Moving from capacity to prevention and greater resilience

CRE talks to HDI Global directors, Dr Dirk Höring and Dr Mukadder Erdönmez, about the rising scale and scope of corporate risk and the need for insurers and insureds alike to focus on prevention and not just capacity.

The current risk landscape differs from last year in one small, yet very important, way: scale. The two macro themes that have defined the recent risk environment – geopolitical uncertainty and climate change – continue to do so, but with a more aggressive acceleration and a deepening interconnectivity.

At the same time, the commercial insurance market is experiencing its own structural shifts as carriers look to move beyond being pure capacity providers to more bespoke coverage, driven by risk engineering and genuine innovation.

So say Dr Dirk Höring, member of the HDI Global SE Executive Board, responsible for Property, Engineering, Energy, Marine, HDI Risk Consulting and Captive Services, and Dr Mukadder Erdönmez, member of the HDI Global SE Executive Board, responsible for Liability, Cyber, Motor, and US Market.



▲ **Dr Dirk Höring, member of the HDI Global SE Executive Board, responsible for property, engineering, energy, marine, HDI Risk Consulting and Captive Services**

EXPONENTIAL RISK

"The real change is not that we face more risks. It is that geopolitical, climate and technology risks increasingly reinforce each other," says Höring.

For example, the conflict involving the US and Iran, together with attacks affecting shipping in and around the Strait of Hormuz have caused untold damage to supply chains and energy production facilities, increasing exposure for property, energy and marine portfolios. "These developments have really influenced our underwriting, risk management, and claims in 2026," says Höring.

That volatility has also been seen in the natural catastrophe market where extreme weather events have become more frequent and severe but also more unpredictable.

Furthermore, the primary challenge facing multinational firms is no longer restricted to primary standalone perils—such as severe Atlantic hurricanes—but rather the unyielding frequency and rising severity of secondary perils, such as flash flooding, worldwide.

Consequently, risk management strategies have had to adapt.

"For insurers, historical underwriting models traditionally treated natural catastrophes as localised or seasonal deviations. But climate volatility is now a permanent, baseline feature of global property and engineering risk," says Höring.

While none of the risks are new, some have evolved significantly. For example, a risk like artificial intelligence has become multi-faceted, especially since the advent of agentic AI – it is now more than a technology risk and has exposure in terms of liability, regulatory compliance, misinformation and reputation.

THE SQUEEZED MIDDLE

Amid this environment of accelerating risk, the commercial insurance market is evolving in two very distinctive directions. For risks that increasingly commoditised, there is similarly commoditised insurance coverage that is automated, standardised and full of capacity.

On the other side, there are large, complex risks that require a consultative, engineering-led approach and bespoke underwriting structures.

Firms that operate strictly as passive capacity providers—without distinct risk engineering infrastructure—risk falling into an unviable position or 'squeezed middle'. In contrast, more sophisticated insurers are able to play a key role in clients' risk management strategies, thanks to

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their expertise in underwriting, claims, multinational programmes and risk engineering. This shift reflects the growing expectation that insurers act not only as capacity providers, but also as trusted partners in their clients' transformation and resilience efforts.

"What we can see is an increased split between clients with really sophisticated and complex risks, where we need to work even more on bespoke solutions to respond to their individual needs, and a segment where risks are more commoditised and have more capacity," says Erdönmez.

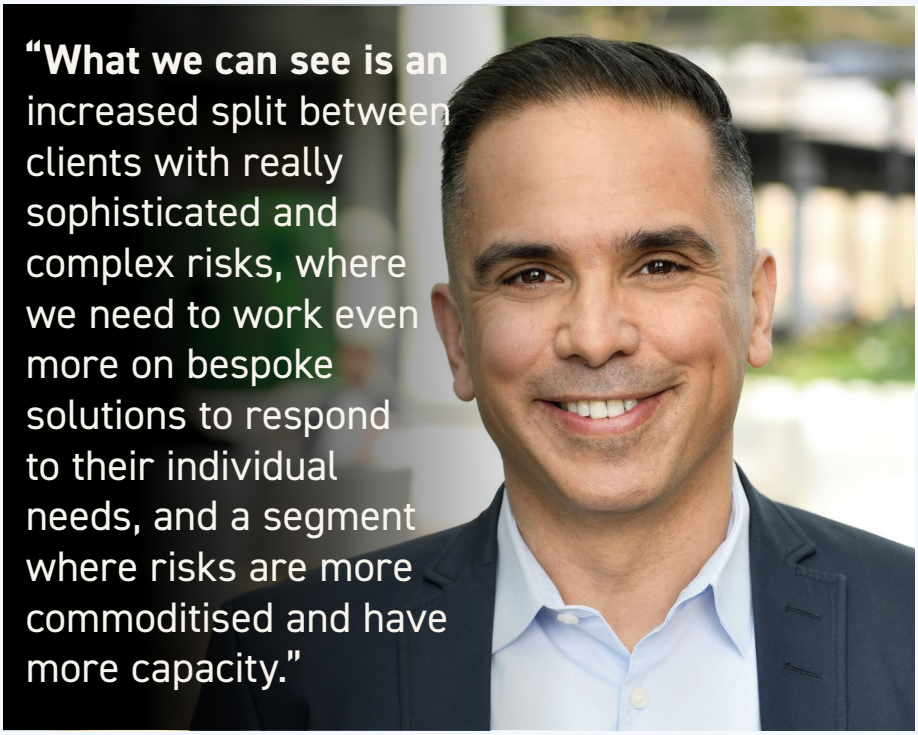
This dynamic is evident in the cyber market, he adds. Where traditional markets tend to react to rising risks by restricting capacity or increasing exclusions, an engineering-first approach may help to build systemic resilience.

"We all know that the cyber market has been competitive in recent years with lots of capacity. But we also saw significant losses. At HDI Global, we took a risk engineering approach to cyber, focused on improving the risk quality of our clients and focusing on prevention before looking at risk transfer," says Erdönmez. "We are benefitting from that approach, and we have been less impacted by cyber attacks than many in the market."

There has also been a more mature approach to the use of captives, says Höring. More competitive premium rates have led to a slight reduction in the amount of risk capital put through the captives, but the number of risk managers using a captive has increased as the strategic uses of those vehicles are increasing.

One reason that captive use remains high is because they are being used to improve risk management and really embed risk-retaining risk strategies. This evolution has also democratised alternative risk transfer for mid-tier organisations through innovative structural vehicles:

"Captive use is much more than just a cost-saving discussion," says Höring. "They can give clients access to the reinsurance market and support the integration of multinational programmes. For risk managers with smaller portfolios, we also observe a rise of virtual captives."



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PUBLIC-PRIVATE PARTNERSHIPS

The rise of systemic macro risks such as cyber dependencies has exposed the limitations of private insurance and led to more debate about the use of pools backed by national governments, as has been seen in other lines such as terrorism (Pool Re in the UK) or natural catastrophes in Spain (El Consorcio).

An example of such a macro risk is the problem of vendor dependency in the technology world, where entire companies and even economies are critically dependent on one or two suppliers or hyperscalers and their data centres.

"A problem like that cannot be solved by the private insurance industry alone," says Erdönmez. "However, shifting risk onto state-sponsored schemes is not a simple step and would require a genuine public-private partnership with properly apportioned responsibilities," says Höring.

"Our clients should retain and mitigate manageable risks. The insurance and reinsurance markets should absorb risks that can be covered by private market capacity and capital," says Höring.

Government schemes should be reserved for the extreme risks, such as natural catastrophes that are beyond the commercial insurance market. The primary role for governments, however, is in strengthening the structural resilience of society in contingency planning, infrastructure development and building standards, Höring adds.

This focus on resilience will be key for both insurers and risk managers in the current environment, say Erdönmez and Höring.

"Ultimately, success in the upcoming risk cycle will require shifting away from transactional, price-driven coverage placement," says Höring. "Survival and financial stability will depend on deep alignment with stable lead underwriters capable of providing technical engineering insights, adaptive alternative structures, and long-term risk partnerships."

Erdönmez adds: "The future belongs to those who view underwriting as a tool for resilience and prevention, driven by innovative engineering and bespoke corporate solutions."