

State of the Reinsurance Market

VVB – Fachkreis Rückversicherung

Axel Flöring, CEO DACH

München, 11. März 2025

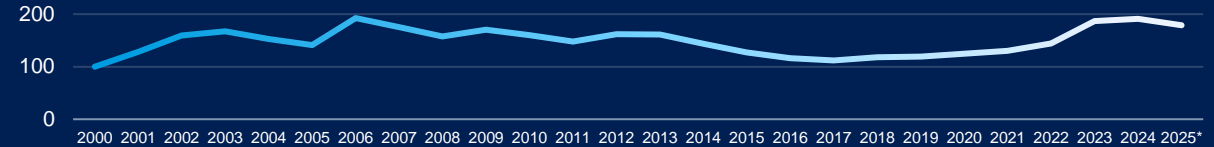
January 1, 2025 Reinsurance Renewal Key Findings

Strong Reinsurer Appetite Supported by Record Earnings



- Reinsurer profitability in 2024 drove improved market conditions.
- Analysts forecast reinsurer return on equity to be 17.3% in 2024, comfortably exceeding cost of equity and marking second year of record profitability.

Guy Carpenter's Global Property Catastrophe ROL Index Decreased 6.6% for January 2025 Renewals



First ROL decrease after 7 years of increases. However, pricing remains near all-time highs.

Total Dedicated Reinsurance Capital Expected to Increase 6.9% at Year-End 2024 to:

USD 607 billion

Traditional capital expected to increase **6.8%** at year-end 2024 to **USD 500 billion**.
Alternative capital expected to jump **7%** to **USD 107 billion**.

Cat Bond Issuance Continues Trajectory to Record Highs



67
Unique bonds

USD 17 billion
limit placed

Total outstanding notional amount at all-time high of nearly **USD 47 billion**.

Casualty In the Spotlight



- Casualty market remained disciplined with a theme of highly technical, data-driven discussions to differentiate portfolios and optimize renewal outcomes.
- Proportional casualty structures generally experienced ceding commissions flat to slightly down.
- Excess of loss general liability and excess/umbrella placements continued to face pressure on treaty pricing and terms.

Significant Insured Global Losses



The total insured global losses for 2024 are projected to be nearly **USD 130 billion**.

- Includes Hurricanes Helene and Milton; severe convective storms (SCS) in the US and Canada; Japan and Taiwan earthquakes; Canadian, German and UAE floods; Japan hailstorms; and the Baltimore bridge collapse.
- In US, SCS accounted for 40% of total losses. Hurricanes accounted for 30%.

Global Property Renewal Overview



Non-loss-impacted property catastrophe renewals saw notable risk-adjusted reinsurance rate reductions of 5-15%. However, there was a range of pricing outcomes that varied by region, attachment point and reinsurer views of price adequacy.



Appetite for Property Catastrophe Renewals Exceeds Demand

Reinsurer appetite increased by 10-15%, while we estimate demand only increased by approximately 5%



Reinsurers Stay Focused Amid Changing Market

Continued reinsurer discipline around property catastrophe program attachment points



Global Property Cat ROL Index Decreased 6.6%

Marks first ROL decrease after 7 years of increases. However, pricing remains near all-time highs



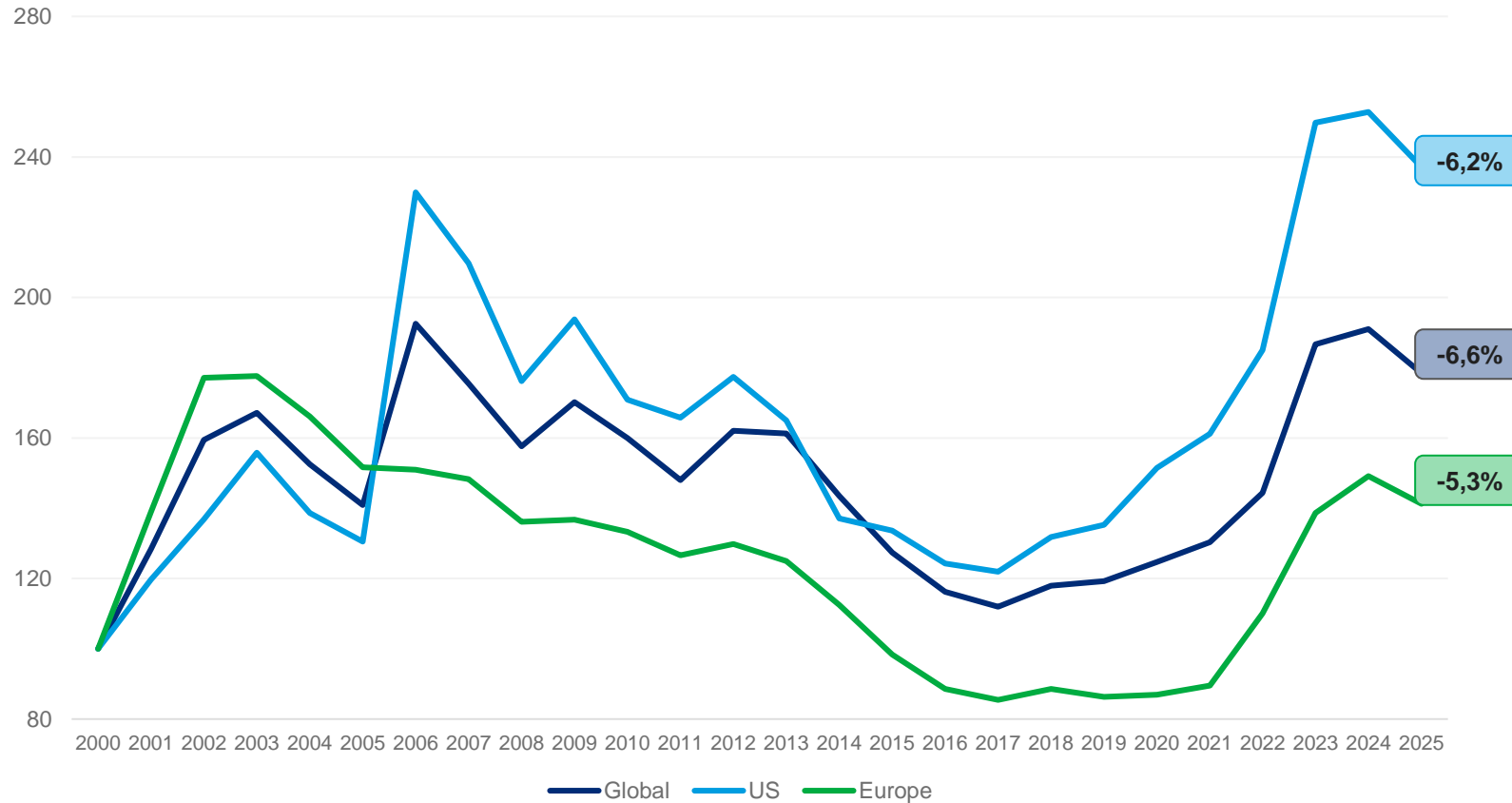
Increased Capacity and Improved Pricing Made Room for Exploring Additional Coverage

Many cedents leveraged market conditions to re-evaluate reinsurance structures and deployed savings from core catastrophe programs to secure supplemental (frequency) coverage for earnings and/or capital protection

Guy Carpenter RoL Indizes



Guy Carpenter RoL Indices



- First decline since 2017
- Decline globally and in USA more pronounced than in Europe
- ...But less pronounced than in 2006/07
- Indices overall still at solid level

EMEA Property Typical Risk-Adjusted Pricing Changes (1/2)

January 1, 2025*

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
Austria		
Catastrophe	N/A	+10 to +30
Belux		
Catastrophe	-4 to -10	N/A
Per Risk	Flat to +2	+5 to +10
CEE		
Catastrophe	-5 to -10	Flat to +15
Per Risk	Flat to -5	Flat to +8
Cyprus		
Catastrophe	+5 to +10	N/A
Per Risk	+5 to +10	N/A

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
France		
Catastrophe	Flat to -10	N/A
Per Risk	-2.5 to -7.5	+10 to +30
Germany		
Catastrophe	Flat to -7	+5 to +15
Greece		
Catastrophe	Flat to +8	N/A
Per Risk	+5 to +10	+20 to +30
Italy		
Catastrophe	-10 to +10	-10 to +10
Per Risk	Flat to -5	Flat to +5

EMEA Property Typical Risk-Adjusted Pricing Changes (2/2)

January 1, 2025*

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
MEA		
Africa Property	-10 to +10	N/A
Middle East Property	-5 to +5	Flat to +40
South Africa Property	Flat to -10	N/A
Netherlands		
Catastrophe	-5 to -8	N/A
Per Risk	-3 to +8	+10 to +30
Nordic		
Catastrophe	-5 to -10	Flat to -5
Per Risk	Flat to +10	+10 to +40
Portugal		
Catastrophe	-5 to +5	N/A
Per Risk	Flat to +5	+5 to +10

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
Spain		
Catastrophe	Flat to +9	-13 to +18
Per Risk	Flat to +5	-4 to +15
Switzerland		
Catastrophe	Flat to -7	N/A
Turkey		
Catastrophe	Flat to +5	N/A
UK		
Catastrophe	-10	N/A
Per Risk	-2.5 to -7.5	Flat to +5

Property Retrocession



Supply for property retrocession outweighed demand at January 1, leading to price reductions.



-10% to -17.5%

Average risk-adjusted pricing changes for non-loss impacted placements

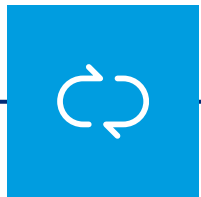


- Existing markets, both rated and collateralized, saw limited impact from 2024 natural catastrophe losses and, therefore, had strong levels of retained earnings to deploy. A small number of new retrocessionaires came to market late for January 1 with varying appetites, which added to competition.
- There was a modest increase in demand for retrocession at January 1 as a result of improved buying conditions and targets for underlying portfolio growth. Growth in demand for excess of loss was moderated by the success of proportional placements and some cases of increased net risk appetite.

Global Casualty Renewal Themes



Casualty reinsurance programs were an area of market concern, though renewals completed with varying outcomes. Proportional casualty structures generally experienced ceding commissions flat to slightly down. However, excess of loss general liability and excess/umbrella placements continued to face pressure on treaty terms. Cedents considered casualty reinsurance value by weighing cost and structure.



Cedents Demonstrate a Re-hardening of Underlying Market

US/US-exposed general liability and excess/umbrella placements experienced pricing pressure, while quota share outcomes were tied to the amount of adverse development and rate increases achieved



Reinsurer Panel Turnover Continued

Reinsurers with significant exposure to problematic years (2014-2019) were more cautious, while other markets continue to find growth opportunities, particularly in casualty quota share. As a result, capacity largely met buyer demand



Data Was Paramount to Differentiate Placements

Strong presentation of facts to shift from default/conservative reinsurer assumptions to a customized approach tailored for each individual client strategy and results



Areas of Concentration Hold Steady

Reinsurers continue to focus on areas such as social inflation, impact of “social sentiment,” increase in third-party litigation financing, geopolitical shifts and interest rate environment

International Casualty Typical Pricing Changes

January 1, 2025*

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
Overall International Casualty	Flat to -5	Flat to +7.5
Employers Liability	Flat to -5	Flat to +5
Directors & Officers	Flat to +2.5	Flat to +5
General Liability	Flat to -5	Flat to +7.5
Professional Lines	Flat to +2.5	Flat to +5



- Capacity remains available and new entrants continue to emerge. Lead terms are invariably set by the more established and traditional markets.
- Reinsurers are cautious of PYD and emerging trends. PYD inequitably impacts certain historical accounts with provision of a wealth of data.
- Global/Whole Account placements benefit from low volatility provided by diversification and balances complemented by increase in Pro Rata and XOL placements in combination. These placements have an advantage in cycle management across products and regions.
- Reinsurer “technical” pricing is overly impacted by rate change with insufficient regard to risk selection, original terms and conditions and rate adequacy.
- US exposures and application of PFAS exclusions in original policies are a common theme in International General Liability placement considerations.
- Structures have remained relatively stable with flexibility achieved via variations in Pro Rata cessions and XOL co-reinsurance
- Volatility within placements has reduced significantly by cedants in curtailment of headline capacity and overall capacity deployment.
- Cross-class participations are linked at a corporate level.
- The change in the UK Ogden Discount rate to +0.5% alleviated rating for bodily injury exposed placements.

Americas Casualty Typical Pricing Changes – XOL

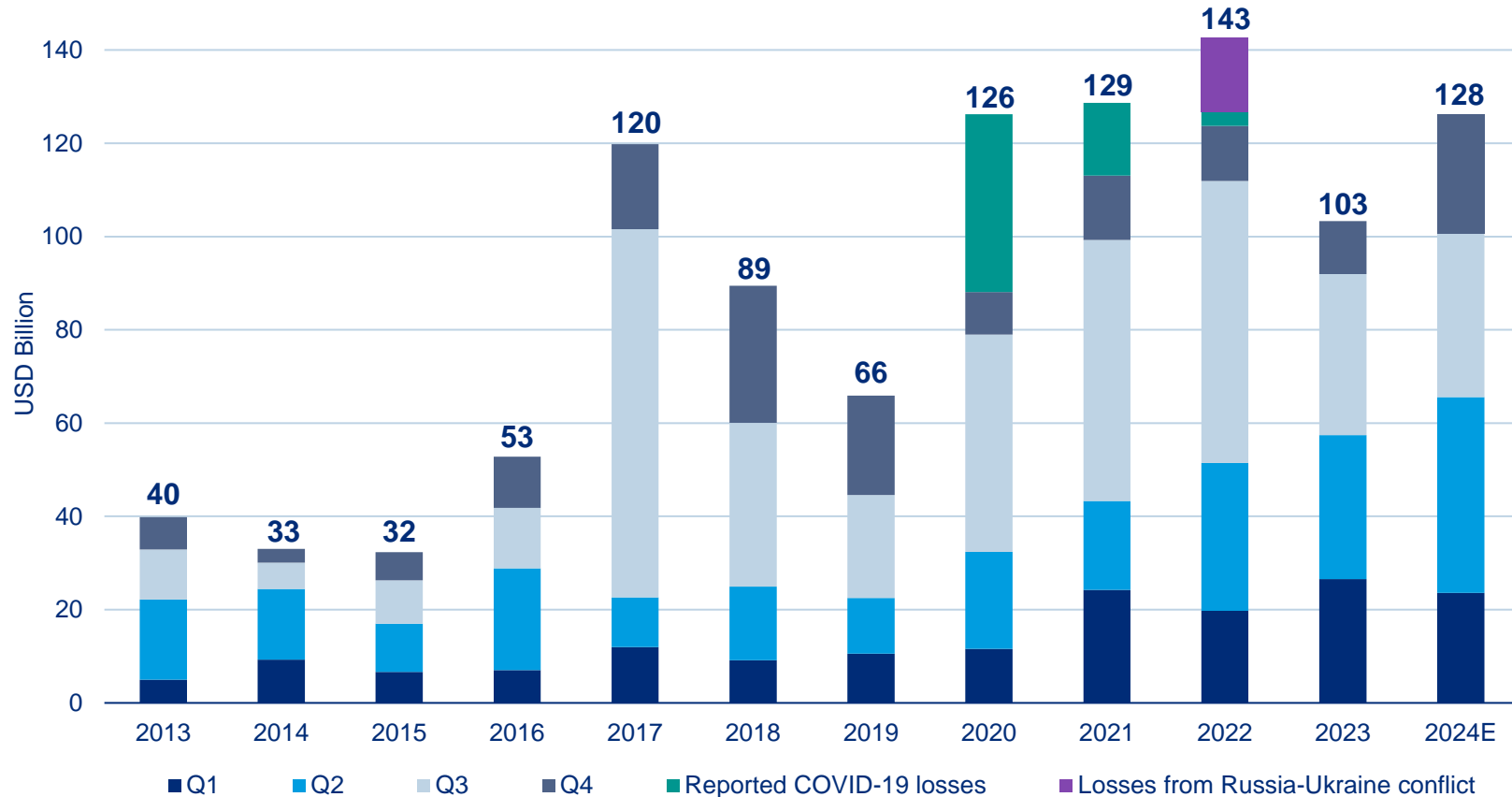
January 1, 2025*

	Non-Loss Impacted Rate Change %	Loss Impacted Rate Change %
Casualty: US and Canada		
US Casualty	-5 to +5	Flat to +30
US Casualty Clash	Flat to +15	+25 to +50
US Cyber – Agg XOL	-5 to -30	N/A
US Workers Compensation Catastrophe (ROL)	-5 to +3	N/A
US Workers Compensation Working Layer	Flat to +6	+2 to +12
Canada Overall Casualty	Flat to -10	Flat to +50
Latin America and Caribbean		
Overall Casualty	Flat	N/A

Pro Rata +/- Change in Ceding Commission Points		
	Non-Loss Impacted	Loss Impacted
US Casualty Proportional	Flat to -0.5	Flat to -1
US Cyber	Flat to +2	-1 to +1
US Financial Lines	Flat to -1.5	Flat to -1.5
US Workers Compensation	Flat to -1	Flat to -1

Global Large Loss Activity

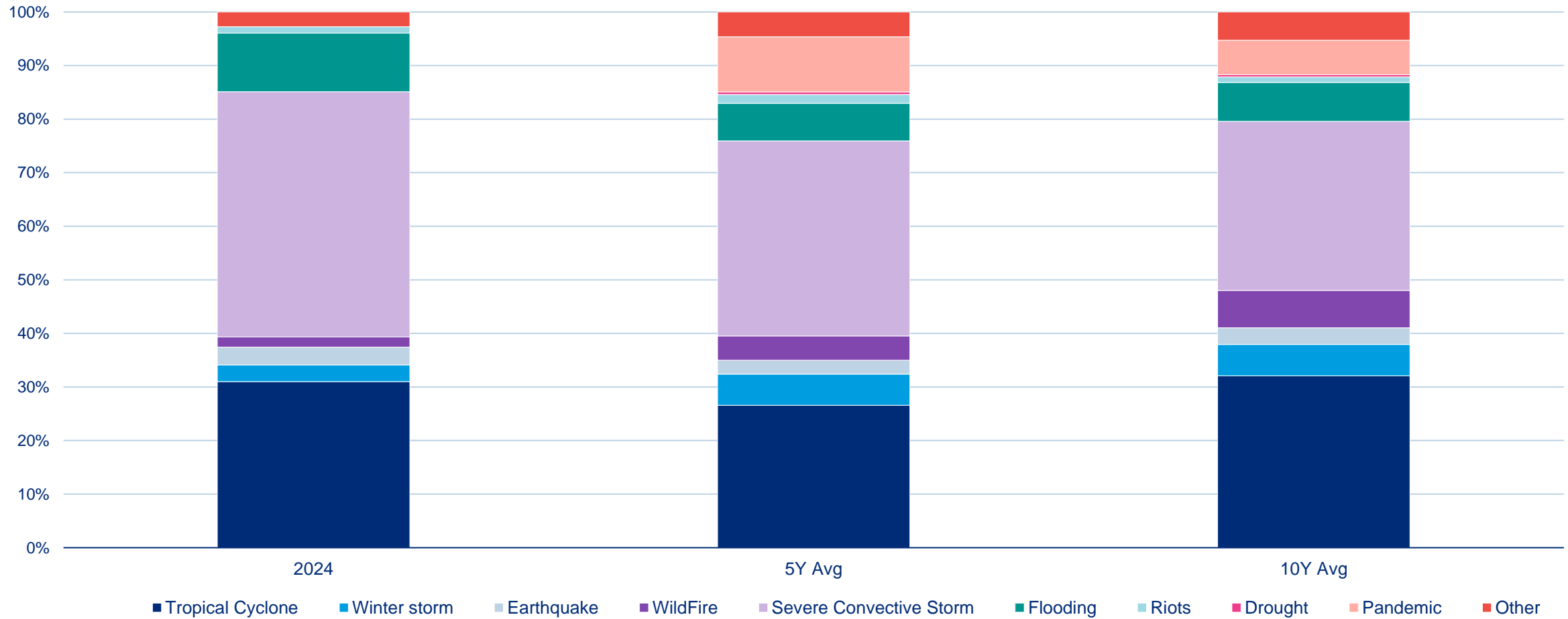
2013–2024*



- The total insured industry losses for 2024 are projected to be **around \$128B**, which is higher than the 5-year average for the year
- There were significant losses from Hurricanes Helene and Milton, severe convective storms (SCS) in the US, Japan and Taiwan earthquakes, German and UAE floods, Japan hailstorms, and the Baltimore bridge collapse
- Like last year, **SCS in the US continues to impact the losses** for 2024, accounting for 40% of the total losses; Hurricanes In US account for 30%
- To date, a total of 31 separate catastrophic events exceeding one billion dollars, have been confirmed in line to the full year of 2023

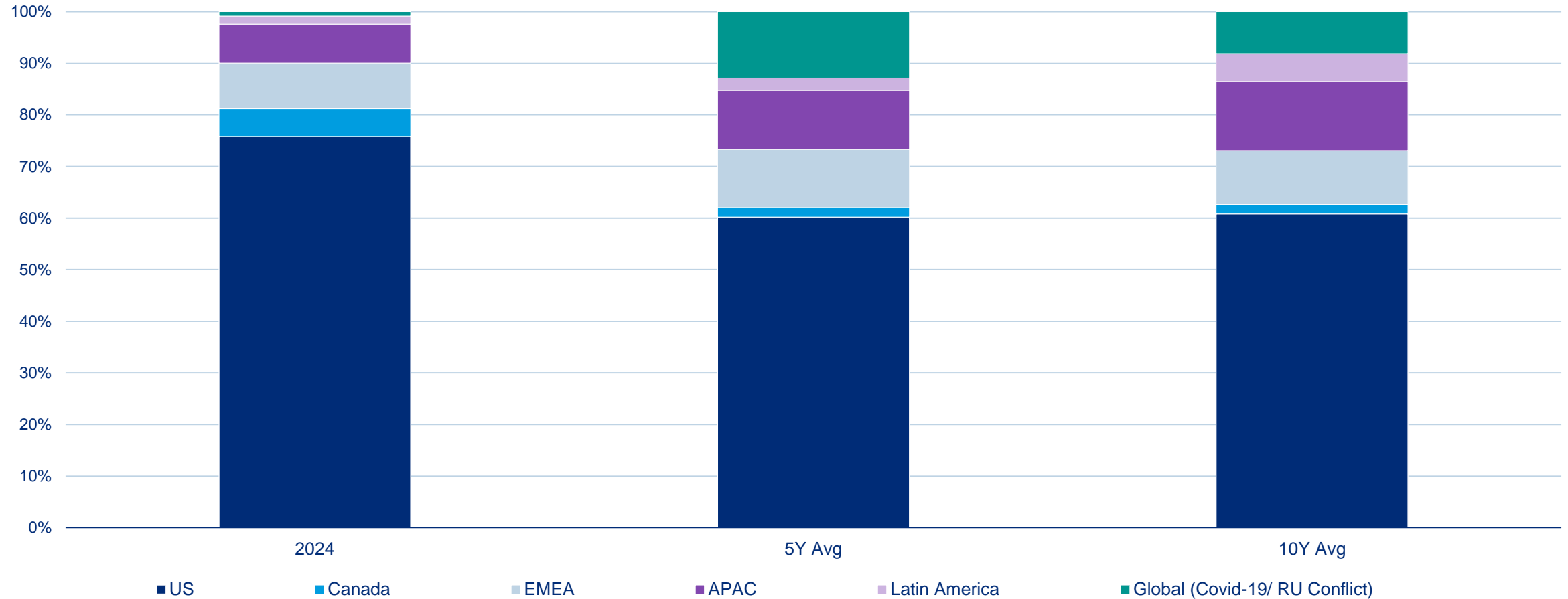
Large Loss Activity by Peril

2024 vs. 5-Year and 10-Year Average



Large Loss Activity by Geographic Region

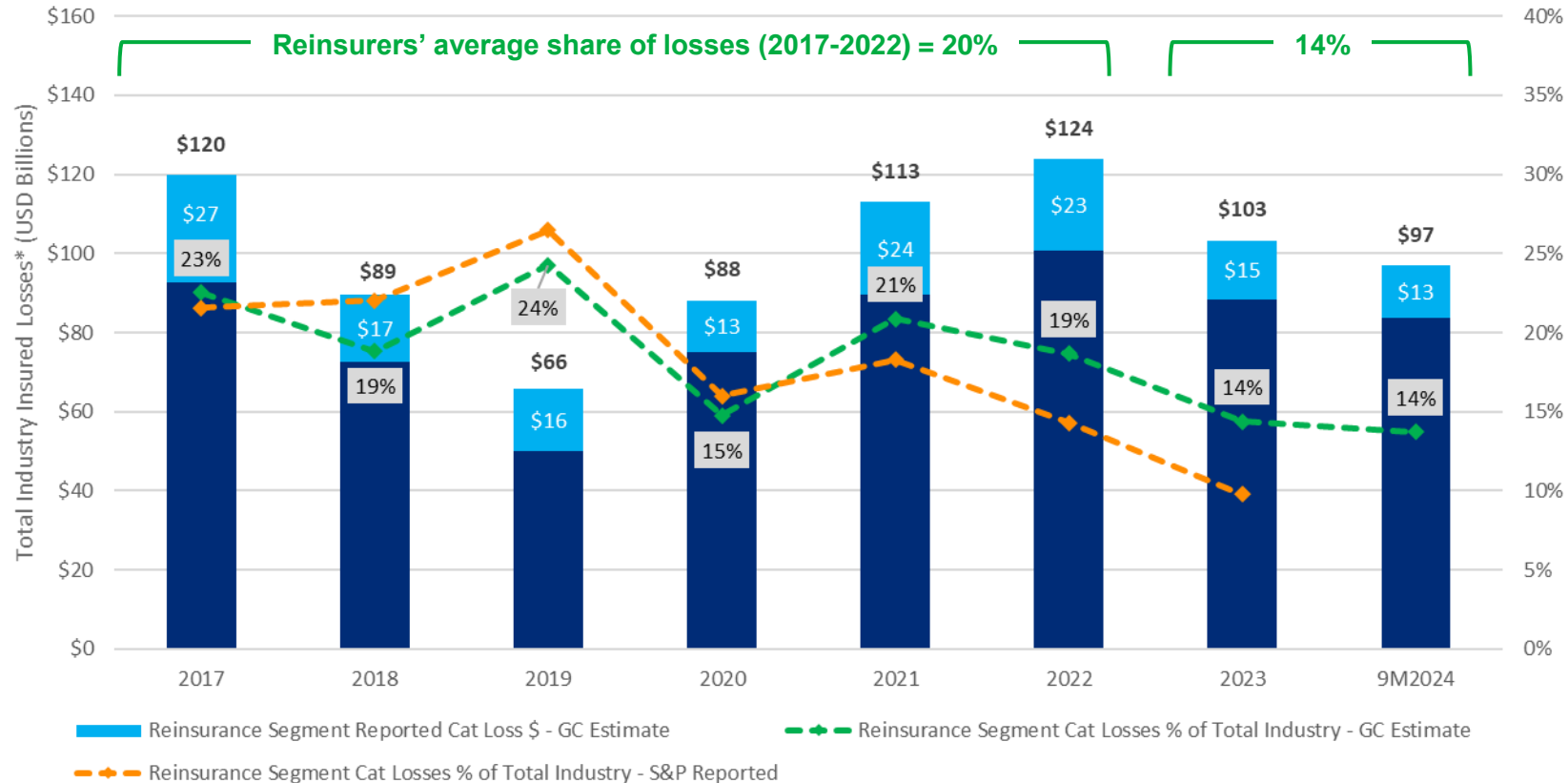
2024 vs. 5-Year and 10-Year Average



Reinsurers' Share of Cat Losses Declines



Global Insured CAT Losses and Reinsurers' Share



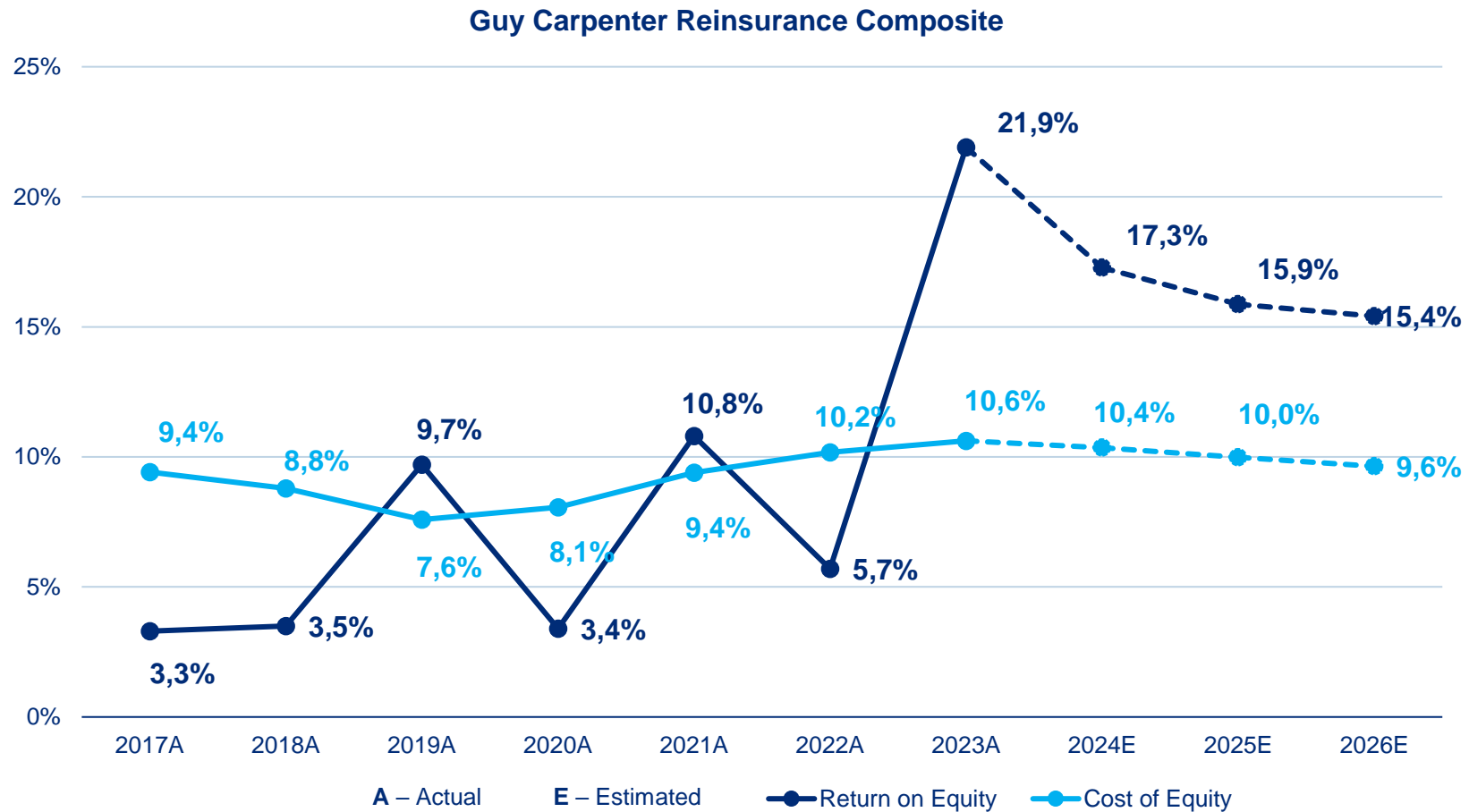
- Reinsurers' share of global catastrophe losses has declined owing to higher attachment points at 1/1/2023 and a lower number of high-severity events.
- Catastrophe losses in 2023 and 9M24 (prior to Hurricane Milton) have largely consisted of severe convective storms.
 - Except for Hurricane Helene, each event resulted in insured losses under \$10 billion and within primary insurers retention levels
- Reinsurers' share of global insured cat losses averaged 20% from 2017-2022, but declined to 14% in 2023 and 2024YTD

Source: Company reports, Guy Carpenter calculations, S&P Report - Reinsurers Show Growing Appetite For Natural Catastrophe Risk (Aug 2024); S&P's estimate is based on their top 19 rated reinsurers

Note: GC estimate- Reinsurers' share is based on reported cat losses for the reinsurance segment of select companies in the GC reinsurance composite and assumes the cohort represents 65% of the industry.

* Total industry insured losses exclude any losses from COVID-19 and the Russia-Ukraine conflict.

Guy Carpenter Reinsurance Composite Return on Equity (RoE) and Market Consistent Cost of Equity (MC CoE)

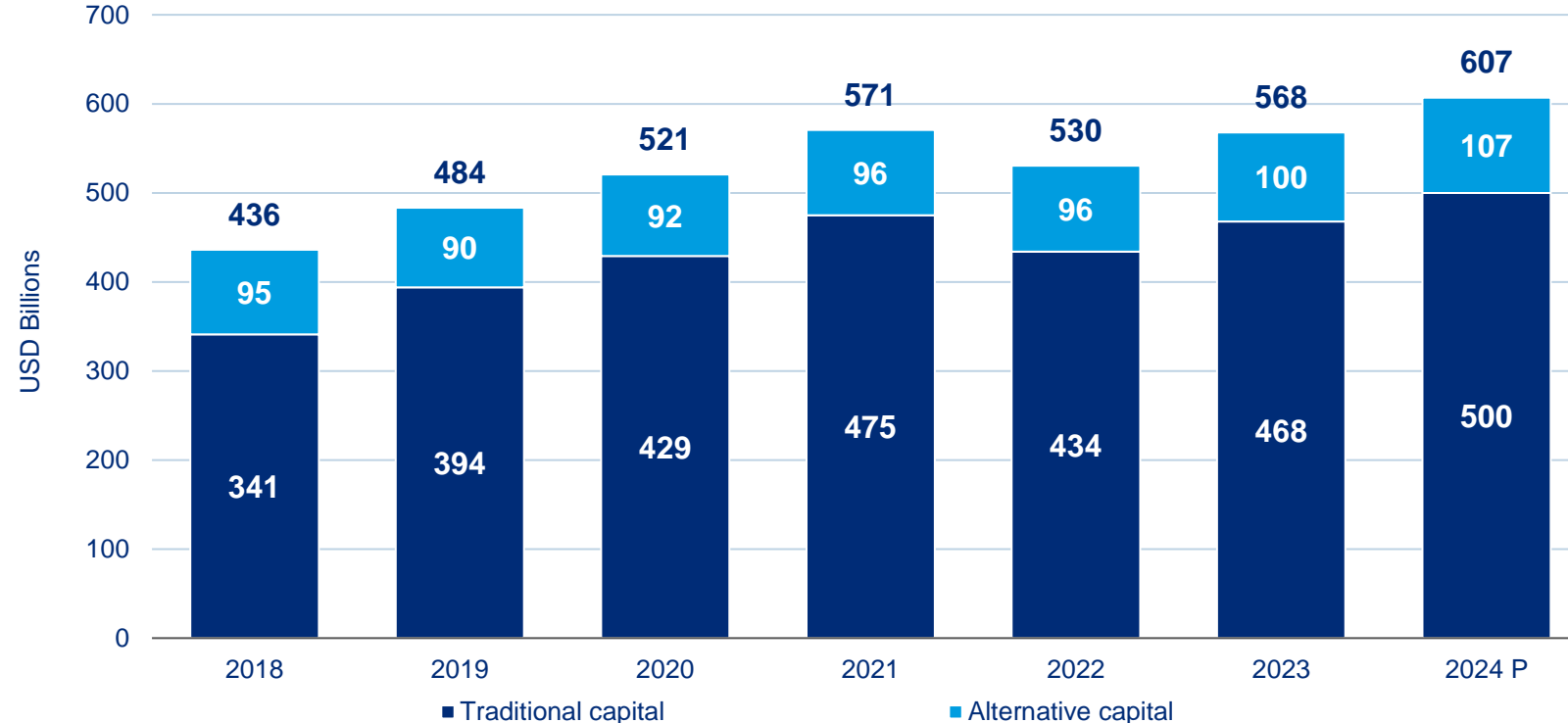


Analysts forecast reinsurers are expected to achieve another year of exceptional returns in 2024, estimated at **17.3%**, comfortably exceeding their cost of equity.

Reinsurers' returns to exceed their cost of equity in each year of the next 3 years (2024-26) and on average by **6.2ppts**.

Profitability and Retained Earnings Drive Continued Growth in Dedicated Reinsurance Capital

Strong underwriting and investment earnings in 2023 and 2024 replaced losses in 2022



Capital Trends

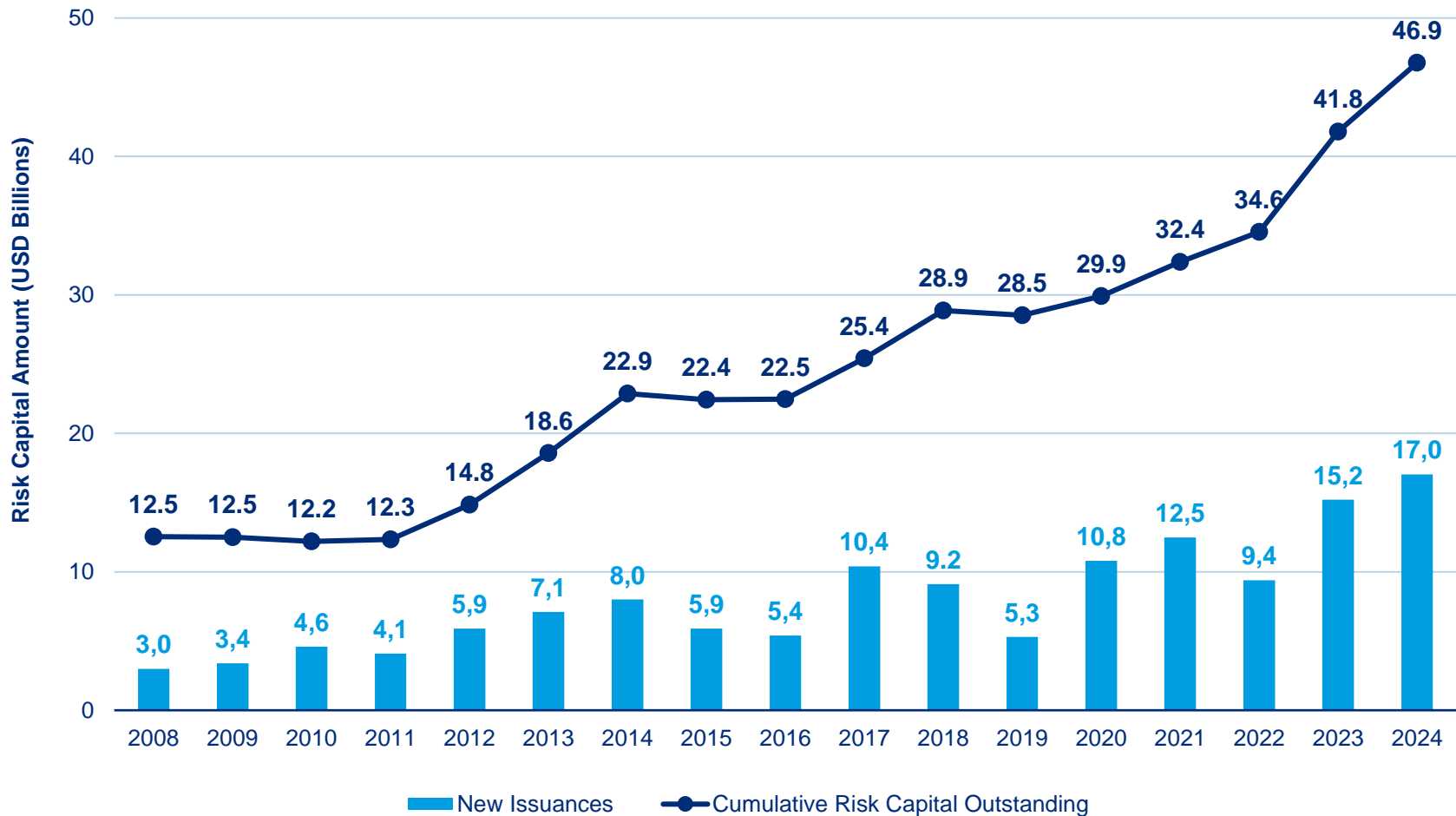
- Existing reinsurers driving rebound
- Strong earnings with some offset from share buy backs and special dividends
- Firm return expectations on capital deployed
- Capital meeting increased reinsurance demand



Alternative Capital

- Cat bonds represent ~45% use of alternative capital, with a record USD 17 billion of limit from 67 issues placed in 2024. The total outstanding notional amount of property and cyber cat bonds reached a record high of USD 47 billion
- Reinsurers continue to manage volatility with ILS Capacity
- Expect investors to maintain activity in cat bonds. Most issues are oversubscribed

State of the 144A Catastrophe Bond Market



- The cat bond market experienced its second consecutive record issuance year in 2024 **with 67 different cat bonds** brought to the 144A market. These transactions totaled more than **USD 17 billion** in limit placed (of which USD 370 million was dedicated to cyber peril). The total outstanding notional amount of property and cyber catastrophe bonds has now reached an all-time high of nearly **USD 47 billion**.
- **57 sponsors** accessed the catastrophe bond market in 2024, of which 12 sponsored a catastrophe bond for the very first time. Since 2020, over 50 first time sponsors have entered the market, and almost half have already returned for subsequent issuances. The market is constantly broadening out.

View on Markets

Incumbent Capital Meets Capacity Demand

Post 2005

Key Development

Hurricanes Katrina, Rita and Wilma

New Capital

>USD 20B

2013–2018

Post-financial crisis and environment of low interest rates (US Treasury 10-year yield ~2%)

Doubling of alternative reinsurance capital >USD 45B as investors search out higher uncorrelated returns

2020–2024

Reinsurance hard market and environment of higher interest rates (2023/24E Avg RoE ~20%)

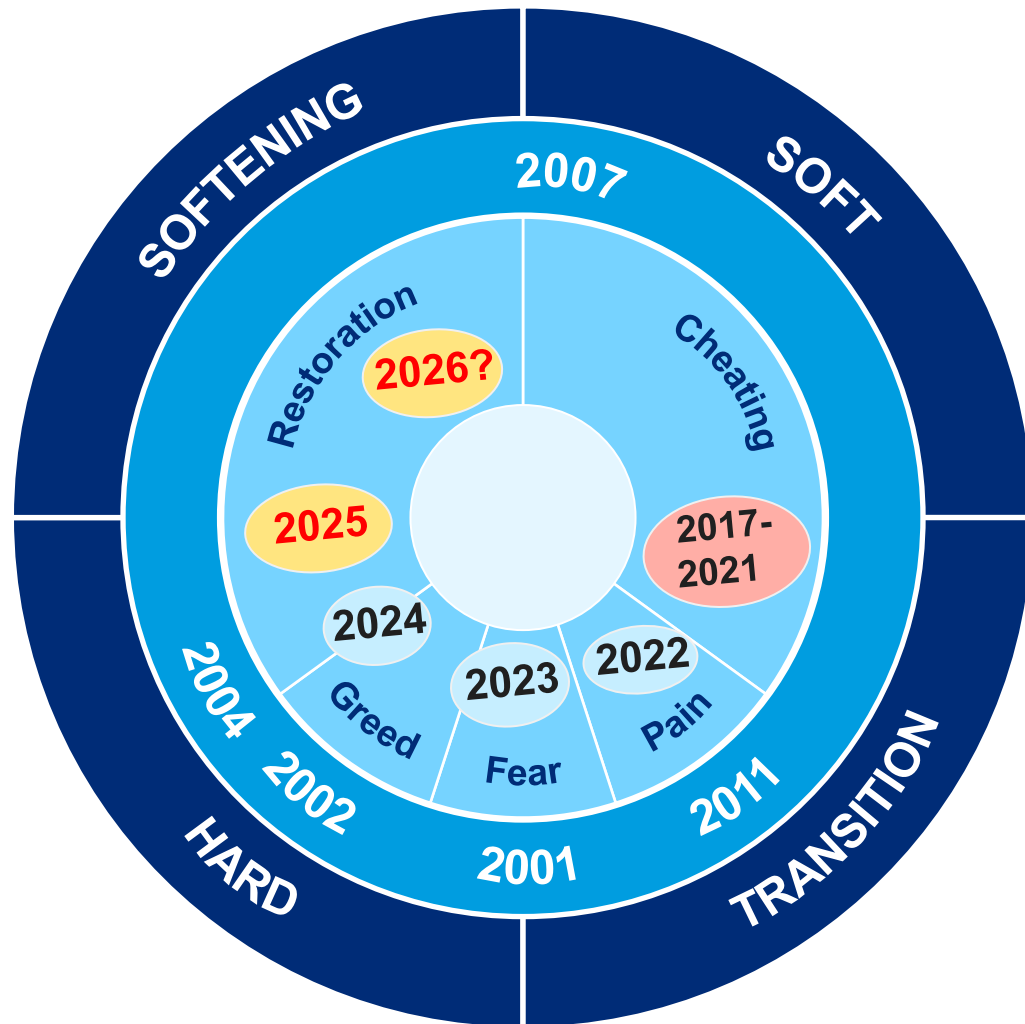
New entity formation in 2020 – ~USD 6B

Incumbents'¹ retained earnings – 2023-2024 >USD 50B


New capital raised by incumbents in 2023 ~USD 4B

New entity formation in 2024 ~USD 250M

Where are we heading in the cycle?



Cycle drivers

-  Actual / Prospective returns
-  Catastrophes
-  Inflation
-  Interest rates
-  Reserving
-  Capital, Capacity, Competition, Coverage

The Guy Carpenter Difference

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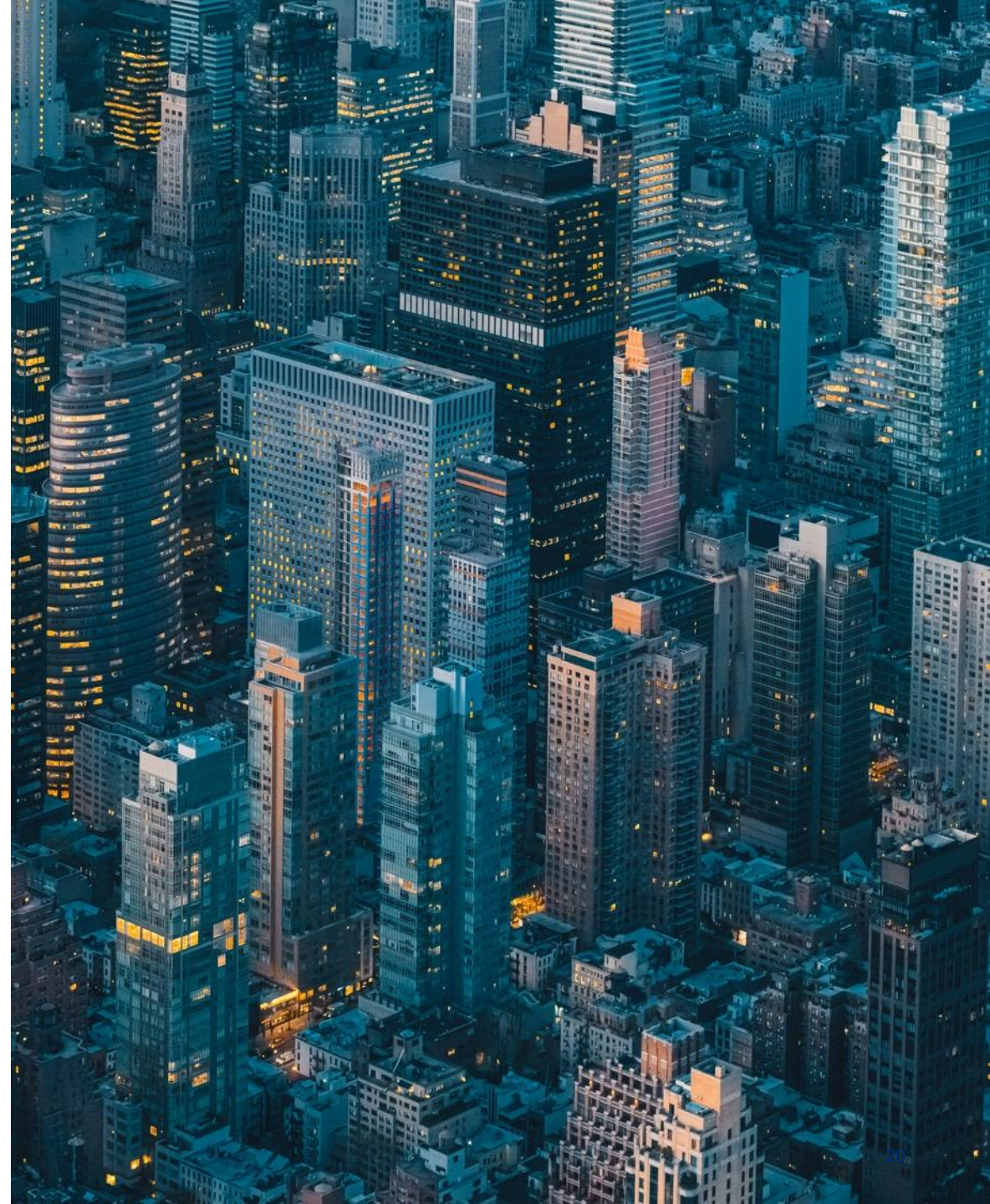


We provide perspective to our clients to help them differentiate themselves in the reinsurance marketplace and find the best possible solutions.



Guy Carpenter serves as a strategic advisor to our clients, helping to create value and capture opportunities in a new era of risk.

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