

FARO

REPORT

BANKING · INSURANCE · WEEKLY ANALYSIS

Key Trends in the Insurance Sector This Week

S25-2026-INS · Reporting Period: June 16-22, 2026

Florida Reinsurance Renewal Softens Despite Persistent Catastrophe Risk: Gallagher Re reported a 22.8% average pricing decline across its June 2026 Florida renewal portfolio. Guy Carpenter attributes the softening to stronger insurer capital following Florida's 2022–23 reforms. The shift is significant because it occurs despite elevated climate volatility: reinsurers are pricing legal and structural reform, not reduced physical risk, and several brokers cautioned that mid-2026 pricing has returned only to pre-2023 levels, not a new floor.

June Severe Convective Storm Losses Reach Mid-Single-Digit Billions: Gallagher Re estimates June severe convective storm outbreaks produced insured losses in the mid-single-digit billions, pushing 2026 US SCS losses above \$22 billion. A major hail event near Winnipeg could become one of Manitoba's largest insured catastrophes.

Aon Launches Contract AI for Reinsurance Coverage Analysis: Aon launched Contract AI on June 16, an AI platform that interrogates its entire US and Canada reinsurance contract database from the past three years in real time to identify exclusions, market trends, and reinsurer appetite. Covering 15 lines of reinsurance business, the tool can be deployed reactively after catastrophe, cyber, or geopolitical events, or preemptively ahead of renewals, work that historically required days or weeks of manual review. For insurers and reinsurers, the launch marks AI's entry into the technical layer of coverage interpretation itself, not only underwriting and claims triage.

Institutional Capital Expands into Casualty Reinsurance: Everest and Stone Point launched the \$600 million Annapurna Re sidecar to deploy third-party capital into casualty reinsurance. The transaction reflects a broader shift toward specialized capital vehicles as reinsurers seek flexible capacity for casualty risks shaped by social inflation and rising claims severity.

IUA and Airmic Push Outcome-Based Insurance to Close Protection Gaps: A new IUA/Airmic report, launched at the Airmic Conference in Birmingham (June 16–17), identifies three distinct types of protection gaps: cover that exists but isn't purchased, cover that doesn't respond as buyers expect, and risks for which no adequate solution yet exists. Its central recommendation is to pilot outcome-based policy structures, particularly for data center failures and supply chain disruption, rather than continuing to structure coverage around rigid product lines. IUA Director of Underwriting Tom Hughes called the gap “real, structural, and growing,” with both underwriters and large buyers wanting a different conversation.

MY TAKE

The insurance story this week is not a single peril or product but the redesign of risk transfer itself. Reinsurance pricing is softening in Florida even as severe convective storm losses keep accumulating; AI is entering contract certainty at Aon; casualty capital is migrating into sidecar structures at Everest; and the IUA/Airmic report makes the structural argument explicit: product-line insurance no longer maps cleanly onto the risks buyers actually carry. The sector is becoming more data-driven and better capitalized, but also more exposed to model, wording, and structuring precision as the gap between available capital and insurable risk continues to widen.

TECH TERM OF THE WEEK: “Basis Risk”

The risk that an insurance payout does not match the insured's actual loss. In parametric insurance, basis risk arises when a trigger is met but the loss is lower than expected, or when a real loss occurs but the trigger is not activated. Managing basis risk is central to the credibility of satellite-based, sensor-driven, and outcome-based insurance products as the market moves away from strict indemnity wording.

FARO

REPORT

BANKING · INSURANCE · WEEKLY ANALYSIS

Key Trends in Core Banking This Week

S25-2026-BNK · Reporting Period: June 16-22, 2026

Bank of England Reframes Stablecoin Regulation Around Issuer Scale: The Bank of England published its policy statement and draft Code of Practice for sterling-denominated systemic stablecoins on June 22, replacing proposed holding caps with a £40 billion issuance guardrail. The revised framework also raises the share of backing assets allowed in short-term UK government debt from 60% to 70%, with the remaining 30% held as unremunerated central bank deposits. The shift signals that the bank is treating systemic stablecoins less as speculative crypto assets and more as regulated payment infrastructure with bank-like stability obligations.

US Agencies Propose Interagency Customer Identification Standard for Stablecoin Issuers: FinCEN, jointly with the Federal Reserve, the OCC, the FDIC, and the NCUA, issued a joint notice of proposed rulemaking on June 18 to implement Customer Identification Program requirements for permitted payment stablecoin issuers under the GENIUS Act. The rule treats stablecoin issuers as financial institutions under the Bank Secrecy Act for the first time, requiring KYC practices comparable to those already governing banks and broker-dealers. The proposal was published in the Federal Register on June 22, opening a 60-day comment period.

US Bank Regulators Close Comment Period on the Most Significant Capital Deregulation Since 2008: The public comment period on the Federal Reserve, OCC, and FDIC's joint proposal to overhaul US bank capital rules closed June 18. The package replaces the contested 2023 Basel III Endgame proposal with a reduced-stringency framework that regulators estimate will deliver \$87.7 billion in system-wide CET1 relief, roughly a 4.8% reduction for G-SIBs, 5.2% for large regional banks, and 7.8% for smaller institutions. The Fed board approved the proposals 6-1, with Governor Michael Barr dissenting and warning the changes would “harm the resilience of banks and the U.S. financial system.”

EBAday 2026: Correspondent Banking Recalibrates Around Multi-Rail Liquidity: At EBAday 2026 in Copenhagen (June 16–17), panelists from BNY, Swift, Finastra, and NatWest converged on a single framing: correspondent banking's future is not Swift alone but interoperability across real-time domestic schemes, stablecoins, and tokenized deposits simultaneously. Treasury teams are shifting from batch-based, just-in-case liquidity buffers toward event-based, multi-directional cash concentration, a structural demand driven by elevated funding costs making idle liquidity expensive. Speakers were explicit that legacy core ledgers, not software capability, remain the binding constraint on real-time, 24/7 liquidity management at most institutions.

Canada Cuts Bank Capital Buffer to Support Lending Capacity: Canada's OSFI lowered the Domestic Stability Buffer for the country's six largest banks from 3.5% to 3.0% on June 19, the first change since June 2023 and the first reduction since the pandemic-era cut in 2020. The regulator also narrowed the buffer's permissible range from 0–4% to 0–3%. OSFI framed the move as enabling roughly C\$74 billion in additional capital deployment toward “Canada's economic adaptation” in technology, defense, and AI-related sectors, while noting CET1 ratios remain well above the new 11.0% supervisory expectation, averaging 13.5% across the sector as of April.

MY TAKE

Three regulators—the Bank of England, US agencies, and OSFI—moved in the same direction: easing capital and liquidity constraints while tightening identity and compliance controls. Taken together, these moves show digital money being folded into the core rulebook of mainstream banking.

TECH TERM OF THE WEEK: “Tokenized Deposit”

A digital representation of a commercial bank deposit issued on a distributed ledger or similar infrastructure. Unlike a stablecoin, a tokenized deposit remains a bank liability and preserves the legal and prudential character of deposit money while enabling programmable, near-real-time settlement.