# AMBEST



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# **AM Best Delegates 2025**



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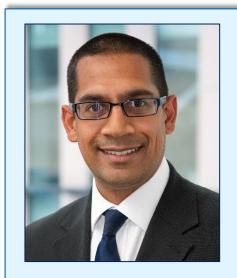
Mahesh Mistry Senior Director, Head of Analytics London



# **Introducing Today's Panel**



Michael
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**Mistry**Senior Director
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Mahesh



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#### **Global Reinsurance Market – Discussion Outline**

Outlook: Positive – Sustainable Results for Longer

Robust Operating Results – Despite Heightened Cat Activity, Casualty Challenges

Available Capital — Internal Capital Generation, ILS Growth Continues

Potential Issues – What Challenges Lie Ahead?

**Expectations and Key Themes** 



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# Outlook – Positive Sustainable Results for Longer

Michael Lagomarsino Senior Director, Global Reinsurance Ratings New Jersey, US



## AM Best's Market Segment Outlook – Global Reinsurance

Outlook
Revised
to
Positive
June 2024

Not just re-pricing but de-risking

Sustainable underwriting margins

Capital protection instead of earnings stabilisers

No capital depletion

Claims activity driven by secondary perils. Strong demand

Investor pressure behind underwriting discipline



# AM Best's Expectations – What AM Best Said Last Year

Underwriting profits – slight reductions, but still strong



Inflationary pressures and interest rates
Abating and declining, slowly



Rate movements –
modest declines in strong performing risks
and higher levels of cover



Significant new capital / number of new entrants – unlikely



Retention levels – minor movements into working layers



Increased use of Alternative Capital to flex capital needs



#### **Global Reinsurance Market Outlook – Positive**

#### **Tailwinds**

Although competitive conditions increased in property cat, pricing supports attractive margins

Reinsurers remained disciplined with terms and conditions and attachment points largely intact

Despite significant catastrophe and large man-made losses, segment set to report strong operating results

Segment remains well capitalized as evidenced by continued growth in dedicated capital

Demand for coverage remains strong

Life/Health reinsurance operations continue to act as a diversifying source of income and earnings

Interest rates remaining higher for longer

#### Headwinds

Elevated US casualty claims, reflecting the multiyear impact of social inflation, with adverse implications for underwriting and reserve margins

Increased frequency and severity of catastrophic loss activity, especially from secondary perils

Continued macroeconomic and geopolitical uncertainty

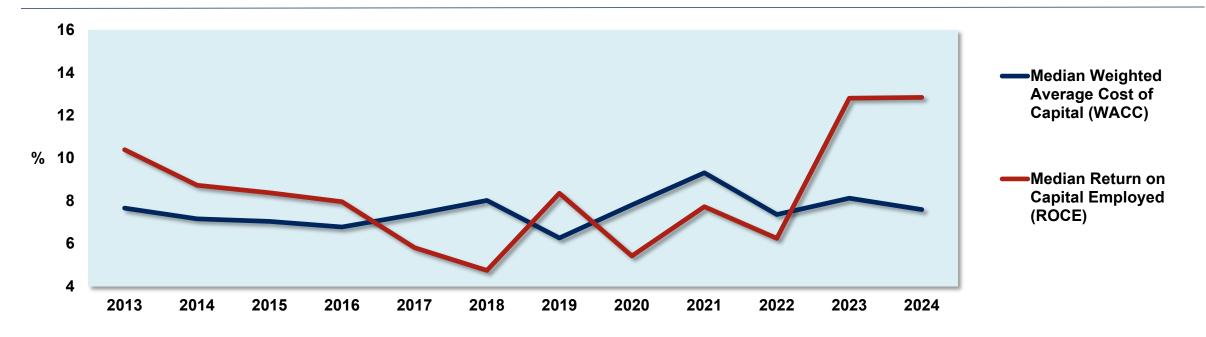


# Robust Operating Results – Despite Heightened Cat Activity, Casualty Challenges

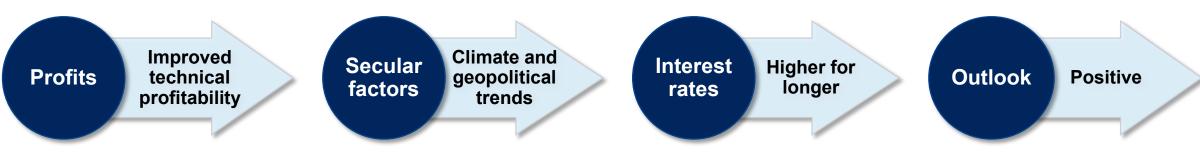
Mahesh Mistry
Senior Director, Head of Analytics, London



# **Cost of Capital and Realignment of Risk**



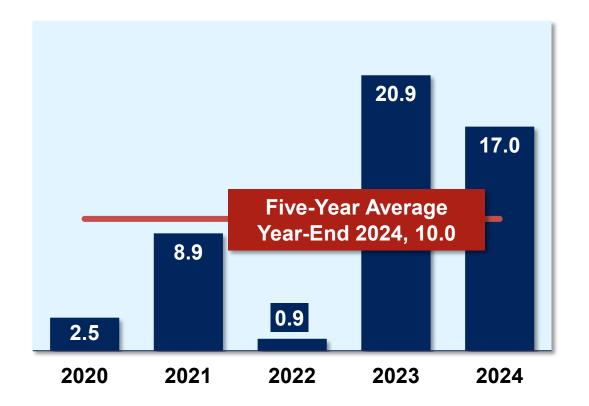
#### **Reinsurers Meeting Cost of Capital**



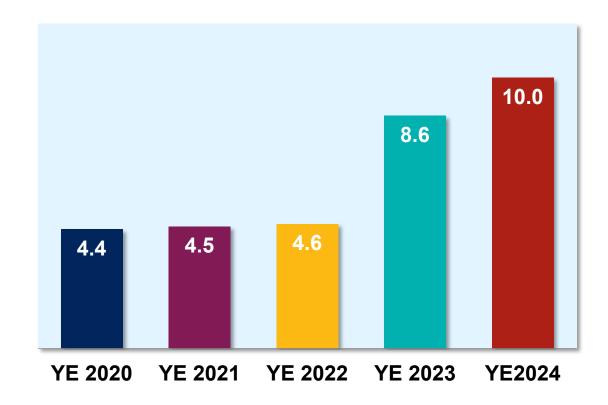


#### **Global Reinsurance Market Performance**

**Return on Equity (%)** 

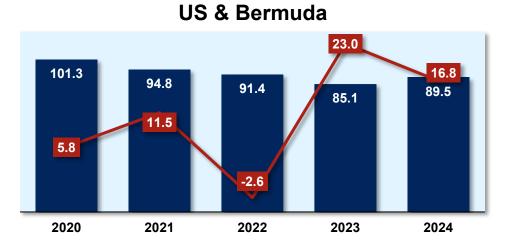


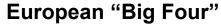
Global Reinsurance Market – Rolling Five-Year Average Return on Equity (%)





# Global Reinsurance Market Performance by Reinsurance Sector



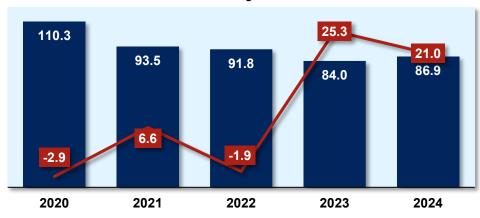




Combined Ratio

Return on Equity

Lloyd's



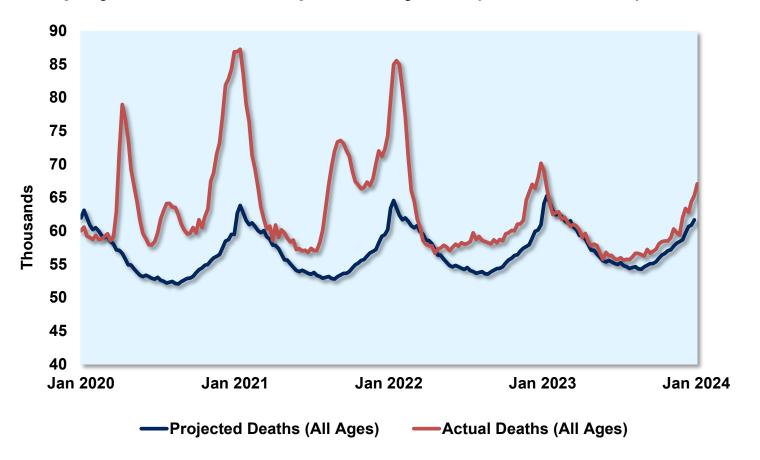
**Asia Pacific** 





# **Life Reinsurance – Mortality Trends**

# Raw number of deaths from all causes compared to projection based on previous years (United States)



# **Excess Mortality Estimates**

March 2020 - December 2020

~21%

January 2021 - December 2021

~19%

January 2022 – December 2022

~11%

January 2023 – December 2023

~3%

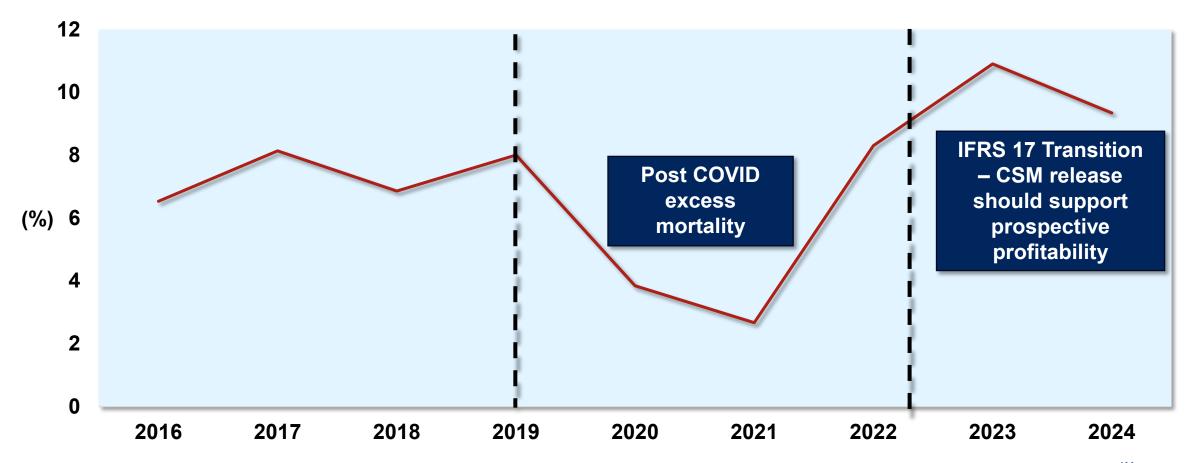
January 2024 – December 2024

~0.4%



#### **Life Reinsurance – Adds Diversification but can be Volatile**

## Estimated Life Reinsurance Margin – European "Big Four" (2016-2024)





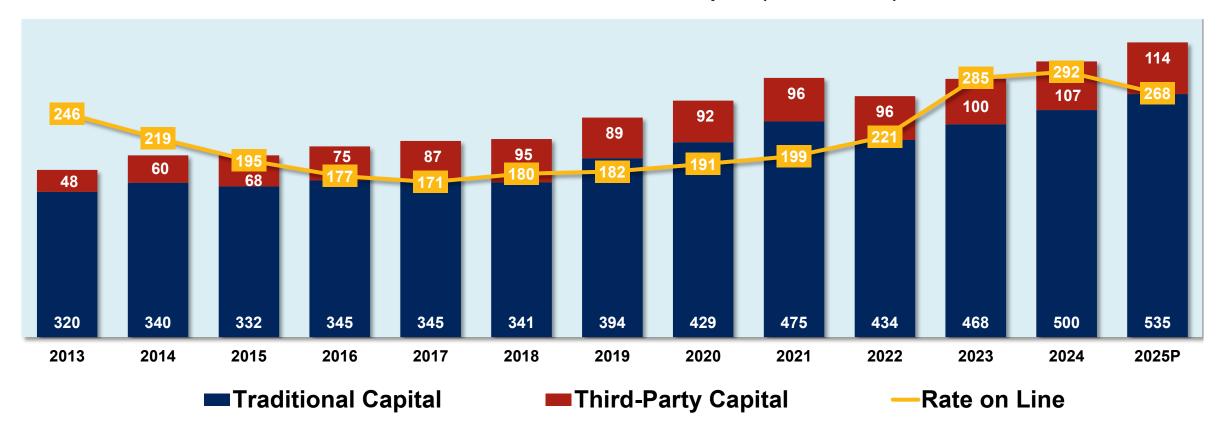
# Available Capital – Internal Capital Generation, ILS Growth Continues

Dr. Angela Yeo
Senior Director, Head of Analytics & Operations,
Amsterdam



## **Global Reinsurance – Dedicated Capital**

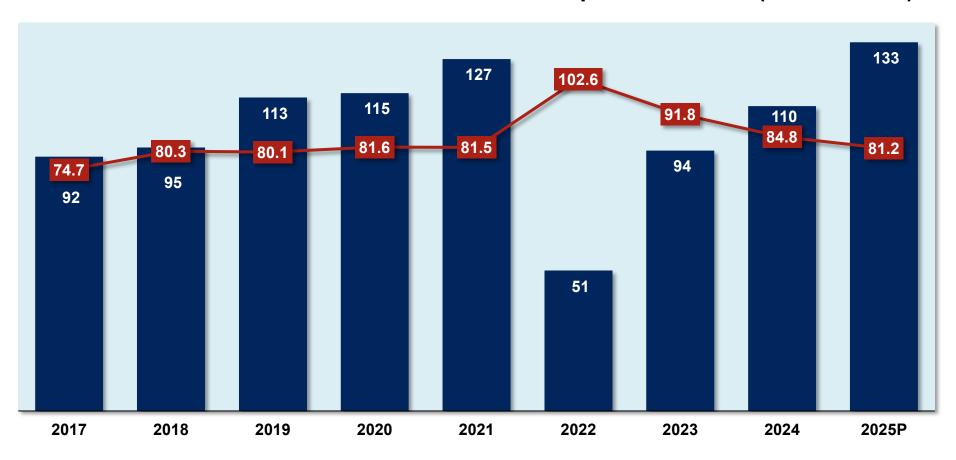
#### **Estimated Dedicated Reinsurance Capital (USD billions)**





## **Global Reinsurance – Capital Utilization**

#### Global Reinsurance – Capital Utilization (USD billions)

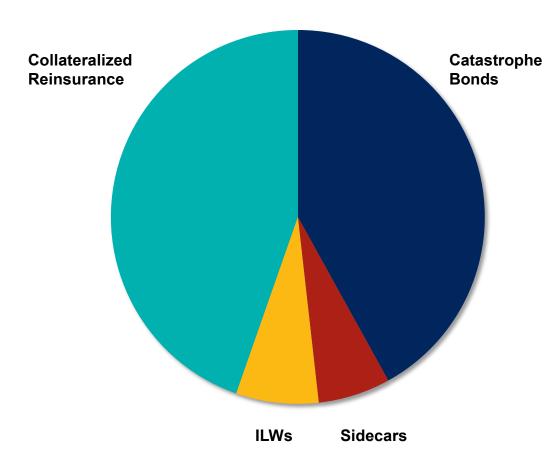


- Capital Depletion Needed to Reach a BCAR Score of 10% at VaR 99.6%
- --Capital
  Utilization at a
  BCAR Score of
  25% at VaR
  99.6%

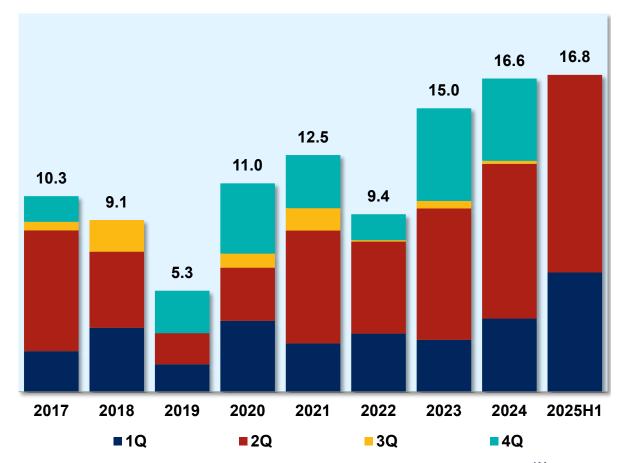


#### **ILS Trends**

ILS Composition (Approximated 2024)



# 144A Property Cat Bond Issuance by Quarter – 2017-2025 H1 (USD billions)

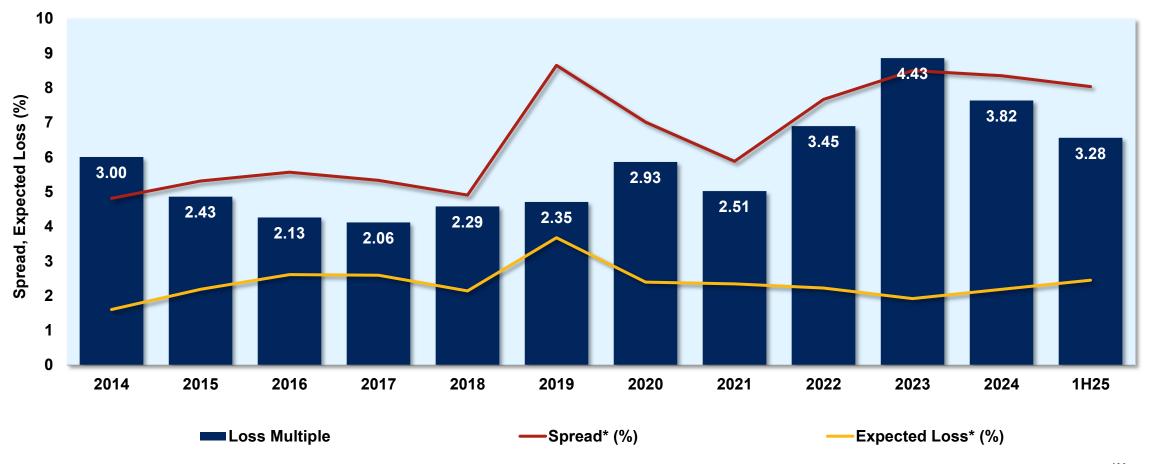




#### **ILS Trends**

#### **Catastrophe Bond Loss Multiples – 2014-2025**

**Loss Multiple = Spread to Expected Loss** 





# Potential Issues – What Challenges Lie Ahead?

Greg Carter
Managing Director
Analytics, EMEA & Asia Pacific
Singapore



#### **Near Term**

# **Potential Concerns**

What will the remainder of 2025 be like?

Macroeconomic and geopolitical issues

US casualty reserve challenges and social inflation



# **AM Best's Market Segment Outlook – Global Reinsurance**

What might change our outlook, and when?

**Broad and significant rate reductions** 

**Looser terms and conditions** 

Lower attachment points, into 'working layers'

Expected RoE over cost of capital margin

Combination of the above



# **Longer Term**

**Casualty reserving** Macroeconomic and geopolitical risks **Climate change** Challenges **Artificial Intelligence Cyber risks Private credit** 



## **Longer Term**

**Opportunities** 

Ongoing capital efficiency through capital markets

Addressing the protection gap

**Changing demographics** 

**Technology, Artificial Intelligence** 

Cyber and other 'new' markets



# **Expectations and Key Themes**

Michael Lagomarsino Senior Director, Global Reinsurance Ratings New Jersey, US



# **AM Best's Expectations – The Next 12 Months**

Operating results remain strong – exceeding cost of capital

Rate movements – greater differentiation by cedent, layer, and geography

Retention levels – discipline maintained

New capital – internal generation / established players

**Macroeconomic uncertainty remains** 

Alternative capital embedded in capital structures



## **AM Best's Key Themes – Monte Carlo Rendez-Vous 2025**

# Reinsurers remain disciplined

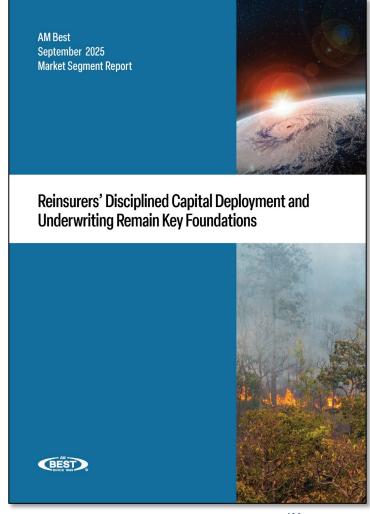
Payback to investors continues

# Supply / demand equilibrium

**Maintaining disciplined allocation** 

# Positive outlook

Sustainable profitability









# **AM Best's Upcoming Events – Autumn 2025**



**November 4** 

AM Best's Insurance Market Briefing – SIRC

Marina Bay Sands Expo & Convention Centre, Singapore



November 6

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

Convene 200 Aldersgate, St. Paul's, London



**November 25** 

AM Best's Insurance Market Briefing – MENA

Kempinski Central Avenue Dubai

Click on an event for more details and to register, or visit AM Best's events pages

