



Isaias represents the latest timing for a first hurricane of the Atlantic storm season in over a hundred years. JEN GOLBECK/
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Storm Won't Reset Insurance Market

Capital flowing into the sector might actually be weakening it

Isaias was a devastating storm for many on the Gulf Coast. But thankfully, early estimates suggest it is unlikely to join the ranks of the most expensive and destructive U.S. landfalls. That might be no relief for insurance stocks.

Isaias represents the latest timing for a first hurricane of the Atlantic storm season in over a hundred years, and the first to hit the U.S. since 2024, according to the National Oceanic and Atmospheric Administration. Yet it arrived at a complicated time for insurers and the reinsurers who backstop them.

Reinsurance stocks can act a bit strangely when a storm hits. On one hand, insurers will see a jump in insurance losses, eating into profits for the year. On the other hand, losses remind everyone of the need for the insurance they bought and can drive out some capital providers or weaker firms, improving returns for others.

This dynamic explains why reinsurance stocks have sometimes rallied after significant loss events. When this happens, it may indicate that losses were significant enough to keep pricing and the supply of capital in balance—but not so large as to eat into insurers' capital buffers and require them to raise more money.

But Isaias doesn't seem like it will line up to be that kind of event. For one thing, the resulting insurance losses might be fairly modest in historical terms. Marsh Re wrote ahead of Isaias' landfall that based on similar historical events, the expected

insurance loss might be in the mid-singledigit billions.

On top of that, insurers came into storm season following a period of lighter catastrophe losses relative to recent trends. The first half of this year had the lowest global natural catastrophe losses since 2020, with past figures adjusted for inflation, according to Swiss Re Institute data. Full-year losses in 2025 also were below what the long-term upward trend would have projected, Swiss Re Institute has written.

This has been a boon to underwriting profits. In the first half of 2026, a composite of global reinsurers generated an estimated roughly 20% return on equity, the second-highest first-half result in a decade, according to Gallagher Re. However, those returns may also fuel a continuing influx of capital into catastrophe insurance. Through the first half, capital dedicated to reinsurance grew by 5% from the end of 2025, reaching a new all-time high of almost \$690 billion, according to Gallagher Re.

Just four years ago, that pool was under \$450 billion.

So as devastating as it may be for many people, if Isaias tracks early loss estimates, it is unlikely to scare away investors or drive firmer industry pricing. Insurers' loss budgets could even look too large relative to loss trends, leading to more negotiation pressure when policies come up for renewals for next year.

"Given ample reinsurance market capital, this event is unlikely to meaningfully influence upcoming reinsurance renewal discussions," Gallagher Re wrote in a commentary last week.

Insurance stocks have done well lately, which may leave them vulnerable to a pullback. S&P Composite 1500 reinsurers are up close to 20% so far in 2026. The S&P 500 property-and-casualty insurers index has jumped over 5% so far in October, ahead of the S&P 500's 2% gain.

But analysts at JPMorgan Chase wrote in a note last week that current market valuations for commercial insurers and, to a lesser extent, reinsurers, reflect "returns which are not necessarily sustainable."

There may be some happy investors in the market for insurancelinked securities, however, if Isaias isn't large enough to trigger catastrophe bond losses. One appealing feature of many of these bonds at the moment is that as interest rates rise they can pay higher yields on investors' cash held as collateral against catastrophe risk.

Without major losses, cat bonds may continue to draw in more investors. Issuance exceeded \$17 billion in the first half, the strongest on record, according to Swiss Re Institute data.

With the volume of capital available to be put to work in the reinsurance market, the industry would likely need to face at least \$100 billion of additional losses on top of what is already expected in an average year to "meaningfully" alter the trajectory of pricing and capital, according to Gallagher Re Chief Science Officer Steve Bowen.

The recent run of luck and strong returns raises an important question, he said: "What happens when the inevitable pendulum swings back and even more expensive catastrophe activity returns?"

After all, it only takes one bad hurricane in the wrong spot to totally upend loss trends. When it comes to the history of insurance cycles, a string of good results should only make you more nervous.

—Telis Demos

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