2026 Insurance Industry Outlook

January 21, 2026

2025 in Review

The year started off slowly with the change in administration and uncertainty around tariffs, but as 2025 progressed, we began to see a much-increased level of M&A deals, with global deal volume ending slightly down from 2024. Capital was committed into the U.S. insurance M&A market from Japan, Europe and the Middle East in large amounts. Private equity capital also funded sidecars, and there was a strong confluence of private credit and insurance, including deals involving investments by sponsors into life and annuity companies and investments by life insurance companies in the shares of sponsors. Insurance regulators in the United States focused on the ongoing questions around capital charges for structured products and also looked hard at the personal lines market, where the availability and affordability of insurance in flood- and fire-prone regions has become a critical issue, as well as the growing use of AI in all aspects of the insurance business.

Please click on this link for a summary of the insurance industry transactions that Debevoise worked on in 2025. The Debevoise Insurance M&A practice has again topped the league tables for insurance underwriter deal count. Over the last decade, we have advised on more deals than any other law firm. We sincerely thank our clients for trusting us with your largest, most high-profile and most complex transactions and look forward to working with you in the year ahead.

What to Expect in 2026?

The following pages lay out our expectations for the year to come.

Global M&A

Return of a Big M&A Market

We believe that the conditions are right for a robust M&A market in 2026, including for large, public deals, with important trends continuing from last year and also the emergence of some new factors in 2026.

Some things that have not changed include:

- The important role of private capital and sovereign wealth funds as buyers. In the life and annuity market, these providers of capital have the ability to purchase companies that have volatile liabilities and patiently own them while increasing the yield on their asset portfolios. Regulatory issues relating to these buyers remain, but they have largely been asked and answered across many deals over the last decade, and we do not see significant impediments to private capital so long as the buyers present solid management, provide transparency around ownership and affiliate relationships and present strong business plans that protect policyholder interests. Regulators do focus on private credit strategies, and the burden is on the buyers to demonstrate that asset strategies are well diversified and do not present undue balance sheet risks.

- On the property & casualty side, deals such as last year's acquisition of Vantage by Howard Hughes demonstrate that the "Berkshire Hathaway" strategy of using the float from an insurance or reinsurance business as the foundation for a diversified holding company remains compelling. Specialty businesses with clearly defined businesses and strong but less-than-dominant market positions may also be considering M&A options, either as buyers or sellers.

- Cross-border activity will continue, not just from Japan (which was such a prominent buyer in 2025), but also with strategic buyers from Europe, the United Kingdom and Asia looking for opportunities for non-organic growth in a consolidating U.S. market.

- Private capital is also a primary driver behind the activity in the broker, MGA and MGU markets, with deals such as the $9.8 billion Brown & Brown acquisition of Accession Risk Management Group being a good example. With valuations at historic levels, we expect that this may be a year in which these businesses trade out of PE hands and into the public markets or strategic ownership.

- Legacy businesses will also continue to provide M&A opportunities. Life & annuity companies will be constantly evaluating their in-force businesses to consider whether the costs of owning them outweigh their benefits, and the property &

casualty market continues to provide capital to the acquisition of legacy books and companies.

New Factors to Look Out for Include:

- We anticipate more activity in public company M&A. It is often the case that deals give rise to deals in this market, and if there are one or two important, industry-shaping deals early in the year, our expectation is that public company boards will (and should) take note in order to address any risk of being left as an under-scaled player in a consolidating market.

- There is increasing value being placed on life insurance and annuity businesses as a source of fee-earning AUM for asset managers and on asset management capabilities as being core to successful life and annuity franchises. We expect that this year will be marked by increasing convergence between these sectors.

- Companies will need to continue addressing the changing technologies that are likely to reshape how business is conducted throughout the insurance industry. We expect to see a resurgence in tech-driven M&A activity such as we saw last year with Munich Re (through its direct writer ERGO) acquiring NEXT Insurance.

- There may be deals that make financial sense this year if interest rates come down and the overall industry cost of capital is lower. This is highly dependent on how macro factors play out, which of course is inherently impossible to predict.

- Another tailwind may emerge this year as the federal deregulatory environment becomes clear—federal agencies are simply less enforcement focused than they were under the Biden administration, and this may either create opportunities for, or at least diminish obstacles to, large-scale M&A deals.

The United Kingdom and Europe

- In the United Kingdom, as so prominently in the United States, we continue to see private capital driving M&A activity, across the intermediary sector as well as in life and non-life insurance companies. The $2.5 billion Stone Point Capital investment in the Ardonagh Group was a good example from 2025.

- Strategic M&A is already active in the specialty market, with the recently announced bid by Zurich for Beazley PLC being the type of transaction that could well serve as a catalyst across the market.

- The pension risk transfer (PRT) market is and will likely remain the most active component of the UK life insurance M&A market. With challenges from the

Prudential Regulation Authority over the use of funded reinsurance, we are likely to see interest in sidecar deals and potentially new transactions using the UK insurance-linked securities regime to support the growth of that market. We will also see investment into a greater range of pension businesses, including newly formed pension consolidator vehicles and defined contribution businesses.

- Interest from private capital in non-life insurance business and MGAs will continue the current focus on the Lloyd's market, and the appetite of global insurance groups for accessing third-party capital is likely to drive further deals being executed through the London Bridge 2 vehicle, as we saw in 2025.

- Renewed interest in the acquisition of insurance subsidiaries by European banks owing to the "Danish Compromise", a provision of the EU Capital Requirements Regulation allowing favorable treatment by banks of their equity investments in insurance subsidiaries.

- Finally, across Europe, we expect to see growth in intermediary consolidation as the broker consolidators look outside more developed markets to consolidate.

Asian Markets

- Asia will likely see an active insurance M&A market after a slower 2025. A number of insurers are exploring options for their life insurance businesses in key markets as they seek to grow or focus on core markets. Japanese insurers, who have been active investors in the U.S. market, may look at potential acquisition targets closer to home.

- Asset management transactions will be another focus for insurance transactional work as the industry consolidates for scale. This will most likely take the form of divestment and acquisition of (general or specialist) asset management businesses by Asian insurers or global insurers looking for a stronger Asia footprint. Minority investments in insurers coupled with long-term asset management deals, mirroring the trend seen in the United States, are also possible, although the geographic and regulatory diversity in Asia gives rise to some challenges for such transactions in the region.

- Asset-intensive reinsurance is on the rise across the region. Having been a prominent feature of the Japanese life insurance market in recent years, it is becoming more common in markets such as Hong Kong and South Korea as insurers seek ways to manage back books and free up capital. However, regulatory scrutiny of such transactions is increasing in line with global regulatory trends and may lead to changes in transaction and collateral structures.

- The high-net-worth life insurance market remains a focus area in Asia, giving rise to potential acquisitions, restructurings and regulatory projects relating to cross-border distribution. Adjacent to this, capital-light but fee-intensive businesses such as insurance brokers will remain attractive to private equity and industry consolidators.

Capital Markets

Expect a Strong Year in the IPO Market

We anticipate a strong year in the IPO market, as PE-backed companies look for a public exit, and technology-driven companies look to tap the capital markets for growth capital.

- From a disclosure perspective, we expect less focus on ESG initiatives consistent with trends in 2025 and increasing focus on the risks associated with social inflation and other emerging risks, particularly in casualty lines of business.
    - Reserve strengthening charges resulting from unfavorable development driven by social inflation are expected to continue.
    - AI and cybersecurity will also continue to be a focus of disclosures.
- Assuming interest rates decline, we expect to see continued strong capital-raising and balance-sheet-strengthening activity through debt financing, both in the senior debt and hybrid securities markets. Life insurers continue to see the benefits of spread-lending businesses, with funding agreement-backed note programs continuing to be popular. Pre-capitalized trust securities also made a comeback in 2025, which is likely to carry forward into in 2026 if interest rates trend lower.
- Sidecars for both life and annuity and P&C insurers and reinsurers remain common capital-raising vehicles, frequently set up in Bermuda and the Cayman Islands.

Federal and State Regulatory Developments

Overall Deregulatory Agenda

We expect the current administration to continue pursuing its stated goals of broadly deregulating many sectors of the economy. Specifically, we anticipate:

- A reprieve from heightened scrutiny on, for example, private equity and the credit industry, which may lead to an increased role for private equity sponsors in the private credit markets and, as a knock-on, the insurance sector.

- Increasing comfort with private equity firm investments in the pension risk transfer, life insurance and retirement industries that is consistent with a deregulatory approach to private equity in general.

- The trend towards deregulation at the federal level may be tempered by the actions of state regulators and attorneys general, as they continue to pressure-test the role of private equity in the insurance industry, particularly the life and retirement sectors.

- State insurance regulators will continue to refine risk-based capital requirements around structured securities and other complex assets held by insurance companies to prevent regulatory arbitrage of capital charges across asset classes.

- Increased attention by state regulators to recent events impacting public opinion of insurers such as the California wildfires and affordability and availability of personal lines insurance such as auto and home.

- The merger control environment in the United States is expected to remain deal-friendly. The return of remedies (both structural and behavioral) as a means to rectify anticompetitive transactions continues to provide the DOJ, FTC and companies a relief valve, assuming an acceptable remedy package can be developed and implemented.

Artificial Intelligence

Use of AI in Underwriting

The growth of artificial intelligence in underwriting and marketing was a main headline in 2025 and, as anticipated, we have started to see state regulatory and attorney general scrutiny of the use of AI by insurance companies. Despite the federal government's hostility to state regulations that limit the use of AI, we expect to see continued focus by state regulators on the use of AI for hiring, lending, insurance underwriting, marketing and claims handling.

AI-Related Claims Fraud

With improvements in AI for image and video generation and editing, we anticipate a rise in fraudulent or exaggerated claims using AI-generated images and video, requiring insurers to implement deepfake detection measures.

Cybersecurity

The life insurance industry was specifically targeted by one of the most notorious cyber hacking groups, Scattered Spider, in 2025. A number of insurance companies were also attacked by other hacking groups, and numerous insurance companies were affected by North Korea's IT worker scheme. We expect that this cyber trend will continue as companies invest more in AI and build new platforms, increasing the attack surface. Regulators are deeply interested in the cyber risks AI platforms and third parties pose, both to companies and consumers.

Tax Law Changes

Global Minimum Tax Remains the Focus of the United States and Other Global Jurisdictions

Following the enactment of U.S. tax legislation in 2025, we expect significant focus in 2026 on the implementation of the G7's "side-by-side" framework harmonizing the interaction between the U.S. tax system and the OECD's "Pillar 2" global minimum tax regime. While both the United States and the Pillar 2 rules impose 15% minimum taxes on the financial statement income of large corporations, design differences between the two systems, including the treatment of tax credits and the taxation of foreign subsidiaries, have caused significant friction between the United States and the many jurisdictions that have enacted Pillar 2 legislation. Tensions came to a head when Congress proposed to include in the One Big Beautiful Bill a controversial "revenge tax" on residents of countries that taxed the United States under Pillar 2. Ensuing discussions led to a G7 statement that a "side-by-side" system would be implemented that would exclude U.S.-parented multinational groups from Pillar 2 tax and the removal of the revenge tax from the One Big Beautiful Bill.

On January 5, 2026, the OECD released initial guidance on the side-by-side system, a major milestone in the project. The OECD guidance establishes a safe-harbor exemption from the Pillar 2 top-up taxes for multinational groups with an ultimate parent entity in a jurisdiction with qualifying domestic and international tax regimes that meet specified criteria. The United States is so far the only country specified as meeting the criteria.

The OECD's safe harbor is effective from January 1, 2026, aligning with the expiration of an important previous transitional safe harbor.

Large multinational groups will need to carefully evaluate the details of the OECD's new guidance. Notably, groups with significant operations in the United States under a non-U.S. parent generally will not be eligible for the side-by-side system, although the guidance package also includes a safe harbor for improving the treatment of expenditure- and production-based credits and other tax incentives that could benefit U.S. taxpayers.

Bermuda's reaction to the deal will be a key point for the insurance industry. Bermuda's corporate income tax ("CIT"), enacted in response to Pillar 2 legislation, became effective in 2025. Bermuda enacted legislation in December 2025 implementing various tax credits for the CIT regime and also issued new guidance on when taxes of a non-Bermuda parent under a controlled foreign corporation regime can be used to reduce the CIT.

If there are future setbacks or tensions rise on other issues such as digital services taxes, it is possible that the U.S. government could revive the threat of the revenge tax (which likely would require an additional tax reconciliation bill). A second reconciliation bill could include additional unrelated domestic tax changes; however, the prospects for such legislation are uncertain at best.

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Please do not hesitate to contact us with any questions.

Alexander R. Cochran
Partner, New York
+1 212 909 6311
arcochran@debevoise.com

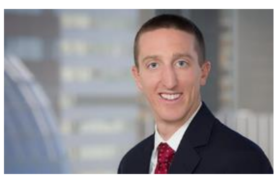
Eric Dinallo
Partner, New York
+ 1 212 909 6565
edinallo@debevoise.com

E. Drew Dutton
Partner, London
New York
+ 44 20 7786 3005
+1 212 909 6718
eddutton@debevoise.com

Avi Gesser
Partner, New York
+1 212 909 6577
agesser@debevoise.com

David Grosgold
Partner, New York
+ 1 212 909 6203
dgrosgold@debevoise.com

Andrew G. Jamieson
Partner, New York
+ 1 212 909 6250
agjamieson@debevoise.com



Eric T. Juergens
Partner, New York
+1 212 909 6301
etjuergens@debevoise.com

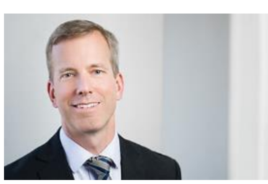
Hugo Laing
Partner, London
+44 20 7786 9020
hlaing@debevoise.com

Marilyn A. Lion
Partner, New York
+1 212 909 6108
malion@debevoise.com

Kristen A. Matthews
Partner, New York
+1 212 909 6113
kamatthews@debevoise.com

Edwin Northover
Partner, Hong Kong
+852 2160 9848
enorthover@debevoise.com

Nicholas F. Potter
Partner, New York
+1 212 909 6459
nfpotter@debevoise.com



Peter F.G. Schuur
Partner, New York
+1 212 909 6353
pfgschuur@debevoise.com

Paulina Stanfel
Partner, New York
+1 212 909 6745
pstanfel@debevoise.com

Dr. Clare Swirski
International Consultant
London
+44 20 7786 3017
cswirski@debevoise.com