

Seminar on Reinsurance

June 5–6, 2023

*Westin Philadelphia
Philadelphia, PA*



Julie Halper
2023 Chair



Stephanie Rabin
2023 Vice-Chair

*The Reinsurance Working Group
Welcomes You!*



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Wi-Fi Access

Attendees of the Reinsurance Seminar have access to complimentary Wi-Fi throughout the hotel.

Network: Westin_Meeting

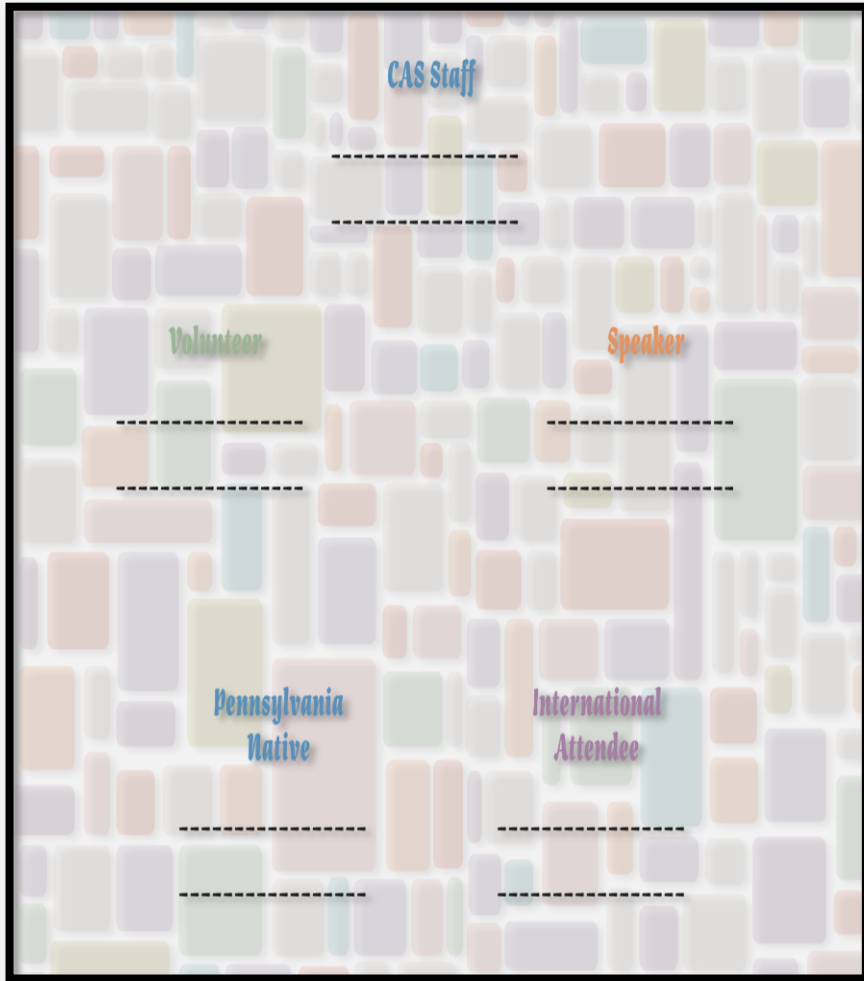
Password: CAS23



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The image shows a template for a 'Networking Scavenger Hunt Raffle' form. It features a background of a colorful mosaic of various-sized squares in shades of blue, green, orange, and purple. Overlaid on this background are four categories of people to find, each with a label and two dashed lines for a name and company. The categories are: 'CAS Staff' (top center, blue text), 'Volunteer' (middle left, green text), 'Speaker' (middle right, orange text), and 'Pennsylvania Native' (bottom left, blue text). There is also a category 'International Attendee' (bottom right, purple text) which is partially obscured by the 'Pennsylvania Native' label. Each category has two horizontal dashed lines for writing.

CAS Staff

Volunteer

Speaker

Pennsylvania Native

International Attendee

Networking Scavenger Hunt Raffle

- Find someone who matches the criteria in the rows on your treasure map! Have them fill out their name and company for verification.
- Please note: You must have five different names (one per slot).
- Please complete and submit this sheet to the CAS Registration Desk by 9:45 AM ET on Tuesday, June 6.
- *(Form available with your conference materials.)*

Evaluations

- Evaluations will be emailed at the end of each day of the event.
- Links to the session surveys are available in the mobile app.



2023 Reinsurance Seminar Working Group Members & CAS Staff

Julie Halper
(Volunteer
Chair)

Timothy
Aman

Barry
Blodgett

Raju Bohra

John
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Chvoy

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Hannah
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Meet Our Panel



Stephanie Rabin
*SVP & Chief Strategy Officer
Holborn Corporation*



Mohit Pande
*Chief Underwriting
Officer, Property
Swiss Re*



Michael Millette
*Managing Partner
Hudson Structured
Capital Management*



Mike Quigley
*Executive Vice President,
Head of Property
Underwriting &
Multiline, Risk
Quantification
Munich Reinsurance
America, Inc.*



Kelly Superczynski
*Head of Capital Advisory
Office of the CEO Aon Plc.*



GS-1: Views from Inside the Hard Market


For over a decade, we have wondered when or even IF the reinsurance market would harden; some questioned if the concept of hard and soft market cycles existed. But this year, we now have a sort of Grey Swan upon us:

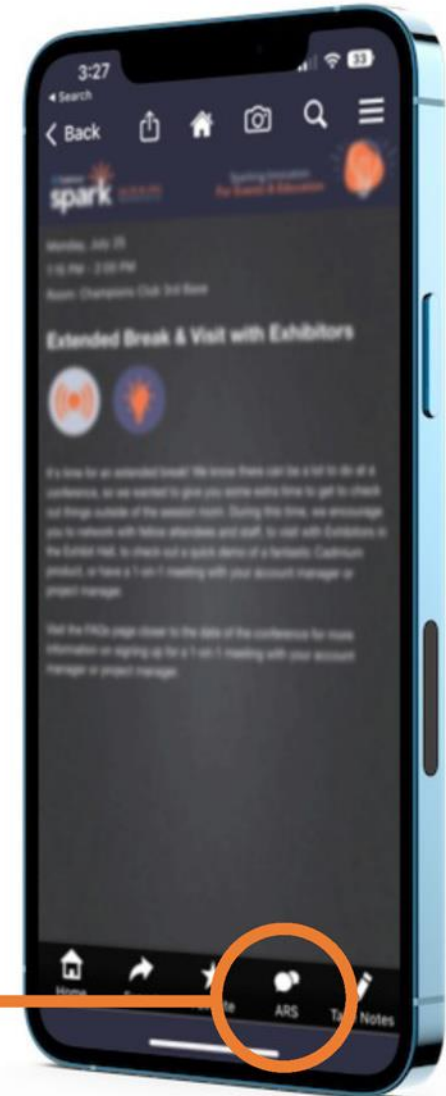
- The “Everything Bubble” Has Burst
- Inflation hit its highest levels in 25 years
- And there’s Social Inflation Too!
- Investors from Inside and Outside the Industry Are Pulling Back
- The Reinsurance Market Has Seen 6 Straight Years of Poor Results
- Reinsurance Markets Left the Business or a Segment with Limited New Entrants



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Solutions.

Get your devices ready for a poll!

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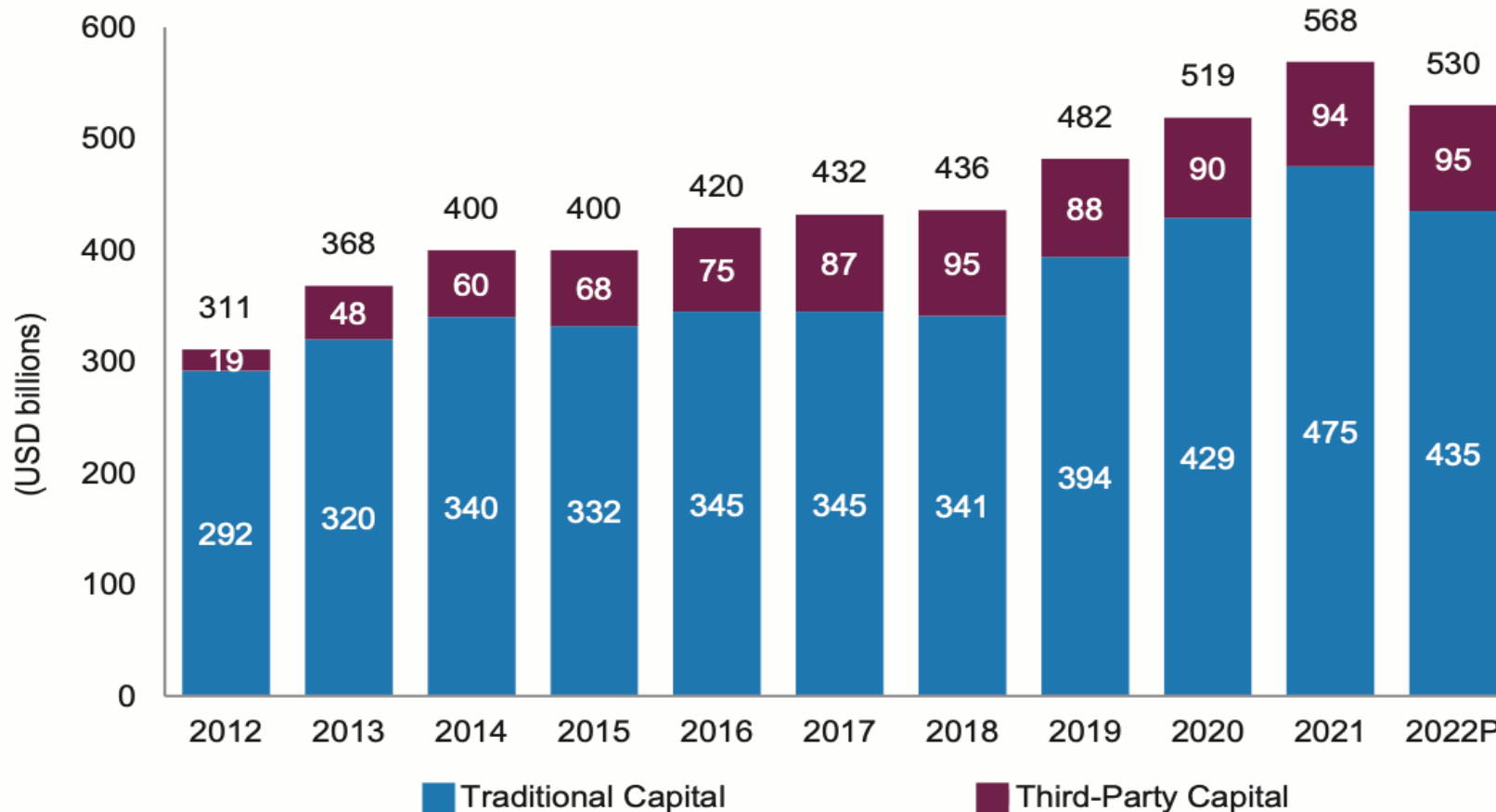
This slide will activate the polling question once the presentation is started.
Do not change or delete text on this slide.

Poll Key= RPYJM

Label = Are we in a hard market?

Reinsurance Capital: Adding it all up

Global Reinsurance – Estimated Total Dedicated Reinsurance Capital



P=Projected

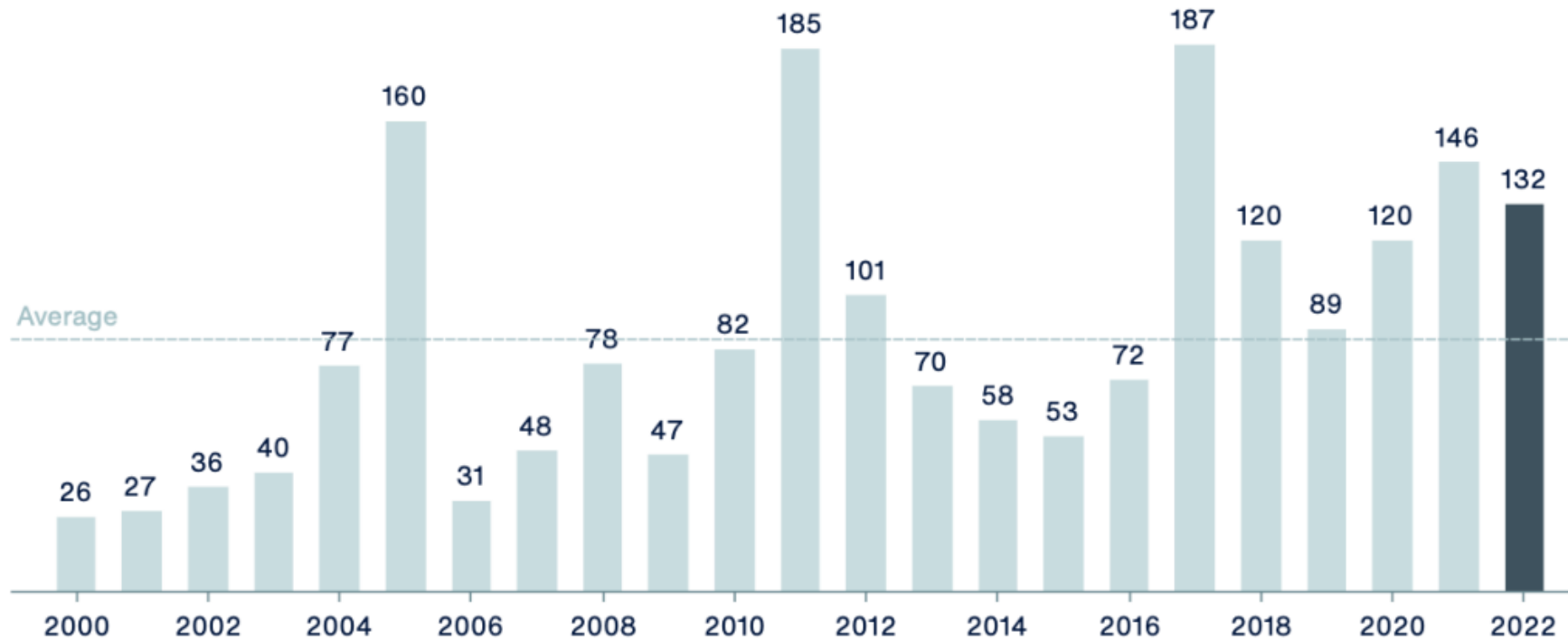
Source: AM Best data and research; Guy Carpenter



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The last few years have seen an increase in frequency and severity of natural disasters

Global Insured Losses from Natural Disasters (2022 \$ bn)



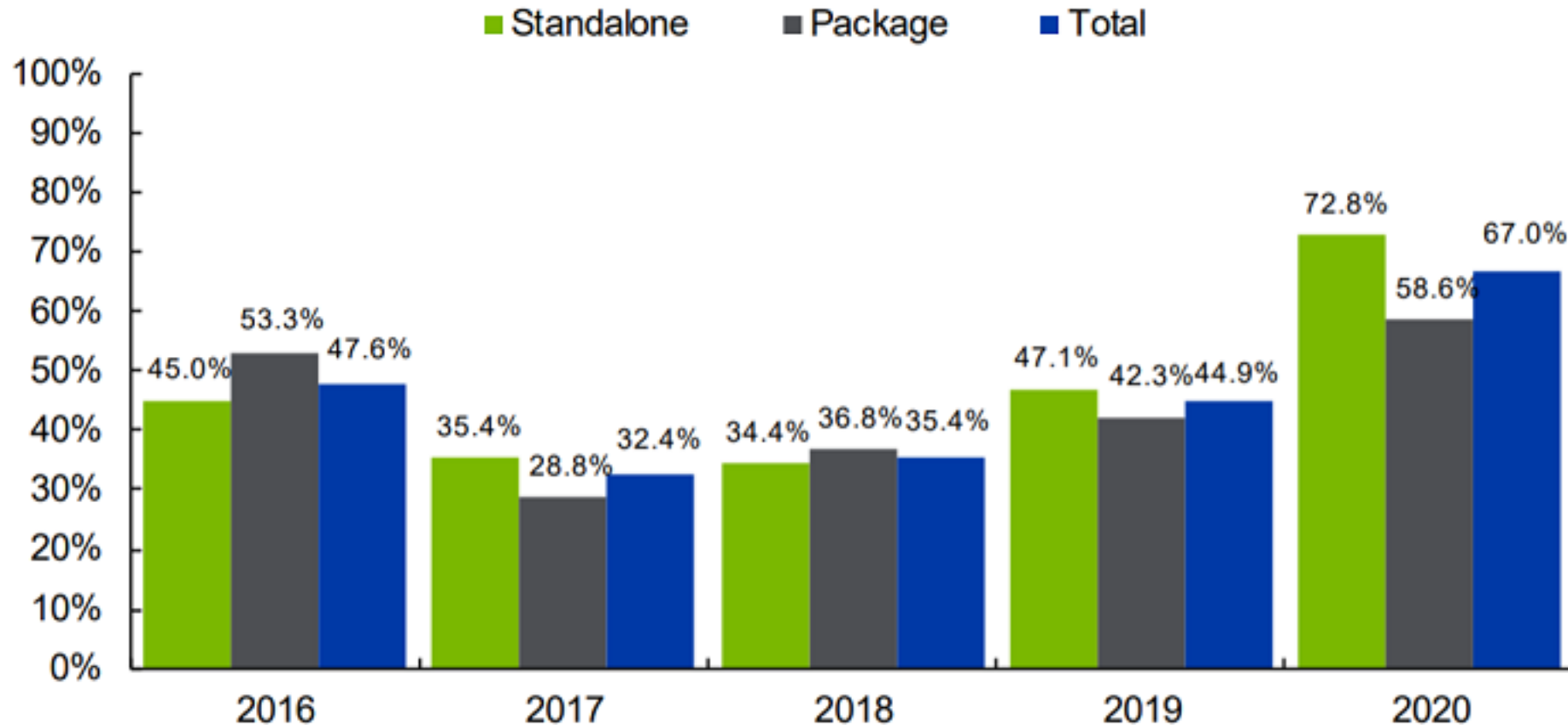
Data: Catastrophe Insight, Aon



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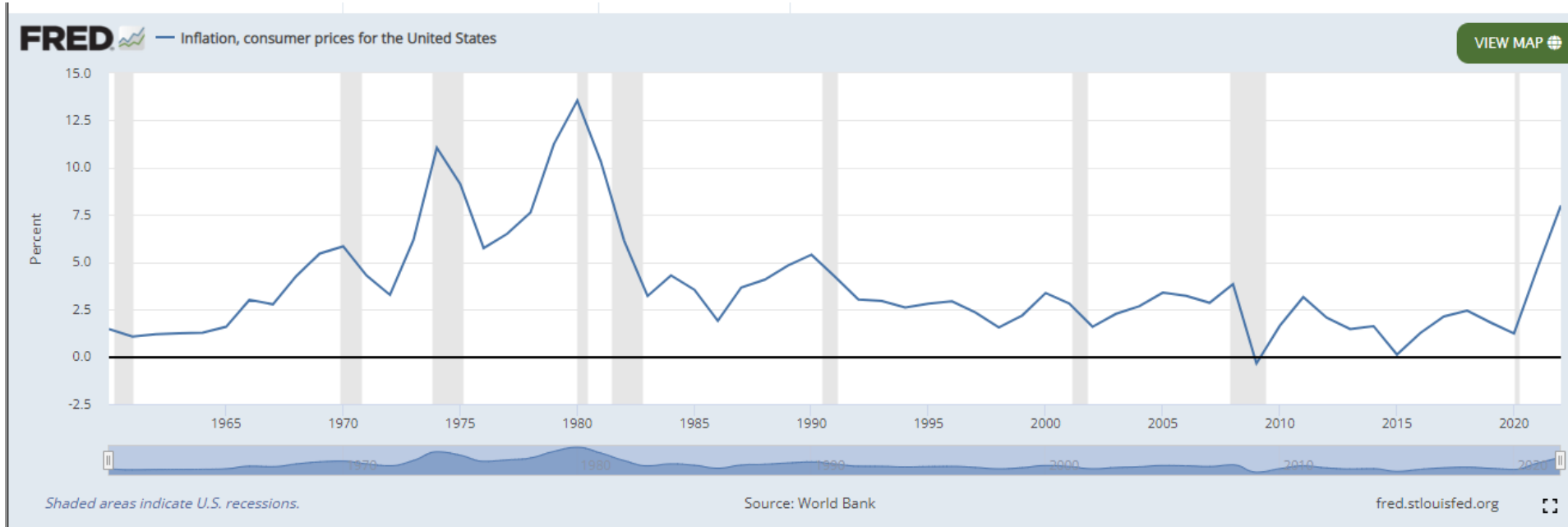
Cyber activity has been on the rise as well

Exhibit 4: US cyber loss ratio | 2016 – 2020



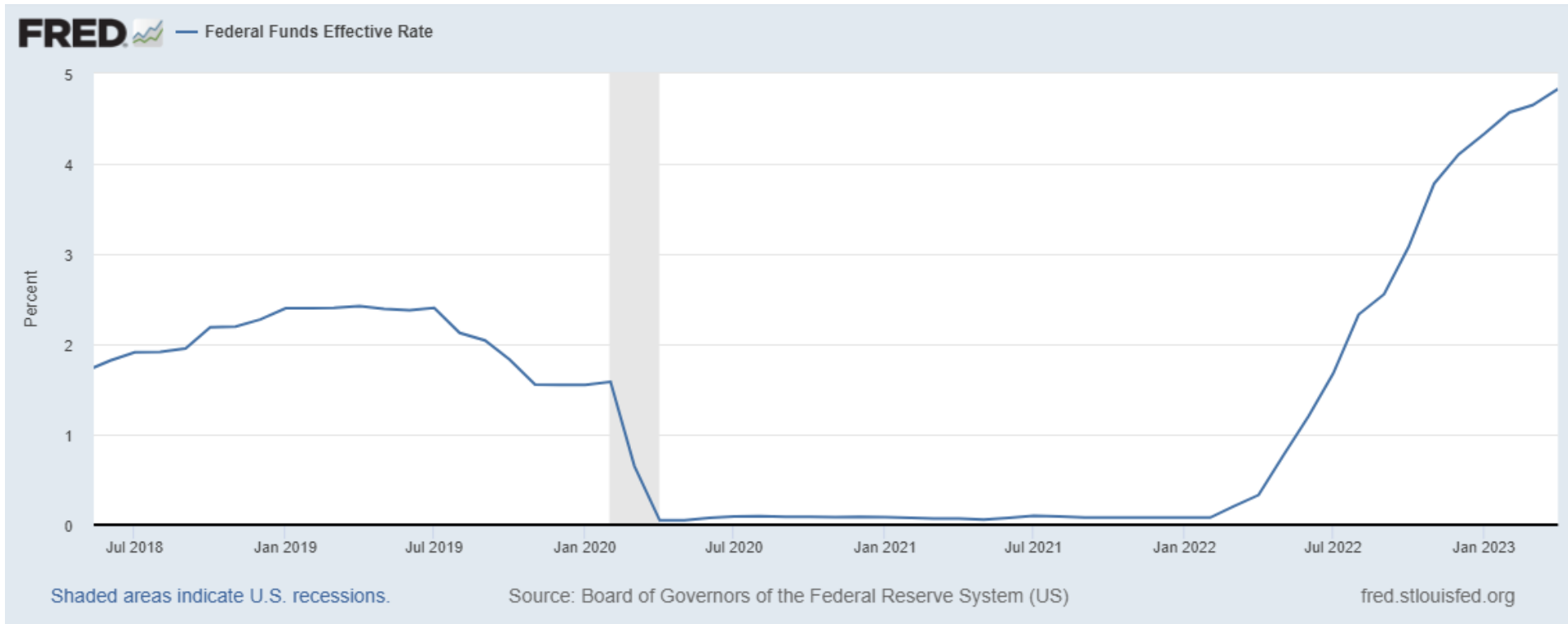
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US Consumer Prices




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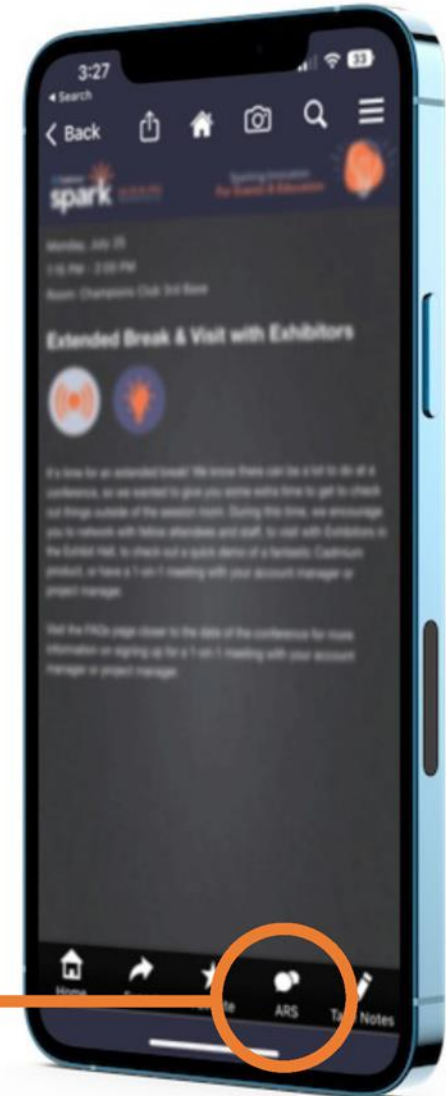
The Fed raises interest rates to attempt to cool the economy and tame inflation



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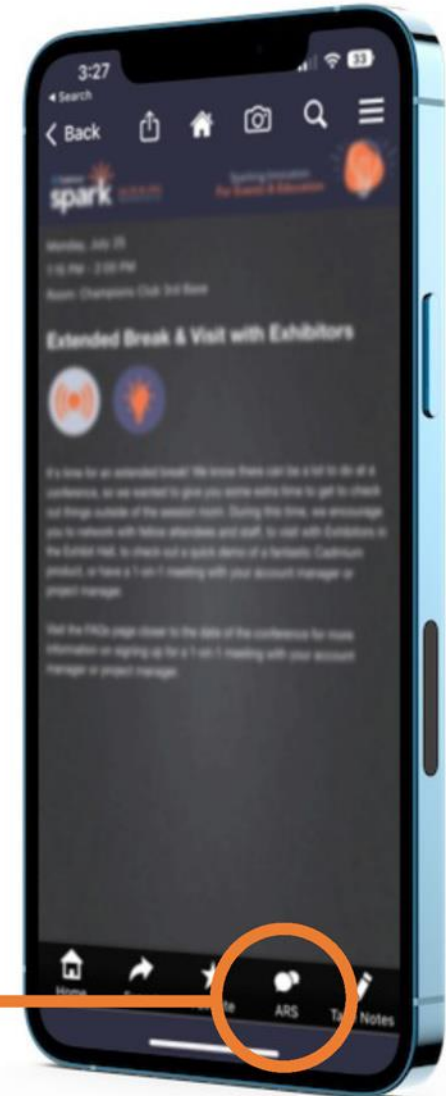
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Poll Key= BDHKC

Label = Pre-Tax Loss Q

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Poll Key= HYZUX

Label = Capital Rebound

Historic Decrease in P&C Insurance and Reinsurance Capital

U.S. Industry Events	Est. Pre-Tax Loss ¹ (\$Bn)	Subsequent Capital Raised ² (\$Bn)
2022 – 2023 Inflation, Rising Interest Rates, Currency and Ian	\$415	\$5 ³
2017 Hurricanes Harvey, Irma and Maria (HIM)	\$69	\$35 ²
2005 Hurricanes Katrina, Rita and Wilma (KRW)	\$57	\$26
2001 WTC and '01 Reserve Development	\$49	\$27
1992 Hurricane Andrew & '94 Northridge EQ	\$28	\$4

- Current decline in Insurance and Reinsurance capital is multiples higher than after other historic industry events
- Previous events led to significant (re)insurance rate increases and material amounts of capital coming into the (re)insurance market
- There is a once in a generation supply / demand imbalance that is driving broad rate increases and creating the need for additional capital



Note(s):

1. Dollar figures are nominal at the time of the event and not adjusted for inflation to 2022
2. This represents capital raised in 2020 on the back of material aggregate cat losses in 2017-2019 as well as anticipated (at the time) COVID-19 losses
3. As of March 22, 2023

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Unprecedented (Re)Insurance Market Dynamics

15% Reduction in Insurance and Reinsurance Capital Coupled with Increased Demand for Risk Transfer

	Total P&C Insurance and Reinsurance Capital (\$Bn)	P&C Reinsurance Capital Only (\$Bn)
Total Capital at Year End 2021	\$2,690	\$675
Inflation and related interest rate increases	(\$375)	(\$74)
Currency exchange rate impact	(\$30)	(\$7)
Estimated profit less dividends	+\$10	+\$2
Other ⁽¹⁾	(\$17)	(\$14)
ILS capacity changes	(\$8)	(\$8)
Equity inflows (existing & NewCos)	+\$5	+\$1
Total Change in Capital through Year End 2022 ³	(\$415)	(\$100)
Total Capital at Q3 2022	\$2,275	\$575
Incremental increase in demand for capacity	Nil	Nil
Total Capital Impact⁽²⁾	(\$415)	(\$100)
% Change from Year End 2021	(15%)	(15%)

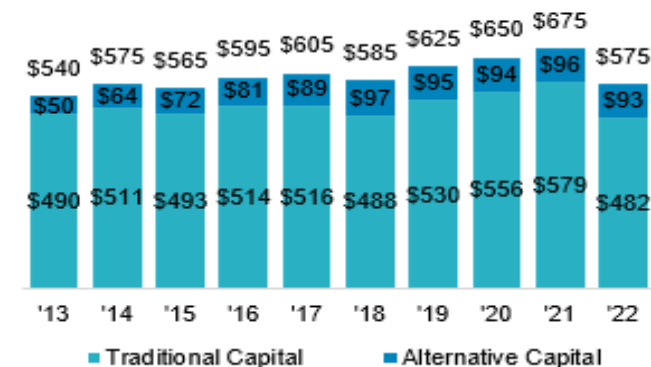
Source(s): Aon Business Intelligence Analysis, Aon Securities

Note:

1. Includes: Reduction in capacity from government pools and Florida RAP, and exit of multiline companies exiting reinsurance
2. Equals the Total Change in Capital through Year End 2022 plus the additional capital required for the increase in demand due to inflation
3. Totals may differ due to rounding

- An estimated \$415Bn of additional capital is required to support P&C Insurance and Reinsurance; this includes reinsurance capital needs of \$100Bn
- Reinsurance capital is at a low not seen since 2014
- These capital impacts occur during the strongest specialty property and casualty insurance and reinsurance markets witnessed since 2002 = multiple years of rate increases, attachment points and terms and conditions, keeping well ahead of increases in loss costs
- More capacity is needed in specialty insurance and reinsurance

Global Reinsurance Capital (\$Bn)



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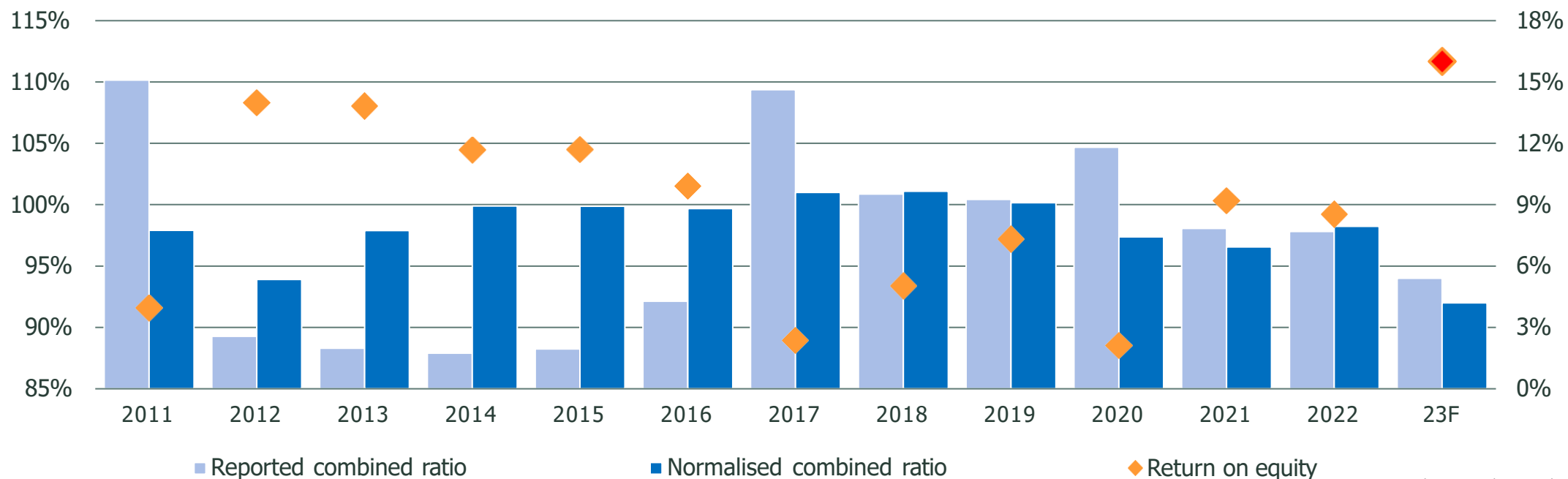
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Drivers of the Current Reinsurance Market Conditions

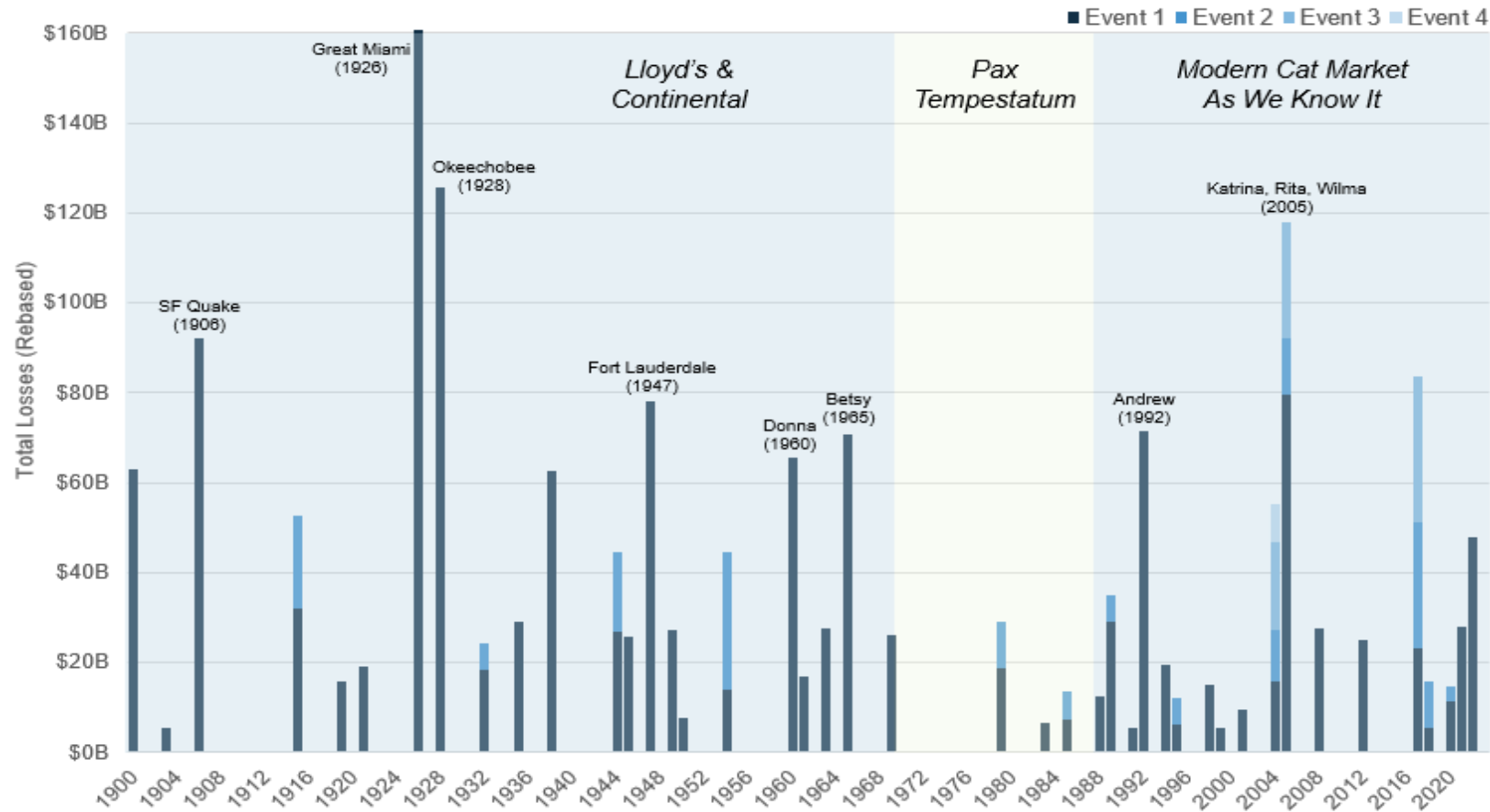
Reinsurer ROE: Influx of fresh capital tempered improvement in pricing and terms & conditions until recent renewal cycle

Global reinsurance performance and returns



Source: Swiss Re Institute estimations

Sometimes the Big Story is What Didn't Happen



Source: PCS

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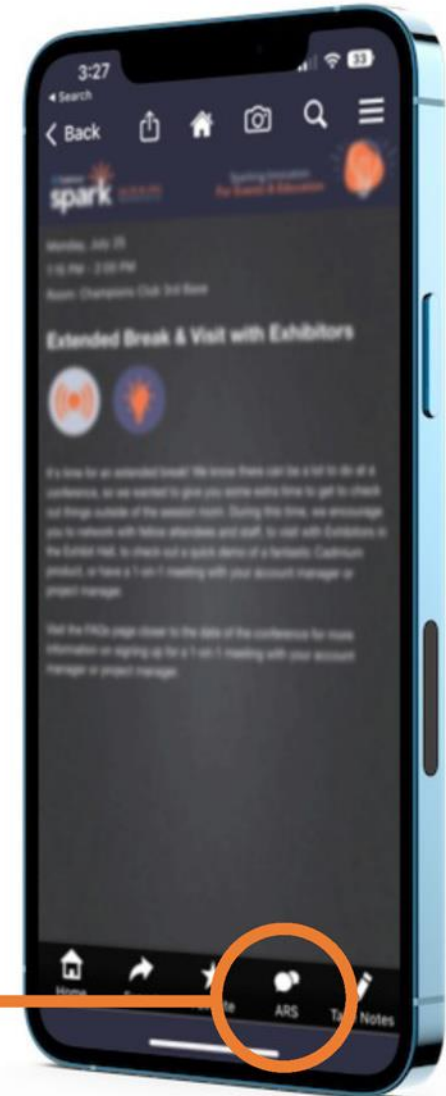
The 1989 resumption of catastrophes drove capacity to a half trillion

1989 Preexisting Re/Insurance Market Capacity			
Catastrophe Reinsurers	Top 20 Largest ILS Managers	Catastrophe Modelers	Government Cat Facilities
Renaissance Re PartnerRe LaSalle Re Tempest Re <u>MidOcean Re</u> GCR IPC Cat Ltd. Arch Capital Axis Allied World <u>Monteplier Re</u> Endurance Specialty Validus Ariel Lancashire Flagstone Harbor Point Vantage Inigo Mosaic Conduit	Fermat Capital Management LGT ILS Partners Nephila Capital Renaissance Re Capital Partners Leadenhall Capital Partners Credit Suisse ILS <u>Securis</u> Investment Partners Stone Ridge Asset Management Twelve Capital Schroder Investment Management Swiss Re <u>Elementum</u> Advisors Aeolus Capital Management <u>AlphaCat</u> Managers Pillar Capital Management Hudson Structured Capital Management Neuberger Berman ILS <u>Amundi</u> US <u>Hiscox</u> ILS	   	         



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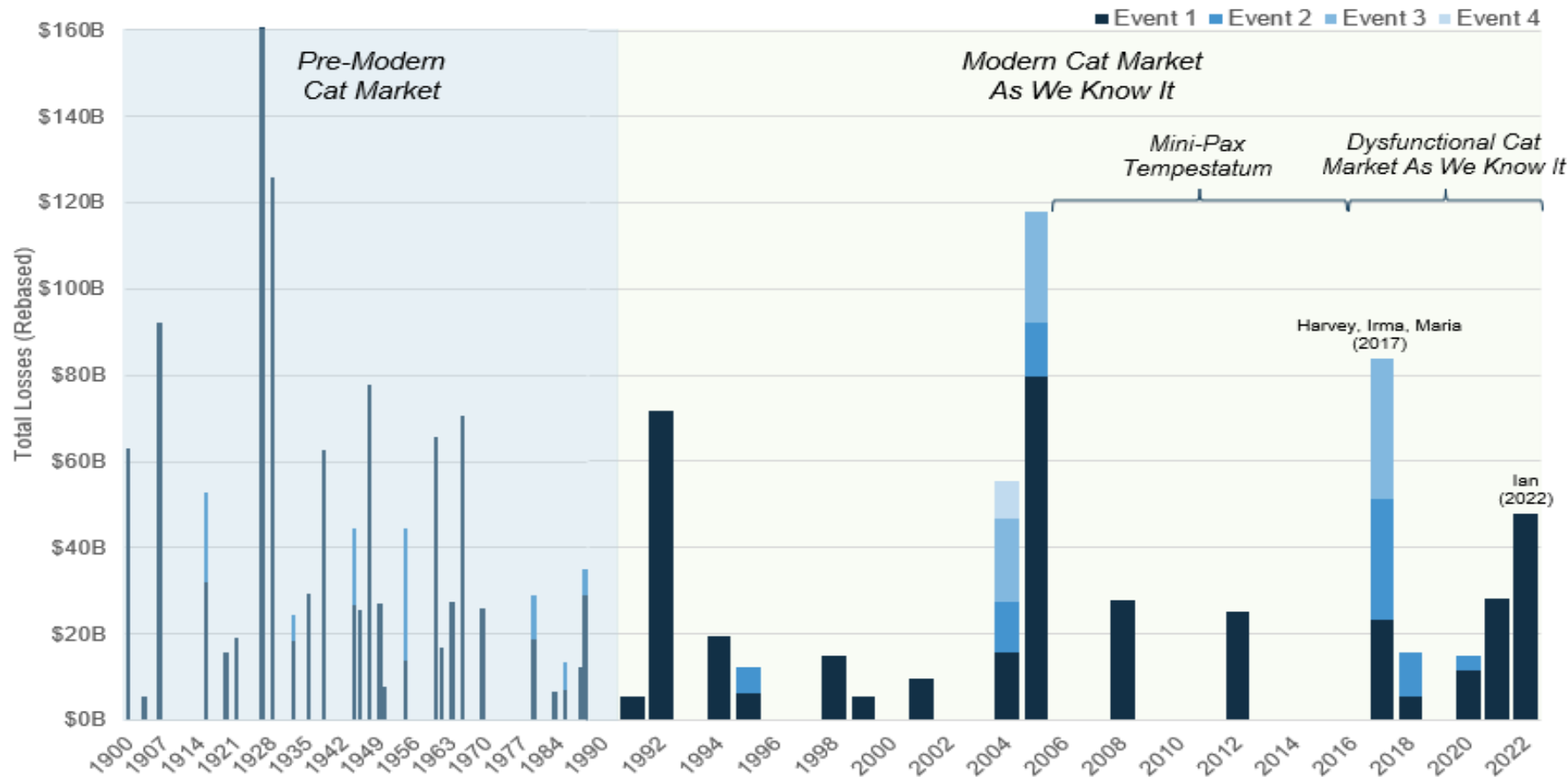


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Poll Key= YQIBM

Label = Modern Cat Market

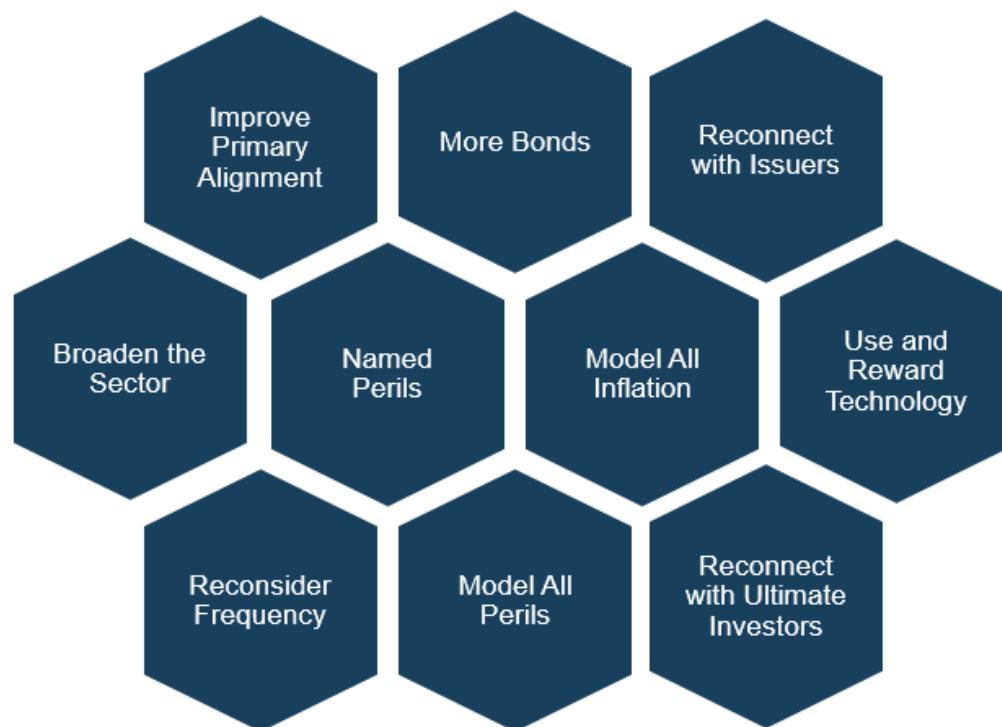
The Modern Cat Paradigm Worked Poorly for the Past Six Years...and some Soft Market Habits Didn't Help



Source: PCS



The Top 10 List ...



Source: ChatGPT

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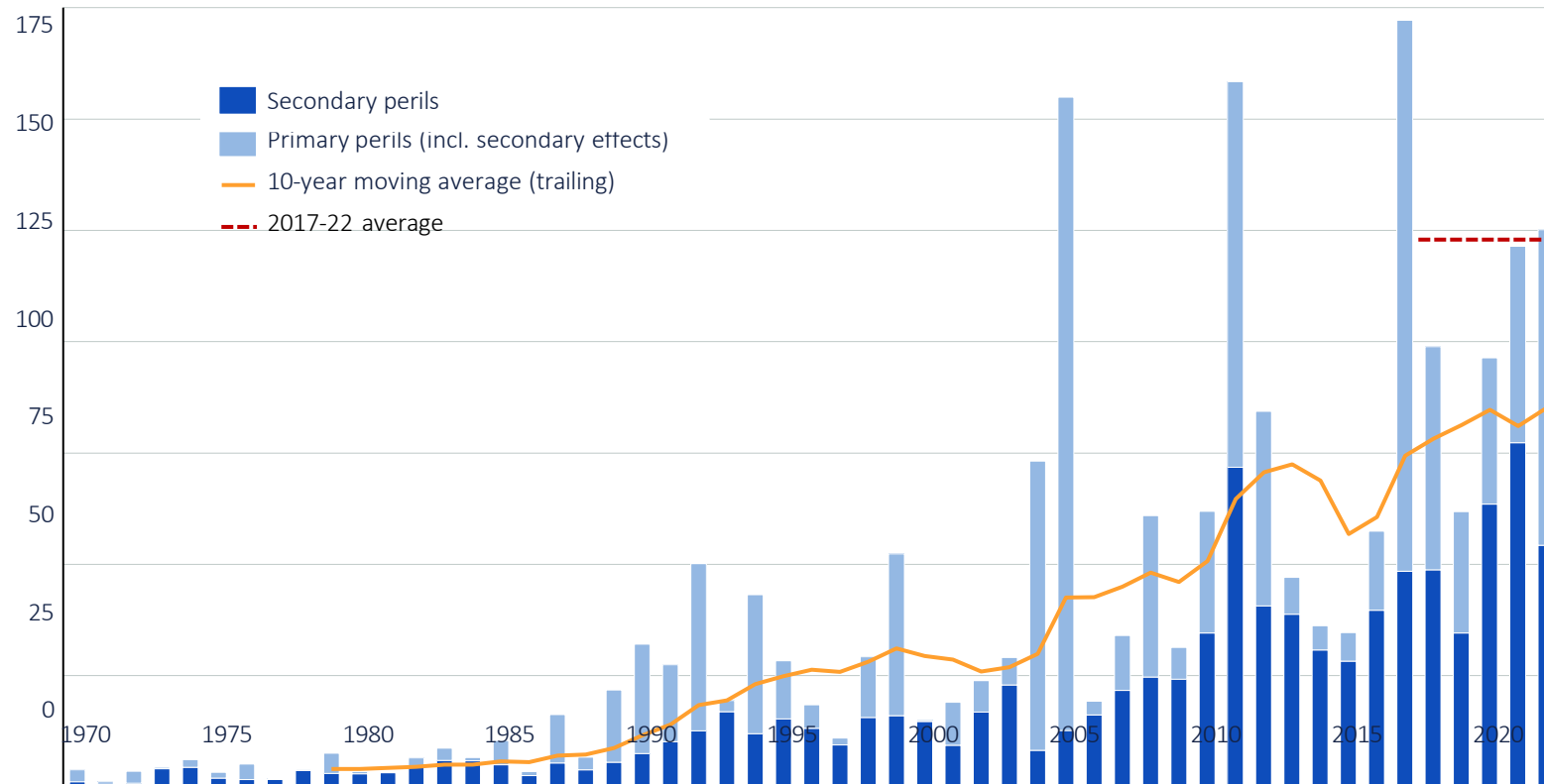


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Drivers of the Current Reinsurance Market Conditions

Cat Loss Trend: Elevated catastrophe insured losses in the recent years

Insured nat cat losses (USD bn)



5 -7%

p.a. growth over last
30 years

USD 110 bn

of insured losses p.a.
over 2017-2022

~50%

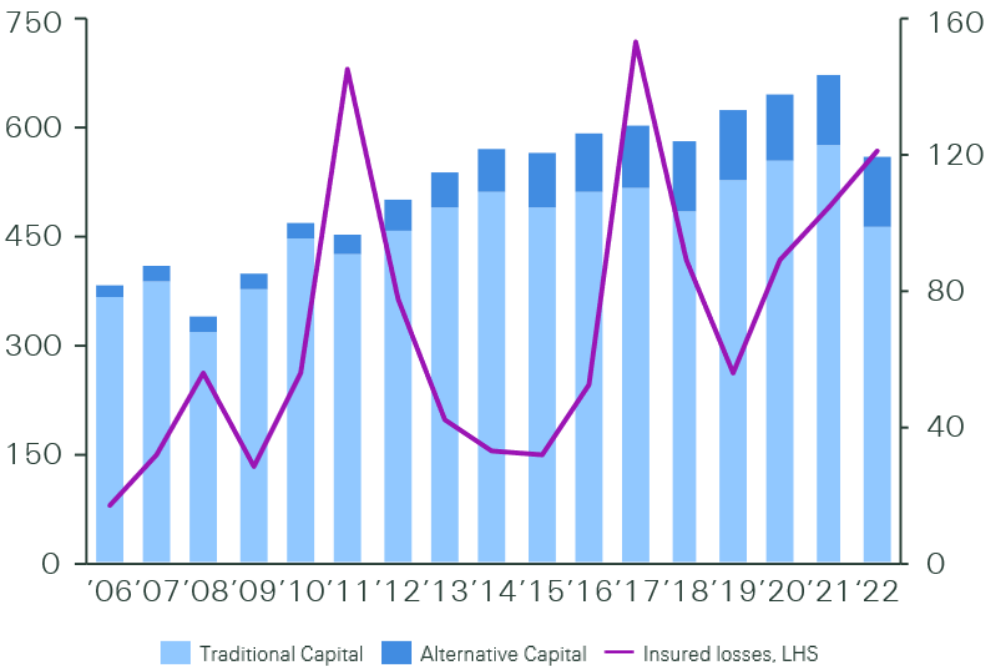
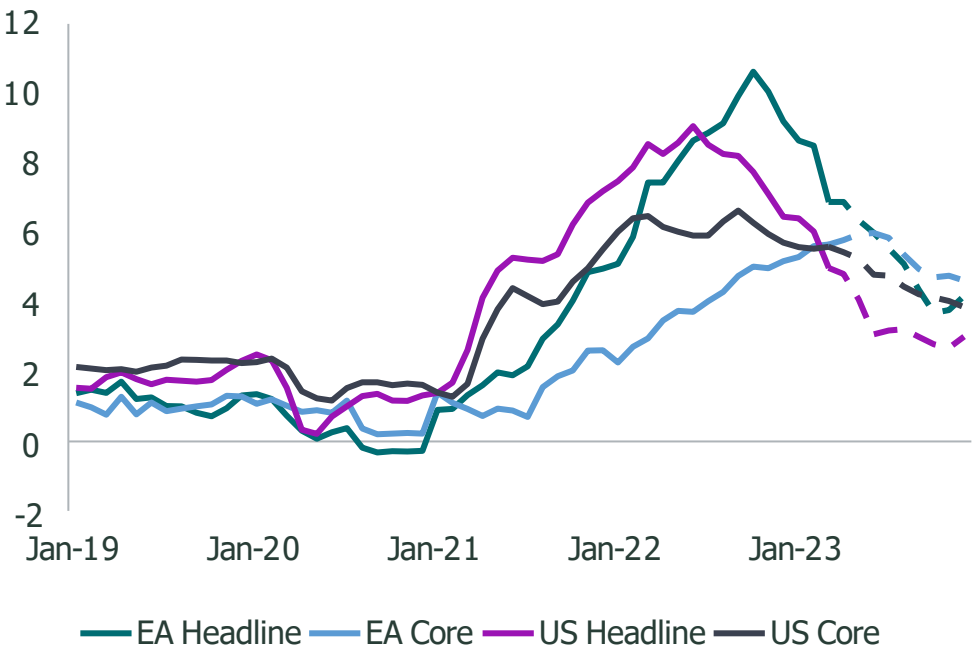
share of secondary
perils in last
30 years

Source: Swiss Re Institute, inflation-adjusted

Drivers of the Current Reinsurance Market Conditions

Supply and Demand Imbalance: Spike in inflation drove demand for additional capacity while reinsurance capital eroded

Inflationary environment & limited capital inflows create an unprecedented context

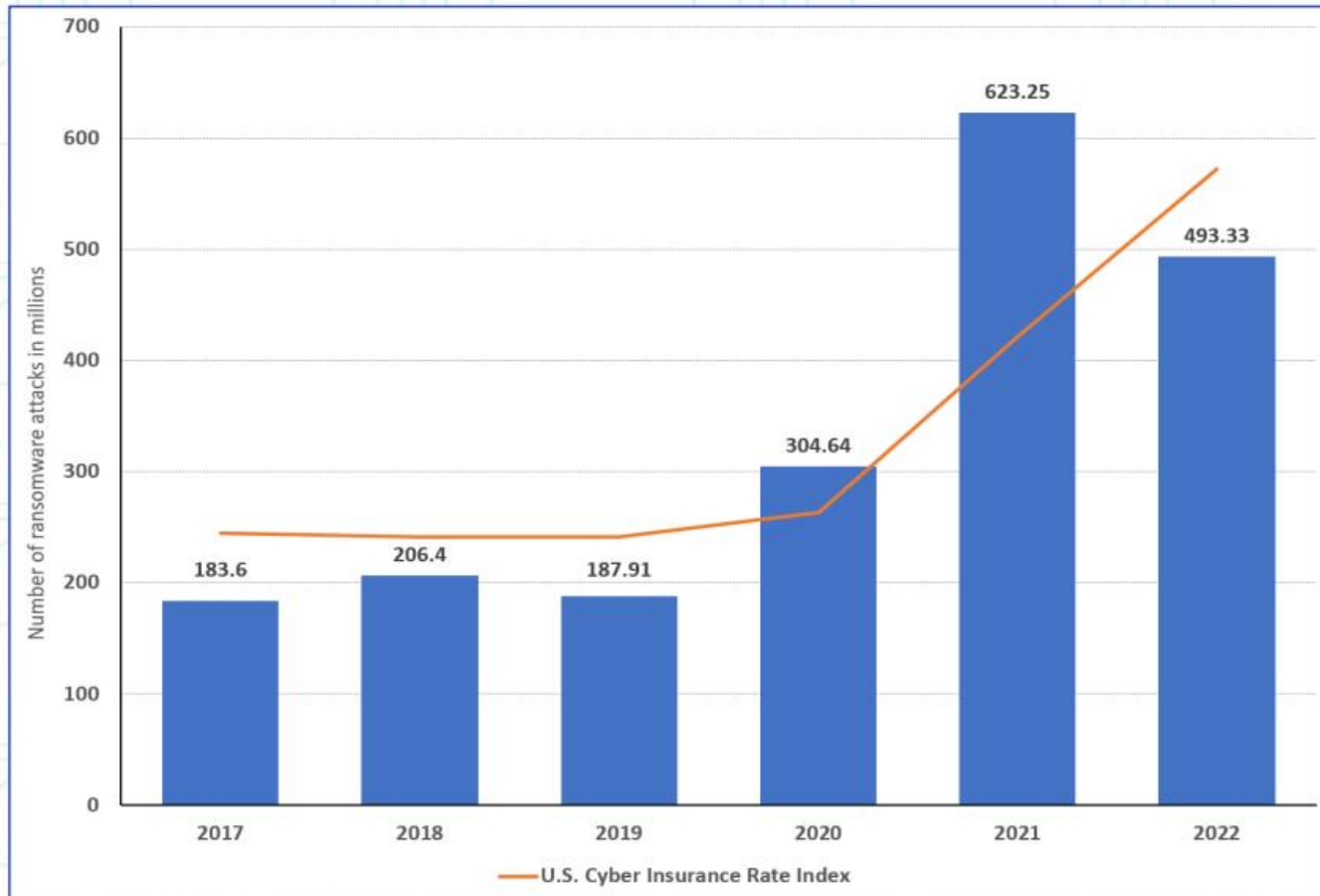


Source: Aon, Swiss Re Institute



Drivers of the Current Reinsurance Market Conditions

Ransomware Loss Trend: Increased losses since late 2018



Sources: Statista, Munich Re

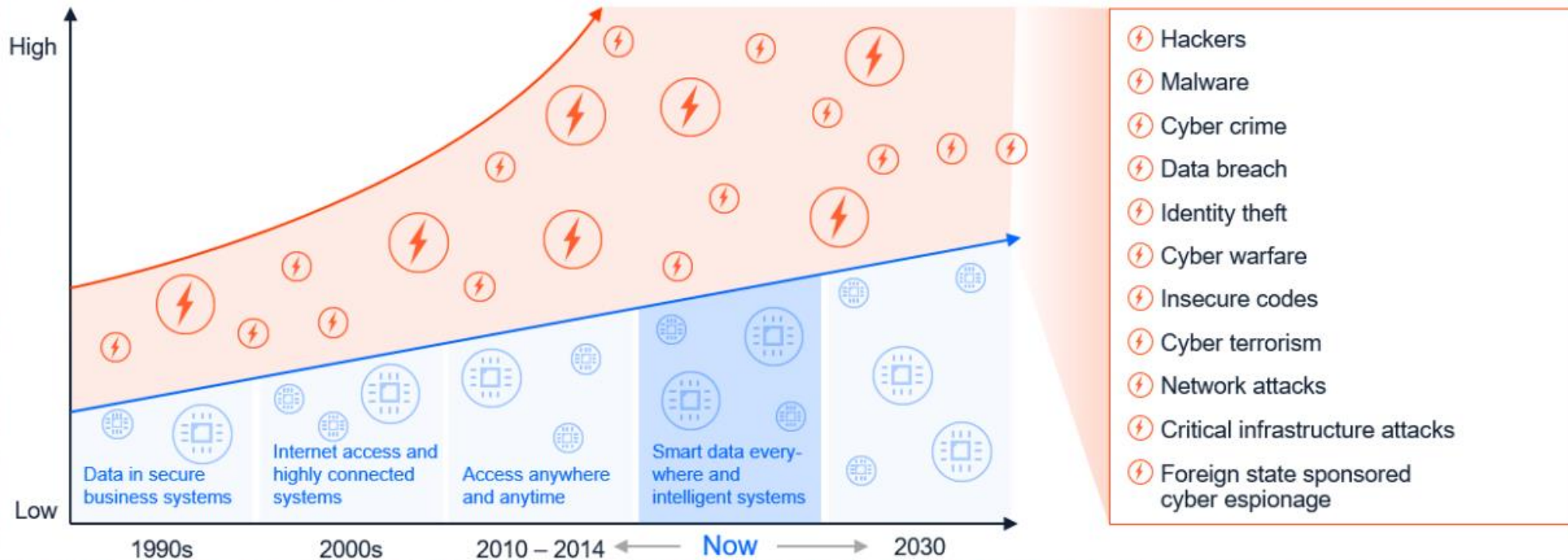
71%
of businesses victimized
by ransomware in 2022
(Statista)

USD 265bn
Worldwide cost of
ransomware in 2031
(Cybersecurity Ventures)

What is next?

Drivers of the Current Reinsurance Market Conditions

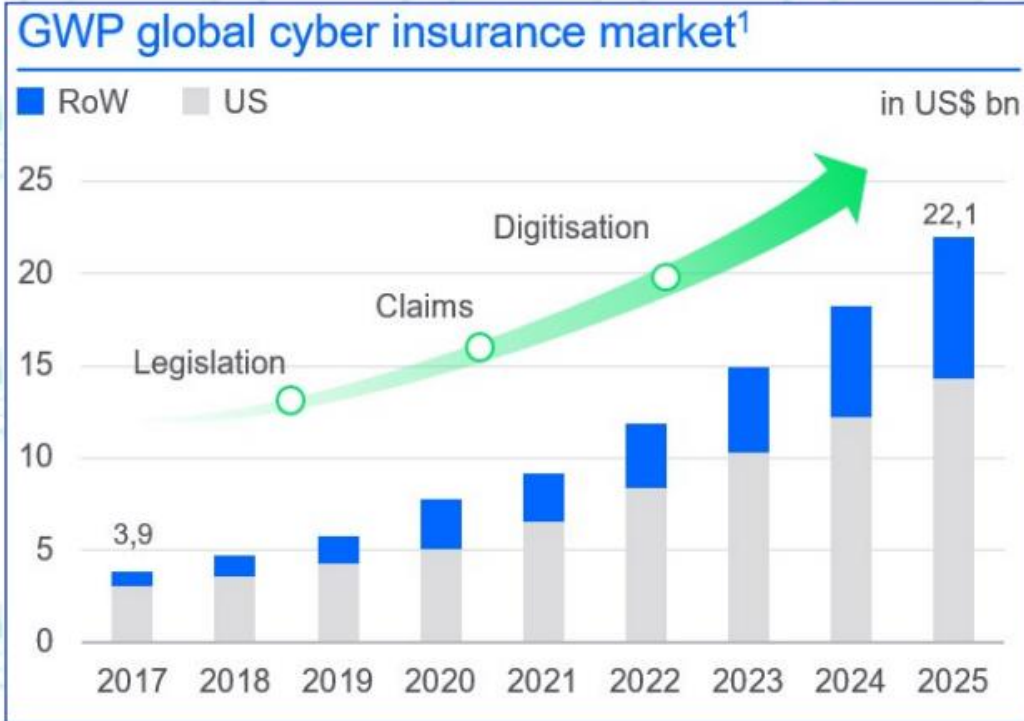
Cyber risks constitute one of the greatest threats we face



... and the cyber (re)insurance market has been undergoing a clear evolution in last few years

Drivers of the Current Reinsurance Market Conditions

Cyber Insurance - Key Challenges Remain



	Market Sustainability
	Accumulation and Systemic Risk
	Cyber War Exclusion
	Threats and vulnerabilities
	Absence / inconsistency of laws & regulation