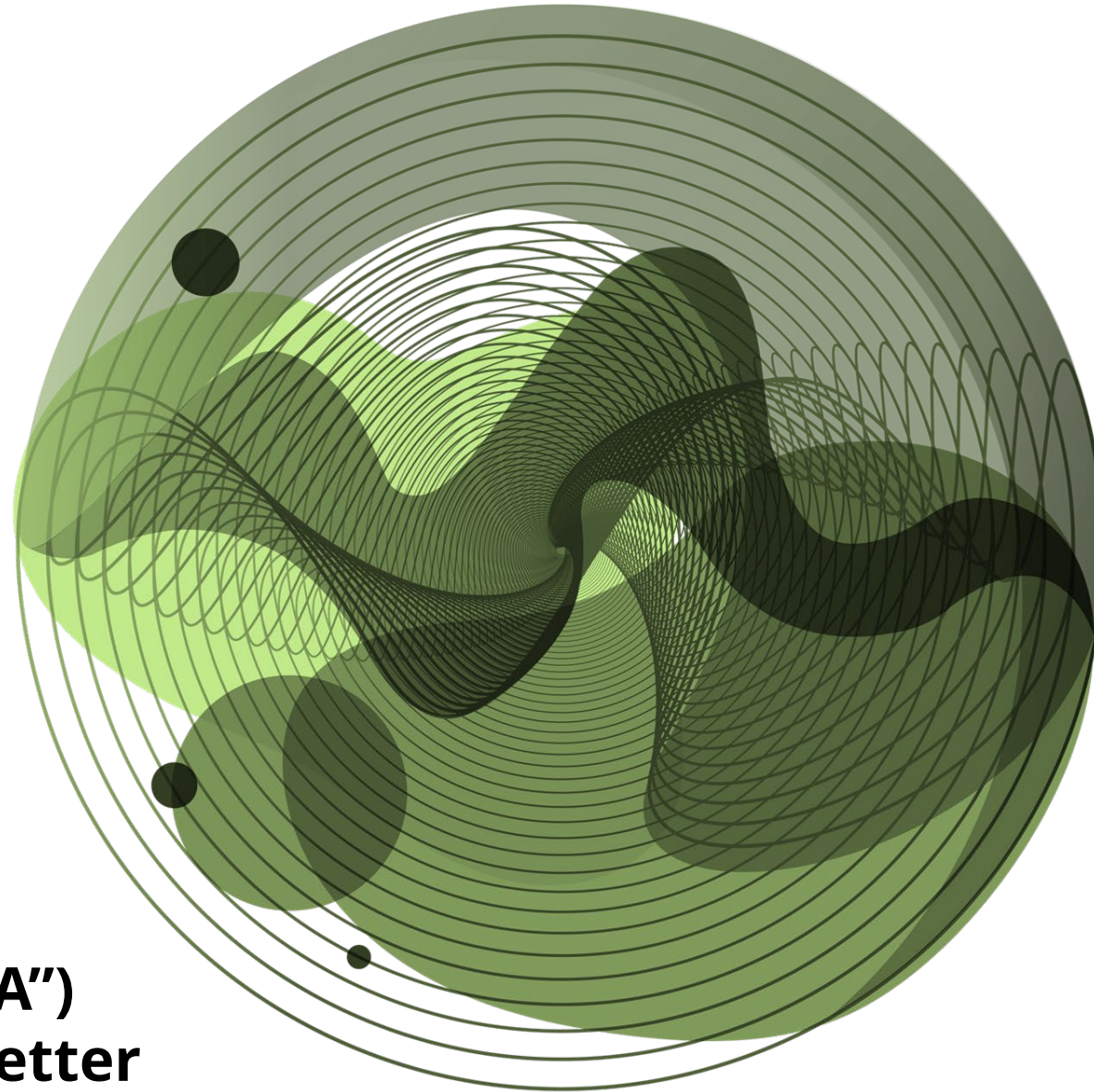
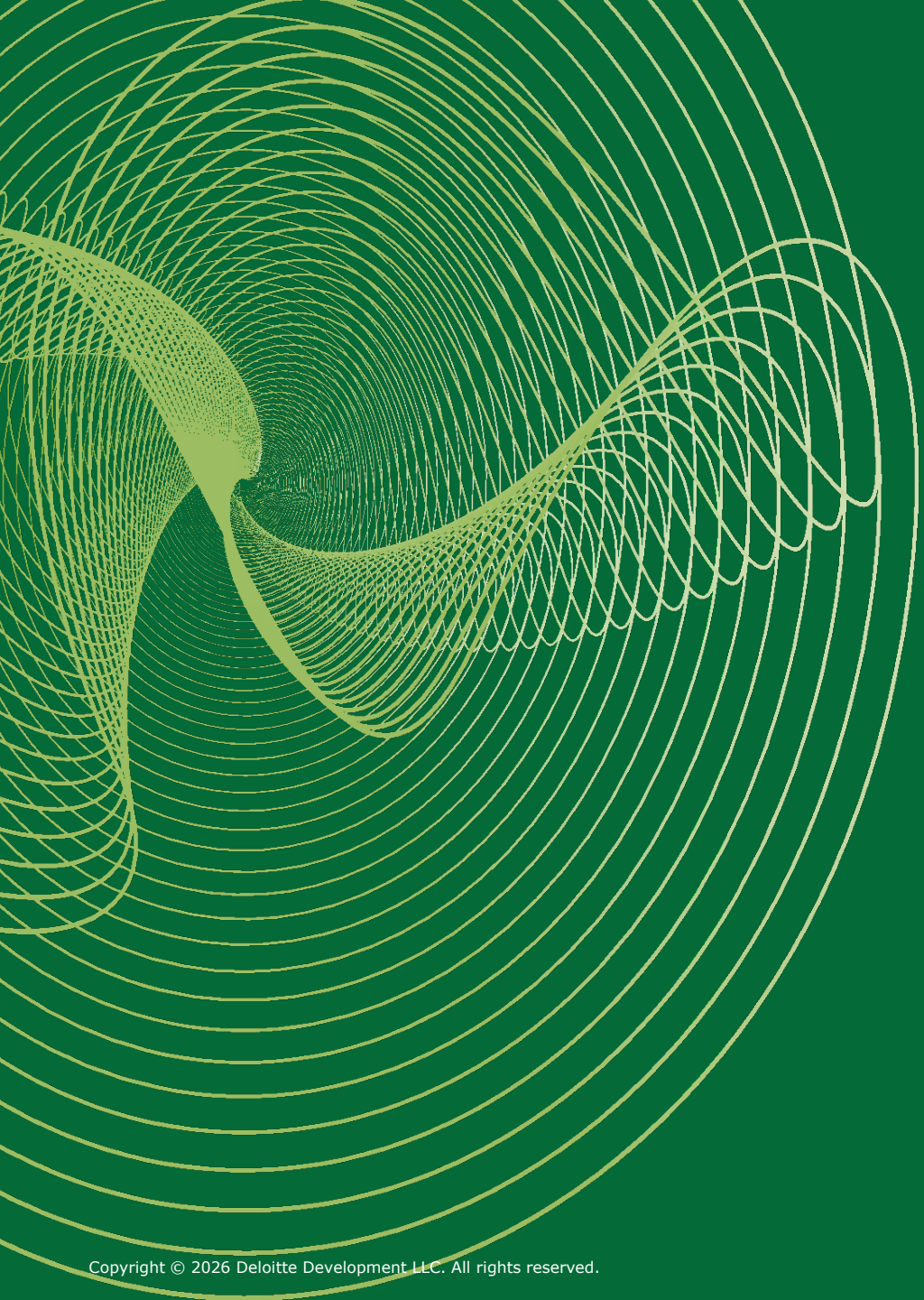


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**Life & Annuity (“L&A”)
Reinsurance Newsletter**

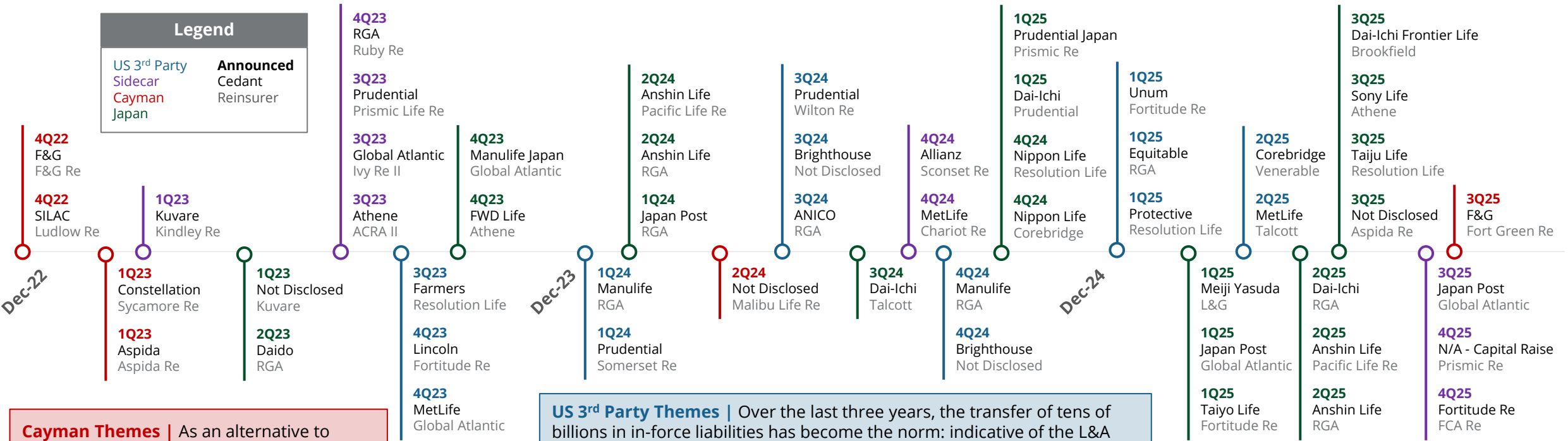
February 2026



Market Activity

Market Activity | Blink and You'll Miss It

Record pace shows no signs of slowing: insurers seek capital relief, portfolio enhancement, and risk diversification, pairing with reinsurers enjoying moderated biometric risk, elevated rates, and new, alternative capital providers



Cayman Themes | As an alternative to BDA's prescriptive, E.U.-like regime, CYM offers flexible, principles-based regulation, appealing to smaller entities with singular risks: though CYM is not E.U.-aligned, U.S. cedants have strong PE-backing, with CYM's efforts to achieve NAIC qualified status poised to enhance appeal amid budding regulatory concerns

US 3rd Party Themes | Over the last three years, the transfer of tens of billions in in-force liabilities has become the norm: indicative of the L&A segment's transition to less-volatile, balance sheet-light business models as market demand for asset-intensive products climbs

Sidecar Themes | Billions of dollars have flooded the L&A segment as outside capital providers look to increase their exposure to (re)insurance growth, with carriers welcoming the investment, deploying funds to increase new business capacity as asset-intensive sales boom

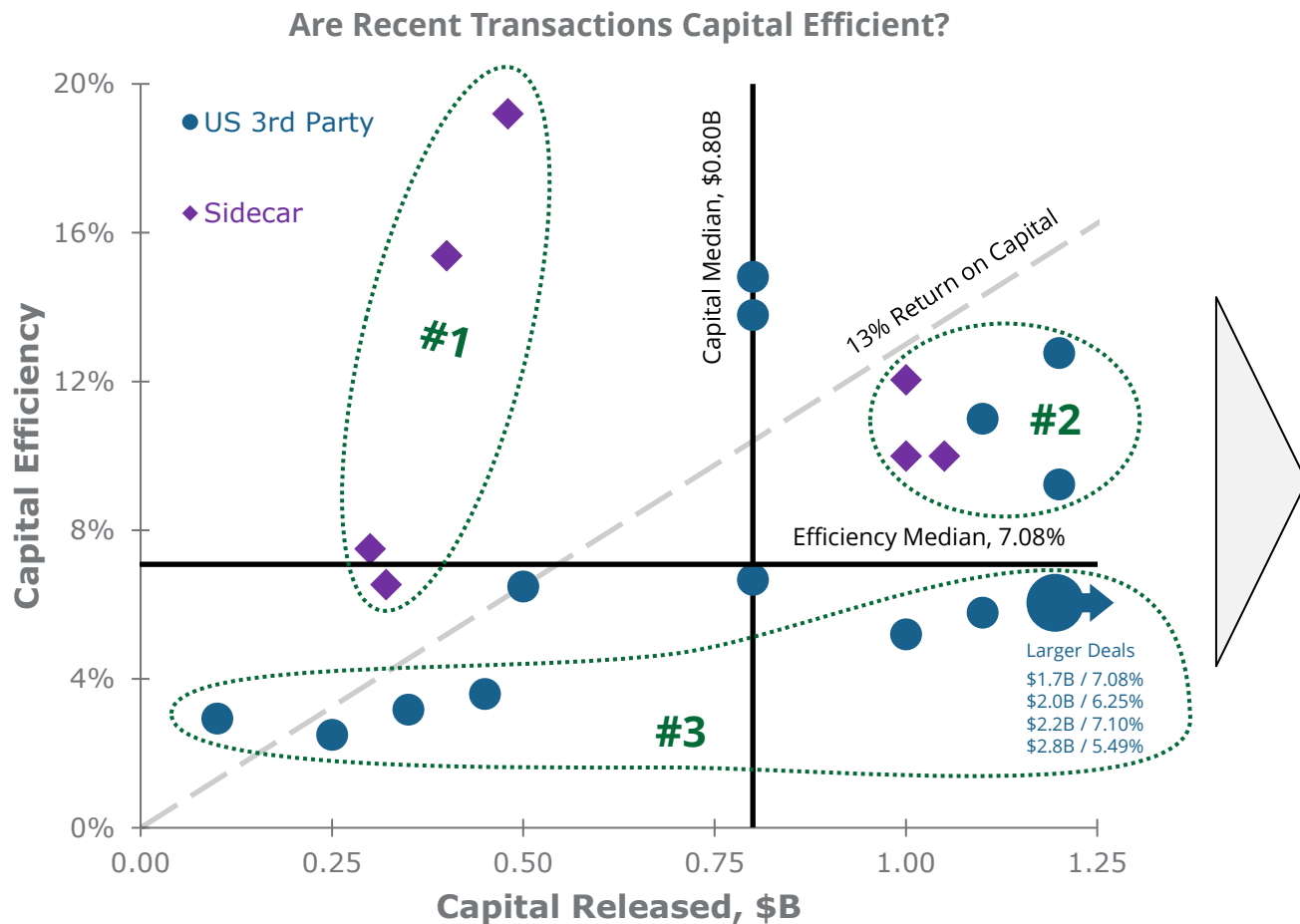
Japan Themes | \$3T in interest-sensitive liabilities are likely BDA-bound as JPN's new, E.U.-like solvency regime, effective this April, increases reserve requirements, necessitating capital relief: BDA's relatively mature, increasingly transparent, and capital-lean regime aligns with E.U. standards, offers attractive PE-backed pricing, and pairs U.S. demand for high-quality business with JPN's newfound supply

Note: the market activity shown here, which includes deals, strategic partnerships, M&A, and entity establishment is not exhaustive; instead, it is intended to be representative of recent market trends.

Sources: official investor relations websites, covering nearly fifty (re)insurers in the U.S., Bermuda, the Cayman Islands, the U.K., Canada, and Japan.

Market Activity | Analyzing the Increasingly Complex Motives to Transact

As large, global reinsurers benefit from macro tailwinds, there is an emerging need to defend market share against new, non-traditional players that have established a competitive presence or supplied niche demand



Deloitte Insights

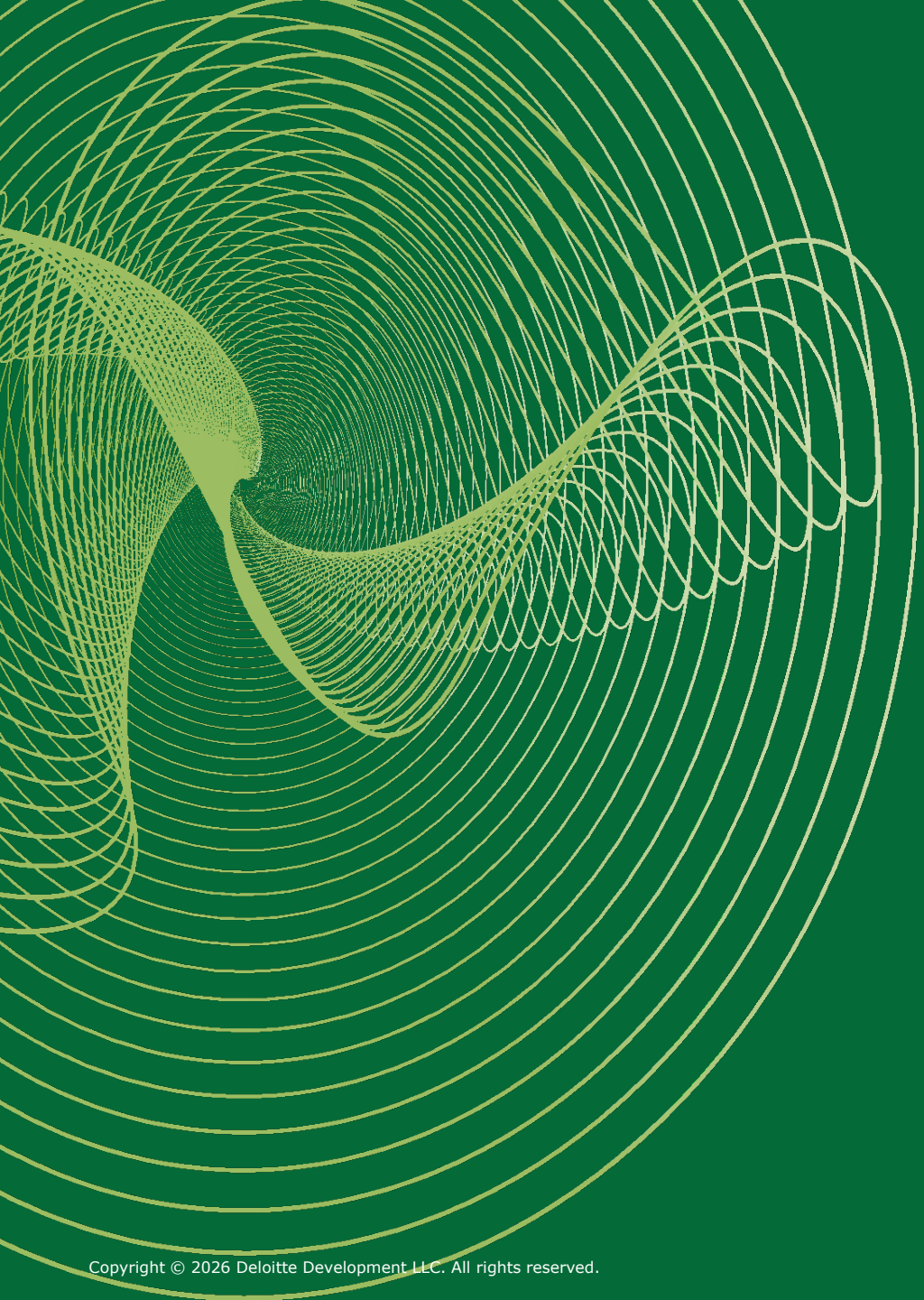
- 1) For capital relief, particularly when analyzing affiliated capital transfers of less than \$0.5B, **Sidecars** are, as advertised, an efficient deal structure
- 2) Efficiency increases at scale, but analysis suggests that:
 - As a **Sidecar** grows and opens to more diverse, unaffiliated business, deals are less accretive to the cedant's return on capital; however, intangible value is often created through strategic partnerships
 - When capital transferred exceeds the \$0.8B median, **US 3rd Party** cedants see diminishing efficiency as deal sizes eclipse historic market precedence
- 3) Regarding **US 3rd Party** deals below the 7.08% efficiency median, analysis suggests that:
 - Complex risks, such as LTC, ULSG, or VA GMxB, achieve relatively less capital relief, as the reinsurer must have margins to bear incremental uncertainty
 - Capital relief was not the primary deal motivation: cedents used these deals to quickly exit legacy business and improve free cash flow generation

Notes: the vertical axis quantifies capital efficiency as the ratio of capital released, that is, the horizontal axis, to liabilities transferred.

Transactions with Japanese cedents or Cayman reinsurers are excluded due to a lack of public data; sidecar transactions use seed capital to proxy capital released.

The transactions analyzed here are not exhaustive; instead, they are intended to be representative of recent market trends.

Sources: official investor relations websites, covering nearly fifty (re)insurers in the U.S., Bermuda, the Cayman Islands, the U.K., Canada, and Japan.

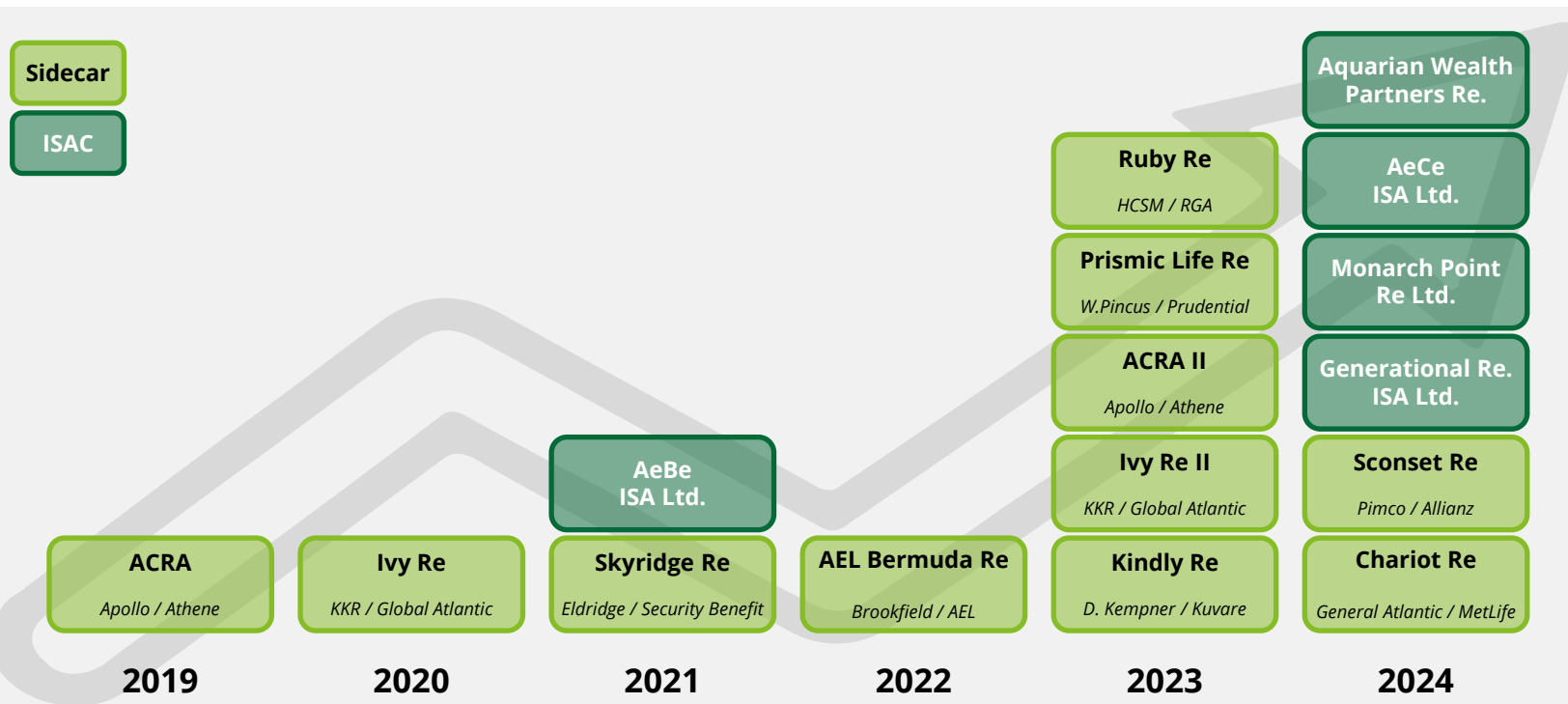


Rotating Deep-dive

Alternative Structures

Rotating Deep-dive | The Emergence of Alternative Reinsurance Structures

L&A insurance in the U.S. are expected to form more offshore reinsurance entities: alternative structures, which often feature private equity alliances, are designed to attract specific liabilities, backed by third-party capital



Clayton Chuah
 Director, Deloitte Bermuda
 Actuarial & Insurance Solutions

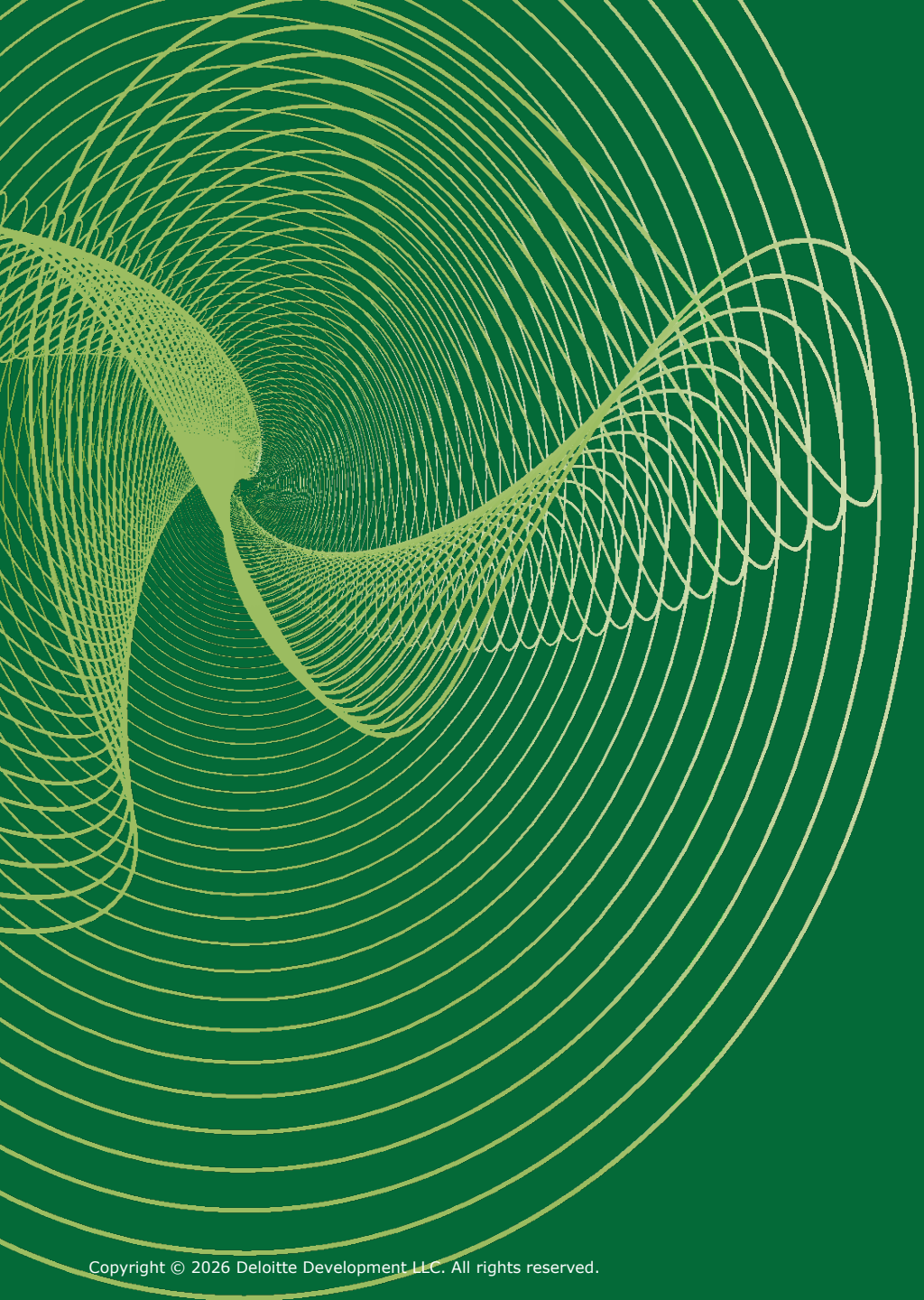
Alternative structures are promising tools for enhancing capital efficiency and risk management. Sidecars and ISACs enable insurers to share risks with investors, providing a mechanism to access additional capital without diluting equity or incurring debt, which offers flexibility by allowing insurers to target specific risks. This can be advantageous in managing the complexities associated with L&A products, such as longevity, mortality, and investment risks. While these alternative structures offer attractive benefits, the operational complexity of establishing and managing them is significant, requiring sophisticated governance and administrative efforts.

Success hinges on finding a mutually beneficial partnership, between insurer and investor, while balancing an acceptable investment return. Sidecars and ISACs must comply with Bermuda's robust regulatory framework, unlike captives and Special Purpose Insurers ("SPIs"), which means they have regulatory and reporting requirements identical to those of a commercial insurance entity. With partnerships between insurance writers and investment managers becoming more common, investors can be assured that risks will be managed effectively while providing attractive returns.

Sidecars and Incorporated Segregated Accounts Companies ("ISACs") are a persistent hot topic in offshore reinsurance. With U.S. (re)insurers generally inundated with capital constraints, Sidecars and ISACs offer effective access to third-party capital markets. These alternative reinsurance entities allow sponsors and investors to focus on their respective areas of experience: the sponsor, often a (re)insurer, handles the valuation and administration of underlying policies, while the investor, often a private equity or investment management firm, focuses on asset origination and investment portfolio governance.

While regulation and governance requirements are similar, relative to Sidecars, ISACs offer additional scalability. For example, after a reinsurer receives its ISAC license from the Bermudan Monetary Authority ("BMA"), subsequent SACs can be incorporated quickly and efficiently. The benefits of alternative reinsurance structures come with a cost, which most commonly manifests as significant challenges establishing the entity. These include, but are not limited to:

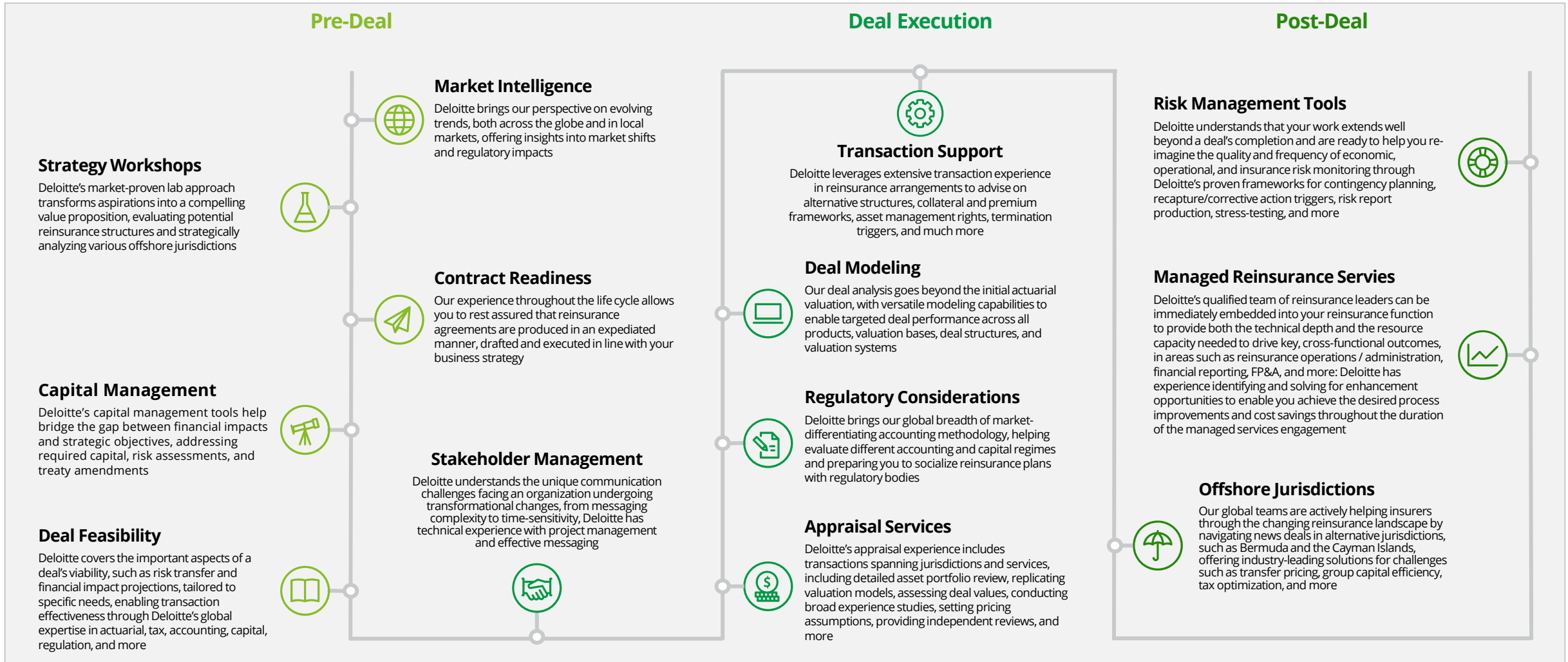
- Finding the right investors, partners, etc. to capitalize the alternative reinsurance entity
- Offering an attractive rate of return for investors while retaining insurer profitability from the block of business
- Choosing the best jurisdiction fit, as well as the corresponding regulatory and tax considerations
- Securing the necessary resources and experience to manage the alternative reinsurance entity



Where Deloitte Can Help

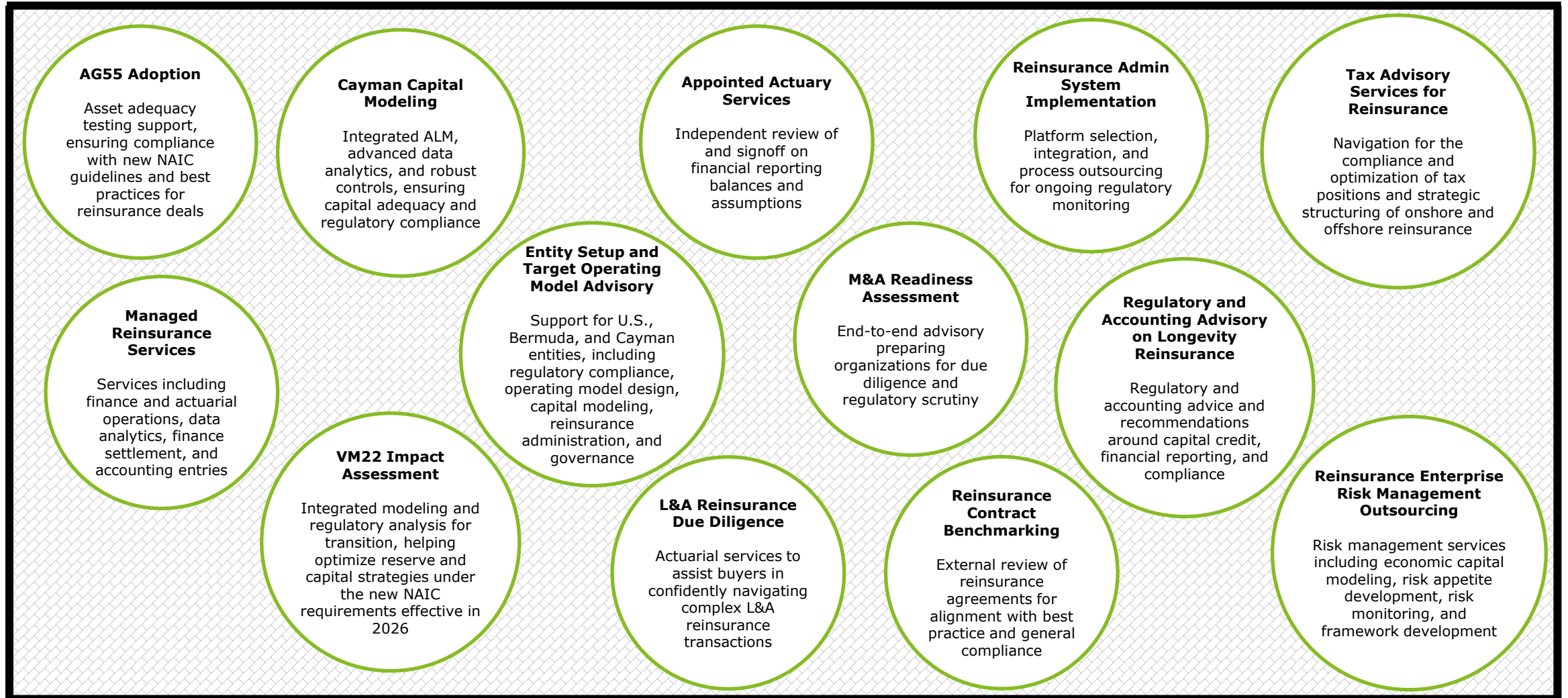
Where Deloitte Can Help | Yes, Deloitte Does That

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Where Deloitte Can Help | Select Ongoing and Recently Completed Projects

In today's rapidly evolving landscape, Deloitte's multidisciplinary team is well-equipped to support valued clients across a wide spectrum of needs, blending actuarial, finance, tax, and accounting expertise to optimize outcomes





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