian Re) on a regular basis. Set since January 1, 2014, voluntary quota share cessions of 2.5% are made to Malaysian Re on treaty and facultative business across all classes. Furthermore, Malaysian Re must be offered: Up to 15% of both proportional and non-proportional treaty reinsurance (excluding aviation, energy, and D&O); Up to 15% of MYR5M on a total sum insured basis, with the PML monetary limit being MYR1.5M for facultative and engineering reinsurance.

The Malaysian reinsurance system is tier-based. All local direct insurers are required by BNM to cede business to Malaysian-authorized reinsurers (first tier) first and Labuan-based reinsurers (second tier) before offering to foreign or third-tier reinsurers, otherwise a board-signed statement of deviation must be filed with BNM.

Cessions to foreign reinsurers are capped at 50% of total reinsurance business, with spread limits of 25% for a lead reinsurer and 10% for other participants; foreign reinsurers must be rated at least "A" or hold paid-up capital plus surplus of at least USD150M.

Under the current RBC framework, the credit risk charge on exposures to reinsurers varies depending on the rating category of the respective reinsurer (Under RBC2, credit risk charge will also be varied by ratings, on/offshore and maturity of exposure).

Cyber

The Personal Data Protection Act 2010 was amended by the Personal Data Protection (Amendment) Act 2024, brought into force in three phases to June 1, 2025. The amendments classify biometric data as sensitive personal data, bind processors directly to the Security Principle, abolish the cross-border transfer whitelist, and make a data protection officer, breach notification and data portability mandatory. The Commissioner must be notified within 72 hours and affected data subjects within seven days. Penalties reach MYR1M (USD236,400) and/or three years' imprisonment.

The Cyber Security Act 2024 (Act 854), in force from August 26, 2024, regulates national critical information infrastructure. NCII entities must give immediate first notice of an incident, further particulars within six hours and a supplementary report within 14 days, and cybersecurity service providers must be licensed, a consideration for incident response vendor panels. The Online Safety Act 2025 took effect on January 1, 2026.

Pooling arrangements

Malaysian Motor Insurance Pool (MMIP)	MMIP was jointly established by the local insurance companies in 1992 with the objective to provide motor insurance to vehicle owners who struggle to obtain insurance protection in the traditional commercial insurance market. MMIP Service Sdn Bhd (MSSB), a subsidiary of MNRB Holdings Berhad, is the administration manager of the pool.
Malaysian Energy Risks Consortium (MERIC)	MERIC was established in 1995 with the objective to maximize national retention, promote wider interest and develop underwriting skills in the specialized class of energy business. Malaysian Re was the secretariat to MERIC. The business written was primarily Malaysian risks and Malaysian interests abroad. The pool went into run-off on March 1, 2023 and is no longer taking on new risks.
Malaysian Aviation Pool (MAP)	Malaysian Re is the manager of the pool. The pool provides capacity of MYR100M for Malaysian aviation risks. MAP went into run-off with effect from March 1, 2024.
Malaysian Flood Pool	BNM and Malaysia's National Disaster Management Agency are reportedly working with the market to develop a flood pool that will offer insurance to vulnerable population groups who cannot afford insurance protection but are exposed to flood risk. Flood insurance is currently available as an add-on to comprehensive motor and fire policies for an additional premium.

Sources: Bank Negara Malaysia (BNM), Malaysian Reinsurance Berhad



Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability	Climate Change Adjustment / Projections
Earthquake	Earthquake risk is a minor peril for the Malaysian market, with probabilistic models available from most of the major vendors. Gallagher Re has evaluated vendor models to establish an Own View of Risk.	✓		✓		
Tropical Cyclone/ Typhoon (Flood & Surge)	N/A					
Flood	Flooding is the major peril in Malaysia in terms of event frequency, spatial extent and damage. Gallagher Re has developed a probabilistic model for flood hazard in Malaysia.	✓		✓ Scenario modeling via KatRisk flood hazard layers	✓	✓ Adjustments for various RCPs

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Outlook and Policy in 2026, Bank Negara Malaysia, accessed September 10, 2026
2. RHB and Tokio Marine take a second shot at merger, Insurance Business, May 13, 2026
3. RHB, Tokio Marine Life and Takaful Malaysia Forge Long Term Exclusive Banca Partnerships, Tokio Marine, August 1, 2026
4. Annual Report, P49, Bank Negara Malaysia, accessed September 10, 2026
5. RESET: Towards More Affordable Private Healthcare, Government of Malaysia, accessed September 10, 2026
6. White Paper on base MHIT Plan, Bank Negara Malaysia, January 22, 2026
7. Risk-Based Capital Framework for Insurers and Takaful Operators: Exposure Draft, Bank Negara Malaysia, June 2024
8. Financial Stability Review for Second Half 2025, p33, Bank Negara Malaysia, accessed September 10, 2026
9. Application for Digital Insurers and Takaful Operators Licence Opens with Continued Interest, Bank Negara Malaysia, March 10, 2025
10. Financial Stability Review for Second Half 2025, p32, Bank Negara Malaysia, accessed September 10, 2026
11. Annual Report, P29, Bank Negara Malaysia, accessed September 10, 2026
12. Climate Risk Management and Scenario Analysis, Bank Negara Malaysia, March 17, 2025

Exchange rate (as of January 1, 2026): MYR4.06= USD1.00



New Zealand



Profits Stay Healthy in a Slowing Growth Environment

Economic landscape

New Zealand's economy grew by just 0.5% in 2025, but began to gain momentum in early 2026, as GDP expanded by 0.8% in the first quarter[1]. However, the Middle East conflict and its associated oil-price shock weighed on activity in the following months. The Reserve Bank of New Zealand (RBNZ) said in July it expects growth to get back on track in September, pointing to indicators such as improving business confidence[2].

The central bank also increased the OCR benchmark interest rate to 2.5% at this July meeting in a bid to keep inflation contained. Nonetheless, it remains low by comparison to recent history, having declined steadily since the high of 5.5% in mid-2024. Inflation has eased somewhat from the elevated levels experienced in recent years, but remains above the RBNZ's target band of 1-3%. The central bank said it expects inflation to have "peaked" at 3.9% in the second quarter.

For insurers, this combination of weak economic growth, still-elevated inflation and lower interest rates has created a mixed operating environment. Dampened economic activity led to a slight decline in gross written premiums last year (-2.2%). Claims-cost inflation and supply-chain pressures remain a concern, but offsetting this, claims frequency and severity are below the long-term average. Loss ratios are still healthy, despite a softening rate environment. If the economy recovers as the authorities expect, that will provide a tailwind going into 2027.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	5.29	38,855	-0.9%	4.3%	2.9%
2025	5.32	38,781	0.5%	2.3%	2.8%

Sources: World Bank; national and official statistics

Market landscape

The New Zealand non-life insurance market is highly concentrated, led by IAG New Zealand (including AMI, State Insurance and NZI); and Suncorp New Zealand, which includes Vero Insurance and participates in AA Insurance through a joint venture with the New Zealand Automobile Association. The rest of the market is comprised mainly of local insurers, including Farmer's Mutual Insurance, Medical Assurance Society and Tower. This market structure has persisted over time, although competition is increasing in commercial lines as local and international capacity grows.

Non-life gross written premiums in New Zealand declined from NZD10.8B (USD6.2B) in 2024 to NZD10.5B (USD6.1B) in 2025. This contraction reflects weaker economic activity and the effects of a softer rate environment, rather than a deterioration in underwriting profitability. Despite elevated business costs, insurers remain profitable for the most part: the Insurance Council of New Zealand reported a combined ratio of 78.68% for 2025[3].

	Penetration		GWP (USD M)		GWP (NZD M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	3.2%	2.5%	8,058	6,197	14,030	10,790	51.9%	78.6%	8.6%
2025	3.1%	2.3%	7,948	6,058	13,837	10,547	52.1%	78.7%	-2.2%

Sources: Insurance Council of New Zealand
Exchange rate: (as of January 1, 2026) NZD1.74 = USD1.00

Profitability strengthened materially in 2025. In the two largest business lines, the improvements in loss ratios that insurers achieved in 2024 held firm in 2025, according to ICNZ data. In motor, a 74.2% loss ratio in 2023 improved to 62.2% in 2024 and 63% last year. In domestic buildings and contents insurance, a 2023 ratio of 85.4% improved to 50.6% in 2024, and 50.3% in 2025. These strong results reflect the earn-through of prior-year rate increases, following the major 2023 weather losses, combined with much lower natural catastrophe activity in 2024 and 2025. More recent FY26 results from IAG[4] and Suncorp[5] suggest underlying underwriting performance has remained resilient, despite a higher level of natural peril activity during the year.

Notably, liability and professional/financial lines have remained highly profitable with a loss ratio around 41.5% for 2025; albeit this represented a slight decline from 38.1% the year before. However, this line of business is a relatively small part of the NZ insurance market due to the state-backed Accident Compensation Corporation (ACC) providing cover for bodily injury and removing the ability for injured parties to sue.

Recent half-year results for leading insurers have shown some signs that long-term growth is being tempered, where insurers reported declines in GWP thanks to challenging market conditions. Potential claims inflation from geopolitical developments in the Middle East could impact supply chains and input costs (e.g. oil). A combination of falling premiums and increased claims costs could start to impact insurer profitability and may lead to a flatter market[6].

The role of managing general agents (MGAs) has become increasingly important in recent months, particularly in commercial and specialty lines. New capacity entering the market is supporting MGA growth and intensifying competition for commercial risks. This is likely to create further opportunities for product development, distribution innovation and capacity deployment, while also adding some competitive pressure for incumbent insurers.

Risk landscape

Natural catastrophe activity was relatively benign in 2025, continuing the quiet conditions experienced in 2024. ICNZ reported five natural disasters during 2025[7], with the largest being a severe storm event in the South Island in October, which generated reported insured losses of NZD158.9M (USD91.2M). Total natural disaster losses for the year, of NZD278.2M (USD159.8M) were somewhat up on 2024, which was an exceptionally quiet year, but still well below the multi-billion dollar losses from large cyclone and flooding events suffered in previous years.

This relatively benign cat activity has supported the shift into a softer insurance market phase and has contributed to improved underwriting profitability. However, the underlying exposure has not disappeared. New Zealand remains exposed to earthquake and severe weather risk, and climate change continues to pose a medium-term challenge for insurers.

Risk-based pricing and underwriting sophistication continue to develop. Insurers are increasingly using granular, property- or customer-specific risk factors, particularly for flood and seismic exposures. This allows insurers to align price more closely with risk, improve risk selection and support more sustainable underwriting margins. At the same time, more granular pricing could sharpen the affordability challenge for customers in higher-risk locations.

Regulatory developments

Insurance solvency standards in New Zealand are set by the RBNZ, which has had its framework under review since 2020. It implemented the current Interim Solvency Standard in 2023, and has revised it twice — with the most recent amendment coming into force in March last year. This included some minor changes to capital charges on underwriting risk and on interest-sensitive assets, as well as what the bank called a reduction in ambiguity on valuation approaches[8]. These changes were designed to be capital-neutral.

The Interim Solvency Standard is intended to pave the way for a set of Final Solvency Standards, but work on that has been paused for now, due to a separate, ongoing review of the Insurance Prudential Supervision Act. This could shape up into a significant review of the prudential regulatory framework for insurers in New Zealand, designed to bring the market closer in-line with international best practice. Among other changes, the proposals include greater powers for the RBNZ to enforce standards across key prudential areas.

The solvency framework will be further enhanced in a risk-based direction, with an escalated approach taken by the RBNZ as individual insurer capital levels decline[9]. Currently in a consultation phase, this review is expected to be introduced to parliament in 2027 for possible implementation in 2028[10].

Pricing environment

Primary insurance pricing in New Zealand is softening across most classes. Premiums are flat to declining, supported by abundant insurer capacity, strong competition between insurers and relatively benign claims experience. The soft phase began towards the end of 2024 and is now firmly established; with no signs of easing unless a major catastrophic event causes a re-pricing[11]. Commercial property, domestic property, motor and the overall market continue to produce profitable loss ratios, which gives insurers room to compete.

Reinsurance conditions have also become more favorable, against a backdrop of ample global capacity. With technical pricing having improved in recent years, reinsurers showed increased interest in deploying capacity in New Zealand during 2025. London reinsurers played an important role in this influx, while new MGAs with ambitious growth targets also contributed to competition.

This abundance of reinsurance capacity is pushing down rates across much of the market. Buyers are responding by expanding coverage, purchasing additional limit or seeking rate reductions. While catastrophe treaty attachment points have increased over the last few years, recent improvements in reinsurance conditions mean capacity has again become available for frequency protection covers.

The purchase of aggregate reinsurance protection by two of New Zealand's largest insurers illustrates this trend. Suncorp, parent company of Vero Insurance, has secured a five-year aggregate reinsurance cover that will provide protection above its natural hazard allowance for FY27, aimed at reducing the volatility in net claims cost, protecting earnings and adding resilience to its natural hazard allowance[12]. This follows a similar five-year purchase made by IAG, New Zealand's largest insurance company and the parent of NZI, which was designed to manage the cost of smaller but more frequent events where they fall outside of the main treaty protection[13].

Headwinds

- → **Regulatory change:** Current and future changes to New Zealand's regulatory and legal framework will create a more complex operating environment. Insurers will need to dedicate resources to adapting to solvency reform, prudential supervision changes and broader expectations around risk-based oversight.
- → **Climate change and natural hazard exposure:** Recent catastrophe activity has been benign, but the market remains exposed to earthquake and severe weather risk. The increasing frequency and severity of climate-related events could drive higher claims costs, affect capital requirements and put pressure on profitability over time.
- → **Economic uncertainty and affordability pressure:** Weak growth, inflation around the top of the RBNZ target band and volatility linked to global geopolitical developments create uncertainty for insurers. After several years of price increases, insurance affordability is also becoming a more prominent issue for consumers and regulators.

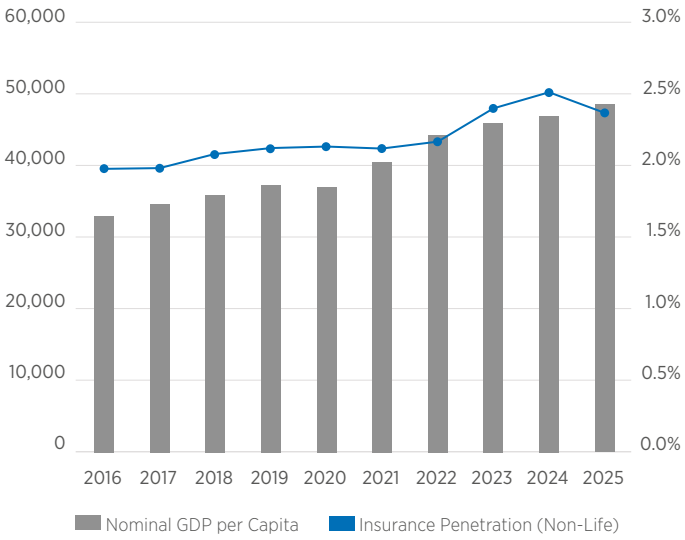
Tailwinds

- → **MGA-led growth and new capacity:** MGAs are playing an increasingly important role in commercial and specialty lines, supported by new capacity entering the market. This should help expand product choice, increase competition and create growth opportunities.
- → **Greater use of reinsurance for balance sheet stability:** Increased reinsurance capacity gives New Zealand insurers the opportunity to transfer peak catastrophe risk more efficiently, secure more stable terms and consider multi-year capacity. This is particularly valuable in New Zealand, given the market's earthquake and severe weather exposure.
- → **More sophisticated risk-based pricing:** Greater use of granular, data-driven pricing can support profitable growth by improving risk selection, capital efficiency and alignment between price and exposure. This should support sustainable underwriting margins, provided insurers manage affordability and customer outcomes carefully.

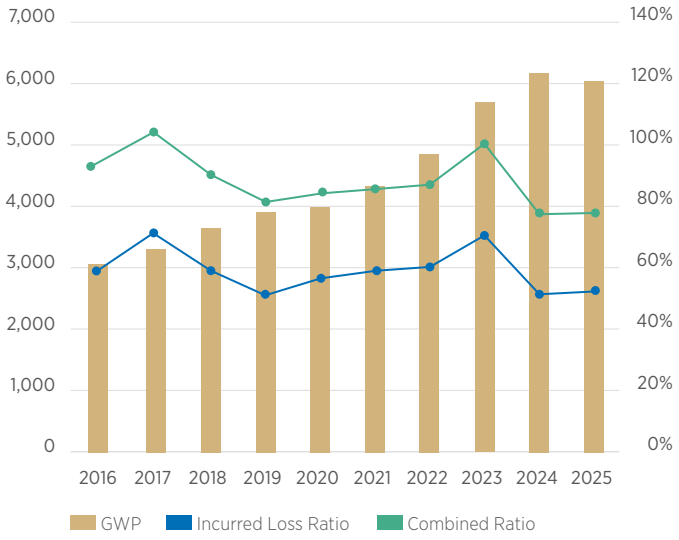


New Zealand in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



- **32%** Motor
- **31%** Domestic Buildings and Contents
- **13%** Commercial Material Damage and Business Interruption
- **11%** Earthquake
- **8%** Liability
- **3%** Other
- **2%** Marine



- **33%** Long-Term Debt
- **31%** Unit Trusts
- **18%** Cash and Deposits
- **16%** Short-Term Debt
- **2%** Other Investment Assets

Sources: World Bank, Reserve Bank of New Zealand (RBNZ), Insurance Council of New Zealand (ICNZ); Financial Services Council (FSC);

Non-Life Regulation

The regulator: overview

The Reserve Bank of New Zealand (RBNZ) is the prudential regulator for the New Zealand insurance sector.

Item	Approach
Accounting framework	IFRS equivalent (NZ IFRS 17)
IFRS 17 implementation	January 2023
Capital framework	Quantitative: Interim Solvency Standard (ISS), a risk-based solvency standard designed to align with NZ IFRS 17 Qualitative: No ORSA requirements
Climate/Sustainability	Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021: Mandates large financial entities, including insurers, to report their climate change adaptation and mitigation strategies. The reporting process is supervised by the Financial Markets Authority.

Planned capital developments

Following technical updates in the Interim Solvency Standard Amendment Standard 2024 (effective March 2025), the development of the Stage 2 Final Solvency Standard is underway alongside broader legislative updates to the Insurance Prudential Supervision Act.

Source: Reserve Bank of New Zealand (RBNZ)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

Under the current framework, the catastrophe risk capital charge is determined as the greater of the capital charge for the:

- **Seismic risk:** a major earthquake with a minimum 1,000-year return period, taken net of reinsurance plus the cost of one reinstatement of the full catastrophe reinsurance program.
- **Pandemic mortality risk:** Zero for insurers that do not insure against mortality risk.
- **Other event risk:** any non-earthquake event with a minimum 200-year return period.
- **Default catastrophe risk:** for insurers who do not write property business, twice the maximum per-risk retention plus one reinstatement premium.

Reinsurance

There are no statutory restrictions on retention levels.

Under the current framework, the reinsurance recovery risk capital charge is defined as the sum of the reinsurance disputes capital charge and the reinsurance credit risk capital charge. The reinsurance credit risk factor varies depending on the credit rating of the respective reinsurance counterparty.

Cyber

New Zealand does not have specific cybersecurity legislation; the Privacy Act 2020 and its Information Privacy Principles govern how organizations collect, use, disclose, store and retain personal information, with a strict focus on mandatory breach notification. The maximum statutory fine remains NZD10,000 (USD5,700), though the Human Rights Review Tribunal can award damages of up to NZD350,000 (USD201,000) per person. The Biometric Processing Privacy Code 2025 took effect on November 3, 2025.

The Privacy Amendment Act 2025, which received Royal Assent on September 23, 2025, is a narrow reform: new Information Privacy Principle 3A has applied since May 1, 2026 and requires agencies to notify individuals where their information is collected indirectly. It does not raise penalties. New Zealand's AI Strategy confirms a light-touch approach, and the market remains a regional outlier with no critical infrastructure cyber legislation, although the government consulated on critical infrastructure measures in early 2026.

Pooling arrangements

Accident Compensation Corporation (ACC)	This is a no-fault accident compensation scheme established in 1974, and currently governed under the Accident Compensation Act 2001. The ACC provides compulsory personal injury insurance for all New Zealanders, including citizens, residents and visitors. The scheme is funded by compulsory levies paid by all New Zealanders. The levy rates are reviewed on a biennial basis and vary depending on whether a person is an employer, a self-employed person, a motor vehicle user or a purchaser of fuel for motor vehicles.
Natural Hazards Commission Toka Tū Ake	As of July 1, 2024, the new governing legislation, the Natural Hazards Insurance Act 2023 (NHI Act), has come into effect, modernizing and replacing the Earthquake Commission Act 1993 (EQC Act). It provides insured homeowners with natural hazards cover to help rebuild or repair their homes and limited areas of land if they are damaged by a natural hazard event. It covers earthquake, landslip, volcanic eruption, hydrothermal activity, tsunami and fire caused by any of these, with storm and flood for residential land only.

Sources: Reserve Bank of New Zealand (RBNZ)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability	Climate Change Adjustments
Earthquake	New Zealand has a high level of seismicity with the Kaikōura and Christchurch earthquakes causing catastrophic damage. Earthquake vendor models are plentiful and regularly updated, hence detailed model evaluation and comparison is imperative in choosing the right view of risk.	✓	✓ Vulnerability model adjustment	✓		
Tropical Cyclone/ Typhoon (Flood & Surge)	New Zealand is frequently hit by transitional storms, remnants of tropical cyclones crossing the Tasman. These systems often bring heavy precipitation and associated flooding (e.g., Cyclone Gabrielle in early 2023).					
Flood	New Zealand is subject to frequent flood events, with potential for large event losses. Surprisingly, there were no flood loss models available until recently. Moody's have released the first NZ HD Flood model. Gallagher Re has done extensive evaluation of this model and we found it to be fit for purpose.	✓		✓ Extent & depth information for historical events; MetPerils loss model	✓ KatRisk FL hazard layers available	✓
Other: Severe Convection Storm: Hail, Snow/Frost, Flood	Whilst earthquake is the key PML driver in New Zealand, an array of weather perils have caused significant claims in New Zealand, with damage from flood, hail and freeze.			✓ MetPerils loss model	✓ Frequency & severity	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Gross domestic product: March 2026 quarter, Stats NZ, June 18, 2026
2. OCR increased to 2.50% to return inflation to 2%, Reserve Bank of New Zealand, July 8, 2026
3. Market Data, Insurance Council of New Zealand, accessed July 23, 2026
4. IAG delivers strong results in a year of strategic execution and evolution, IAG, August 13, 2026
5. Suncorp delivers full year results for FY26, Suncorp, August 13, 2026
6. Insurance Market Update, Gallagher, March 2026
7. Cost of natural disasters, ICNZ, accessed July 23, 2026
8. Review of insurance solvency standards, RBNZ, September 25, 2025
9. IPSA reforms: Will New Zealand follow Europe?, MinterEllisonRuddWatts, November 9, 2025
10. Review of the Insurance (Prudential Supervision) Act 2010, RBNZ, April 30, 2026
11. Insurance Market Update, Gallagher, November 2025
12. Suncorp buys AUD2.4bn five-year aggregate reinsurance cover, Reinsurance News, April 24, 2026
13. Corporate Market Update, Gallagher, May 2026

Exchange rate (as of January 1, 2026): NZD1.74= USD1.00

Sources: Reserve Bank of New Zealand (RBNZ)



Philippines



Low Penetration, High Potential

Economic landscape

The Philippine economy remains resilient, although growth is expected to moderate over the coming year. According to the Philippine Statistics Authority, GDP expanded by 2.8% year-on-year in the first quarter of 2026[1], supported by household consumption and services activity. This growth came despite a more challenging external environment. The ongoing conflict in the Middle East is expected to have a meaningful impact on energy prices and transport costs across the region, while tighter monetary conditions and wage and utility adjustments are also contributing to inflationary pressures. Inflation eased to 1.7% in 2025 from 3.2% in 2024.

Domestic consumption is supported by a large and growing population, strong remittance inflows and a resilient services sector[2]. Services account for 63.2% of economic output, with business process outsourcing, professional services and consumer spending remaining key drivers of growth[3]. Infrastructure investment under the government's "Build Better More" program and ongoing efforts to attract foreign direct investment should support economic activity over the medium term[4].

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	115.84	3,261	5.7%	5.8%	3.2%
2025	116.79	3,377	4.4%	4.5%	1.7%

Sources: Gallagher Re data; national and official statistics

For insurers, one of the market's most attractive characteristics is its low level of penetration, which is below many regional peers despite rising income levels. With a population of more than 116 million, there is substantial long-term growth potential for the industry across both life and non-life lines.

Another feature that differentiates the Philippines from several regional peers is its relatively high interest-rate environment. While policy rates have eased from recent peaks, investment yields continue to benefit insurers' investment portfolios. Combined with steady economic growth and improving consumer awareness of insurance products, this should support continued premium expansion in the years ahead.

Market landscape

The Philippine non-life insurance market generated PHP142.1B (USD2.41B) in gross written premium in 2025, representing growth of approximately 6% over the previous year. Overall industry premium growth was considerably stronger, at around 12.2%, reflecting continued expansion across both life and non-life segments. Despite this growth, insurance penetration remains low by regional standards, as noted above.

	Penetration		GWP (USD M)		GWP (PHP M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	1.8%	0.5%	8,255	2,277	486,139	134,123	42.9%	93.0%	10.3%
2025	1.9%	0.5%	9,260	2,413	545,335	142,129	43.0%	95.3%	6.0%

Sources: Insurance Commission (IC), Philippine Insurers and Reinsurers Association (PIRA), Gallagher Re estimates
Exchange rate: (as of January 1, 2026) PHP58.89 = USD1.00
Note: 2025 Expense ratio estimated based on last 5 year average

Competition is intense, with 54 licensed non-life insurers operating in the Philippine market in 2025. Consolidation is nevertheless emerging as an important theme. Paramount's acquisition of Pacific Cross was approved in late 2025, while the merger between FPG Insurance and Mercantile Insurance received clearance from the Philippine Competition Commission in January 2026. These transactions are expected to reduce the number of market participants to 52 by the end of 2026 and may contribute to greater market concentration over time.

Property and motor remain the dominant lines of business and account for the majority of premiums written. Property business is insurers' largest source of premium, but also one of their largest sources of reinsurance expenditure because of the country's exposure to natural catastrophes. As a result, many insurers are seeking to diversify into specialty and retail products, including cyber, liability, health and renewable energy-related risks.

Competition for market share is strong, although some insurers have become more focused on underwriting discipline and portfolio quality, particularly in catastrophe-exposed segments. Managing net outcomes and reinsurance expenditure has become a growing area of focus for insurers seeking to improve profitability and reduce earnings volatility.

Philippine National Re is an important participant in the reinsurance market through its statutory preferential position in treaty and facultative cessions. International reinsurers nevertheless provide a substantial proportion of market capacity, particularly for catastrophe-exposed and large commercial risks, reflecting the scale of reinsurance support required across the Philippine market.

Industry profitability improved in 2025 despite rising claims costs in motor business. Preliminary market information indicates that net income increased to PHP10.3B (USD176M) in 2025 from PHP8.5B (USD145M) in 2024, supported by relatively benign catastrophe activity and favorable reinsurance conditions.

Risk landscape

Natural catastrophe exposure is one of the defining characteristics of the Philippine insurance market. The country is highly exposed to typhoons, earthquakes, flooding, volcanic eruptions and landslides. Extreme weather events are estimated to cost the economy around 1.1% of GDP annually, while climate change is expected to affect the weather-related losses over time.

Several catastrophe events affected the country during 2025, including Typhoon Uwan (Fung-Wong), Typhoon Tino (Kalmaegi), volcanic activity associated with the Taal and Mayon systems, and the Bogoc earthquake. A magnitude 7.8 earthquake also struck Mindanao in June 2026. While loss assessments are ongoing, early indications suggest that most private market claims are likely to fall within retentions or lower catastrophe program layers. Government-backed insurers, including the Government Service Insurance System (GSIS) and Philippine Crop Insurance Corporation (PCIC), are expected to absorb a significant portion of infrastructure and agricultural losses.

The Philippines Catastrophe Insurance Facility (PCIF) began operations in 2025 following several years of development and regulatory discussion. Initial plans for a broader multi-peril pool proved difficult to implement because of reinsurance and tariff challenges, resulting in a narrower initial focus on earthquake coverage. Nine insurers participated at launch. The facility may be expanded over time as the industry seeks to reduce the country's protection gap.

A separate initiative involving the World Bank and the agricultural sector may also support market development. The program includes up to USD70M in support for an agricultural insurance pool designed to benefit approximately 750,000 farmers and fisherfolk. PIRA is participating in discussions about the initiative, which could support premium growth while also introducing new underwriting and risk management challenges.

Insurers are also paying closer attention to emerging risks. Rapid digitalization has increased exposure to cyber incidents, fraud and data protection risks, while demand for cyber, renewable energy and other specialty insurance products is gradually increasing. These segments may provide opportunities for diversification beyond traditional property and catastrophe-exposed lines.

Regulatory developments

Regulatory activity has been steady, although the most significant development is the postponement of IFRS 17 implementation. Following several delays, adoption has again been deferred, with insurers and professional reinsurers now required to adopt PFRS 17 from January 1, 2027[5], providing insurers with additional preparation time but also extending uncertainty around implementation costs and operational requirements.

The industry is pursuing broader structural reforms. One notable initiative is PIRA's actuarial review of premium rates across fire, motor and surety lines. The study is expected to be completed by the end of 2026 and may provide the basis for future discussions around tariff adequacy. Premium rates for property catastrophe exposures are a key concern for insurers, particularly given the country's elevated exposure to earthquakes and typhoons.

Insurance taxation is another longstanding issue. Industry representatives argue that relatively high tax burdens hinder penetration and limit affordability. Any future reforms aimed at reducing transaction taxes on non-life products could support both distribution and market growth.

Pricing environment

Market conditions remain competitive, although some evidence of underwriting discipline has emerged in selected segments. Rate improvements were reported across parts of the commercial market during 2025, but insurers continue to express concerns about the adequacy of property catastrophe pricing given the country's exposure to earthquakes, typhoons and flooding.

Motor insurance is challenging. Competitive pressures have weighed on pricing even as vehicle repair costs have increased, creating pressure on underwriting margins. In property business, the absence of major market-changing catastrophe losses during 2024 and 2025 provided some support to underwriting performance.

Reinsurance conditions were generally favorable through the January and April 2026 renewal periods. Capacity remained abundant and treaty pricing softened in several areas, enabling some insurers to reduce retentions and purchase additional protection. Facultative markets were also broadly supportive, particularly for larger commercial risks. Barring a significant catastrophe event, reinsurance market conditions are expected to remain relatively stable heading into 2027. Key uncertainties include the potential impact of geopolitical tensions, claims inflation and broader economic developments on insurer and reinsurer costs over the medium term.

Headwinds

- → **Natural catastrophe exposure:** The Philippines is one of the world's most catastrophe-exposed insurance markets. Climate change, urbanization and economic development are increasing concentrations of risk.
- → **Premium adequacy concerns:** Despite some recent improvement, pricing is inadequate for property catastrophe exposures, while motor profitability is under pressure from rising repair costs and competitive pricing.
- → **Middle East conflict and inflationary pressures:** Higher energy prices, transport costs and inflation present risks both to economic growth and claims inflation. A prolonged conflict could have wider implications for the Philippine economy.

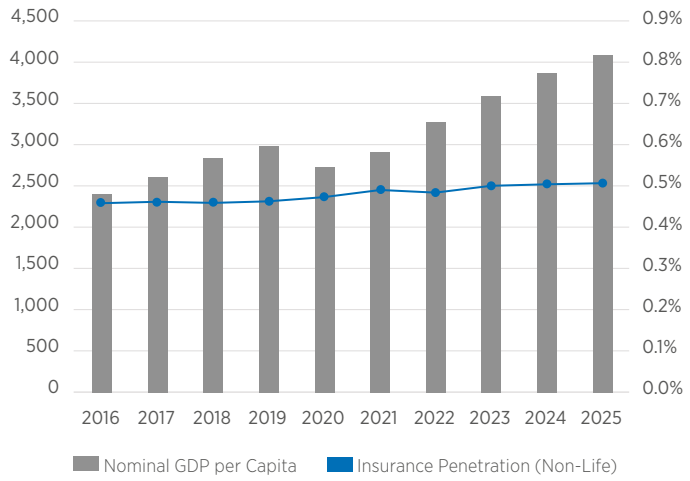
Tailwinds

- → **Low insurance penetration:** With overall penetration around 1.9% and non-life penetration substantially lower than regional peers, the market has considerable room for expansion.
- → **Digitalization and product innovation:** Investment in digital distribution, microinsurance and data-driven underwriting is helping insurers reach previously underserved customer segments.
- → **Agriculture, cyber and emerging risks:** New initiatives such as the proposed agricultural insurance pool, growth in cyber demand, renewable energy development and increasing adoption of EV and hybrid vehicles offer opportunities for diversification and premium growth.

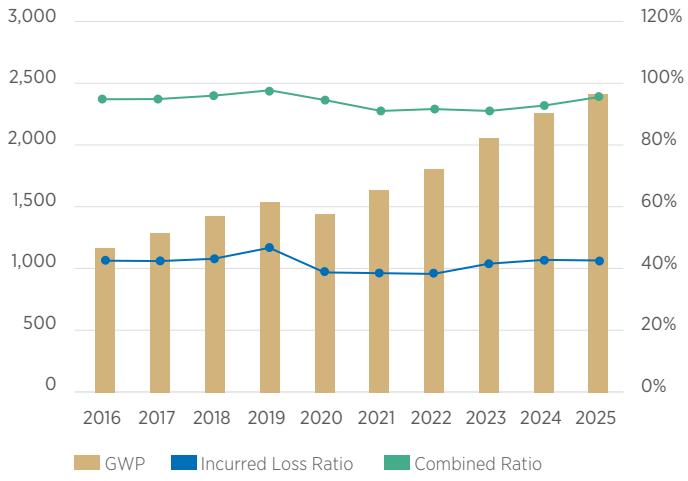


Philippines in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



Sources: World Bank, Insurance Commission (IC), Philippine Insurers and Reinsurers Association (PIRA)
NB: There is no official asset/investment mix data published for the Philippines' non-life insurance market

Non-Life Regulation

The regulator: overview

The Insurance Commissioner (IC) is the insurance regulator for the Philippines. The IC is a government agency under the Department of Finance.

Item	Approach
Accounting framework	IFRS equivalent (PFRS 17)
IFRS 17 implementation	January 1, 2027
Capital framework	Quantitative: Risk-based capital framework (RBC2) Qualitative: Own Risk and Solvency Assessment (ORSA) for general (re)insurers with GWP above PHP2B
Climate/Sustainability	Mandatory sustainability reporting for public listed companies starting from 2026. Current SEC regulations allow companies to report using a "comply or explain" method.

Planned capital developments

There were no official/published regulatory capital developments at the time of writing.

Source: Insurance Commission (IC)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

Minimum catastrophe excess of loss protection equivalent to 5% of aggregate net retained insured values against earthquake, or against typhoon and flood, under Zone A (zones 1-6) or Zone B (zones 7-10), whichever is higher (CL 22-2009).

Gallagher Re's observation in most cases is close to 1-in-200 return period modeled loss.

Reinsurance

Insurers must offer at least 10% of every outward reinsurance treaty and facultative placement to the domestic reinsurer, National Reinsurance Corporation of the Philippines (Nat Re), which always has the option to decline in whole or in part (Presidential Decree 1270).

Facultative placements of marine hull, aviation, money, securities, payroll and robbery risks must be offered to two local direct companies, one foreign authorized company and one domestic professional reinsurer. Only in the event that the placements are unsuccessful may the business be offered to unauthorized foreign companies.

All other facultative placements must be offered to at least five local direct companies, three foreign authorized companies and one domestic professional reinsurer. Only in the event that the placements are unsuccessful may the business be offered to unauthorized foreign companies.

Under the current RBC framework, the credit risk charge on reinsurance recoverables varies depending on the credit rating of the respective reinsurer.

Recoverables from an authorized reinsurer are admitted in full; those from an unauthorized reinsurer are admitted only net of amounts withheld under the treaty (Section 202, Insurance Code).

Cyber

The Data Privacy Act of 2012 is the governing law on data privacy and remained unamended as of September 2026. Amendments proposed in 2022 to increase penalties and define biometric and genetic data were never enacted, the bills having lapsed with the adjournment of the 19th Congress in June 2025. The Cybercrime Prevention Act of 2012 carries penalties of imprisonment for 6-12 years and/or fines starting from PHP200,000 (USD3,400), or PHP500,000 (USD8,500) for offenses against critical infrastructure, with no fixed maximum.

The Anti-Financial Account Scamming Act (Republic Act No. 12010), signed into law on July 20, 2024, targets cybercrime syndicates, money mule schemes and social engineering tactics; implementing rules were issued on June 10, 2025. On August 12, 2026 the House of Representatives passed a National Cybersecurity and Critical Information Infrastructure Protection Act, which would create a National Cybersecurity Agency; the Senate version is pending.

Pooling arrangements

Philippine Catastrophe Insurance Facility (PCIF)	The Insurance Commissioner (IC) is in charge of managing the facility. The PCIF aims to increase the industry's ability to retain catastrophe risks, allowing non-life insurers to cede their catastrophe risks to the facility. Currently, domestic insurers who offer catastrophic coverage seek reinsurance coverage overseas. The Memorandum of Understanding (MOU) signed among the Insurance Commissioner (IC), the Philippine Insurers and Reinsurers' Association (PIRA) and the National Reinsurance Corp. of the Philippines (Nat Re) provides the general framework of the PCIF which includes the review of the current catastrophe insurance rates and rating structure to one that is more risk-appropriate and sustainable. **PCIF 1:** Formed from early 2020 alongside reform of the flat minimum catastrophe tariffs. CL 2022-34 of July 2022 replaced the flat earthquake (0.1%) and typhoon/flood (0.05%) rates with schedules varying by occupancy, construction, height and zone, but this was set aside by CL 2022-54 in December 2022 after objections over inflation and lack of consultation, and the flat rates still applied in 2025. From 2024 the project was revived covering earthquake only, with nine insurers signed up to the PCIF launched from July 1, 2025. **PCIF 2:** This is a separate initiative that would provide a microinsurance product aimed at helping close the protection gap, involving parametric insurance with indemnity cover. The micro insurance solution proposal is waiting for approval by the regulator.

Sources: Insurance Commission (IC), Philippine Insurers and Reinsurers Association (PIRA)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Earthquake risk is classified as high for the Philippines. Probabilistic models are available from all major vendors.	✓		✓	✓
Tropical Cyclone/ Typhoon (Flood & Surge)	The Philippines is located in a region of high typhoon activity, receiving around 19 tropical cyclones (TCs) annually with 6-9 on average making landfall. The country is susceptible to both wind and flood risk.	✓		✓	✓
Flood	The Philippines is prone to flooding due to heavy rainfall during monsoon season from June to November.	✓		✓ Scenario modeling via KatRisk flood hazard layers	✓
Other: Volcano	The Philippines has one of the world's highest concentrations of active volcanism with around 23 volcanoes. Many volcanoes have the potential to produce explosive eruptions; hence ash fall is a prominent risk. Volcano is a secondary peril with no models available in market.	Volcano Risk Analysis for the Philippines			

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. GDP Grows by 2.8 Percent in the First Quarter of 2026, Philippine Statistics Authority, May 7, 2026
2. Cash remittances rise to US$2.9B in November, Bangko Sentral ng Pilipinas, January 2026
3. Services sector decelerates in Q1 2026, Philippine Statistics Authority, June 2026
4. DOF funds the Build Better More program through innovative and sustainable financing strategies, Bangko Sentral ng Pilipinas, July 2024
5. Philippines insurers to adopt PFRS 17 by 2027, Insurance Asia, 2025

Exchange rate (as of January 1, 2026): PHP58.89 = USD1.00



Singapore



A Mature Insurance Market Looks to Innovation-Led Growth

Economic landscape

Singapore's economy grew by 5% last year and continues to look resilient in 2026, despite an increasingly difficult macroeconomic backdrop. The disruption of global energy markets caused by conflict in the Middle East has led to domestic inflationary pressures, as well as negative impacts on industries such as petrochemicals and shipping. Offsetting that, sustained global capital spending on AI technology has benefited Singapore's electronics and high-end manufacturing sectors.

The government has also brought forward two economic support packages this year, totaling almost SGD2B (USD1.6B). These have included spending vouchers for citizens and enhanced financing and loan schemes for businesses[1]. Overall, the Ministry of Trade and Industry has upgraded its 2026 GDP growth forecast to 4.5% to 5.5%[2].

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	6.04	72,857	5.3%	2.6%	2.4%
2025	6.11	75,589	5.0%	1.3%	0.9%

Sources: World Bank; national and official statistics

For insurers, the most immediate macroeconomic implication is that claims inflation and operating costs are likely to remain important considerations. Higher energy, freight and electricity prices can feed into repair bills, replacement costs and broader business expenses, particularly in motor, property and commercial lines. Medical cost inflation has also been a significant challenge for insurers in Singapore in recent years. In July 2026, the Monetary Authority of Singapore (MAS) tightened its policy for the second time this year, after the core inflation rate ticked up to 1.5% in Q2[3].

Market landscape

Singapore is one of Asia's most mature and developed non-life insurance markets, and plays a role as a key regional insurance and reinsurance hub. The market splits into domestic (Singapore Insurance Fund or SIF) business and offshore (Offshore Insurance Fund or OIF) business. Total non-life GWPs written in 2025 split about 27%-73% in favor of offshore business, with SIF business at SGD6.5B (USD5.1B) and OIF business at SGD17.7B (USD13.8B), with the OIF total including reinsurance.

For insurers, continued organic growth in the domestic market poses challenges, considering the relatively high market penetration rate of 6.7% (SIF only for total life and non-life insurance) in 2025. Smaller traditional insurers that do not evolve or refresh their product suites may struggle to compete and could become targets for merger and acquisition activity.

Recent and potential transactions underline this theme. In July 2026, it was confirmed that Allianz is to acquire HSBC Life Singapore for SGD2.9B (USD2.3B), including a distribution partnership, considerably extending the German group's customer reach in the market. This deal follows the purchase of DirectAsia Singapore by the Australia-based insurance group Auto & General from the UK's Hiscox, in July 2025[4]; and the move of local tech firm Grab Group into the insurance market in December 2024, with the establishment of GrabInsure[5]. Overall, the market comprises 52 direct insurers in the general (non-life) market, plus nine composite insurers and 86 non-life or composite captives, according to figures from the MAS[6].

	Penetration		GWP (USD M)		GWP (SGD M)		Non-Life (Incl. OIF)		
Year	All Insurance (Incl. OIF)	Non-Life Only (Incl. OIF)	All Insurance (Incl. OIF)	Non-Life Only (Incl. OIF)	All Insurance (Incl. OIF)	Non-Life Only (Incl. OIF)	Loss Ratio	Combined Ratio	Growth Rate
2024	10.1%	3.1%	60,348	18,389	77,584	23,642	53.4%	84.9%	3.0%
2025	10.4%	3.1%	63,749	18,833	81,957	24,212	55.9%	88.3%	2.4%

Sources: World Bank and Monetary Authority of Singapore, General Insurance Association
Exchange rate: (as of January 1, 2026) SGD1.29 = USD1.00

GWPs in the domestic Singapore Insurance Fund (SIF) market grew by 9.6% in 2025. Motor remained the largest domestic class, accounting for about 20% of SIF GWP, followed by health insurance at 17%, and property at 15%. Across these three lines, premium growth was partly offset by higher claims experience, particularly in motor and property.

Motor premiums grew by 5.9% on gross basis during the year to SGD1.3B (USD995M) while net incurred claims increased by 16.7% to SGD743M (USD578M). The motor net loss ratio remained broadly stable at 63.0%, compared with 62.4% in 2024. Stricter road safety initiatives have already been imposed, including mandatory speed limiters in lorries from 2026 and a more punitive demerit points regime and driver improvement points system, with effect from January 1, 2027[7].

Property premiums rose by 5.1%, while insurers also experienced a 44% increase in incurred claims in 2025, pushing the net incurred loss ratio to 53.8% from 41.5% previously. The General Insurance Association attributed this partly to "several large loss events across residential and commercial properties" and partly to a general increase in the number of fire incidents. Healthcare claims also rose, driven by rising healthcare needs and medical inflation, but this was partly offset by stronger premium growth.

With claims rising across most lines, the GIA picked out employers' liability insurance as a bright spot, with an 8% decline in claims, and a striking double-digit improvement in underwriting profitability. The insurance body said that Singapore's employers have had a sustained emphasis on improving workplace safety, citing figures from the Ministry of Manpower showing that the number of workplace fatalities declined from 43 to 36 last year[8].

Risk landscape

Singapore is not regarded as a nation at high risk of natural catastrophes, and few events have had significant impacts on the market. Domestic insurers have not historically loaded for cat risk, though thanks to climate change, there has been an increased focus on this area. The MAS has been consulting with insurers on introducing and calibrating a cat risk charge (see following section).

The more immediate risk pressures for domestic insurers are coming from motor, property, health-related lines and emerging technology risks. Motor is a particular area of focus because claims frequency and severity are rising, while the cost of repairs linked to electric vehicles is also pushing up claims costs.

The conflict in the Middle East, and its effect on aviation fuel prices, has not materially dampened demand among Singaporeans for foreign travel and travel insurance, both of which rose during 2025. With war exclusions common in this market, there has also been little impact on claims[9].

Cyber is another important risk theme, and a growth area for insurance. The Singapore government recognizes the new vulnerabilities created by increased digitalization and has introduced support initiatives for organizations seeking to improve cybersecurity. The Cyber Essentials and Cyber Trust marks, administered through the Cyber Security Agency of Singapore, include funding support and insurance discounts[10]. This should support risk mitigation, but also reinforces the need for insurers to continue developing cyber underwriting capability, risk selection and claims expertise.

The market is also likely to see new risk exposures from AI, autonomous vehicles (AV) and other advanced technologies. Singapore has made rapid progress on driverless technology. AVs have also started to make their appearance in land transport and public transport network trials have already begun[11]. Given the early stage of these technologies, the adequacy of insurance premiums is difficult to assess, but more risk-tolerant insurers may find opportunities in this segment.

Regulatory developments

While there have been no standout regulatory reforms for the insurance market over the past 12 to 18 months, several developments are worth noting.

As mentioned above, MAS has been consulting with insurers on calibrating a general insurance catastrophe risk charge. Its current proposals were put out for feedback in July 2025 and involve a set of standardized scenarios covering both nat-cat and man-made-cat risk. These include 1-in-200-year and 1-in-50-year flood scenarios, and terrorist attack, pandemic and economic crisis scenarios. The consultation exercise closed in September last year but there has been no update from MAS since[12]. In April, the regulator also issued a small update to its guidelines on environmental risk management, setting out more detailed supervisory expectations related to insurers' own transition plans[13].

Separately, in March, MAS amended its capital rules for insurers to allow investments in certain types of securitized debt investments[14].

Meanwhile, the Singaporean government continues to support the market's clean energy transition. In September last year, it extended two incentive schemes for electric vehicles (EVs); one to the end of 2026 and the other until the end of 2027. Both had previously been set to expire at the end of 2025[15]. These measures provide ongoing support for the EV market and can be expected to underpin associated demand for EV motor insurance.

MAS has proposed a Protected Cell Company framework for Singapore, targeted for implementation in 2028, to support alternative risk transfer solutions including captive insurance, insurance-linked securities and sovereign risk pools. Under the proposed structure, a single PCC would comprise a central core and legally segregated cells, allowing different risk programs to be ring-fenced within one vehicle. This could reduce the cost and administrative burden of establishing separate entities, making captive-style and rent-a-captive solutions more accessible to mid-sized corporates and strengthening Singapore's role as a regional hub for risk management and alternative risk transfer solutions[16]. As of June 2026, there are 80 captive insurers in Singapore, with almost half having Australian parent companies. Activity appears highly concentrated among a small number of large multinational groups.

Pricing environment

The primary market in Singapore has returned to a softening cycle, with competition intensifying among direct insurers, especially on profitable accounts. With the exception of motor, insurers have been under pressure to reduce rates by around 10% to 20% in response to peer activity, while direct brokers and agents are also seeking higher commissions. In motor business, increases in claims frequency and severity — plus the higher repair costs associated with EVs — have prompted insurers to hike premium rates.

In the reinsurance market, growth aspirations among reinsurers have led to intense competition, particularly for well-performing treaty and facultative placements. This has resulted in broader capacity availability, higher commissions and softer pricing in excess of loss treaties, with rate reductions averaging 20% at recent renewals. Cost efficiencies from traditional reinsurance solutions can only be pushed so far, and clients can look to alternative structured solutions to maximize value from their reinsurance.

Cedants have now benefited from improved capacity for the past couple of renewal cycles, and this has reduced reliance on facultative placements for large risks, to some extent. That said, facultative reinsurance remains an important part of the marketplace for complex or non-standard risks.

Headwinds

- **Geopolitical and global trade disruption:** As a small, open economy, Singapore is inevitably affected by geopolitical tensions. While the government's support packages may cushion some of the impact of the Middle East war, a prolonged conflict — especially if combined with rising protectionism in global trade — could affect consumer spending and insurance demand.
- **Soft pricing and organic growth limitations:** Falling primary market rates in most business lines, plus increased costs of acquiring new business, are weighing on insurers' finances in a market with high insurance penetration. Smaller insurers that fail to adapt may find themselves becoming M&A targets.
- **Claims inflation and health-related cost pressure:** Claims experience has deteriorated across most classes, with property and motor showing year-on-year increases. Rising medical costs have also led to increased premiums and eroded some profitability in health and health-related insurance.

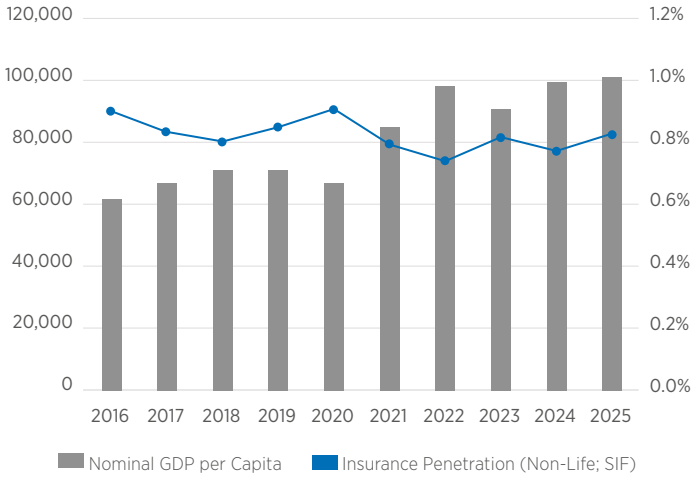
Tailwinds

- **Growth from AI-linked manufacturing and technology investment:** Sustained global AI-related capital spending is expected to remain a growth driver for Singapore's electronics and precision engineering clusters. This is likely to support economic activity and may create new insurance demand. In addition, continuing support for the construction sector is supporting activity while buyer demand for new residential real estate remains robust.
- **Emerging mobility and autonomous vehicles:** The government is rapidly advancing driverless technology, including trials involving autonomous baggage tractors, automated guided vehicles and driverless cleaning vehicles. Although insurance pricing adequacy is difficult to assess at this stage, insurers with the appetite and expertise to support these emerging risks may find new growth opportunities.
- **Cybersecurity and digital resilience:** Increased digitalization is creating new vulnerabilities, but government initiatives such as Cyber Essentials and Cyber Trust provide support for organizations to improve cybersecurity, including funding and insurance discounts. This may support further development of the cyber insurance market and improve the quality of risks presented to insurers.

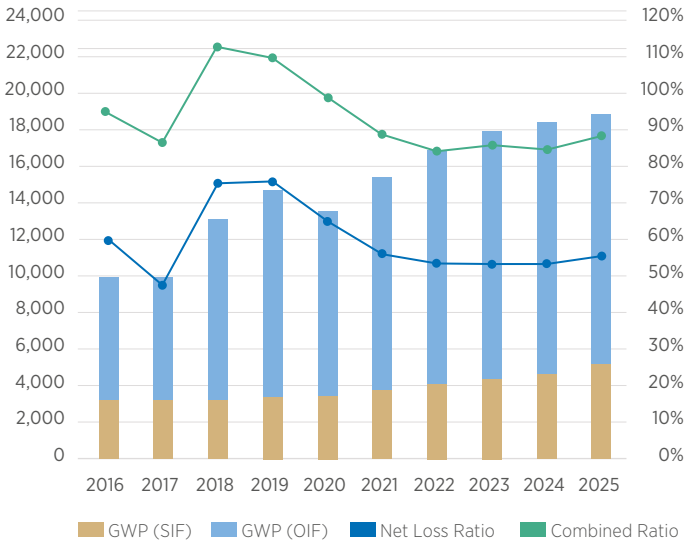


Singapore in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)

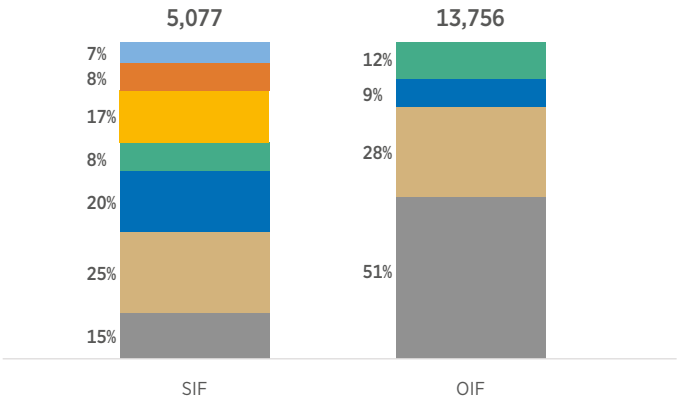


Non-Life Premium and Claims (USD M)



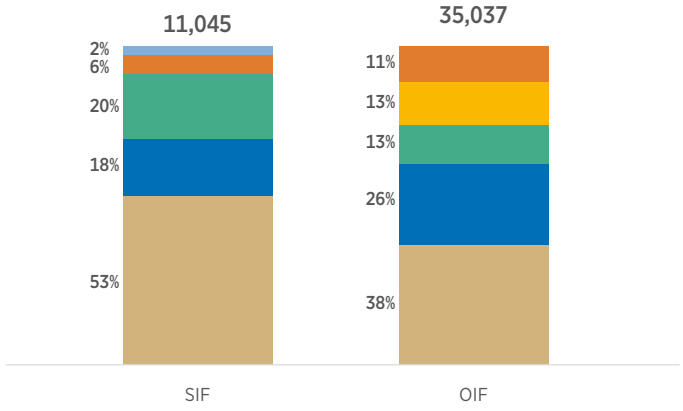
NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year

2025 Total GWP (USD M)



- Personal Accident
- Employers' Liability
- Health
- Marine and Aviation
- Motor
- Others
- Property

2025 Total Asset (USD M)



- Land and Buildings
- Equity Securities
- Loans
- Cash and Deposits
- Others
- Debt Securities

Sources: World Bank, Monetary Authority of Singapore (MAS)

Non-Life Regulation

The regulator: overview

The Monetary Authority of Singapore (MAS) is the central bank and financial regulator of Singapore. It is responsible for the licensing, authorization and supervision of (re)insurance activities in Singapore. Supervision is exercised by the Insurance Department of MAS under the Insurance Act and the MAS Act (Chapter 186), with the primary aim of protecting policyholders' interests; the licensing and regulation of insurance agents is the responsibility of the General Insurance Association of Singapore (GIA).

Item	Approach
Accounting framework	IFRS equivalent (SFRS(I) 17)
IFRS 17 implementation	January 2023
Capital framework	Risk-based capital framework (RBC2) Own Risk and Solvency Assessment (ORSA)
Climate/Sustainability	Extended timelines for implementing climate reporting requirements in a phased approach, aligned with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. MAS has incorporated long-term climate scenarios as part of the 2022 industry-wide stress test exercise. Results of the stress tests were published in the 2022 and 2023 Financial Stability Review. Mandatory climate reporting for listed issuers from FY 2025, and large non-listed companies to follow from FY 2030. MAS released transition planning guidelines for insurers in 2026.

Planned capital developments

There were no official/published regulatory capital developments at the time of writing.

Source: Monetary Authority of Singapore (MAS)

Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There are currently no minimum catastrophe reinsurance coverage requirements for local insurers. However, MAS intends to introduce a general insurance catastrophe risk requirement under the enhanced Risk-Based Capital Framework (RBC 2) in the future. The computation approach is still under evaluation.

Reinsurance

MAS has published Notice 114 Reinsurance Management, which sets out requirements on the management of outward reinsurance arrangements.

- It requires insurers to submit annual returns pertaining to their outward reinsurance arrangements and exposures to their top ten reinsurance counterparts in respect of SIF and OIF business.
- Insurers are also required to maintain a reinsurance management framework as part of their overall underwriting and risk management framework.

Singapore does not impose statutory local cession requirements, minimum retentions or restrictions on overseas reinsurance placements.

Reinsurance arrangements are subject to MAS Notice 114 (Notice 114 Reinsurance Management) and the RBC2 capital framework under MAS Notice 133 (133 Valuation and Capital Framework for Insurers), including requirements relating to the recognition of reinsurance recoverables and counterparty default risk.

Under MAS Notice 133 (RBC2), reinsurance recoverables are subject to the counterparty default risk requirement. The applicable capital charge is determined according to the reinsurer's Counterparty Risk Class, which is based on its external credit rating. Counterparty default risk charges range from 0.5% for Class A counterparties to 48.5% for Class G counterparties. Reinsurance recoverables outstanding for more than one year are subject to a 100% risk charge.

Cyber

Singapore's Personal Data Protection Act of 2012, amended in 2020, governs the collection, use, disclosure and care of personal data by private sector organizations, covering both electronic and non-electronic formats. Financial penalties can reach the higher of SGD1M (USD777,800) or 10% of annual turnover in Singapore where that turnover exceeds SGD10M (USD7.8M). An Online Safety Commission began operations on June 29, 2026.

The Cybersecurity Act of 2018 protects critical information infrastructure and regulates cyber security service providers. Key provisions of the Cybersecurity (Amendment) Act 2024 came into force on October 31, 2025, extending regulation to provider-owned, cloud-hosted critical information infrastructure (CII). The amended Act also created Systems of Temporary Cybersecurity Concern, and introduced a two-hour reporting window for CII incidents and suspected advanced persistent threats. A Digital Infrastructure Bill introduced on September 8, 2026 would license major data centers and cloud providers. AI governance remains principles-based, while the MAS Technology Risk Management Guidelines set the resilience baseline for financial institutions.

Pooling arrangements

There are no official pooling arrangements specific to the local market at the time of writing.

However, Singapore is a member of the Southeast Asian Disaster Risk Insurance Facility (SEADRIF) alongside several member countries of the Association of Southeast Asian Nations (ASEAN).

- SEADRIF is a regional catastrophe risk facility established by ASEAN member states to provide disaster risk management and insurance financing solutions for ASEAN members (as well as China, South Korea and Japan) via the SEADRIF Insurance Company.
- SEADRIF Insurance Company was launched and licensed as a general insurer in October 2019.
- The Bureau of the Treasury (BTr) of the Republic of the Philippines and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) launched a three-year nationwide disaster insurance policy to provide rapid, pre-arranged funding after natural disasters and protect public finances. The new policy developed with SEADRIF provides USD47M in protection in each 12-month period. It includes new, innovative triggers tailored for the Philippines which will address the two different ways disasters put pressure on public finances:
  - > #PEOPLE protects against the cumulative cost of more frequent events over the course of a year.
  - > WindShake provides cover for severe typhoons and earthquakes.
- The Government of Lao PDR signed a new sovereign disaster risk insurance policy with SEADRIF Insurance Company in 2025, introducing an innovative approach to financing public disaster response. The two-year, multi-peril policy provides up to USD16M in financial protection against flood, tropical cyclone, earthquake, landslide, and related perils.
- Lao PDR has now received insurance payouts three times - USD1.5M in 2023 for severe flooding, USD3M in 2024 following Typhoon Yagi, and USD2M in August 2025.
- In February 2025, SEADRIF and the Food and Agriculture Organization (FAO) partnered with six ASEAN countries to explore establishing a Southeast Asia Agricultural Risk Finance Facility (ARFF).

Sources: Monetary Authority of Singapore (MAS), Southeast Asian Disaster Risk Insurance Facility (SEADRIF)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Singapore is a country of very low seismicity, located in a stable continental environment.	✓		✓ GRe earthquake scenario	
Tropical Cyclone/ Typhoon (Flood & Surge)	N/A				
Flood	Singapore is prone to flooding given heavy precipitation, though the risk is alleviated as PUB (Singapore's national water agency) has taken measures to mitigate the risk.	✓		✓ Scenario modeling via KatRisk flood hazard layers	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Second Support Package In Response To The Continuing Middle East Situation, SingaporeBudget.gov, July 29, 2026
2. MTI Upgrades 2026 GDP Growth Forecast to "4.5 to 5.5 Per Cent", MTI, August 11, 2026
3. MAS Monetary Policy Statement - July 2026, MAS, July 27, 2026
4. Auto & General purchase DirectAsia, Direct Asia Insurance, July 31, 2025
5. Grab enters Singapore motor insurance market, The Star, June 3, 2025
6. Financial Institutions Directory, MAS, accessed July 29, 2025
7. Mandatory Installation Of Speed Limiters On Lorries, Singapore Police Force, October 24 2025 and Tightening Of The Driver Improvement Points System (DIPS), SPF, July 31, 2026
8. National Workplace Safety and Health Strategy Report, Ministry of Manpower, accessed July 29, 2026
9. Middle East tensions highlight gaps in travel insurance for Singapore travellers, The Straits Times, March 30, 2026
10. Certification for the Cyber Trust Mark, CSA Singapore, July 6, 2026
11. Automated & autonomous vehicles, Ministry of Transport, July 2026
12. Consultation Paper on Proposed General Insurance Catastrophe Risk Requirement, MAS, accessed July 29, 2026
13. ID 04/26 Issuance of Guidelines on Transition Planning (Insurers), MAS, March 5, 2026
14. MAS 133 (Amendment) 2026, MAS, March 16, 2026 (PDF download)
15. Govt extends vehicle schemes to increase adoption of EVs; hybrids will no longer get rebates, The Straits Times, September 8, 2025
16. Consultation Paper on Proposed Framework for Protected Cell Companies in Singapore, MAS, July 7, 2026

Exchange rate (as of January 1, 2026): SGD1.29 = USD1.00



South Korea



Opportunities Amid Structural Challenges

Economic landscape

South Korea is experiencing a moderate economic recovery in 2026, but one that remains uneven and highly dependent on external demand. GDP growth is expected to recover from around 1.0% in 2025 to approximately 2.0%-2.6% in 2026[1], supported primarily by strong semiconductor and export performance. Private consumption and investment are also gradually improving, but growth remains below its long-term potential due to structural constraints and continuing global uncertainty.

Inflation was relatively stable at around 2.1% in 2025, close to the central bank's target. However, it is expected to rise to approximately 2.5%-2.7% in 2026, with recent upward pressure driven by higher oil prices. Interest rates went through a period of easing in 2024-25 and were held at around 2.5% during early 2026. In July, however, the Bank of Korea announced a rate rise of 25bps to 2.75%, citing both a strengthening of economic growth and an expectation of above-target inflation thanks to rising energy prices[2].

Year	**Population** (M)	**Real GDP per Capita** (USD)	**GDP** (Growth Annual)	**Interest rate** (at Dec 31)	**Inflation** (Annual)
2024	51.75	30,711	2.0%	3.0%	2.3%
2025	51.68	31,061	1.0%	2.5%	2.1%

Sources: World Bank; Bank of Korea, national and official statistics

For insurers, this macroeconomic background points to a market that has room for growth, but where momentum is still fragile. Demand for South Korean exports should support corporate activity, particularly in technology-linked manufacturing and infrastructure, but the uneven nature of domestic demand means growth in household and commercial insurance may be more limited. Meanwhile, renewed inflation may feed through into claims costs, particularly where these are sensitive to imported materials, repair costs and currency movements.

Market landscape

With one of the region's most developed economies, South Korea is also one of Asia's largest and most mature insurance markets. The competitive landscape is relatively concentrated, with 20 major primary insurers and reinsurers. This total has declined by one in the past 12 months, owing to the merger of Carrot Insurance into Hanwha Insurance in September 2025. The market is dominated by the top five, Samsung, Dongbu, Hyundai, KB and Meritz, which have a market share of around 80% between them.

The non-life market recorded strong growth in GWPs in 2025. Total premium income of non-life insurers reached KRW139.2T (USD96.5B), representing a 9.1% year-on-year increase — well up on the 1.9% growth of the year before. Several business lines recorded strong growth, including casualty, marine, and long-term business. Nonetheless, the most notable change in 2025 was a decline in GWPs in the property insurance market — something not seen in around 20 years. This was mainly due to intense price competition and a temporary economic slowdown.

	Penetration		GWP (USD M)		GWP (KRW M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	9.4%	5.0%	167,134	88,478	241,044,505	127,604,505	85.9%	106.1%	1.9%
2025	10.0%	5.2%	184,894	96,485	266,659,000	139,153,000	88.9%	110.1%*	9.1%

Sources: World Bank; General Insurance Association of Korea (GIAK); Korea Insurance Research Institute (KIRI); Korea Life Insurance Association (KLIA)
Exchange rate: (as of January 1, 2026) KRW1,442.22 = USD1.00
Notes: The loss ratios presented are based on Gallagher Re's estimates (Weighted Average of quarterly statistics of KIRI industry statistics, excluding reinsurers, and on a direct-writing basis) and as such, these figures may differ from broader industry datasets e.g. The insurance statistics consumer service INCOS operated by KIDI. *The combined ratio includes long-term insurance, annuity and other products, including some life-type products written by general insurers.
Direct Written Premium is used to calculate the non-life penetration rate

The industry's loss ratio also ticked up in 2025, driven notably by a big increase in the property line — from 51.8% to 69.4%. This was primarily due to an upswing in claims in the package and engineering business. The auto sector loss ratio also ticked up, to 87.3%. In contrast, loss ratios across other lines, including casualty, marine and guarantee business, remained broadly in line with the previous year.

This deterioration in underwriting results has been offset, however, by a material improvement in investment returns, according to rating agency AM Best — which also expects this to remain a stable source of profits in the coming 12 months[3]. Nevertheless, the weaker underwriting results drove a four-point deterioration in the combined ratio, from 106.1% to 110.1%.

Three commercial themes have shaped the market over the past 12-18 months. First, domestic growth momentum is weakening. The Korean insurance market is experiencing a structural slowdown, driven largely by demographic headwinds, including a persistently low birth rate — which was at around 0.8 in 2025. Insurance market penetration, meanwhile, is one of the highest in the region at 10% — making it increasingly difficult to identify new domestic sources of organic growth.

Second, larger insurers are focusing more clearly on overseas expansion. In response to limited domestic growth opportunities, major insurers are taking a more proactive approach to international markets, including inward reinsurance and overseas M&A opportunities. What was previously selective or opportunistic is becoming a more deliberate strategic priority, particularly for the larger players.

Third, reinsurance costs remain a major focus for cedants. Weak growth in the commercial insurance segment, combined with aggressive price competition, means reinsurance costs continue to have a material impact on profitability. This has created internal pressure within insurers to reduce reinsurance spend and improve the efficiency of program structures.

Risk landscape

The main natural catastrophe risk in South Korea is typhoon exposure. The past few years have been relatively benign, with no significant typhoon events affecting the insurance market since Typhoon Hinnamnor in 2022. However, in mid-2026 the global climate began a shift into an El Niño phase, during which Western Pacific typhoons can track further northeast, including toward the Korean peninsula. Some forecasters are predicting a particularly active season[4].

The country is also exposed to flood and wildfire risk, with notable events in July and March 2025 respectively causing economic losses estimated in the high hundreds of millions of US dollars. These were not significant loss events for the insurance industry, however.

There have also been no major cyber or liability losses in the past 12-18 months. That said, cyber risks in South Korea are comparatively high in general, given the economy's high-tech orientation. The threat is driven not only by tensions with North Korea, but also by criminal ransomware attacks and data breaches affecting financial institutions and the tech sector. In October 2025, the South Korean government announced a new cybersecurity plan to address such risks, which included expanding the state's investigative powers and increasing penalties for negligence[5].

Regulatory developments

Insurers in Korea are subject to the Korea Insurance Capital Standard regime (K-ICS) which was introduced in 2023. In January last year, the market regulator, the Financial Supervisory Service, introduced a new requirement for insurers to maintain at least 50% of their core capital as "Tier 1" capital — meaning those securities with the best ability to absorb losses[6]. This requirement will take effect on January 1, 2027.

According to analysis from Fitch Ratings, the new requirement is likely to enhance the Korean insurance sector's overall resilience by shifting insurers' focus to more stable and permanent forms of capital. However, some insurers might face challenges in implementation[7].

On the accounting side, Korea is also preparing for the implementation of IFRS 18, which may change the presentation and disclosure of financial performance, including the structure of the statement of profit or loss. Separately, under IFRS 17, the increasing focus on total contractual service margin (CSM) is encouraging Korean insurers to prioritize profitable business growth and long-term earnings generation rather than premium volume alone. This focus is particularly relevant in Korea, where long-term insurance forms a significant part (more than 70% GWP) of the non-life market. While this should strengthen earnings visibility and underwriting discipline, it may also increase pressure on insurers to balance CSM growth against capital, solvency and new-business strain considerations.

Pricing environment

Primary insurance pricing is softening across the market. Intense competition between insurers has persisted, resulting in annual rate decreases of approximately 5% to 10% for commercial lines. The situation has led to reduced profitability in property lines in particular, which has prompted some insurers to step back from aggressive pricing in that area.

In the treaty reinsurance market, capacity is abundant and reinsurers are pursuing growth. Improved reinsurer performance globally, together with strong results in Korea during the past two years, has supported reinsurers' appetite. This has sustained soft conditions and enabled larger rate reductions, of up to 20% on excess of loss (XL) treaties. Additionally, limits on XL treaties were increased throughout 2025 to support higher retentions by primary insurers; in 2026 so far, limits have been maintained at around the 2025 level.

Similar conditions are also supporting a soft cycle in the facultative market, which is even more competitive than the treaty market.

For cedants, this creates both an opportunity and a test of discipline. As noted above, reinsurance costs are having a material impact on profitability in the market, creating significant internal pressure to reduce reinsurance spend. For well-performing programs, significant reductions have been available and this is likely to continue.

That said, the April reinsurance renewal showed a clear bifurcation in the market, with loss-impacted property treaty accounts facing upward adjustments in both pricing and deductibles — illustrating the premium put on good underwriting performance.

Headwinds

→ **Persistent price competition:** Primary market pricing has been softening across most business lines and this is expected to intensify further, with the resulting pressure on profitability likely to persist.

→ **Inflation and currency-related pressure on loss-costs:** There remains a continued risk of inflation driven by rising oil prices and exchange rates, which may lead to higher loss costs. Markets will be watching closely for signs that the Bank of Korea's interest rate hike in July has had the desired effect, or whether more may be required to contain rising prices.

→ **Weak domestic growth momentum:** The market faces structural domestic growth constraints, including a saturated insurance market, intense competition and demographic headwinds linked to a very low birth rate. These factors make it harder for insurers to identify new sources of organic growth within Korea.

Tailwinds

→ **AI-related industrial demand:** Korea's strong manufacturing base in AI-related industries is expected to drive increased insurance demand, supported by investment in infrastructure, power, semiconductors and batteries. This is likely to accelerate the development of AI-related insurance products, creating opportunities for new market segments and emerging risk solutions.

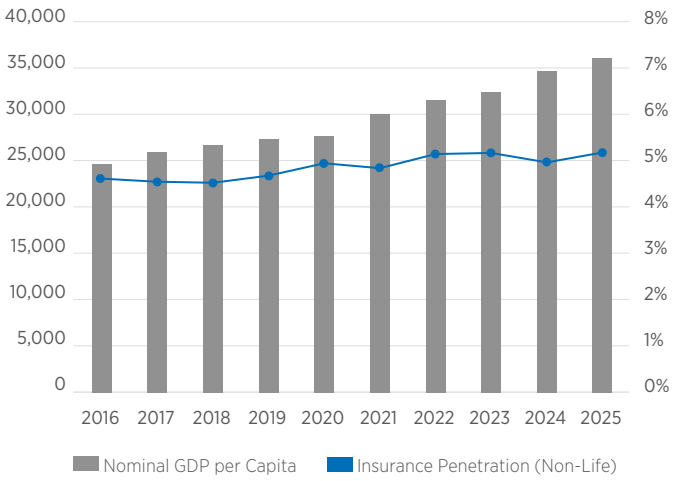
→ **International expansion by larger insurers:** Limited domestic growth opportunities are encouraging major insurers to pursue international markets more deliberately, including inward reinsurance and overseas M&A opportunities. This could help larger insurers diversify earnings beyond the constraints of the domestic market.

→ **Favorable reinsurance market conditions.** Reinsurance treaty performance has been strong, supported by higher XL deductibles. Continued growth strategies by most reinsurers have sustained soft market conditions, leading to intense competition on rate. This is of particular benefit to cedants given the pressure on them to reduce reinsurance spend to improve profitability.

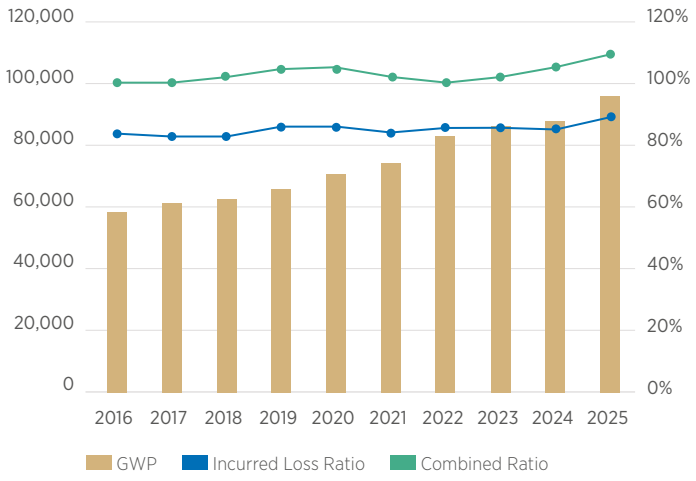


South Korea in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year; Direct Written Premium is used to calculate the non-life penetration rate



- **52%** Long-term
- **24%** Other including annuities and pension
- **14%** Automobile
- **5%** Casualty
- **2%** Property
- **1%** Guarantee
- **1%** Private annuity
- **1%** Marine



- **34%** Bonds
- **27%** Investment Funds
- **22%** Loans
- **7%** Non-operating Assets
- **6%** Stocks
- **3%** Cash and Deposits
- **1%** Real Estate

Sources: World Bank, General Insurance Association of Korea (GIAK), Korea Insurance Research Institute (KIRI), Korea Life Insurance Association (KLIA)

Non-Life Regulation

The regulator: overview

The Financial Services Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS), are the insurance regulators for South Korea.

The FSC is responsible for regulating the development and amendment of legislation and regulations pertaining to insurance as well as the granting of insurance business licenses. The FSS is responsible for the day-to-day supervision of the (re)insurance industry.

Item	Approach
Accounting framework	IFRS equivalent (K-IFRS 1117)
IFRS 17 implementation	January 2023
Capital framework	Quantitative: Korean Insurance Capital Standard (K-ICS), a risk-based capital framework Qualitative: Own Risk and Solvency Assessment (ORSA) equivalent
Climate/Sustainability	No ESG or climate disclosure requirement applies specifically to insurers; general sustainability disclosure rules for listed companies are being phased in. Result of climate stress test exercise involving banks and insurance companies published.

Planned capital developments

The FSC has introduced a new Core Capital Ratio rule for enforcement starting January 1, 2027, offering a 9-year transition period ending in 2035. Under this rule, insurers must maintain a minimum core capital ratio of 50% under the K-ICS solvency framework. This ratio evaluates Tier 1 capital (i.e. paid-in capital and retained earnings) against required capital, restricting the use of Tier 2 capital (i.e. subordinated debt) to pad regulatory solvency.

K-IFRS No. 1118 (IFRS 18) is expected to be implemented effective January 1, 2027 (with early adoption permitted from 2026). Key structural changes include income statement reclassification (i.e. defined operating, investing, and financing categories), "operating profit" subtotals, and formal reconciliation of Management-Defined Performance Measures (MPMs).

Source: General Insurance Association of Korea (GIAK), Korea Insurance Research Institute (KIRI), Financial Supervisory Service (FSS)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There are currently no minimum catastrophe reinsurance coverage requirements for local insurers. Most insurers base their catastrophe reinsurance limits on a 1-in-150 year PML, with windstorm PML recurrence periods ranging up to 200 years.

Under K-ICS 2.0, catastrophe risk is included as a component in the capital adequacy framework;

- Capital Requirement: Insurers must calculate capital charges for catastrophe risk using scenario-based models that reflect a 99.5% confidence level over a one-year horizon.
- Modeling Approach: Includes natural disasters, pandemics, and man-made events. Requires insurers to assess gross and net exposures, factoring in reinsurance arrangements.

Reinsurance

Reinsurers meeting Korean financial soundness criteria are listed by the Korea Insurance Development Institute (KIDI). Insurers may still cede to reinsurers not on the list, but may take no solvency or accounting credit for recoverables due from them.

As per internal risk management guidelines, most domestic insurers arrange reinsurance placements with reinsurers rated at least "A-" from Standard & Poor's (or the equivalent from AM Best, Fitch or Moody's).

Cedants are required to retain a portion of short-term non-motor risks and require reinsurance arrangements to demonstrate genuine risk transfer.

Under the K-ICS framework:

- The reinsurance credit risk charge varies depending on the credit rating of the respective reinsurer.
- Recent developments: the FSC consulted in 2025 on rationalizing K-ICS thresholds (including easing subordinated-bond early redemption at a 130% ratio), and from January 2026 a revised standard consent form lets primary insurers obtain policyholder consent on reinsurers' behalf, easing retrocession.

Cyber

South Korea's governance of personal information protection rests on three acts: the Personal Information Protection Act (PIPA), the Act on the Use and Protection of Credit Information, and the Act on the Protection and Use of Location Information. The 2023 PIPA amendment set the administrative surcharge at up to 3% of total revenue, and a further amendment in force from September 11, 2026 raises this to 10% for repeated or large-scale serious violations; criminal penalties reach five years' imprisonment and fines of up to KRW50M (USD34,700).

The AI Framework Act took effect on January 22, 2026, making South Korea the second jurisdiction after the EU with comprehensive AI-specific legislation. Enforcement has hardened sharply: after a KRW134.79B (USD93.4M) surcharge on SK Telecom in August 2025, the Personal Information Protection Commission imposed a record KRW624.68B (USD433.2M) penalty on Coupang in June 2026, which Coupang intends to contest.

South Korea's unique K-ISMS, a Korean adaptation of the ISO/IEC 27001 standard, offers a risk-based framework that helps cyber reinsurers assess the maturity, reliability and risk management of local information security practices.

Sources: General Insurance Association of Korea (GIAK), Korean Re

Pooling arrangements

Korea Atomic Energy Insurance Pool (KAEIP)	KAEIP was established with the objective to provide insurance coverage for the nuclear industry. The pool has 11 members and provides nuclear insurance coverage for domestic and international nuclear risks. Korean Re is the manager of the KAEIP.
Assigned Insurance Plan (AIP)	Provides automobile insurance for: • Special risks (i.e., commercial vehicles such as hire cars, tourist coaches, express buses). • Individuals with poor claim history who find it hard to secure coverage in the traditional market. Participation in the pool is mandatory. Korean Re is the manager of the pool while the Korea Insurance Development Institute (KIDI) sets the premium rates for the pool.
Compulsory Pollution Liability Pool	Provides compulsory pollution liability insurance for pollution-emitting companies. A three-company pool operating under the Environmental Pollution Damage Compensation and Recovery Act since July 1, 2016, with limits of KRW30B, KRW10B and KRW5B by risk group.



Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Earthquake risk is one of the perils considered for the South Korean market.	✓		✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Typhoon is a major peril in South Korea with the country located in a region of moderate typhoon activity, with an average landfall of 1 storm per year.	✓		✓	
Flood	N/A			✓	

NB: Global Solutions are available to facilitate scenario modelling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. OECD raises South Korea's Growth Forecast to 2.6%, The Chosun Daily, June 4, 2026
2. Monetary Policy Decision, Bank of Korea, July 16, 2026
3. AM Best Maintains Stable Outlook on South Korea's Non-Life Insurance Market, AM Best, July 22, 2026
4. July Forecast Update for NW Pacific Typhoon Activity in 2026, Tropical Storm Risk, July 9, 2026
5. Government Unveils Government-Wide Cybersecurity Plan, Kim & Chang, October 22, 2025
6. Minimum Capital Requirements, FSS, accessed July 27, 2026
7. Korea's Core Capital Rule to Boost Insurer Capital Quality, But May Pose Challenges, Fitch Ratings, January 27, 2026

Exchange rate (as of January 1, 2026): KRW1,442.22 = USD1.00



Taiwan



Insurers Lean Into the AI Boom

Economic landscape

Taiwan's economy accelerated sharply in 2025, supported by its pivotal role in the global AI and advanced semiconductor supply chains. Real GDP growth reached 8.76%, driven by robust ICT and electronics exports, higher private investment and a rebound in household consumption. Inflation moderated to 1.66%, while the Central Bank maintained its policy rate at 2.0%, providing insurers with a stable interest-rate environment for investment returns and balance-sheet management. Taiwan's macroeconomic outlook is increasingly linked to the AI and semiconductor investment cycle.

Year	Population (M)	Real GDP per Capita (USD)	GDP Growth (Annual)	Interest rate (at Dec 31)	Inflation (Annual)
2024	23.41	32,442	5.3%	2.0%	2.2%
2025	23.35	35,375	8.8%	2.0%	1.7%

Sources: World Bank, Financial Supervisory Commission (FSC), Taiwan Insurance Institute and Gallagher Re estimates

For 2026 onward, the most important macro-insurance linkage is the scale of AI-related capital expenditure. Expansion in high-performance computing, GPU supply chains and data-center capacity is increasing total sums insured for semiconductor, technology manufacturing, energy storage, property and engineering risks. This creates attractive premium opportunities, but also raises accumulation, aggregation and supply-chain concentration risks for insurers and reinsurers. Stronger underwriting discipline and a supportive investment environment have contributed to insurers' profitability.

Market landscape

Taiwan is a mature insurance market, with all-insurance penetration of 10.1% of GDP in 2025. This is heavily skewed toward life insurance, while non-life penetration stood at approximately 1.0%. Non-life GWP increased to TWD286.8B (USD9.2B), with motor still the largest line and engineering the fastest-growing major segment.

The competitive landscape remained stable in 2025, with established domestic insurers continuing to dominate. Based on insurer-level premium data, Fubon Insurance led the market with a 24% share, followed by Cathay Century Insurance at 14% and Shin Kong Insurance at 10%. The lack of notable non-life M&A activity indicates a relatively mature market structure, with high barriers to entry and entrenched incumbent positions.

Reinsurance support is provided by both domestic and international reinsurers. While Central Re is the principal domestic reinsurer, the market largely relies on overseas reinsurers to ensure adequate capacity across all major lines of business.

	Penetration		GWP (USD M)		GWP (TWD M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	10.5%	1.1%	86,565	8,666	2,711,601	271,447	53.8%	90.2%	10.9%
2025	10.1%	1.0%	92,923	9,157	2,910,782	286,839	50.3%	85.3%	5.7%

Sources: Financial Supervisory Commission (FSC), Taiwan Insurance Institute (TII), National Statistics, Republic of China (Taiwan) and Gallagher Re analysis
Exchange rate: (as of January 1, 2026) TWD31.32 = USD1.00

In 2025, Taiwan's non-life market reached TWD286.8B (USD9.2B), up 5.7% year-on-year from TWD271.4B (USD8.7B) in 2024[1]. Growth was broad-based but uneven: motor remained the largest segment at TWD139.4B (USD4.5B), while engineering expanded strongly to TWD23.1B (USD0.7B), supported by high-tech manufacturing projects, offshore wind and solar developments, power plant renovations and major Mass Rapid Transit infrastructure projects.

The sector also benefited from strong GDP growth, stable interest rates and moderating inflation, which supported premium demand and investment returns. Claims payments increased to TWD125.8B (USD4.0B), partly reflecting losses from the January 2025 Chiayi earthquake. Despite catastrophe activity, profitability improved materially: the net retained loss ratio declined to 50.3% from 53.8% in 2024, the combined ratio improved to 85.3% from 90.2%, and overall industry after-tax profit rose 41.7% to TWD31.1B (USD1.0B). Improved underwriting results and positive investment returns were the main drivers, while property and engineering lines remained more volatile due to catastrophe and large-risk exposures. Personal lines, particularly motor and travel personal accident, continued to provide a stable earnings base.

The main commercial themes for 2026 onward are: first, AI infrastructure growth, which is increasing total sums insured for semiconductor plants, data centers and energy storage projects; second, sustained engineering demand from Construction All Risks / Engineering All Risks (CAR/EAR) works and infrastructure; third, insurers' digital and AI initiatives in policy acquisition, underwriting and claims; and fourth, continued reliance on personal lines as a stable earnings base.

Risk landscape

The most notable natural catastrophe events in 2025 were the January Chiayi earthquake and Typhoon Danas in July. Both loss estimates have been revised downward from initial expectations and remain subject to final adjustment. Typhoon Ragasa, which affected Taiwan in September 2025, had limited insured impact because the affected Hualien areas were largely residential and small commercial rather than large industrial risks.

Despite catastrophe activity, both primary and reinsurance markets softened in 2025-2026. Abundant facultative capacity and competition among reinsurers continued to place downward pressure on pricing, even for some loss-affected placements. The key underwriting issue is therefore less about headline capacity availability and more about managing peak-zone accumulation, particularly around science parks, semiconductor mega risks and technology supply-chain exposures.

Taiwan maintains the Taiwan Residential Earthquake Insurance Pool (TREIP), which has operated successfully since 2002 after the 1999 Chi-Chi earthquake. It has performed well during the Hualien and Chiayi earthquakes and their aftermath, demonstrating the effectiveness of the risk-sharing mechanism[2].

Taiwan began implementing IFRS 17 in 2026, changing the timing of revenue recognition and profit emergence through concepts such as the Contractual Service Margin (CSM). In parallel, the Taiwan Insurance Capital Standard (TW-ICS) is expected to increase focus on risk measurement, capital efficiency and reinsurance effectiveness, particularly for catastrophe exposure, reserve adequacy and the capital treatment of reinsurance recoverables.

Regulatory developments

Taiwan's main regulatory changes are the implementation of IFRS 17 and TW-ICS from 2026 . The impact is expected to be more manageable for non-life insurers than their life insurance counterparts, because most non-life policies are short-duration. Nevertheless, the changes will require stronger actuarial modeling, reserve analysis, data quality and reporting processes.

Climate-risk supervision is also becoming more relevant, given Taiwan's exposure to earthquake, typhoon, flood, technology-cluster and renewable-energy risks. This is expected to reinforce catastrophe modeling, accumulation control, scenario analysis and underwriting discipline[4].

Taiwan's regulatory agenda is also encouraging digital-insurance development. In 2025, the FSC opened applications for digital insurers and updated rules covering establishment, product review, underwriting, claims and disclosure. Together with financial-sector AI guidance, this should raise expectations for data governance, cybersecurity, explainability and fair customer outcomes, while supporting product innovation and more efficient underwriting and claims processes[5].

Pricing environment

Primary market pricing continued to soften across property fire and engineering lines. Rate reductions of approximately 20%-35% were observed for mega accounts, while SME accounts generally saw reductions of around 10%-15%. In casualty and marine, softening was more moderate, typically in the 10%-15% range.

At the January 1, 2026 treaty renewal, reinsurance pricing also softened. Loss-free programs achieved risk-adjusted rate reductions of approximately 10%-17.5%, while loss-affected programs renewed within a range of approximately 17.5% reductions to flat. This reflected abundant capacity, stronger reinsurer competition and continued interest in Taiwan catastrophe and risk XL programs despite recent earthquake and typhoon losses.

The facultative market softened more visibly during the May-June mega-account renewal season, with rate reductions, over-placement and competitive terms reported for large technology and industrial risks. While capacity remains available, reinsurers are expected to remain selective on aggregation management, contingent business interruption and exposures linked to semiconductor clusters, critical utilities and BESS installations.

Headwinds

- → **Energy policy uncertainty:** Potential changes in nuclear power policy could affect the outlook for offshore wind, solar and floating installation projects, which have been important contributors to engineering insurance growth.
- → **AI concentration and investment-market risk:** Insurers' investment returns and underwriting exposures are increasingly linked to the AI supply chain, creating downside risk if technology valuations correct or capex momentum slows.
- → **Geopolitical and commodity-market volatility:** Middle East tensions, global inflation pressure and trade-policy uncertainty may affect marine, cargo, energy and investment portfolios depending on each insurer's exposure and reinsurance protection.

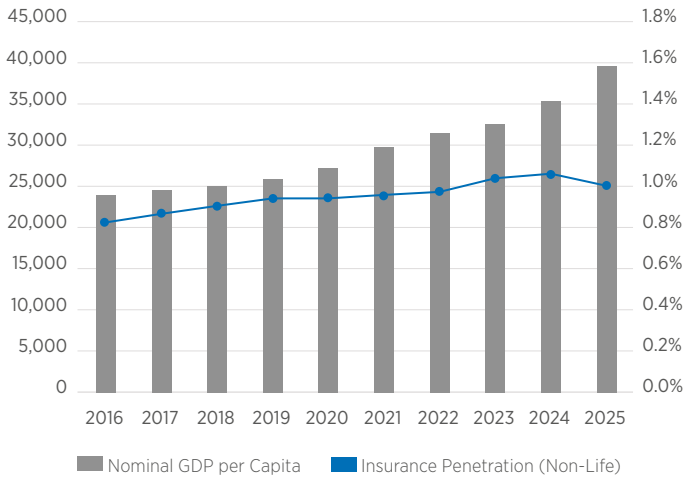
Tailwinds

- → **AI infrastructure and technology risk demand:** Data centers, semiconductor plants, BESS projects and cyber exposures are creating new premium opportunities, although they require careful accumulation management.
- → **Motor resilience:** Motor industry leaders expect new vehicle sales to reach around 430,000 units in 2026, up around 4% on 2025, while rising vehicle values, repair costs and consumer risk awareness should continue to support motor premium growth.
- → **Product innovation for aging and climate risk:** Taiwan's fast aging population and increasing climate volatility are encouraging insurers to develop products combining long-term care, medical protection and climate-risk coverage.

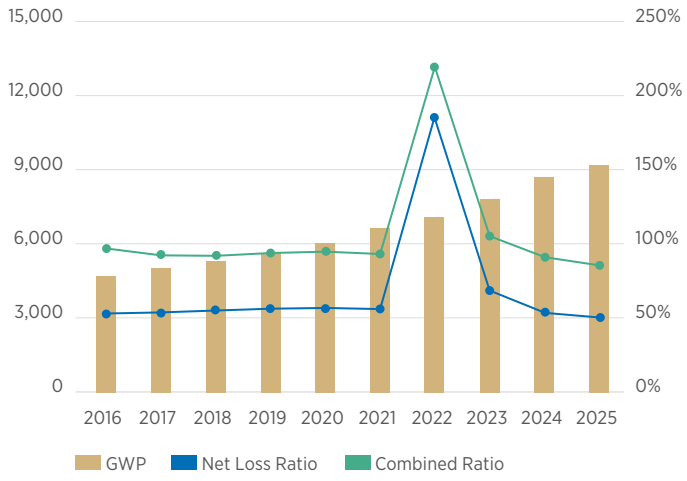


Taiwan in Numbers

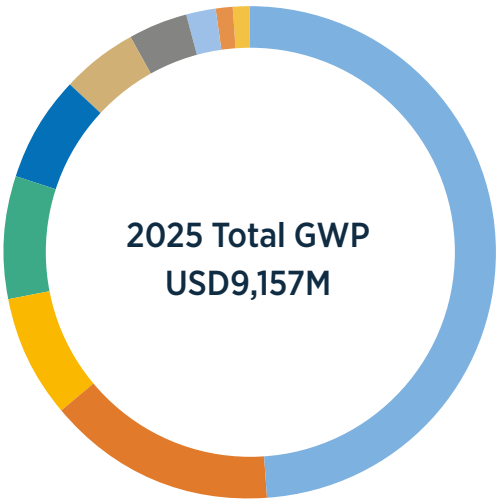
GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



- **49%** Automobile
- **15%** Fire
- **8%** Accident
- **8%** Engineering
- **7%** Liability
- **5%** Others
- **4%** Marine
- **2%** Health
- **1%** Credit
- **1%** Aviation



- **46%** Securities
- **23%** Bank Deposits
- **15%** Foreign Investments
- **11%** Real Estate
- **4%** Others
- **1%** Authorized Projects or Public
- **0%** Loans
- **0%** Derivatives
- **0%** Investments in Insurance Enterprises

Non-Life Regulation

The regulator: overview

The Financial Supervisory Commission (FSC) is the insurance regulator for Taiwan. The non-life insurance market is under the supervision of the Non-Life Insurance Supervision Division of the FSC (https://www.ib.gov.tw/).

Item	Approach
Accounting framework	IFRS equivalent
IFRS 17 implementation	January 2026
Capital framework	Taiwan Capital Standard (TW-ICS) from January 1, 2026, replacing the risk-based capital regime. ORSA remains in place with further strengthening of ORSA requirements by the FSC.
Climate/Sustainability	FSC has amended regulations to require life and non-life insurers to adopt the IFRS Sustainability Disclosure Standards on a phased basis. In Phase 1, insurers with paid-in capital of TWD10B or above must publish FY2026 sustainability disclosures in 2027, covering 10 life insurers and 4 non-life insurers. Starting in 2026, the disclosure will be in line with the IFRS ISSB standards. Taiwan targets net zero by 2050, with carbon fees on 2025 emissions payable from May 2026.

Planned capital developments

There were no official/published regulatory capital developments at the time of writing.

Source: Financial Supervisory Commission (FSC)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There is a mandatory cession of 100% to the Taiwan Residential Earthquake Insurance Fund (TREIF) on each and every residential earthquake risk, subject to a total loss limit of TWD1.5M (USD47,893) plus TWD200,000 for temporary rental costs.

Insurers must have in place excess of loss arrangements to protect their net exposures in relation to natural catastrophes.

Under the current framework, the natural disaster credit risk capital amount is determined based on a 1-in-200 earthquake and a 1-in-200 typhoon event.

Reinsurance

Minimum credit rating requirement from any of the following credit rating agencies:

- Standard & Poor's: BBB or higher
- AM Best Company: B++ or higher
- Moody's Investors Service: Baa2 or higher
- Fitch Group: BBB or higher
- Taiwan Ratings Corporation: twA+ or higher
- An equivalent rating from any other rating agency is also recognized by the competent authority.
- Reinsurance rules for mega risks: Reinsurers must hold at least an "A" rating and retain 30% of primary layer risks for large exposures like semiconductors and cargo.

Under the current RBC framework, the reinsurance asset credit risk charge varies depending on the credit rating of the respective reinsurer.

Cyber

Taiwan's Personal Data Protection Act (PDPA) is the key legislation outlining how organizations collect, process and use personal data, and imposes breach notification obligations. Amended in 2023 to designate a Personal Data Protection Commission as the future central authority, it was further amended on November 11, 2025 to require private-sector breach reporting to the Commission. Commencement awaits the Commission's formal establishment, and as at September 2026 only the Preparatory Office was operating.

The Cybersecurity Management Act (CSMA) requires cybersecurity maintenance plans and incident reporting and response. Its first amendment since 2019 was promulgated on September 24, 2025 and took effect on December 1 that year. This transferred the competent authority to the Ministry of Digital Affairs, prohibited products deemed a national security risk and required dedicated cybersecurity personnel. The maximum fine for failing to report an incident was raised to TWD10M (USD319,200), while PDPA fines can now reach TWD15M (USD478,900). The overhaul widens the regulated cyber perimeter and can be expected to increase demand for cyber and D&O cover.

Sources: Financial Supervisory Commission (FSC), Taiwan Insurance Institute (TII), Compulsory Automobile Liability Pool (CALI), Taiwan Residential Earthquake Insurance Fund (TREIF)

Pooling arrangements

Compulsory Automobile Liability Pool (CALI)	The pool was established in 1998 with the objective to provide basic coverage for victims in traffic accidents. Participation in the pool is mandatory for all authorized automobile insurers. There is a mandatory cession of 40% on each and every automobile policy issued. The pool has a two-tier risk spreading mechanism: tier 1 is distributed equally among members while tier 2 follows market share. A consultation would raise the combined death, disability and medical limit from TWD2.2M to TWD3.2M per victim from July 1, 2026.
Taiwan Residential Earthquake Insurance Fund (TREIF)	The Taiwanese government created this pool in response to the 921 Chi-Chi earthquake in 1999, and it started providing homeowners with basic earthquake insurance coverage in April 2002. All residential fire insurance policies come with an automatic inclusion of the basic earthquake protection offered by TREIF. Additional coverage for earthquake risk can be obtained from private insurers. The annual flat premium is TWD1,350 based on a sum insured of TWD1.5M. The pool has in place a two-tier risk spreading mechanism: • Tier 1 liabilities: TWD5B assumed by the earthquake coinsurance pool. • Tier 2 liabilities: TWD115B assumed by TREIF, which will be spread between TREIF, the Taiwanese government (TWD16.8B) as well as domestic and/or overseas reinsurance markets and/or capital markets (TWD98.2B). • Earthquake Insurance Expansion: TREIF now covers up to TWD100,000 for temporary housing costs in partially destroyed homes, effective July 15, 2025.
Nuclear Energy Insurance Pool of the Republic of China	The pool was established in 1974 to provide coverage for the nuclear energy risk of Taiwan Power and to accept risks from overseas nuclear insurance associations. Chung Kuo is the manager of the pool.
Engineering Insurance Association (EIA)	The EIA manages separate pools for: (1) CAR, EAR, contractors' plant and machinery, boiler and pressure vessel, machinery breakdown and electronic equipment; (2) employers' liability; (3) vibration risks.
Grain Cargo Pool	Provides coverage for shipments of soybean, corn, wheat, barley and sorghum. The Non-Life Insurance Association (NLIA) is the manager of the pool. The risks are shared among the members according to a prescribed ratio.
Other pools	Agriculture Insurance Fund, Fishing Vessel Pool, Personal Accident Insurance Terrorism Pool, Political Risk Pool.

Sources: Financial Supervisory Commission (FSC), Taiwan Insurance Institute (TII), Compulsory Automobile Liability Pool (CALI), Taiwan Residential Earthquake Insurance Fund (TREIF)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models / Probabilistic Models	Underwriting Capability
Earthquake	Earthquake is one of the main perils in Taiwan. Taiwan is located on a compressive tectonic boundary between the Eurasian Plate and the Philippine Sea Plate. Seismicity and rate of crustal motion is among the highest in the world with plate collision rate of > 7cm/yr.	✓	✓	✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Taiwan is situated in the most active basin in terms of tropical cyclone activity, with a high level of hazard in the region.	✓			
Flood	N/A			✓ Scenario modeling via KatRisk flood hazard layers	

NB: Global Solutions are available to facilitate scenario modelling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Insurance Information and Statistics, Financial Supervisory Commission, accessed September 6, 2026
2. Taiwan Residential Earthquake Insurance Fund, TRIEF, accessed September 6, 2026
3. Interest Rate Shift Measure for the Adoption of IFRS 17 (Insurance Contracts) and TW-ICS Phase 2 Transitional Measures for Insurance Enterprises, Financial Supervisory Commission, November 23, 2023
4. FSC Publishes "Guidelines on Climate-related Financial Disclosures of Insurance Companies" for Insurers to Begin Disclosure of Financial Information on Climate-Related Risks Starting from 2023, Financial Supervisory Commission, November 30, 2021
5. FSC announces opening of applications for the establishment of digital insurers, Financial Supervisory Commission, July 31, 2025
6. Hotai Motor cuts Taiwan auto sales forecast to 430,000 units, Taiwan News, July 1, 2026

Exchange rate (as of January 1, 2026): TWD31.32 = USD1.00



Thailand



Modest Growth, with Rising Catastrophe Pressures

Economic landscape

Thailand's economy has been relatively subdued in recent years compared with regional peers. GDP grew by 2.4% in 2025, and the Bank of Thailand projects 2.3% for this year[1]. This is significantly lower than many ASEAN nations, such as Vietnam, which grew by 8% in 2025[2]. The Thai economy continues to be heavily dependent on tourism, which contributes more than 20% of GDP[3].

Inflation eased significantly in 2025, moving slightly into negative territory at -0.1%, but has picked up again so far in 2026 as the Middle East conflict pushed up energy prices. The Bank of Thailand projects an average inflation rate of 2.8% for 2026. Nevertheless, the central bank held interest rates at 1% in June, pointing to "low and uneven" growth and saying it expects inflation to fall again as the supply-side pressures ease. Thailand remains exposed to broader global trade developments, particularly through its manufacturing and export sectors[4].

Within this context, the insurance sector has largely mirrored macroeconomic trends. Premium growth has remained modest, tracking GDP expansion and reflecting both economic constraints and competitive market dynamics.

Year	**Population** (M)	**Real GDP per Capita** (USD)	**GDP Growth** (Annual)	**Interest rate** (at Dec 31)	**Inflation** (Annual)
2024	71.67	4,984	2.9%	2.3%	0.4%
2025	71.62	5,109	2.4%	1.3%	-0.1%

Sources: World Bank, Office of Insurance Commission (OIC), Thai General Insurance Association (TGIA)

Market landscape

Thailand's non-life insurance market has 45-50 insurers, but remains highly concentrated among the top 10 who have a 70% market share. The market comprises a mix of domestic carriers and multinational insurers. This fragmentation contributes to a highly competitive operating environment, particularly in core lines such as motor and property.

Thailand's non-life insurance market generated approximately THB307B (USD9.8B) in GWPs in 2025, 2.2% up on the year before. Growth remained subdued and below some faster-growing ASEAN markets. Non-life insurance penetration in Thailand was around 1.5% of GDP — higher than some regional neighbors, but with room to grow compared to the rates seen in more mature insurance markets.

	Penetration		GWP (USD M)		GWP (THB M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	5.1%	1.5%	29,973	9,555	944,116	300,978	57.2%	94.7%	0.8%
2025	5.1%	1.5%	31,366	9,762	987,986	307,492	68.2%	94.2%*	2.2%

Sources: World Bank, Office of Insurance Commission (OIC), Thai General Insurance Association (TGIA)
Exchange rate: (as of January 1, 2026) THB31.50 = USD1.00
Note: *Loss ratio and combined ratio for FY2025 are on IFRS 17 basis and are not directly comparable to historical figures. 2025 loss ratio is calculated on a net/gross basis, while 2025 combined ratio is calculated as 1 — net insurance expenses divided by gross insurance revenue. Direct Written Premium is used to calculate the non-life penetration rate

Motor insurance dominates the market, accounting for about 54% of total premiums, including 6.9% in compulsory cover, which insures third-party injuries or fatalities. This concentration means that Thai insurers pay close attention to the car industry's sales figures. Domestic motor sales picked up in 2025 by 5.3%, according to figures from the Federation of Thai Industry (FTI)[5] — a notable turnaround from last year's 27% decline. There was particularly strong growth in the number of new electric vehicles registered — 129,000, up by 44.3%. Thai insurers have been hopeful of premium growth in this segment, though given generally higher repair and replacement costs for EVs, they will be paying close attention to underwriting performance too. Nonetheless, overall motor GWP growth was muted in 2025. The voluntary motor segment expanded by just 1.5%, amid fierce competition between insurers.

Property lines, such as fire insurance and industrial all risks (IARs) cover, have also become increasingly competitive in recent years, as insurers look to diversify their portfolios beyond motor. Together, these two lines account for about 18% of the market, with IARs the major component, owing to Thailand's status as a major manufacturing hub for the Southeast Asian region. The market suffered two notable cat losses in 2025 (see next section), leading to increased scrutiny in direct rates, deductibles and sublimits, particularly for earthquake.

Risk landscape

Thailand's risk environment has shifted materially following some significant catastrophe events in 2025.

In March, an earthquake epicentered in Myanmar resulted in substantial damage in Thailand as well[6]. Insured losses exceeding USD1.8B from a quake almost 2,000 km away were unexpected, and to an extent, unmodeled. Multiple reinsurance programs experienced limit exhaustion, placing reinsurers into significant loss positions. The event has re-emphasized the need for the adequate pricing of Thailand's earthquake exposure, particularly for high-rise and condominium buildings — and focused attention on earthquake sub-limits. Insurers have become alert to the need to improve their understanding of their earthquake exposure.

Later in the year, flooding in December 2025[7] generated losses of more than USD600M in Thailand, with a substantial proportion of claims arising from motor portfolios. The event affected regions in the south of the country, an area which has previously not seen events of this magnitude. The unanticipated scale of this event thus caused concern among insurers and has raised additional considerations for reinsurance coverage.

Flood frequency may increase in the coming years, according to climate projections cited by the OECD[8]. At the same time, urbanization and asset concentration have increased the potential severity of losses.

Motor portfolios are particularly exposed, given their scale and geographic spread. Flood-related losses are becoming an increasingly important driver of claims, requiring greater attention to underwriting, pricing and risk selection.

Regulatory developments

In October 2025, the Office of Insurance Commission introduced a five-year Insurance Development Plan (2026-2030), aimed at strengthening the insurance sector's role as a national risk buffer[9]. Priority areas include climate resilience, digital transformation, the needs of an aging population and increasing insurance penetration. Responding to the plans, various industry representatives have raised additional issues for consideration, including the ongoing rise in health insurance costs and the growth of electric vehicles.

The latest major development is the introduction of the National Disaster Insurance scheme, which provides insurance coverage to 30 m households across Thailand. Protecting against floods, storms and earthquakes, the scheme provides insurance backed by both the government and (re)insurers, with a broader aim to improve resilience and enhance the national risk buffer.

Separately, the regulator has also recently introduced a new, group-wide approach to supervising insurers' risk management[10]. The aim of the new framework is to allow OIC to assess insurers' financial status and governance across all subsidiaries and levels of their structure, and comes with a range of new requirements and responsibilities for executives. The new regime will be effective from July 1, 2026.

Also in July 2026, the regulator announced the launch of a new project to develop industry-wide catastrophe stress tests, involving three main scenarios — a 1-in-200-year severe flood event, a 1-in-200-year earthquake event, and a flood and earthquake occurring in the same year at a 1-in-100-year severity. It expects the exercise to be complete in December 2026[11].

Pricing environment

Primary market

Primary market pricing is competitive, particularly in motor and property lines. The considerable number of insurers operating in similar segments continues to exert downward pressure on rates, particularly for loss-free accounts.

At the same time, recent catastrophe experiences are beginning to influence underwriting behavior. Insurers are increasingly focused on pricing adequacy in catastrophe-exposed portfolios, particularly flood and earthquake risks.

However, competitive market conditions may limit the extent to which recent catastrophe losses translate into sustained pricing improvement.

Reinsurance market

The reinsurance market has moderately hardened following the major cat losses observed in 2025. Reinsurers entered the 2026 renewal cycle in a deficit position, resulting in more disciplined underwriting and tighter terms.

Reinsurers have been seeking increased deductibles, while also still being willing to support clients seeking additional limits. Proportional catastrophe placements have become more challenging, reflecting reinsurers' concerns around pricing adequacy and exposure aggregation.

While capacity is available, access is increasingly contingent on data quality, portfolio structure and underwriting discipline. Insurers with strong data, clear risk profiles and disciplined underwriting are better positioned to secure favorable terms.

Headwinds

- → **Subdued economic growth:** GDP growth remains limited at 2%-2.5%, constraining the pace of insurance market expansion and limiting demand in both retail and commercial segments. This was reflected in 2025 in flat GWP growth in motor and IARs, two of the most significant business lines.
- → **Intensifying competition:** There is sustained competitive pressure in the market, particularly in motor and property lines, with implications for pricing and underwriting margins.
- → **Unanticipated catastrophe exposures:** Recent earthquake and flood events highlight rising risk volatility and the growing importance of effective risk transfer and reinsurance protection. The unexpected scale of 2025's earthquake and flood events has increased insurers' focus on nat cat exposures, and ensuring clear-sighted and model-supported views on limit purchasing across Thailand.

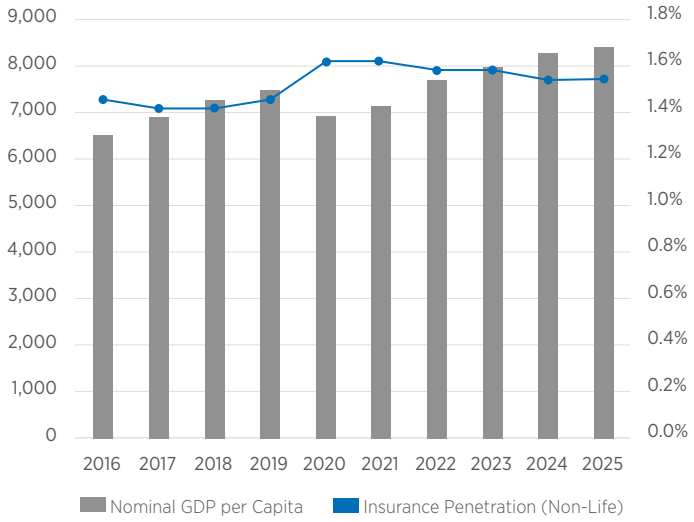
Tailwinds

- → **Supportive regulatory environment and reform:** The regulator's 2026-2030 development plan provides a structured framework for strengthening resilience, improving risk management and expanding insurance access.
- → **Emerging product opportunities:** Rising electric vehicle sales are an increasingly prominent source of new premium. Elsewhere, the government is considering introducing a requirement for mandatory travel insurance for foreigners and expats[12], which benefit Thai insurers with a strengthened channel of income.
- → **Low insurance penetration and protection gap:** Non-life penetration is around 1.5% of GDP, leaving significant room for long-term expansion as awareness, wealth levels and risk transfer needs increase.

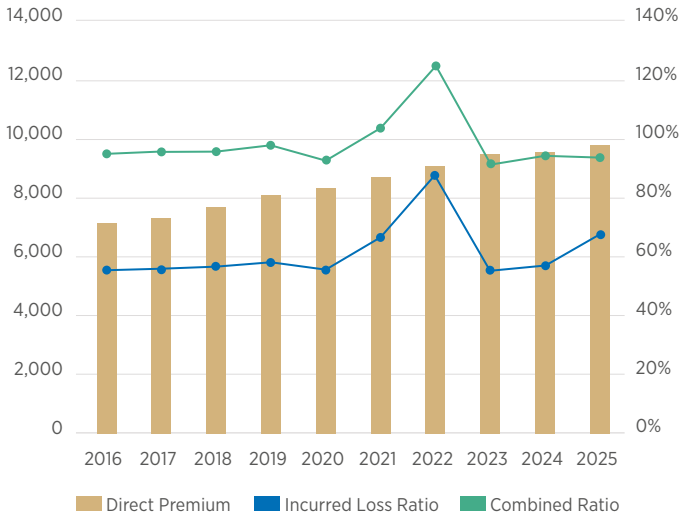


Thailand in Numbers

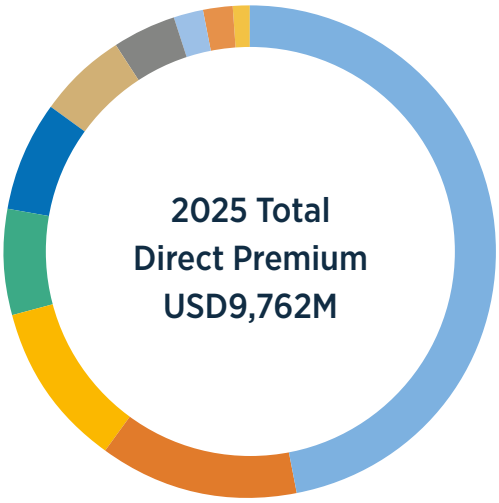
GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year; Loss Ratio and Combined ratio for FY2025 are on IFRS 17 basis which are not directly comparable to historical figures; 2025 Loss ratio calculated on Net/Gross basis. (Net Insurance claims/ Gross Insurance Revenue); 2025 Combined ratio calculated as 1- (Net Insurance expenses/ Gross Insurance Revenue); Direct Written Premium is used to calculate the non-life penetration rate



- 47% Motor Voluntary
- 13% IARs
- 11% PA
- 7% Motor Compulsory
- 7% Health
- 6% Other Miscellaneous
- 4% Fire
- 2% Marine Cargo and Hull
- 2% Public Liability
- 1% Travel



- 30% Government Bond
- 25% Deposits
- 19% Stock
- 18% Debenture
- 6% Unit Trust
- 2% Others
- 0% Promissory Note
- 0% Policy Loan

Sources: World Bank, Office of Insurance Commission (OIC), Thai General Insurance Association (TGIA)

Non-Life Regulation

The regulator: overview

The Office of Insurance Commission (OIC) is the insurance regulator for Thailand and is under the supervision of the Ministry of Finance (MoF).

Item	Approach
Accounting framework	IFRS equivalent (TFRS 17)
IFRS 17 implementation	January 2025
Capital framework	Quantitative: Risk-based capital framework (RBC2) Qualitative: Own Risk and Solvency Assessment (ORSA)
Climate/Sustainability	There is mandatory sustainability disclosure for listed companies through the Form 56-1 One Report. The OIC has released non-mandatory sustainability disclosure guidelines for life and non-life insurance companies, and incorporated climate-related and natural catastrophe risks in the 2025 OIC Stress Test. In July 2026, the OIC launched a CAT Scenarios Stress Test project to develop industry-wide catastrophe stress testing framework.

Planned capital developments

The OIC is exploring the development of the next phase of the RBC framework — the RBC 3 framework. Potential enhancements include recalibrated risk charges, the introduction of an explicit catastrophe risk charge, and a possible confidence level upgrade to a more stringent 99.5th percentile. Limited updates have been made available at the time of writing.

The regulator is considering an increase to non-life insurer minimum paid-up capital requirements, potentially raising the threshold from THB300M (USD9.5M) to THB1B (USD31.7M). No formal regulations or enforcement dates have been introduced for this proposed shift at the time of writing.

Source: Office of Insurance Commission (OIC); Thai General Insurance Association (TGIA); OIC reports to the Ministry of Finance (MOF)



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There are currently no minimum catastrophe reinsurance coverage requirements for local insurers.

OIC requires insurers to assess **Probable Maximum Loss (PML)** and **Maximum Event Retention (MER)** as part of their reinsurance planning (Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Non-life Insurance Companies' Reinsurance Arrangements, B.E. 2566 (2023)).

Reinsurance

Mandatory local cession to Thai Reinsurance (Thai Re) is no longer applicable; insurers remain bound by a statutory retention limit of no more than 10% of total capital fund for any one risk.

The Rules, Methods, Conditions for Reinsurance of Non-Life Insurers B.E. 2566 (2023), in force from June 27, 2023, replaced the 2018 reinsurance rules and set requirements for reinsurance policy, management and oversight, contract conclusion and the use of foreign reinsurers:

- Overseas reinsurance placements can only be made with a reinsurer with a credit rating of "BBB" or above from Standard & Poor's (or the equivalent from AM Best, Fitch or Moody's).
- An insurer may cede up to 100% of the total premium of any given risk with a reinsurer with a rating "A-" or above (or the equivalent).
- For reinsurers rated from BBB+ to BBB- (or equivalent), placements are limited to 50%.

OIC mandates annual reviews of reinsurance policies by the board of directors; the submission of reinsurance management reports within 90 days of the contract period; and the consideration of capital impact, risk appetite, and contingency planning in reinsurance decisions.

Cyber

Thailand's Personal Data Protection Act, in force since 2022, governs the collection, use, disclosure and cross-border transfer of personal data along GDPR-influenced principles. Administrative fines reach THB5M (USD158,700) per contravention, alongside criminal liability of up to one year's imprisonment for offences involving sensitive data and punitive damages of up to twice the actual damage. The Personal Data Protection Committee issued its first fines in 2024 and intensified enforcement in 2025, including eight fines announced on August 1, 2025.

The Cyber Security Act, in force as of 2019, protects national cybersecurity through obligations on government agencies and critical information infrastructure (CII). A new CII list published on September 16, 2025 designates seven critical sectors with enhanced audit and reporting duties, while a draft amendment extending oversight to cloud providers and other service providers, first released on July 21, 2025, remained unenacted as at September 2026.

Pooling arrangements

Thai National Crop Insurance Scheme (TNCIS)	The scheme is a joint effort between the OIC, MOF, TGIA, the Department of Agriculture Extension (DOAE) and the state-owned Bank for Agriculture and Agriculture Cooperatives (BAAC). The scheme is managed by the TGIA on behalf of a coinsurance pool of a number of local insurers. The scheme provides damage-based named peril crop insurance cover for rice (since 2011) and maize (since 2019), and is intended to supplement any compensation received by farmers from the Thai government's Disaster Relief Program.
Thailand Natural Catastrophe Pool	The Thai government has launched a new national disaster insurance scheme to provide catastrophe protection for householders and business. The pool is intended to improve the availability and affordability of natural catastrophe cover in the local market.

Sources: Office of Insurance Commission (OIC); Thai General Insurance Association (TGIA); OIC reports to the Ministry of Finance (MOF)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Earthquake risk is a minor peril in Thailand, though there is a need to re-evaluate the risk based on recent losses from the Myanmar event in March 2025.	✓		✓	
Tropical Cyclone/ Typhoon (Flood & Surge)	Thailand is considered to have a low risk to tropical cyclones (TCs) compared to neighboring countries to the east due to significant inland decay of cyclone wind speed.			✓	
Flood	Flood is a major peril in Thailand caused by both tropical cyclones and seasonal monsoons. The potential for significant flood damage in Thailand has been demonstrated by several events including the 2011 Thailand floods.	✓	✓ Moody's HD Motor adjustment	✓ Scenario modeling via KatRisk flood hazard layers	✓

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

1. Monetary Policy Committee's Decision 3/2026, Bank of Thailand, June 24, 2026
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4. Thai exports seen up 8% to 10% this year, shippers' group says, Reuters, July 2026
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12. Thailand Plans to Make Travel Insurance Mandatory for All Foreigners — What Expats and Visitors Need to Know, BestInsuranceThailand.com, April 11, 2026

Exchange rate (as of January 1, 2026): THB31.50 = USD1.00



Vietnam



Thriving Economy Lends Insurers Momentum

Economic landscape

Vietnam's GDP growth increased from 7% in 2024 to 8% in 2025, thanks to strong foreign direct investment, export-oriented manufacturing, infrastructure spending and resilient domestic consumption. Population growth was steady, reaching 101.6M in 2025, while inflation eased to 3.2%, allowing the State Bank of Vietnam to maintain an accommodative monetary policy stance. Together, these conditions are supporting business formation, infrastructure development and the creation of new insurable assets across the economy.

The Vietnamese economy is benefiting from supply chain diversification across Asia, particularly in electronics, semiconductors and advanced manufacturing[1]. Public infrastructure is a top priority, with significant investment flowing into transportation networks, logistics hubs, airports and industrial parks. These projects are creating additional demand for engineering, construction, property and liability insurance products. At the same time, medical inflation is outpacing headline inflation, creating emerging profitability challenges in health-related portfolios.

Year	**Population** (M)	**Real GDP per Capita** (USD)	**GDP Growth** (Annual)	**Interest rate** (at Dec 31)	**Inflation** (Annual)
2024	100.99	2,355	7.0%	4.5%	3.6%
2025	101.60	2,528	8.0%	4.5%	3.2%

Sources: World Bank; national and official statistics

Despite ongoing uncertainty around global trade, geopolitical tensions and external tariff risks, Vietnam's medium-term outlook is favorable relative to many regional peers. Strong economic growth, rising household incomes and increasing financial sophistication are providing a supportive backdrop for insurance market expansion.

Market landscape

Vietnam's non-life insurance sector delivered another year of robust growth in 2025. Non-life gross written premium reached VND101.3T (USD3.85B), representing growth of 15.6% compared with 2024 and significantly outpacing GDP growth. Non-life insurance penetration held steady at 0.7% of GDP. Penetration is low by regional standards, highlighting substantial long-term growth potential compared with peer markets.

	Penetration		GWP (USD M)		GWP (VND M)		Non-Life		
Year	All Insurance	Non-Life Only	All Insurance	Non-Life Only	All Insurance	Non-Life Only	Loss Ratio	Combined Ratio	Growth Rate
2024	2.0%	0.7%	8,949	3,326	235,630,187	87,584,581	37.9%	n/a	15.8%
2025	1.8%	0.7%	9,356	3,846	246,345,974	101,259,103	36.2%	n/a*	15.6%

Sources: Ministry of Finance (MOF); Vietnam insurance association data
Exchange rate: (as of January 1, 2026) VND26,329.52 = USD1.00
Notes: Loss ratio on paid basis. *No combined ratio figures are available from publicly-disclosed industry statistics. Direct Written Premium is used to calculate the non-life penetration rate

The market now comprises 33 licensed non-life insurers and three domestic reinsurers following the establishment of Alpha Re in 2026[2]. Two more (bank captive) non-life insurers are expected to get licenses in 2026, confirming the growing tendency for banks to focus on insurance.

Competitive intensity remains high, with continued market share erosion among some traditional players and stronger growth from bancassurance- and digital-led insurers. That said, recent regulatory reforms are beginning to moderate some of the more aggressive pricing practices observed in preceding years. The five largest insurers accounted for approximately half of market premium in 2025.

The combination of low penetration, favorable demographics and strong economic growth is attracting both domestic and foreign investment. Digital distribution, bancassurance partnerships and embedded insurance solutions are also accelerating access to insurance products among previously under-served customer segments.

Growth is broadly diversified across major lines of business. Personal accident and health is the largest segment, accounting for over VND32.6T (USD1.24B) in premium. Motor insurance is the second-largest segment with VND21.8T (USD828M), followed by property damage at VND15.7T (USD595M) and fire & explosion at VND15.4T (USD585M). Liability insurance, while smaller in absolute terms, is recording some of the fastest growth rates within the market.

The non-life loss ratio improved to 36.2% in 2025 from 37.9% in 2024. Performance varied across lines of business, with property results improved due to lower nat cat impact, while health portfolios facing pressure from medical inflation and motor insurers continuing to contend with repair-cost inflation and higher claims frequency.

Risk landscape

Natural catastrophe risk is the defining underwriting challenge for Vietnam. The country is highly exposed to typhoons, flooding, storm surge and other climate-related hazards, particularly along its northern and central coastlines. Flood is widely regarded as Vietnam's most significant natural peril, with annual losses frequently linked to typhoon activity.

Typhoon Yagi, which made landfall in September 2024, represented a watershed event for the Vietnamese insurance market. Insured losses were estimated at approximately VND12.8T (USD486.5M), making it the largest insured catastrophe loss experienced by the market in recent history. The event exposed a substantial protection gap, with insured losses representing only a fraction of overall economic damage. It also highlighted the vulnerability of northern industrial corridors and key manufacturing centers to flood and windstorm accumulations.

The 2025 typhoon season sustained this pressure. Typhoon Bualoi and Typhoon Matmo caused substantial economic losses and contributed to claims activity across property, motor and agricultural lines. These events reinforced reinsurers' focus on exposure quality, flood aggregation, adequacy of limits and the need for more robust catastrophe modeling for northern and central Vietnam accumulations.

Meanwhile, rapid urbanization, industrial expansion and infrastructure development are creating new concentration risks. Fire remains an important risk within Vietnam. The country experienced almost 4,000 fire incidents in the 12 months to December 2024, causing both casualties and economic losses[3]. At the same time, continued investment in infrastructure and industrial development is contributing to growth in commercial insurance exposures.

Regulatory developments

Vietnam's insurance market is undergoing a structural reform. The Law on Insurance Business and its implementing regulations have introduced a Risk-Based Capital (RBC) framework, with mandatory implementation currently expected from January 2031. The transition is expected to require significant investment in actuarial, technology and capital-management capabilities, while increasing pressure on smaller and mid-sized insurers. Industry participants expect the new framework to contribute to further market consolidation over time.

Further reforms were introduced under Law No. 139/2025/QH15, which amended the existing insurance framework and simplified a range of licensing, approval and product registration requirements. The changes are expected to support innovation and facilitate faster product launches in emerging areas such as microinsurance, parametric insurance and digital distribution.

The most significant recent development for property insurers has been Decree 105/2025/ND-CP, which amended compulsory fire and explosion insurance requirements. The regulation restricts excessive discounting, establishes minimum tariff thresholds and increases contributions to the fire prevention fund. These changes are intended to improve underwriting discipline and reduce some of the intense pricing competition that characterized the market during recent years.

Bancassurance oversight has also increased following earlier concerns around sales practices. Enhanced disclosure and suitability requirements are intended to improve long-term consumer confidence, although they may temporarily constrain distribution volumes through bank channels.

Pricing environment

Primary market

Property and fire markets are generally firmer than in previous years following Typhoon Yagi and the introduction of Decree 105[4]. Regulatory support, combined with increased awareness of catastrophe exposures, is contributing to more sustainable pricing and underwriting discipline.

Motor insurance is highly competitive. Repair-cost inflation and higher claims frequency in urban centers continue to place pressure on physical damage portfolios, while insurers seek to improve underwriting performance within a challenging pricing environment.

Health insurance is witnessing a strong premium growth, supported by employer-sponsored programs and bancassurance distribution. However, rising healthcare utilization and medical inflation are putting pressure on profitability across the segment.

Liability insurance continued to record strong growth in 2025. According to market participants, liability premium increased by approximately 22.0% year-on-year, although the segment remains relatively small compared with motor, health and property business.

Emerging product opportunities are also becoming more visible. Cyber liability, parametric catastrophe covers, microinsurance and individual health products are gaining attention as corporates strengthen governance and resilience planning, while regulatory reforms may support faster product launches in these underpenetrated segments.

Reinsurance market

The reinsurance market is well supplied, although catastrophe losses have led to increased underwriting scrutiny. Approximately 40% of gross premium is ceded to reinsurers, while property business exhibits particularly high cession ratios. The market is relying heavily on reinsurance support for catastrophe protection and capital management.

Following Typhoon Yagi and subsequent catastrophe activity, catastrophe-exposed programs experienced increased underwriting scrutiny at renewal. Market participants reported rate-on-line increases of around 5-10% for loss-affected catastrophe excess-of-loss treaties at the January 2026 renewals, but loss-free accounts saw more favorable outcomes. For non-marine business, appetite has also shifted toward proportional treaties, contributing to higher commissions, removal of some minimum terms and conditions, and additional available capacity.

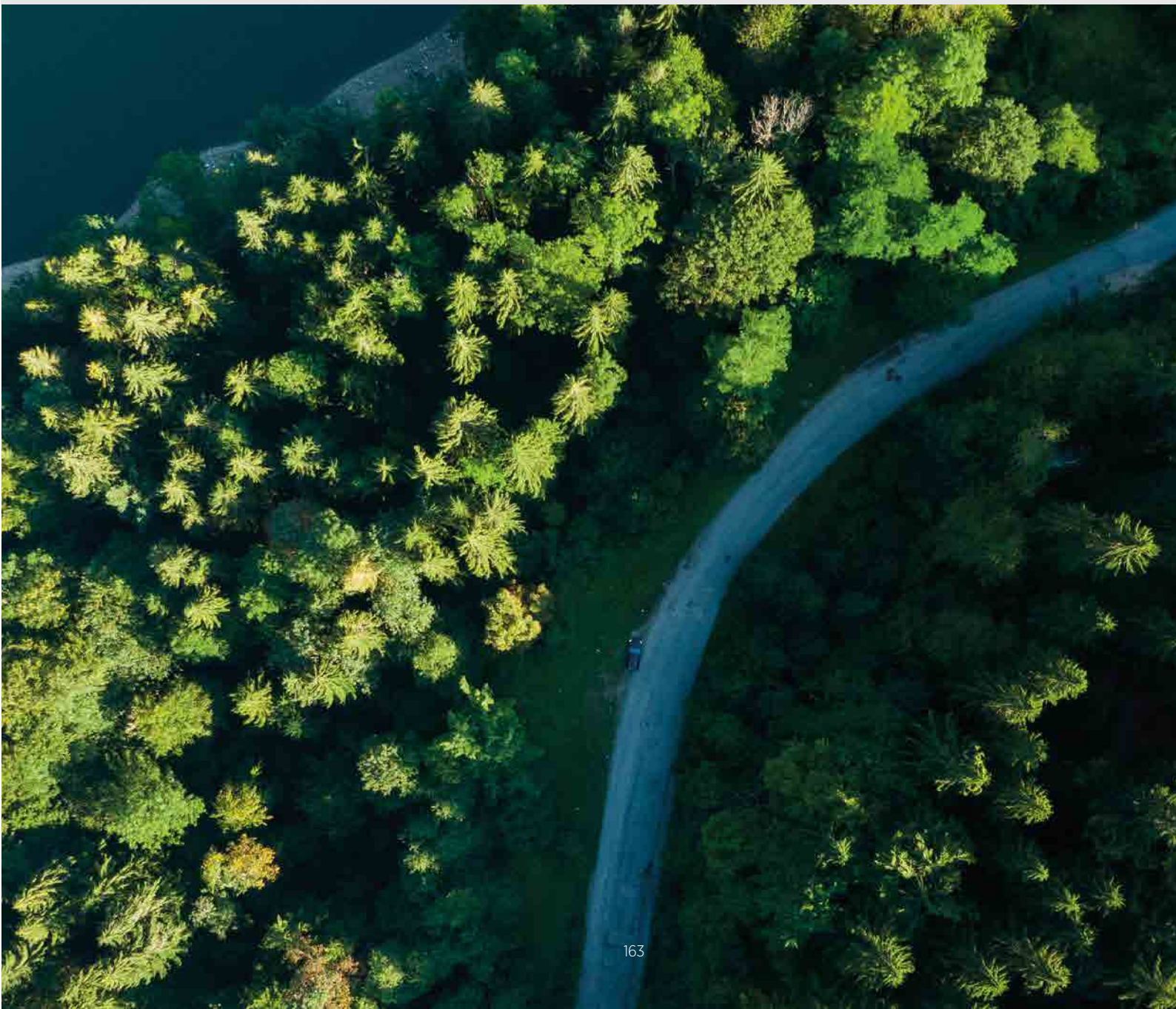
The launch of Alpha Re in 2026 represents another important development for the domestic reinsurance sector[5]. Alongside VINARE and Hanoi Re, the new entrant increases local market capacity and broadens the range of reinsurance solutions available to primary insurers.

Headwinds

- **Climate and catastrophe risk:** Successive typhoon seasons have exposed protection gaps across households, SMEs and industrial assets. As catastrophe losses increase, insurers must balance growth opportunities against portfolio volatility and capital requirements.
- **RBC implementation:** The transition toward risk-based capital requirements will require substantial investment in actuarial capability, data infrastructure and capital management. Smaller market participants may face additional pressure as implementation approaches.
- **Healthcare inflation and conduct risk:** Medical inflation is outpacing headline inflation, creating profitability challenges in health portfolios. Meanwhile, ongoing efforts to rebuild trust following bancassurance conduct concerns may temporarily constrain growth in certain distribution channels.

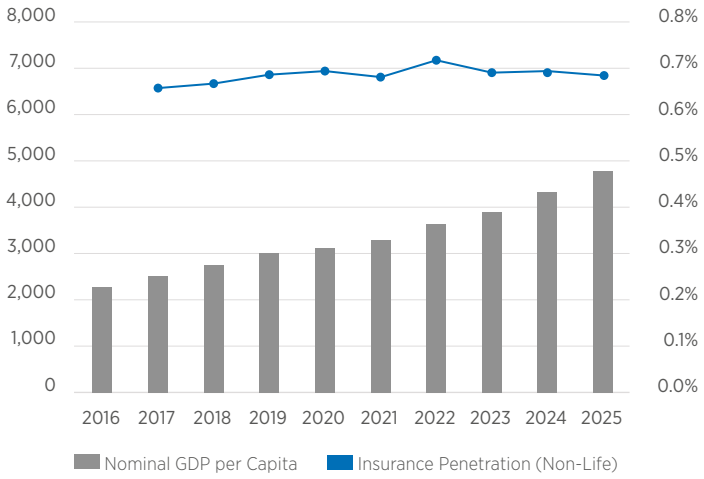
Tailwinds

- **Low insurance penetration:** Non-life penetration is below 1% of GDP, leaving considerable room for organic expansion. Rising incomes, financial literacy and digital engagement continue to support long-term growth prospects.
- **Digital transformation:** InsurTech platforms, embedded insurance solutions, digital claims processes and AI-enabled pricing tools are reshaping distribution and operating models. Greater digital adoption may improve customer reach and operational efficiency across the industry.
- **Infrastructure and FDI growth:** Vietnam's ongoing industrialization and infrastructure investment program is generating demand for engineering, property, marine, liability and specialty insurance products. These trends should remain supportive of above-average premium growth over the medium term.

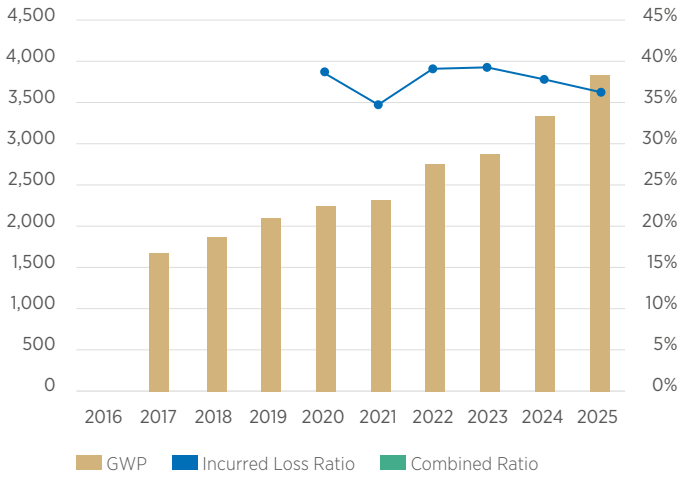


Vietnam in Numbers

GDP per Capita vs Non-Life Insurance Penetration (USD)



Non-Life Premium and Claims (USD M)



There are no official combined ratio data published for the Vietnamese Non-Life insurance market.
NB: The time period corresponds to a twelve-month period from January 1 to December 31 each year



- **32%** PA and Healthcare
- **22%** Automobile
- **16%** Property Damage
- **15%** Fire and Explosion
- **4%** Hull and P&I
- **3%** Cargo
- **3%** Liability
- **2%** Others
- **2%** Aviation
- **1%** Credit and Financial Risks



- **85%** Deposits
- **9%** Secured Corporate Bonds
- **4%** Capital Contributions
- **1%** Investment Trust
- **1%** Government Bonds
- **0%** Real Estate
- **0%** Unsecured Bonds
- **0%** Loans

Sources: World Bank, Ministry of Finance (MOF); Vietnam insurance association data

Non-Life Regulation

The regulator: overview

The Ministry of Finance (MOF) is the insurance regulator for Vietnam and the Insurance Supervisory Authority (ISA) assists the MOF in supervising the Vietnamese insurance market.

Item	Approach
Accounting framework	Local Vietnamese Accounting Standards (VAS)
IFRS 17 implementation	The adoption of IFRS is encouraged (especially for life insurers) but not yet mandatory.
Capital framework	Fixed solvency margin regime
Climate/Sustainability	Listed companies are required to disclose sustainability performance in annual reports, with ISSB alignment under consideration. No sustainability disclosure or climate risk guidelines specific for the insurance sector.

Planned capital developments

Vietnam's transition to a risk-based capital (RBC) regime has been deferred from January 1, 2028 to January 1, 2031. Insurers and reinsurers are expected to undertake a parallel-run period from 2028 to 2030, calculating capital adequacy under both the existing solvency framework and the new RBC regime.

Source: Ministry of Finance (MOF); Vietnam insurance association data; Law No. 139/2025/QH15
Risk-based capital model for insurers may be delayed to 2031



Catastrophe, Pooling & Reinsurance, Cyber

Catastrophe risk

There are no minimum catastrophe reinsurance requirements for local insurers.

Most but not all companies buy catastrophe reinsurance for property business, almost entirely placed in the international market.

Reinsurance

There is no maximum cession percentage, with the exception of fronting arrangements where the maximum fronting cession is 90% of the insured's insurance liability.

A reinsurer may only retain a maximum liability amount on each risk or individual loss that does not exceed 10% of its own equity capital.

Under Decree 67/2023/ND-CP, the lead reinsurer and reinsurer(s) receiving 10% or more of the total liability on each reinsurance policy must have a minimum rating of "BBB" from Standard & Poor's or Fitch, "B++" from AM Best, "Baa1" from Moody's (or the equivalent rating from a competent and experienced rating agent) as of the most recent financial reporting date to the time that the reinsurance contract was signed.

In the case of reinsurance to an overseas parent company or companies in the same group without a credit rating as prescribed above, the document from the foreign insurance regulatory body where the reinsurance company is registered and operated must be submitted by the insurer, reinsurer or foreign branch to the MOF as proof that the overseas reinsurer complied with the solvency requirement in the fiscal year immediately preceding the year when the reinsurance contract was bound (Article 33 — Decree 46/2023/ND-CP).

Pooling arrangements

There is no official news on pooling arrangements in Vietnam.

However, there is a scheme governed and subsidized by the government — the Agriculture Insurance Scheme:

- The government ran an agriculture insurance pilot program from 2011 to 2013 and subsequently implemented the agriculture insurance scheme through Decision No. 22/2019/QD-TTg in June 2019.
- The scheme provides premium subsidies to farmers for five agriculture products: rice, cattle, water buffalo, black tiger shrimp and white-leg shrimp.
- Premium subsidies vary according to farmers' income levels and ability to pay for insurance premiums:
  - > Premium subsidy of 20% for non-poor farming households.
  - > Premium subsidy of 90% for poor farming households.

Cyber

Vietnam's Law on Personal Data Protection (Law No. 91/2025/QH15), passed on June 26, 2025, took effect on January 1, 2026 with its implementing Decree No. 356/2025/ND-CP, superseding Decree 13/2023. Key features include a prohibition on the trading of personal data, a mandatory data protection officer or function, and data transfer impact assessments for cross-border transfers.

Administrative maxima under the new Law are severe: up to 5% of the prior year's revenue for cross-border transfer violations, up to ten times the illicit gains for illegal data trading, and up to VND3B (USD113,900) for other violations, operationalized by a sanctions decree effective August 19, 2026. Vietnam's first Law on Data took effect on July 1, 2025, and a consolidated Cybersecurity Law took effect on July 1, 2026, retaining data localization requirements.

Sources: World Bank, Ministry of Finance (MOF)

Gallagher Re's View of Risk

Natural Peril	Overview	Vendor Model Evaluation Report & Evaluation Matrix	Vendor Model Adjustment	Gallagher Re Scenario Models/ Probabilistic Models	Underwriting Capability
Earthquake	Vietnam is known as a country with relatively low seismic hazard risk.	✓	✓	✓	
Tropical Cyclone / Typhoon (Flood & Surge)	Typhoon and associated flooding risk is a major peril for Vietnam.	✓		✓	
Flood	Flooding occurs in the rainy season from June to November which is influenced by the tropical monsoon.			✓ Scenario modeling via KatRisk flood hazard layers	

NB: Global Solutions are available to facilitate scenario modeling capability for Flood & Terrorism and Underwriting capability for Earthquake & Flood.

Footnotes

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2. AlphaRe advancing Vietnam's insurance legacy through AI approach, March 2026
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Exchange rate (as of January 1, 2026): VND26,329.52 = USD1.00



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