



AM Best's Reinsurance Market Briefing – Rendez-Vous de Septembre

Introducing Today's Panel



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Global Reinsurance Market – Discussion Outline

Outlook: Stable Outlook – Drivers Remain in Flux

More Complex and Changing Risk Environment

Results Stabilization: Improving Pricing, Terms

Market Well Capitalized. Subject to Asset Volatility

Continued Economic and Geopolitical Uncertainty

The Evolving Role of Reinsurance

Global Reinsurance Market Outlook – Stable

Headwinds

**More complex risk environment.
Secondary perils. Emerging risks**

**Modelling challenges/forward looking.
Inability to model human behavior and
government intervention. Social inflation**

**Economic uncertainty: inflation, rising
interest rates, risk of recession**

Investors re-assessing their risk appetite

**Risk of becoming less relevant in the
broader economy**

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Tailwinds

**Sustained upward pricing trends,
improving terms and conditions**

**More stable results following shifts in
business mix. Positive reserve
development**

**Segment remains well capitalized but
subject to asset market volatility.
Available ≠ Dedicated capital**

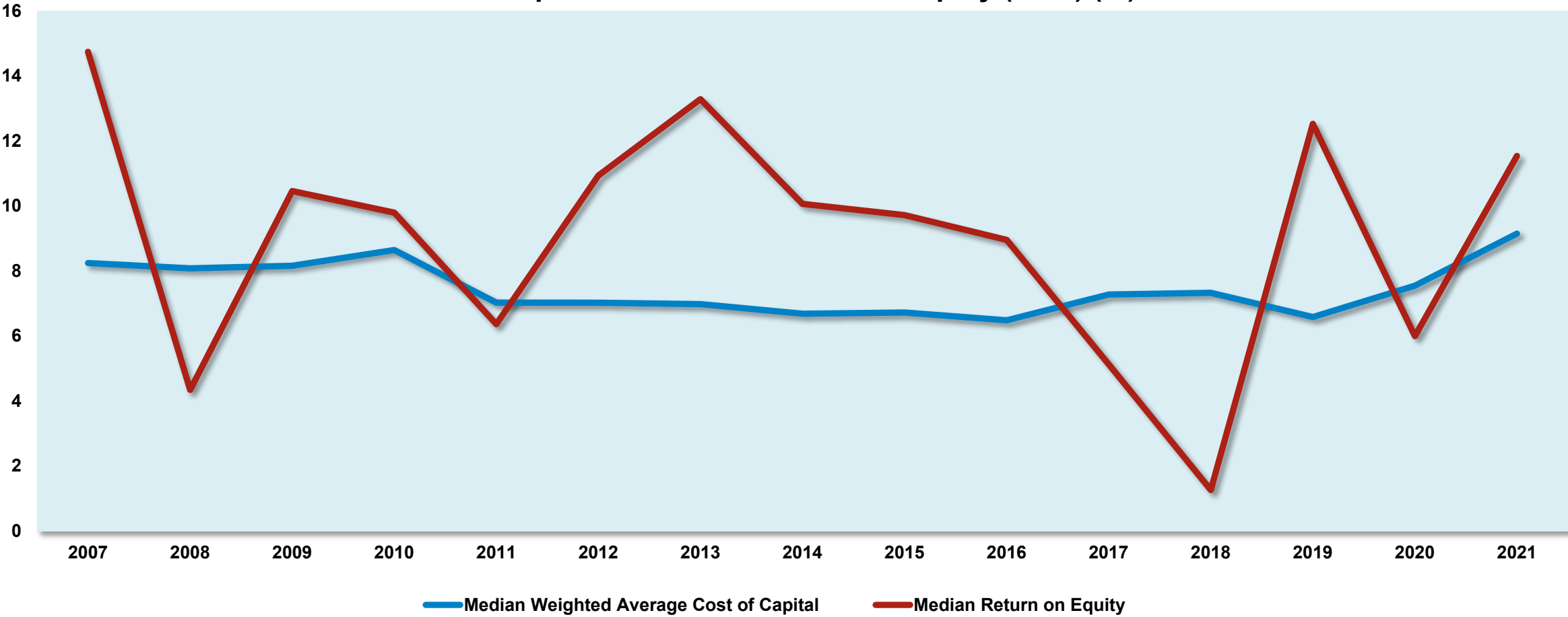
Underwriting discipline

**Strong demand from cedents.
Opportunities from uncertainty and
emerging risks?**

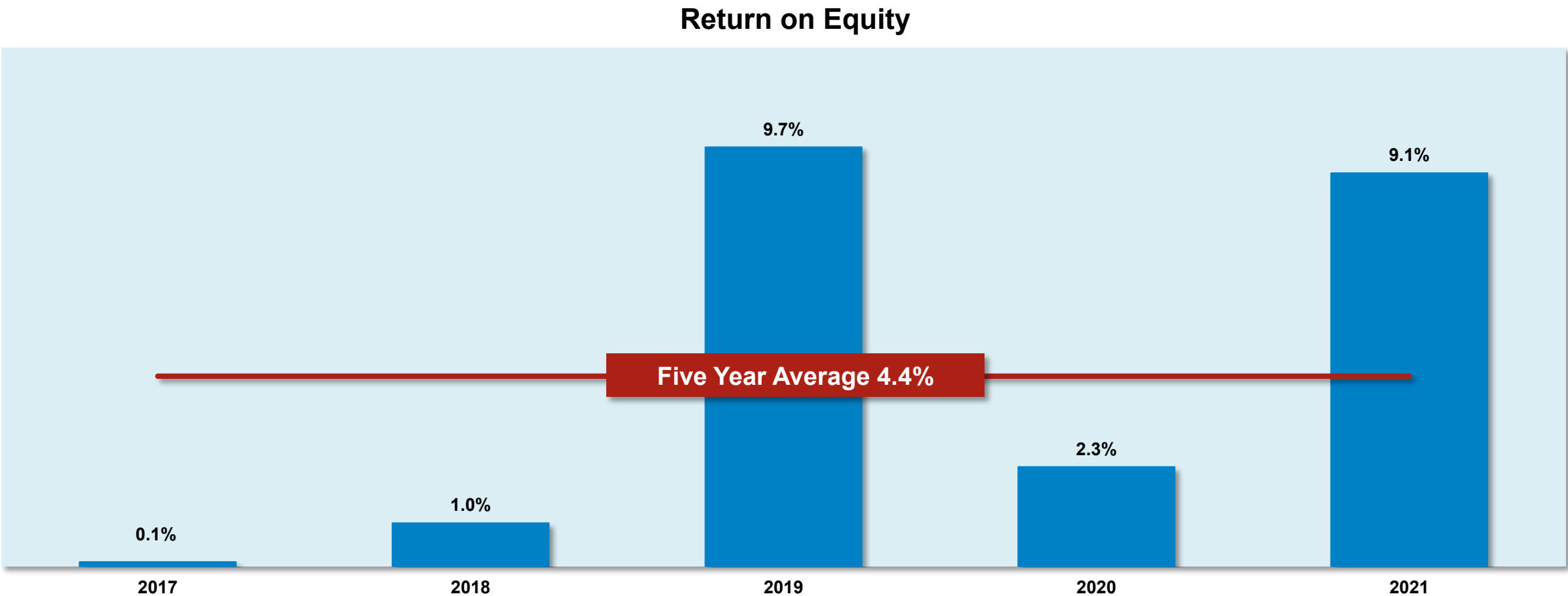
Global Reinsurance Market More Complex and Changing Risk Environment

Global Reinsurance Market Performance

Reinsurers' Median Weighted Average Cost of Capital (WACC)
Compared to Median Return on Equity (ROE) (%)



Global Reinsurance Market Performance



Risk Modelling Challenges



Traditional risks becoming more unpredictable

Past over-reliance / complacency on cat models?
Commoditized view of risk?

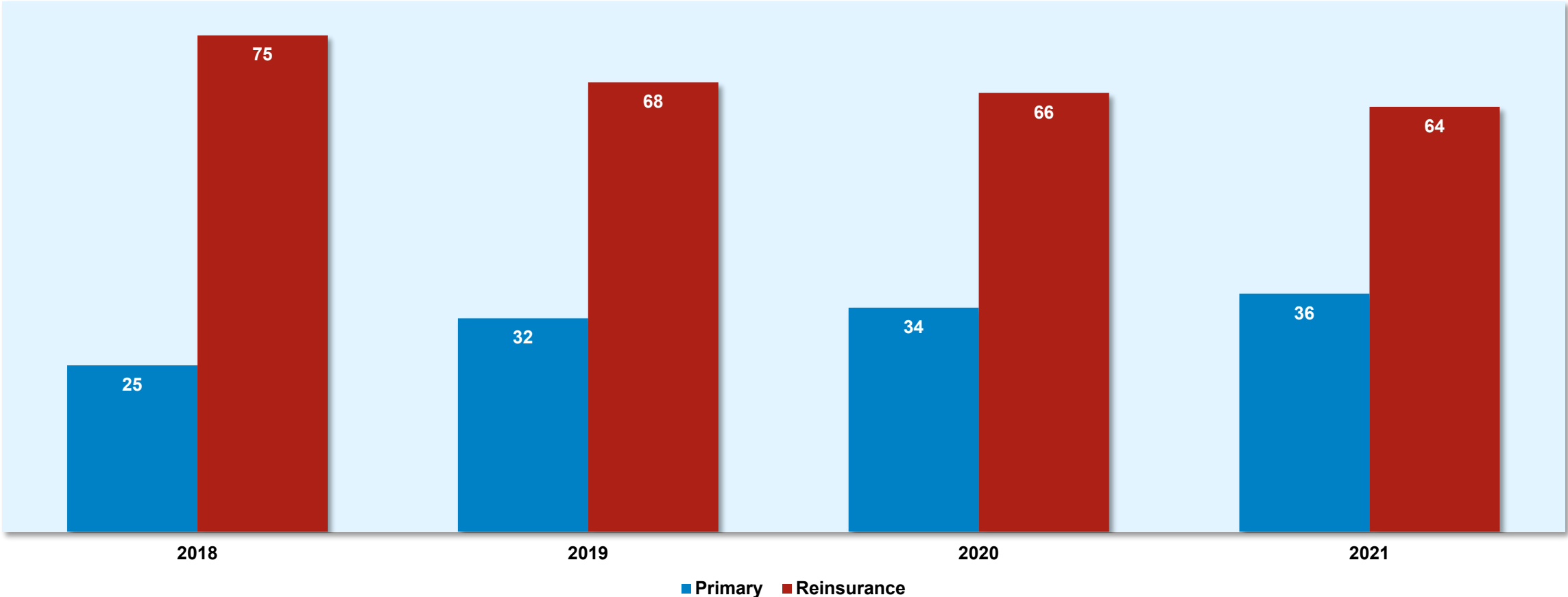
Dividing line between “primary” and “secondary”
perils becoming more blurred

Greater impact from human behavior and
government intervention

Casualty / specialty “seem” attractive and more
stable, but modelling still in early stages

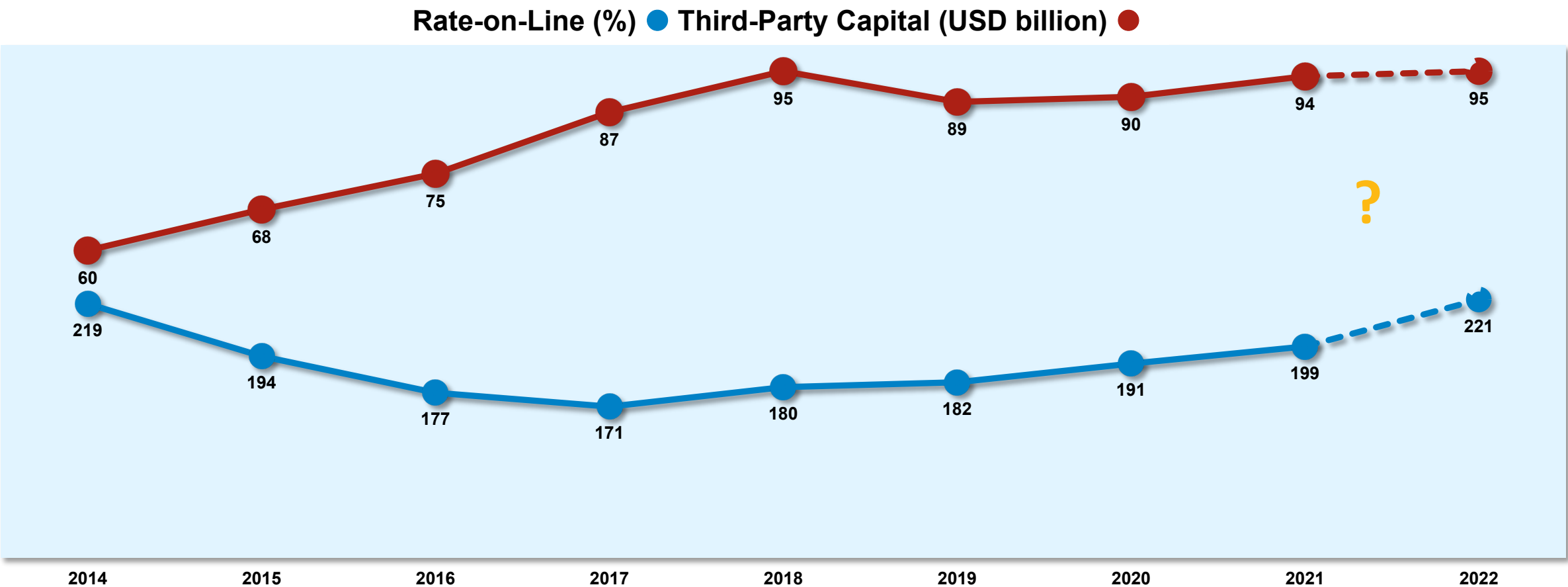
Global Reinsurance – Primary Insurance vs. Reinsurance (%)

Allocation by Net Premium Written



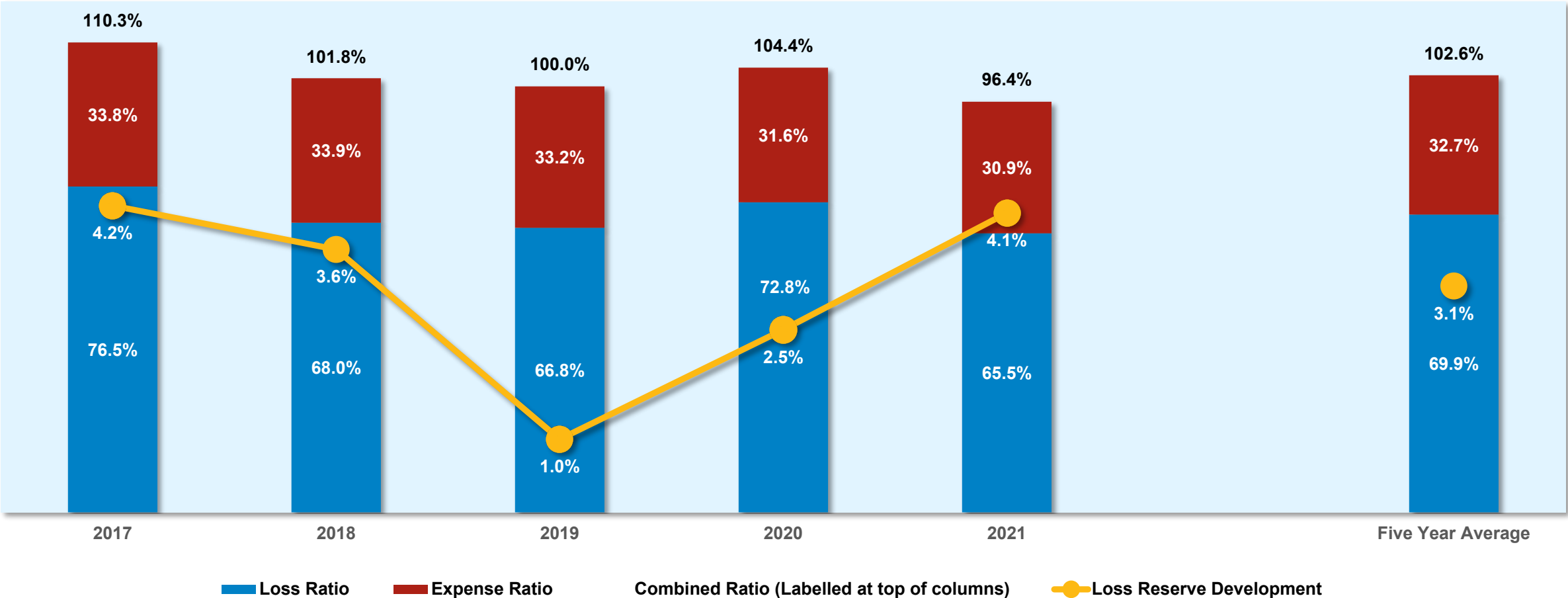
Global Reinsurance Market Results Stabilization: Improving Pricing, Terms

Property Catastrophe Rate-on-Line and Third-Party Capital



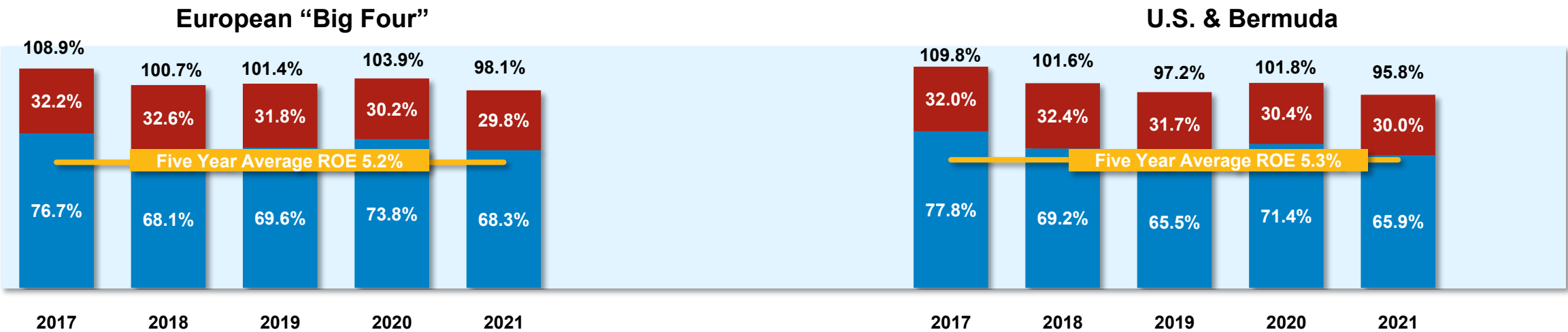
Global Reinsurance Market Performance

Loss and Expense Ratios and Positive Loss Reserve Development

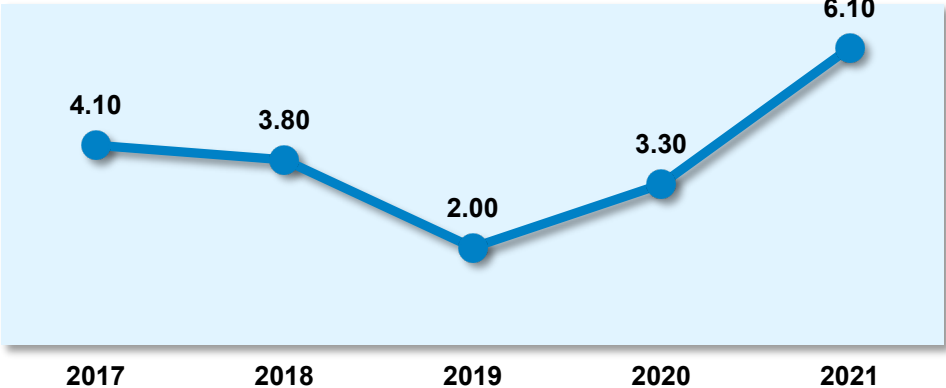
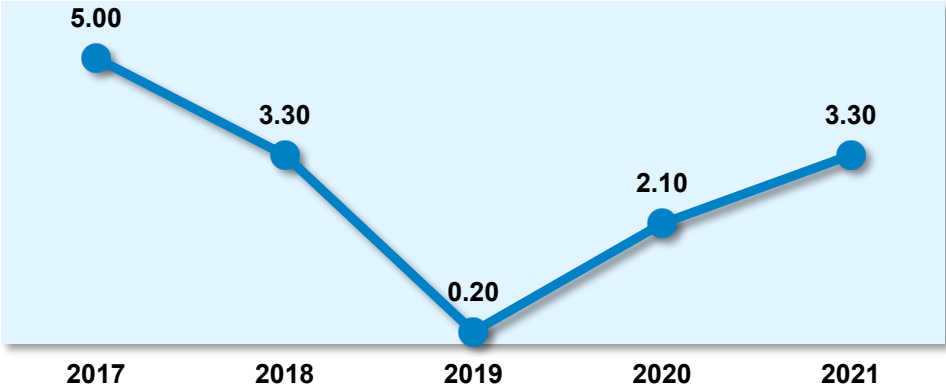


Global Reinsurance Market Performance by Reinsurance Sector (1 of 2)

Loss Ratio Expense Ratio Combined Ratio and Five-Year Average Return on Equity



Positive Loss Reserve Development by Reinsurance Sector

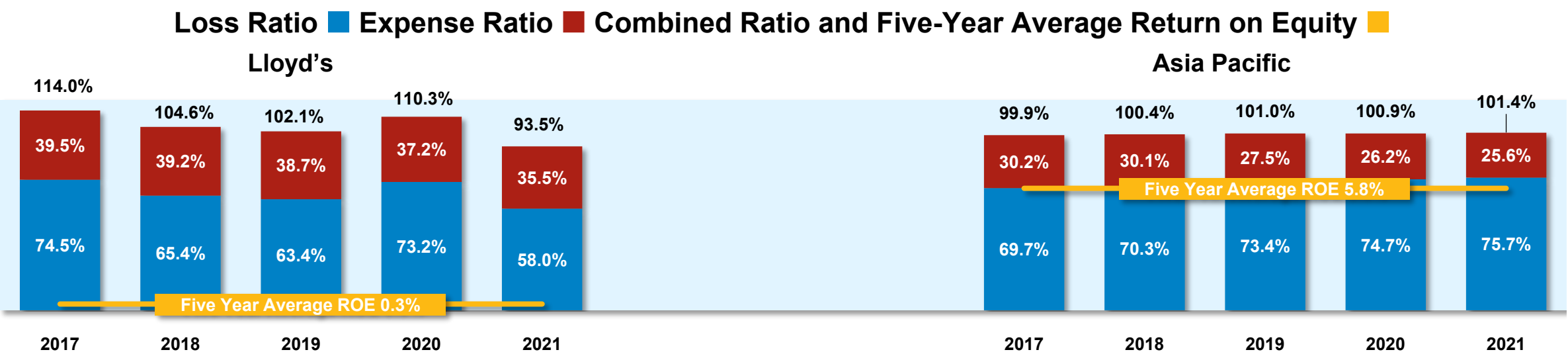


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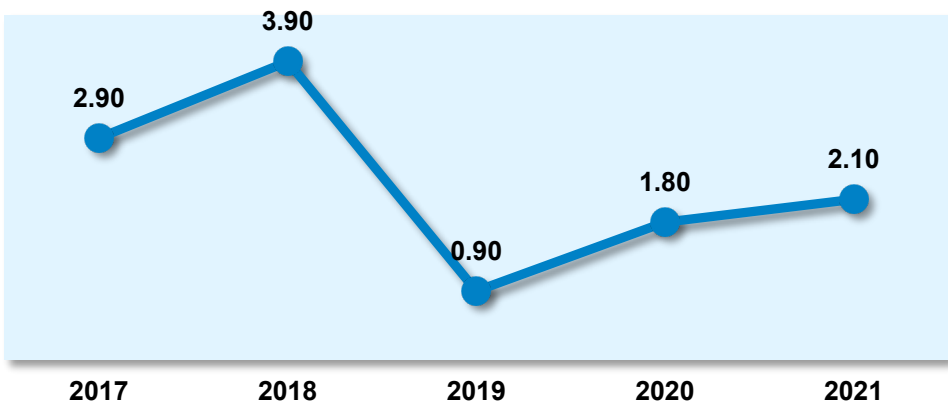
Combined Ratios labelled at top of columns.
Source: AM Best data and research



Global Reinsurance Market Performance by Reinsurance Sector (2 of 2)



Positive Loss Reserve Development by Reinsurance Sector

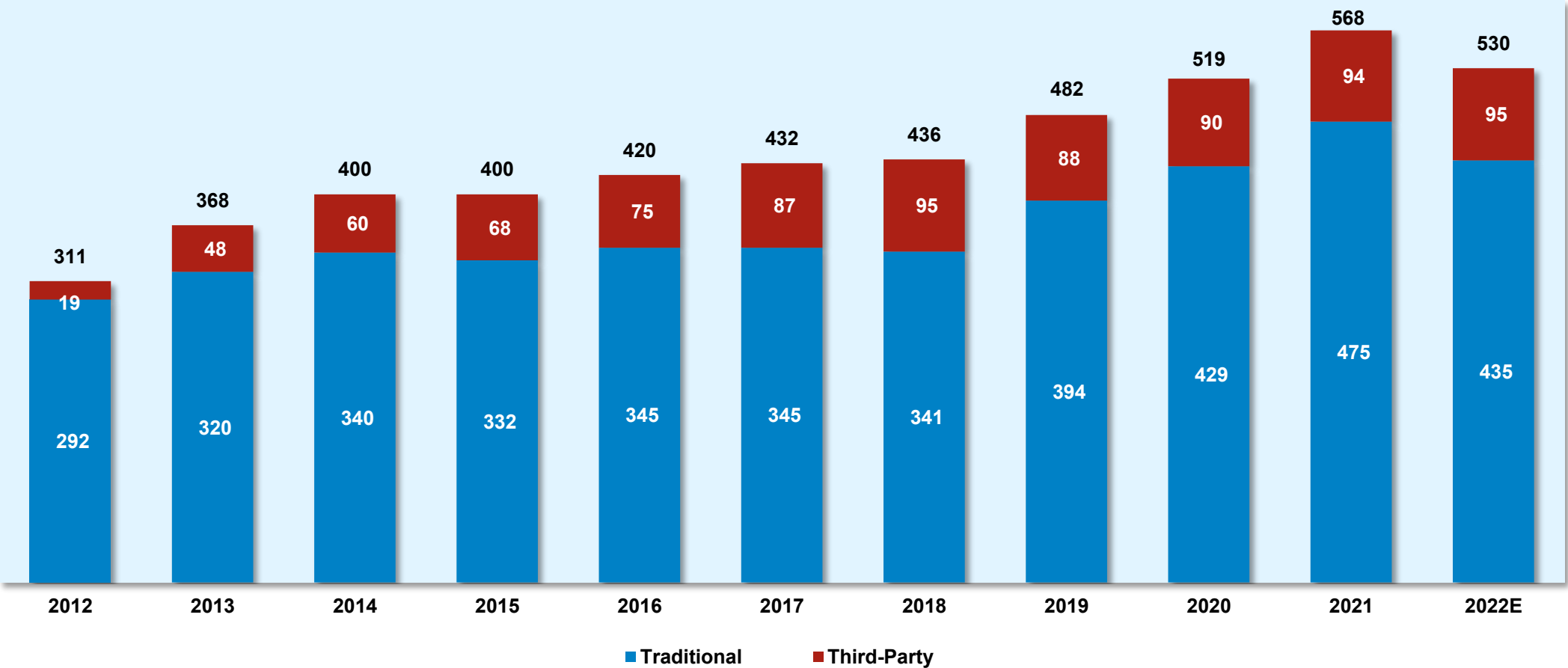


Asia Pacific
does not report
Loss Reserve Development

Global Reinsurance Market Market Well Capitalised, Subject to Asset Volatility

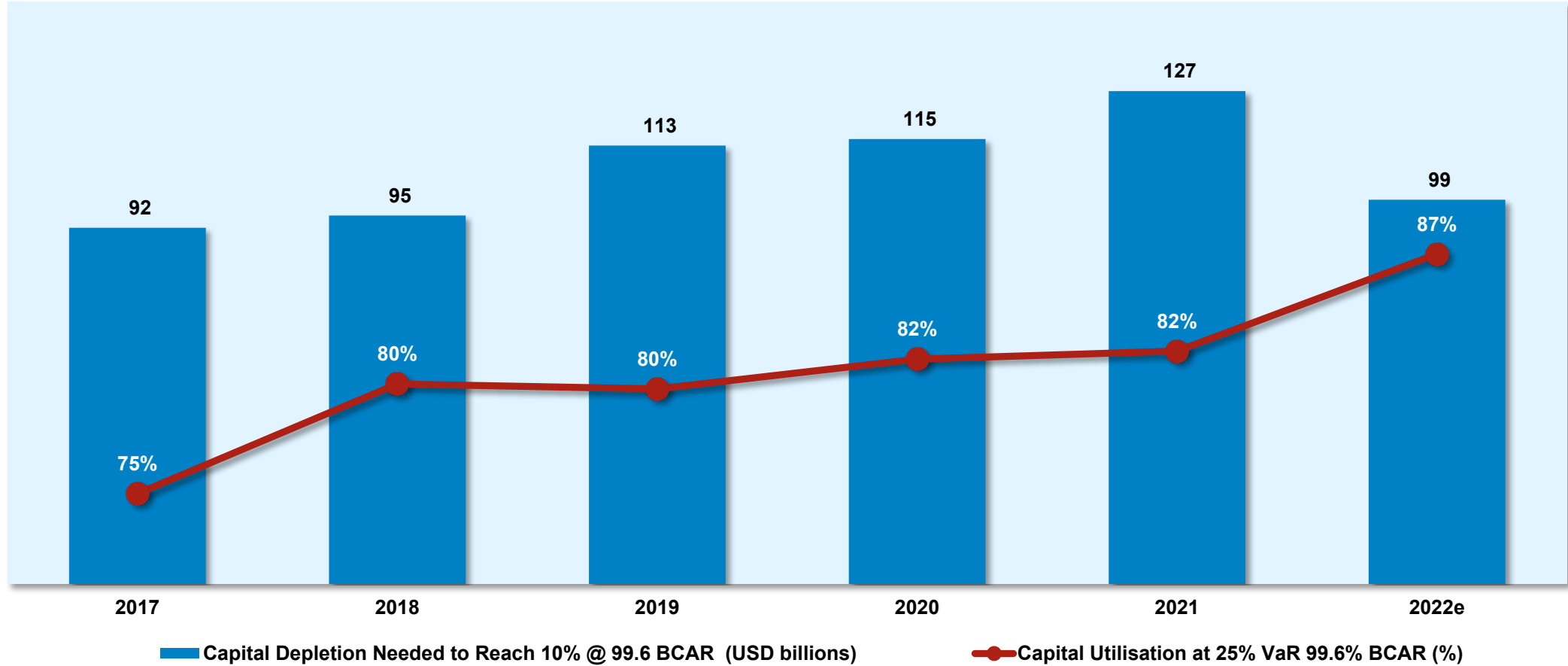
Global Reinsurance Market Capital

Estimate – Total Dedicated Reinsurance Capital (USD billions)

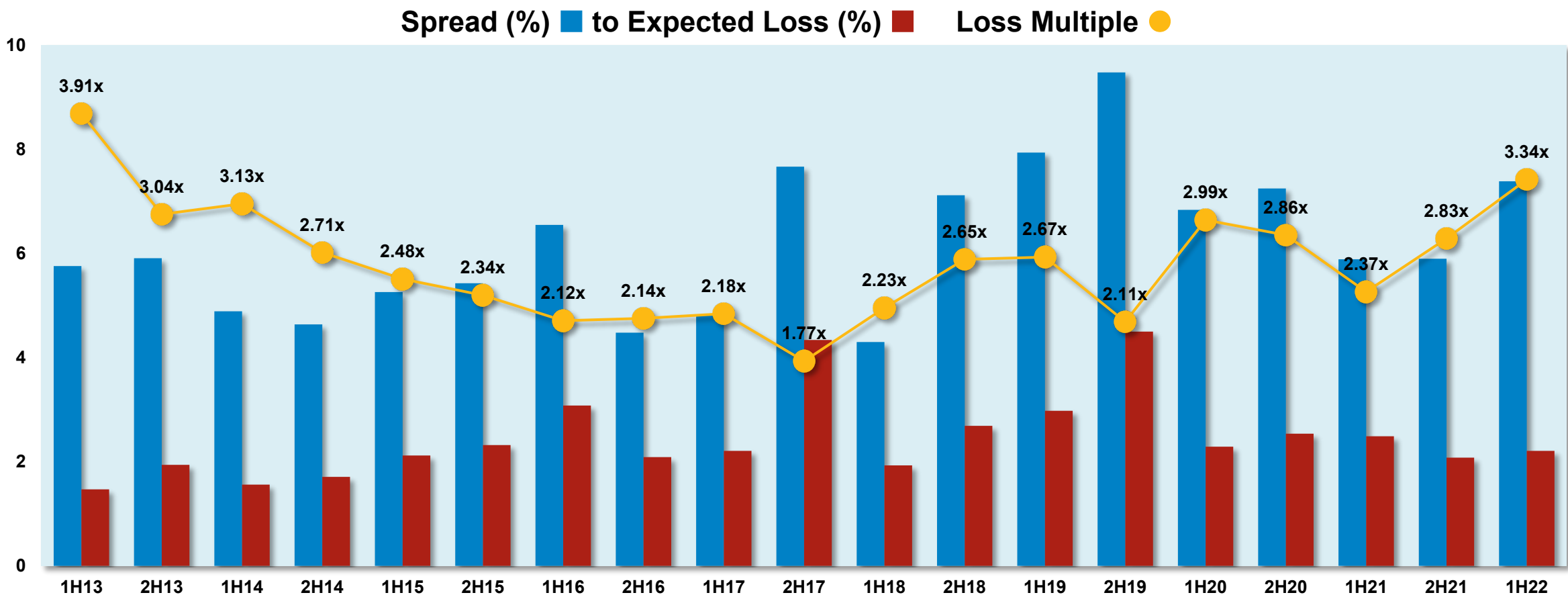


Global Reinsurance Market Capital

Capital Utilisation (USD billions)



Global Reinsurance – Catastrophe Bonds



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Notes: Expected Loss and Spread are US dollar weighted. Loss Multiple defined as Ratio of Spread to Expected Loss. Source: AM Best data and research



Global Reinsurance – Top 15 ILS Funds (2021)

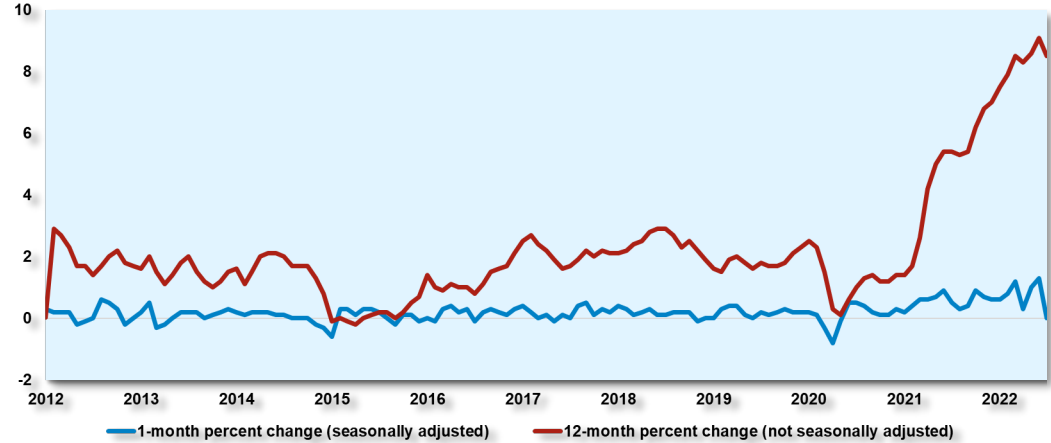
| | Assets Under Management (USD billions) | Change in AUM | Funds Location | ILS Fund Managers Acquisitions |
|---|---|---------------|------------------------|---|
| RenaissanceRe Holdings Ltd | 10.8 | ▲ | Bermuda | |
| Nephila Capital | 8.6 | ▼ | Bermuda | Purchased by Markel 2018 |
| Fermat Capital Management, LLC | 8.3 | ▲ | Westport, Connecticut | |
| LGT ILS Partners Ltd | 7.5 | ▲ | Pfaffikon, Switzerland | |
| Leadenhall Capital Partners LLP | 6.2 | ▲ | London | Purchased by Amlin 2014 |
| Credit Suisse Insurance Linked Strategies Ltd | 5.2 | ▼ | Zurich, Switzerland | |
| Securis Investment Partners LLP | 4.6 | ▼ | London | Northill bought out Swiss Re in 2012 |
| Stone Ridge Asset Management | 4.5 | ▼ | New York | |
| Elementum Advisors, LLC | 4.3 | ▲ | Chicago, IL | White Mountains purchased 30% stake in 2019 |
| Aeolus Capital Management Ltd | 4.0 | ● | Bermuda | Purchased by Elliott in 2016 |
| Schroder Investment Management | 4.0 | ▲ | London | |
| Twelve Capital AG | 3.9 | ▼ | Zurich, Switzerland | |
| AlphaCat Managers | 3.7 | ▼ | Bermuda | Purchased by AIG in 2018 |
| Swiss Re | 3.2 | ▲ | Bermuda | |
| Hudson Structured Capital Management Ltd | 3.0 | ▲ | Bermuda | |
| Top 15 Fund Managers | 81.8 | ▼ | | |

Notes: Renaissance Re includes Top Layer, DaVinci, Langhorn, Vermeer and Medici.
Source: Artemis

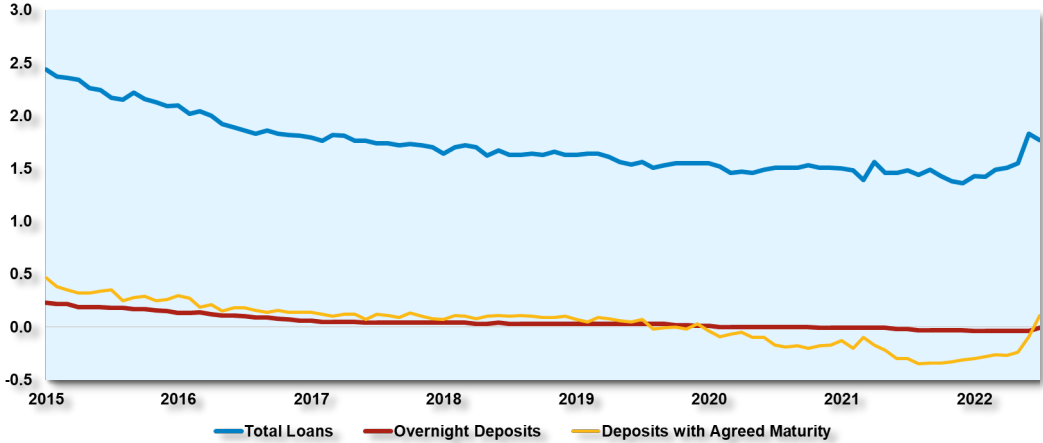
Global Reinsurance Market Continued Economic and Geopolitical Uncertainty

Continued Economic Uncertainty

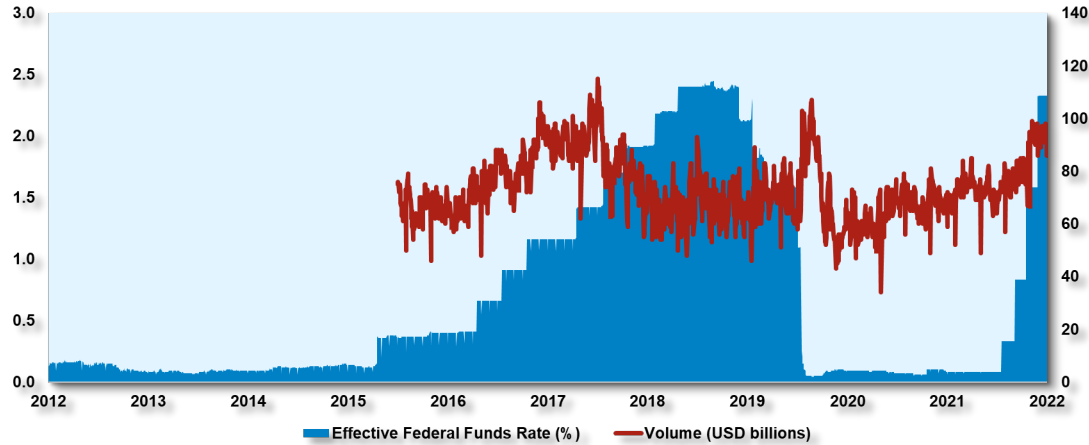
Consumer Price Index



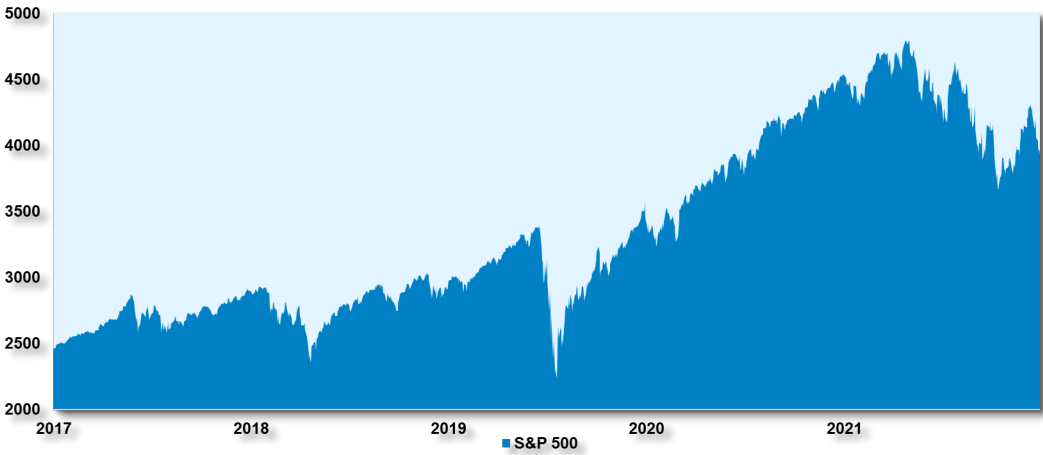
Bank Interest Rates on New Loans to, and Deposits From, Euro Area Corporations



Effective Federal Funds Rate (EFFR) (%) and Volume (USD billions)



S&P 500



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Sources: U.S. Department of Labor, European Central Bank, Federal Reserve Bank of New York, S&P.



Global Reinsurance Market

The Evolving Role of Reinsurance

The Evolving Role of Reinsurance

- Increasing exposure to emerging and intangible risks
- Changing climate and demographic trends
- Higher potential for significant unanticipated accumulations
- Protection shortfalls
- Potential for product innovation

Global Reinsurance Market Stable Outlook (Recap)

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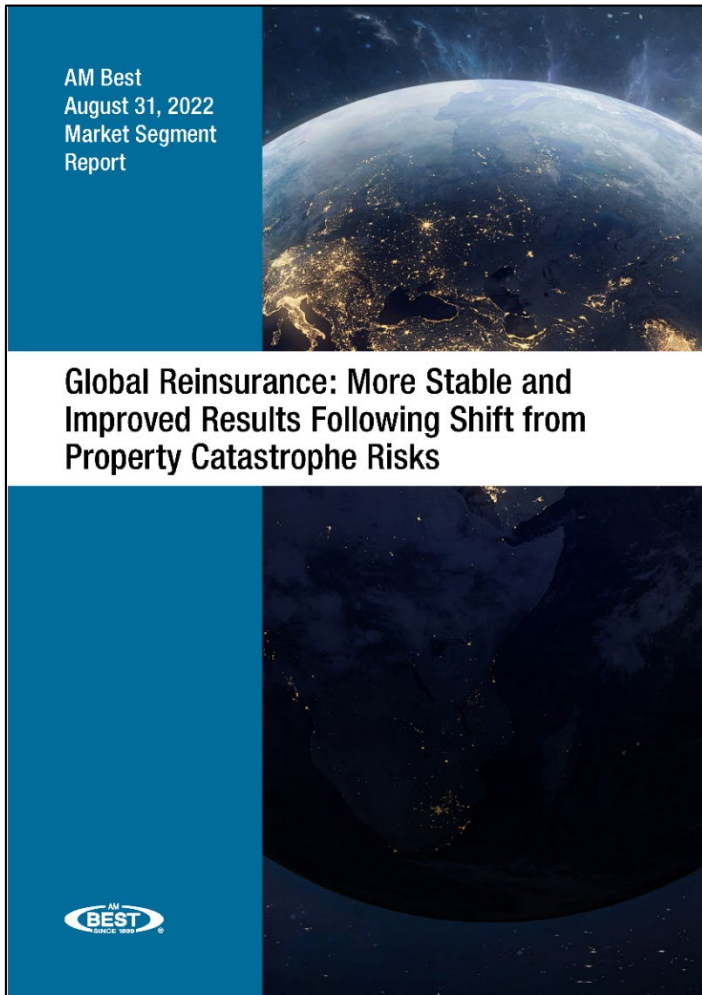
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AM Best's current views on reinsurance markets:

Insurance-linked securities

Life Reinsurance

Mortgage

Lloyd's

Regional Reinsurance Markets

Top 50 Global Reinsurance Groups

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AM Best's MENA Insurance Market Briefing – Dubai

Address Boulevard, Downtown Dubai



**Click on an event
for more details and
to register,
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events page**



October 31 – November 3*

AM Best's Insurance Market Briefing – Singapore International Reinsurance Conference (SIRC)

Heliconia Ballroom, Marina Bay Sands Expo & Convention Centre

* Date to be confirmed

November 9

AM Best's Europe Insurance Market & Methodology Briefings – London

etc. Venues, St. Paul's, London





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