

Howden Business Intelligence

HOWDEN

(Re)insurer earnings overview

Half year 2024

An industry report by Howden Re

August 2024

30 years of
Howden

Howden Business Intelligence explores key market movements at HY 2024 from (re)insurance earning updates. This includes analysis on risk appetite, catastrophe loss, impact to underwriting performance, reserve development and full year outlook.

Data sources include:

- NOVA
- Bloomberg
- Various insurance news outlets
- Company financial interim and updates
- Howden proprietary data

A recording of the half year earnings review video is available on [howdenre.com](https://www.howdenre.com)

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Shifts in risk appetite

Greater focus on international market growth and expansion with clearer actions by line of business at mid-year renewals as rate changes affect margins

Loss cost trends

Softer accident years from 2014 to 2019 have resulted in some reserve strengthening, resulting in greater prudence and adjustments in insurer loss trend estimates.

Conservative capital

Greater solvency has resulted in greater confidence, however caution still remains, not least in the nat-cat market.

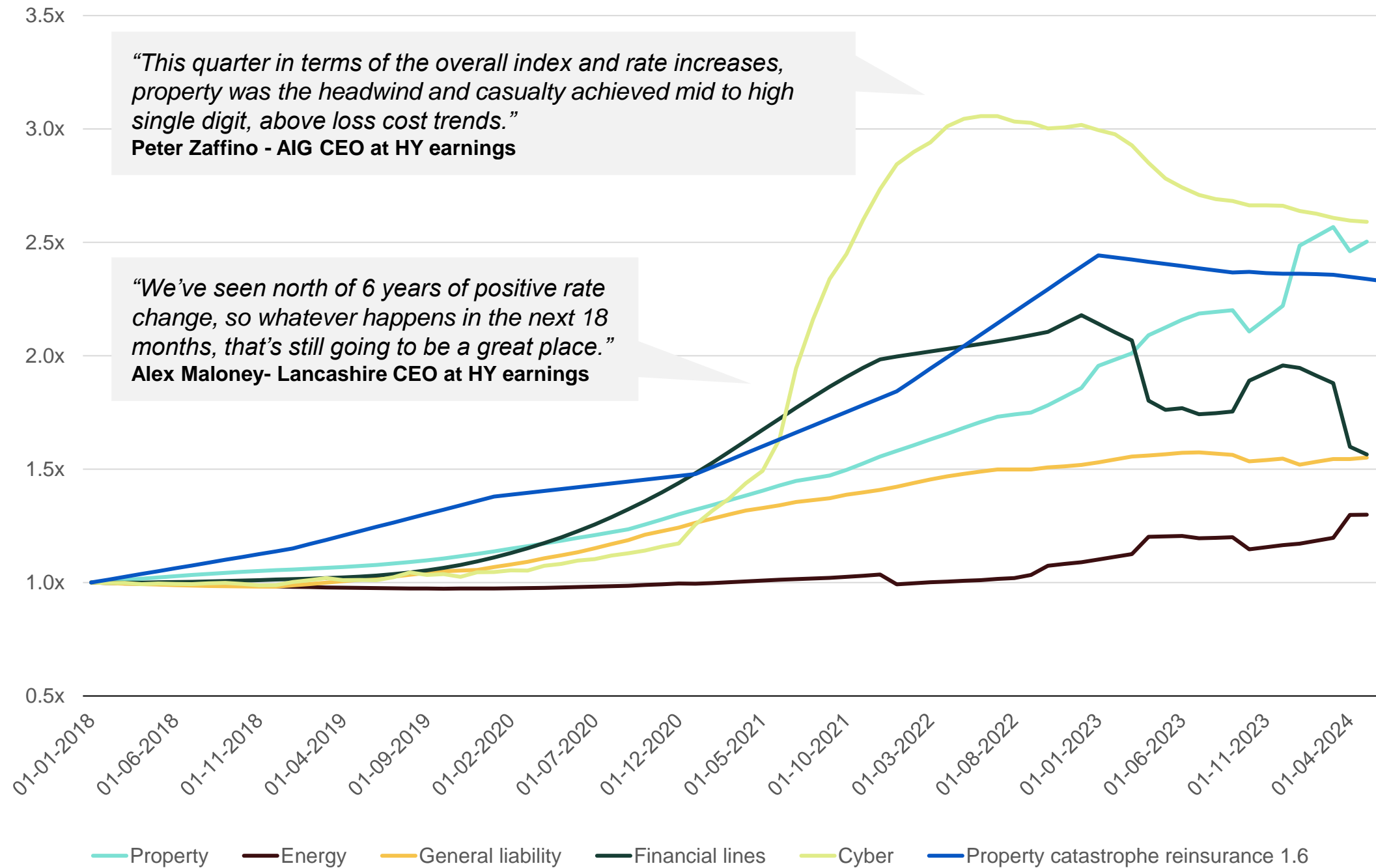
Underwriting improvement

There has been an improvement in technical earnings stemming from higher pricing and risk selection.

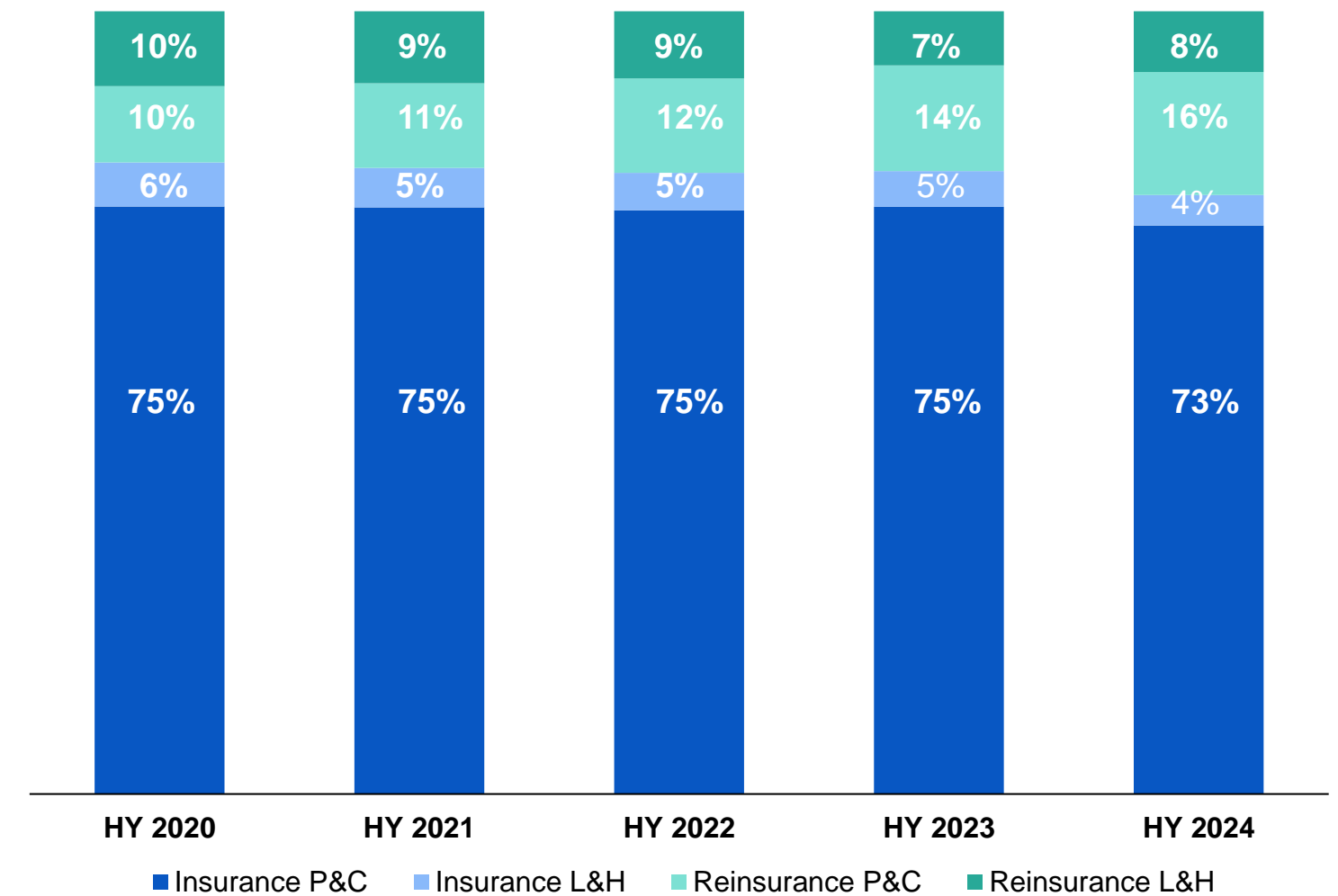
Rate increases begin to moderate as premium mix shifts

Markets are reporting rate increase moderation following 'stronger for longer' rate growth.

Risk-adjusted rate change from Q1-2018 to Q2-2024



NPE movement overtime by segment

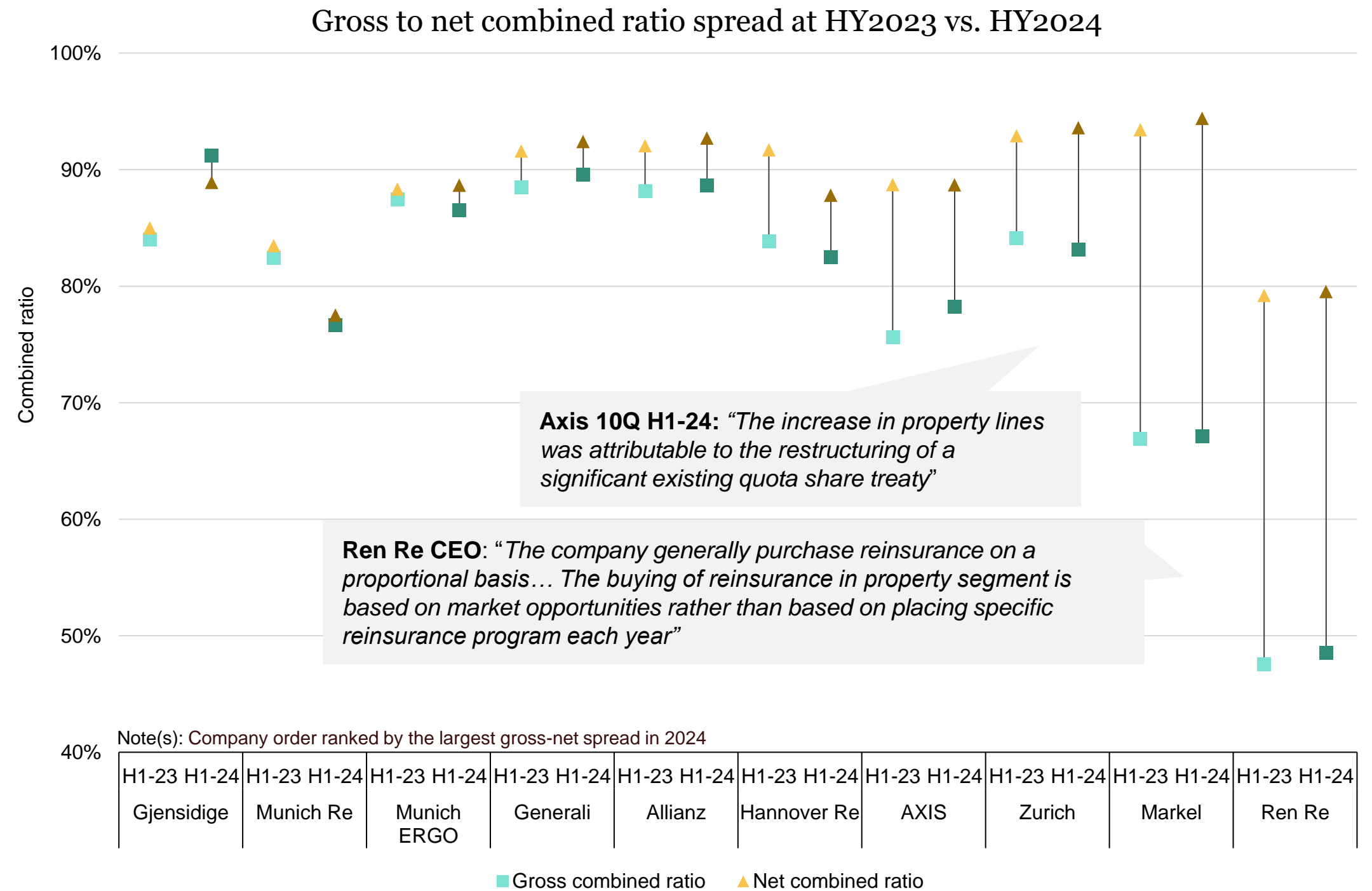
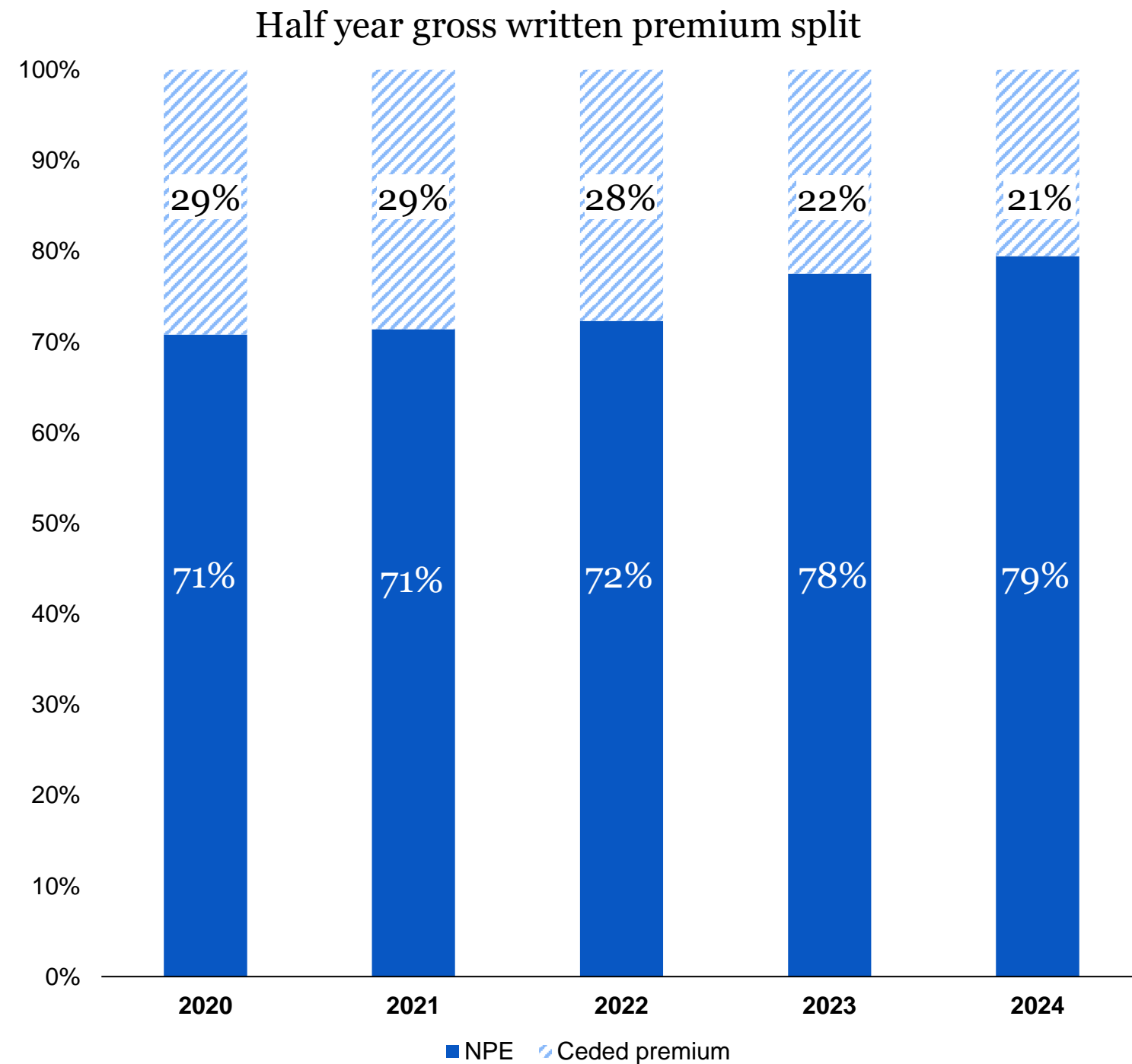


	Insurance P&C	Reinsurance P&C	Insurance L&H	Reinsurance L&H	Ceded premium
5-year CAGR	13.20%	28.55%	4.09%	8.36%	-3.27%

Source(s): NOVA
 Note(s): Energy includes upstream, midstream, downstream and mining only
 Note: Data from 2022 onwards includes NPE proxies due to IFRS 17 reporting changes.

Higher retention reflects the reinsurance market landscape

Reinsurance structure could be further optimised to adapt higher frequency natural catastrophe losses



P&C lines-of-business see focused, targeted growth in HY-24

Property and international see increases in HY 24, while some specialty lines reduced.

(Re)insurer **reduced** in

“**Arch Re** did not grow **prop cat** writing in mid-year renewals: CEO Grandisson. The slowdown was base on a conviction of “**higher likelihood of frequency events**” this year.” – *Insurance Insider*



“**Zurich's** H1 P&C profit **drops 1%** to \$2.2bn. The carriers combined ratio in P&C operations **rose slightly** to 93.6%.” – *Insurance Insider*



“**Casualty** premiums for **Everest** in the insurance segment were slightly down this quarter as the company reduced writings in certain lines, classes and jurisdictions.” – *Insurance Insider*

“**Berkshire Hathaway** pulls out of Citizens 2024-25 **risk transfer** program. In 223, Berkshire provided around \$1bn in capacity to the Floridian insurer.” – *Insurance Insider*



Axa in talks over EUR5.4bn asset management sale to focus on insurance core. Group deputy CEO Frederic de Courtois said the issue of inflation is “mostly behind us”. - *Insurance Insider*

“**Lancashire** ‘positive’ on rating in most **classes except upstream**. The CEO said the carrier's hurricane exposure has remained static in the last few years.” – *Insurance Insider*



(Re)insurer **increased** in

“**Hannover Re P&C** grows reinsurance service result 61% to EUR 454.3m. German floods were the carriers largest H1 loss, at EUR 120m.” – *Insurance Insider*

Chubb “Growth was led by Global Specialty”... “Led by energy and marine; Casualty, and Property” – *Chubb's earnings transcript*

Rokstone lands capacity from Accredited. The deal covers US and international business” – *Insurance Insider*

“**Aviva** looks to **diversify internationally** with new global service proposition. The carrier is aiming to **grow its delegated authority business** and launch a refreshed captives proposition.” – *Insurance Insider*

“**QBE** International business grew premiums by 12.5% over the period.” – *Insurance Insider*

“**Hamilton** perusing 'targeted **growth**' in **casualty** quota share reinsurance: CEO. Albo cited rate increases, **improved terms and conditions** and line size management among cedants.” – *Insurance Insider*



“**Conduit Re** comprehensive result surges 25% to \$98.1mn in H1. The carrier continued to **expand in property and specialty**, especially non-cat exposed business.” – *Insurance Insider*

“**Tokio Marine's** international business **boost premiums** on yen changes. Improved underwriting and investments results lifted the **group's international performance**.” – *Insurance Insider*



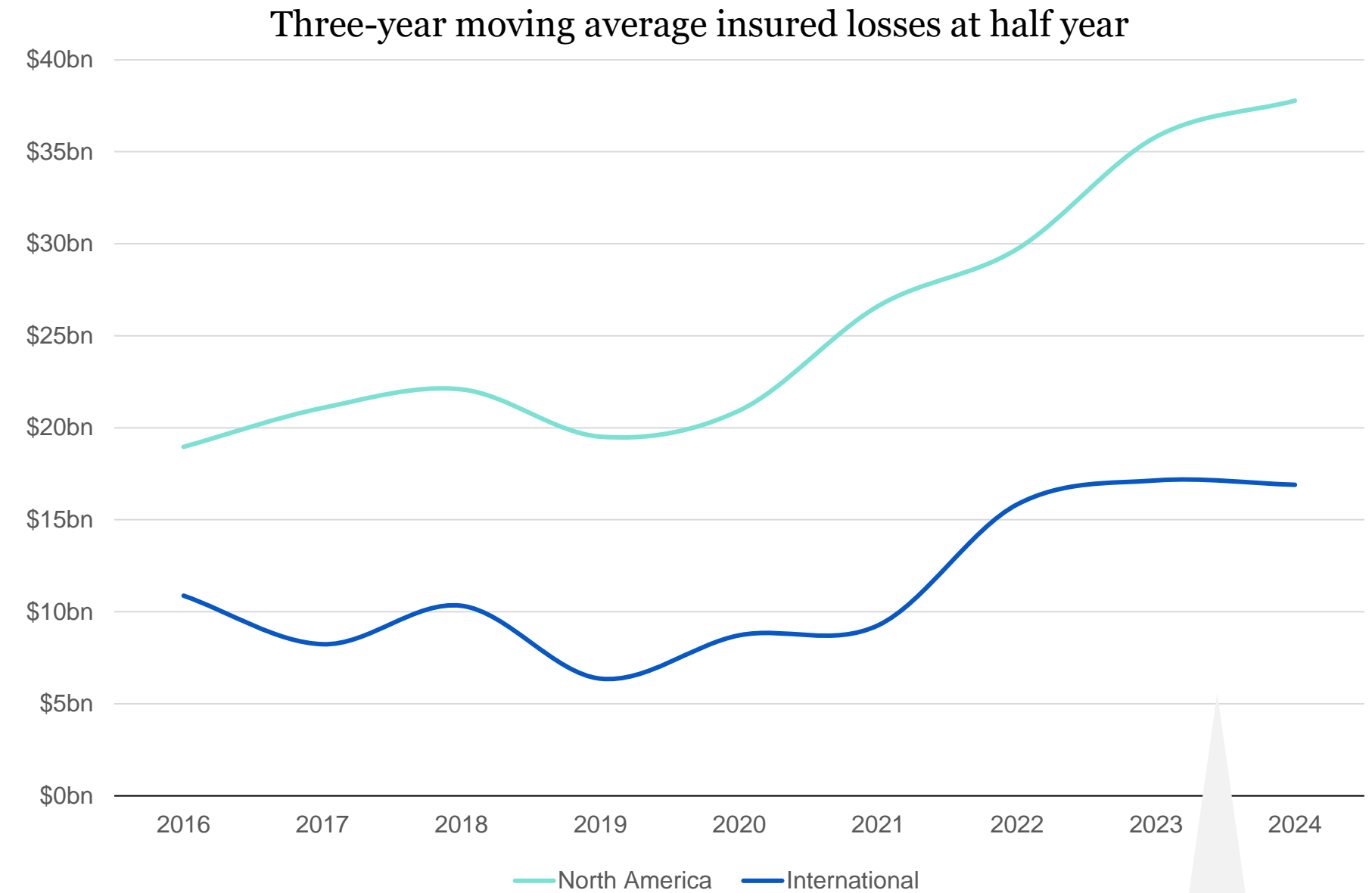
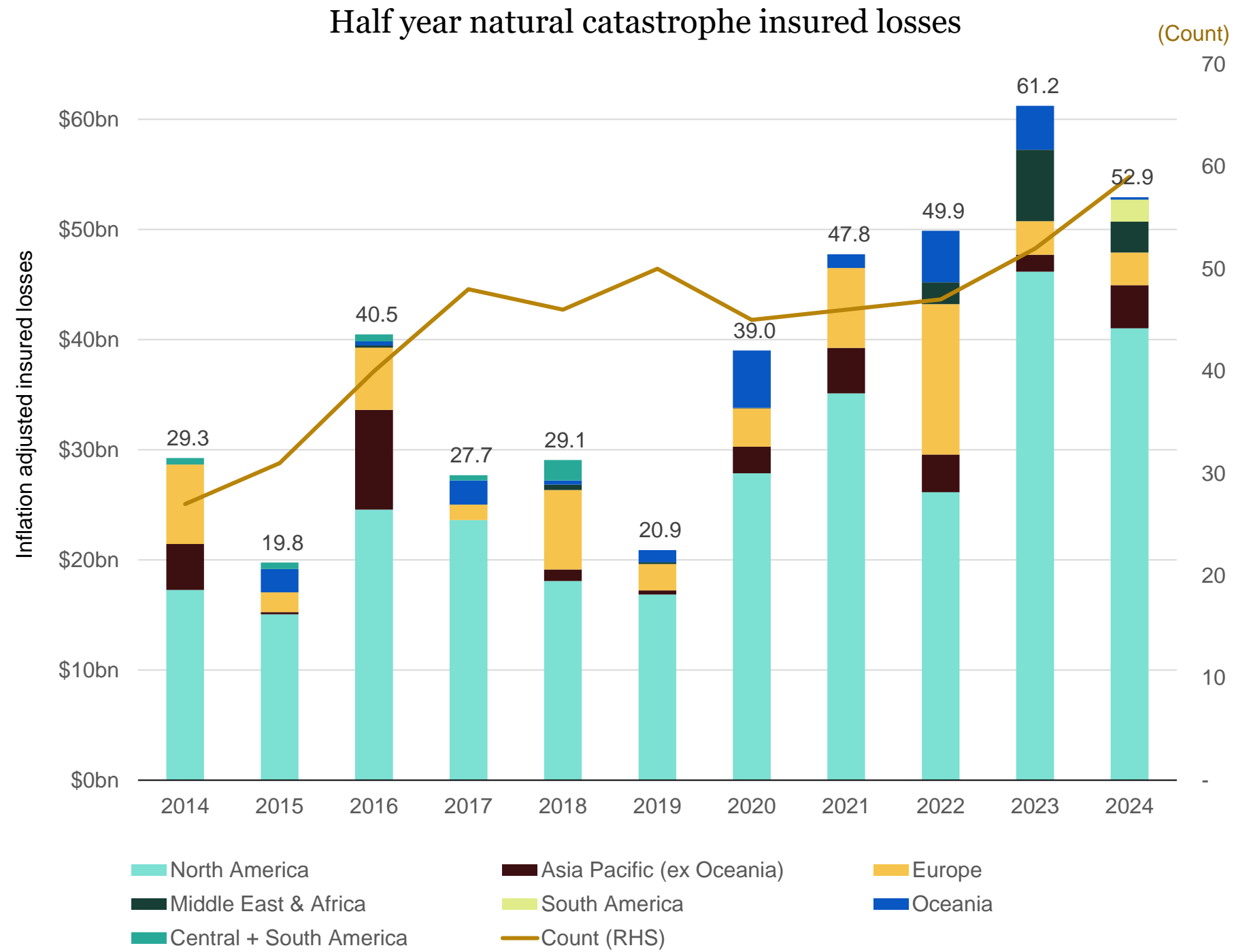
In Q2, **Everest** received regulatory approval for new operations in Australia, Columbia and Mexico” – *Insurance Insider*

“**Rokstone** enters **US excess casualty** with Burrows Hire. The underwriter joins from Convex.” – *Insurance Insider*

Natural catastrophe losses remained elevated in the first half



Insured cat losses continued to be driven primarily by North America



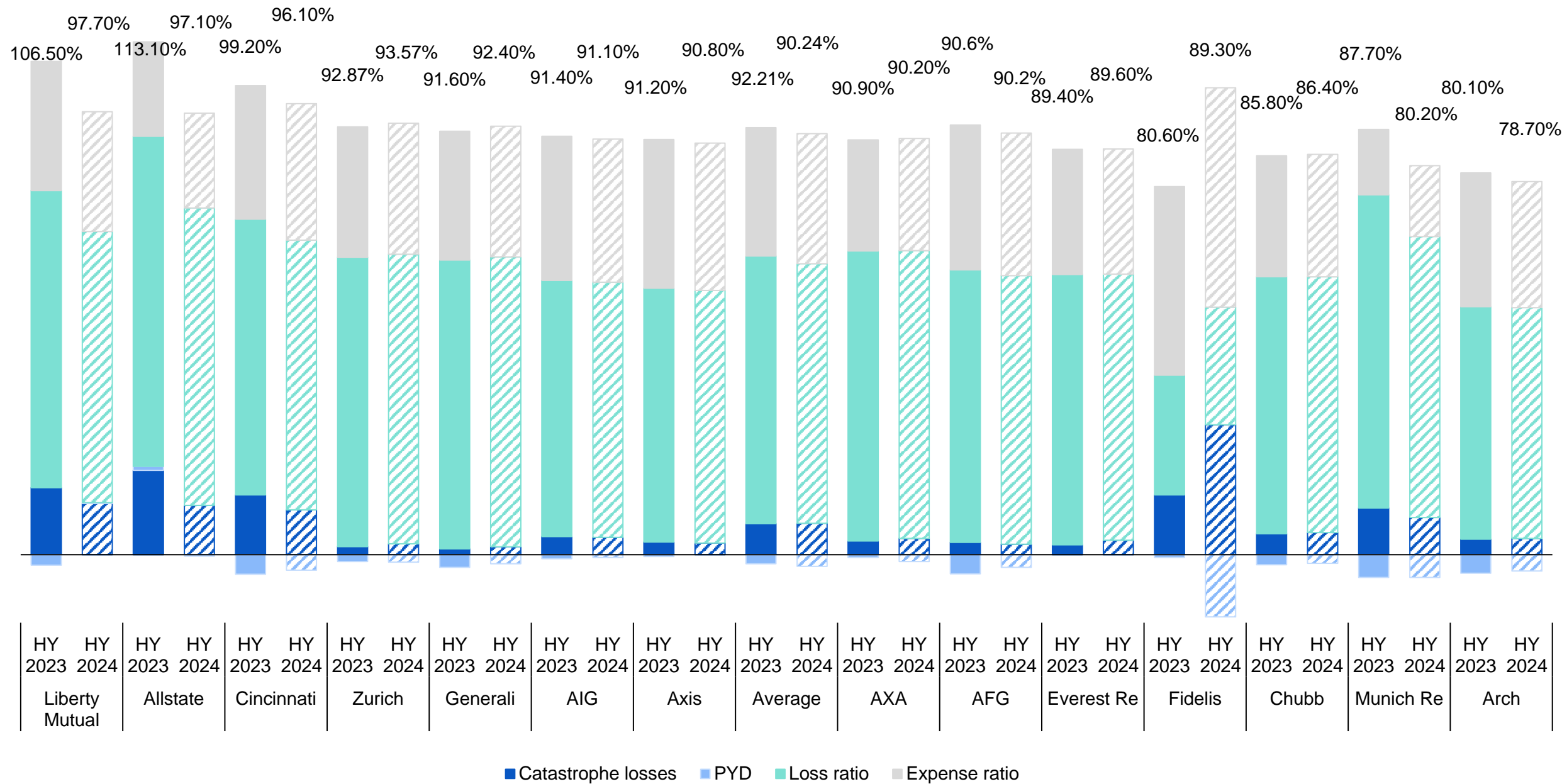
“Our International Commercial business grew nearly 14%, while consumer was up almost 21%. Asia Pacific led the way with premiums up 36% and excluding China's contribution, premiums were up over 9%.” Evan Greenberg – Chubb CEO

Combined ratio movements driven by shift in attritional losses and reserving



(Re)insurers reported underwriting improvement driven by positive prior year development, relatively flat nat-cat losses

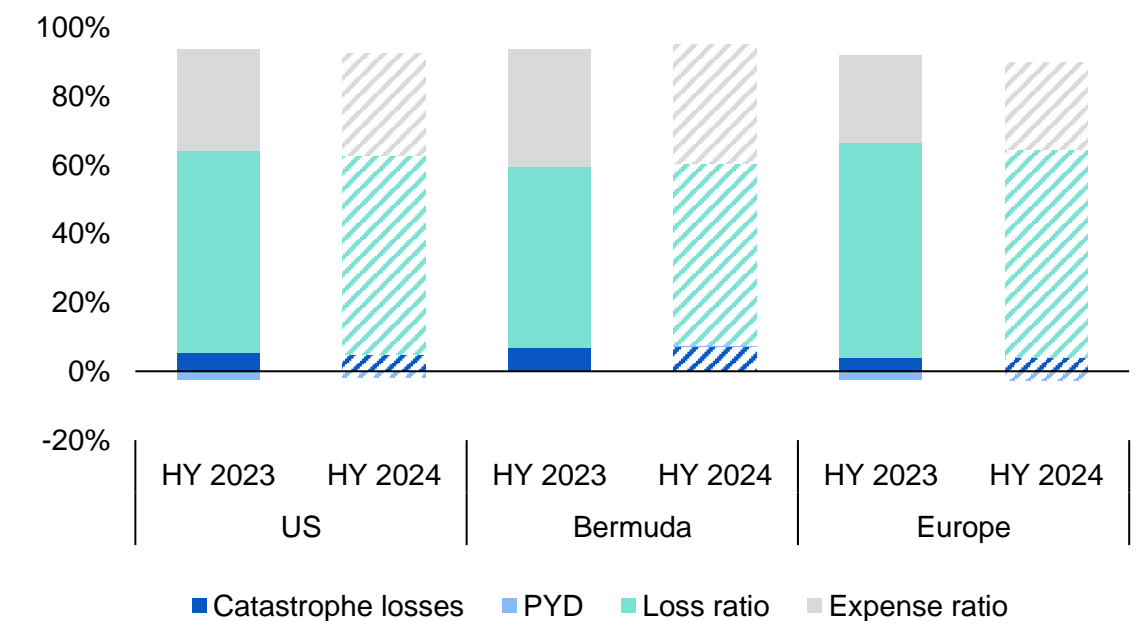
Half year combined ratio breakdown by (re)insurer



Ordered highest to lowest half year 2024 combined ratio

	HY 2023 average	HY 2024 average	Overall change
Catastrophe loss ratio	6.85%	6.94%	0.10%
Prior year development ratio	-2.00%	-2.95%	-0.59%
Loss ratio	59.02%	57.24%	-1.78%
Expense ratio	28.35%	28.70%	0.35%
Combined ratio	92.21%	90.24%	-1.97%

Half year combined ratio breakdown by region



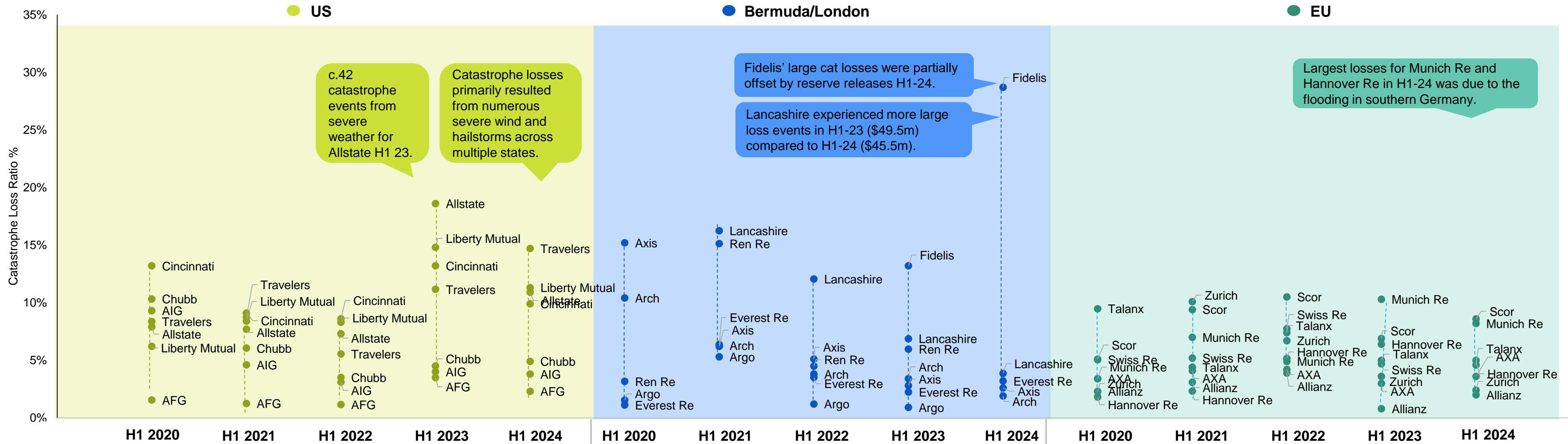
Note(s): Discounted combined ratios have been taken where IFRS 17 disclosure is shown

The United States experienced higher cat loss ratios in HY 24 on average



Catastrophe loss experience varied by region, with a typically smaller spread among (re)insurers

Catastrophe loss ratios by region

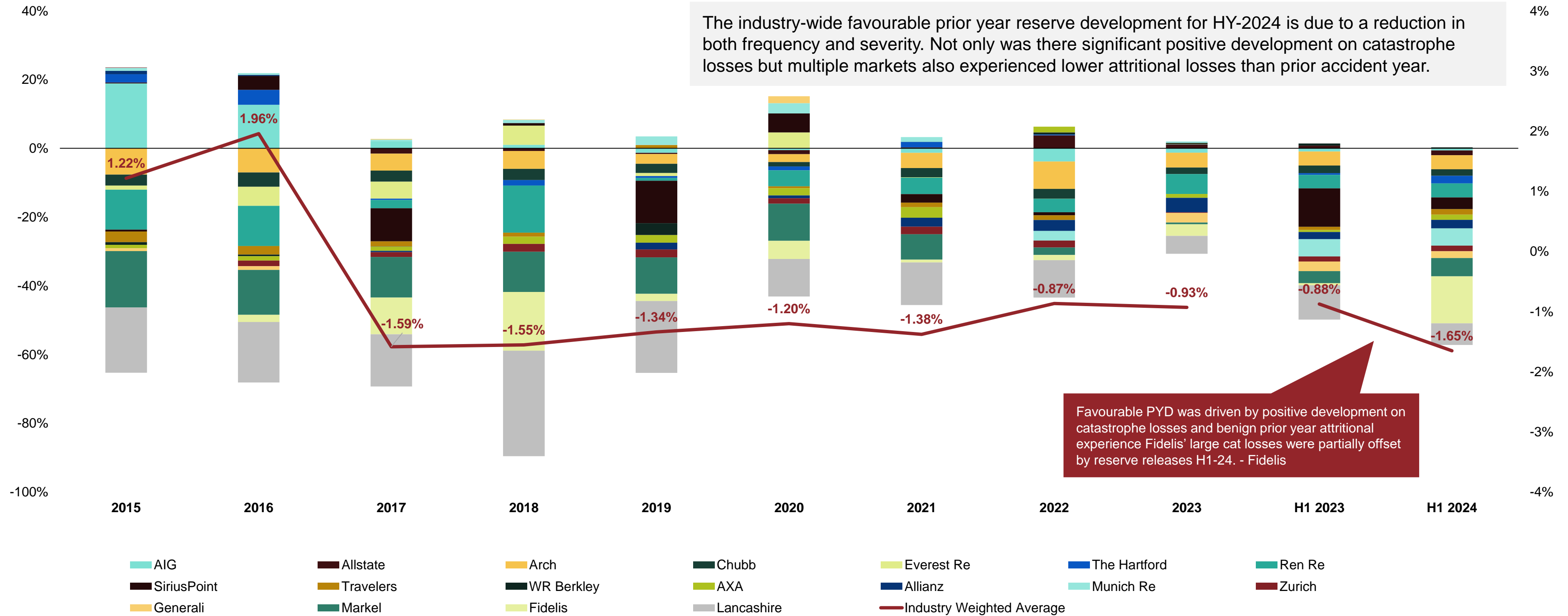


Region	HY 2020	HY 2021	HY 2022	HY 2023	HY 2024	5 Yr Average
US	8.1%	6.6%	5.4%	9.9%	8.3%	7.7%
Bermuda/London	6.3%	9.3%	5.0%	5.1%	8.1%	6.6%
EU	4.1%	5.7%	6.3%	5.1%	4.9%	5.2%

Source(s): Company financials and Insurance Journal

Loss trends in both catastrophe and attritional losses again led to favourable calendar-year reserve developments for most carriers

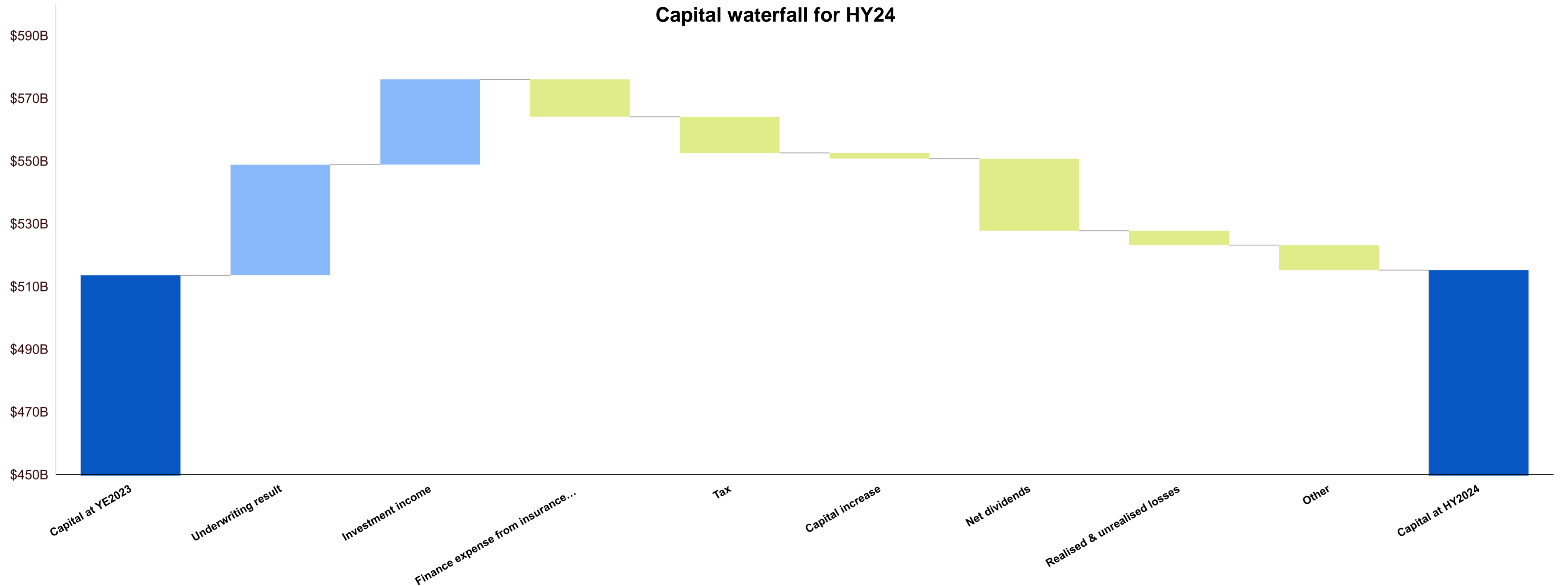
Lowering inflation and claims have resulted in increased reserve releases from insurers



Composite capital was roughly flat in 2024 due mainly to dividend payouts



Investment and underwriting results have continued to grow through 2024 so far, however overall capital is flat.



Source(s): NOVA

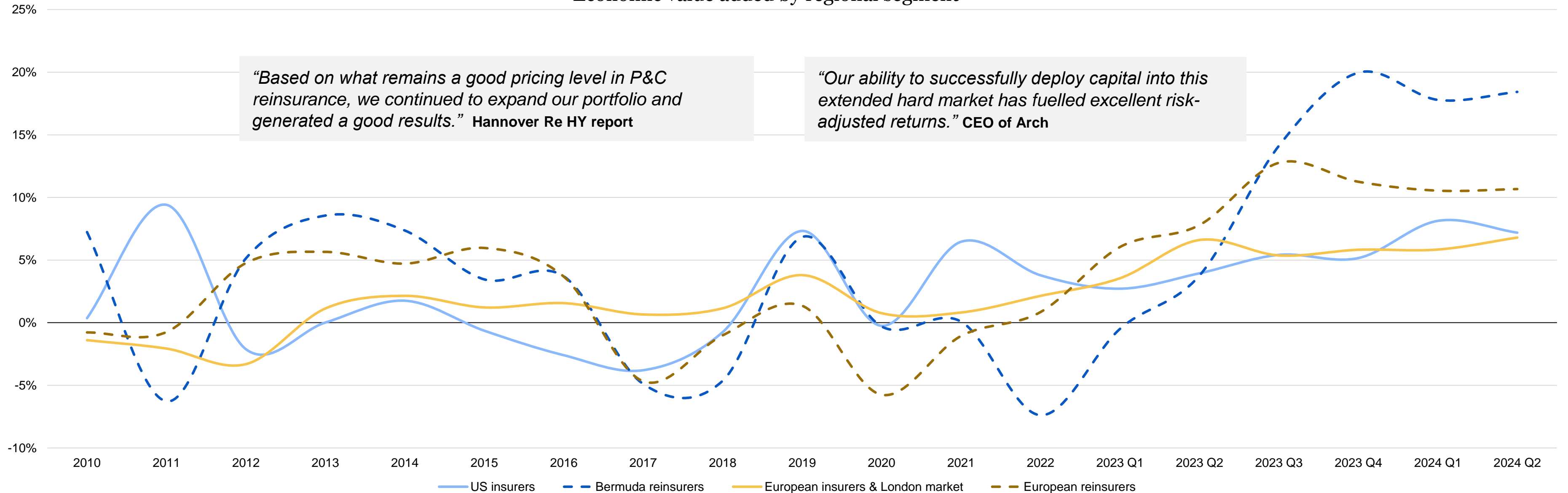
Note(s): Other includes other operating income (loss) and other comprehensive income (loss). Composite includes a variation of 24 (re)insurance companies globally.

Continued momentum in economic value added (EVA), notably for reinsurers



Reinsurer value added returns surpass insurers' in recent periods

Economic value added by regional segment



“Based on what remains a good pricing level in P&C reinsurance, we continued to expand our portfolio and generated a good results.” Hannover Re HY report

“Our ability to successfully deploy capital into this extended hard market has fuelled excellent risk-adjusted returns.” CEO of Arch

US insurers consist of: Travelers, Progressive, WR Berkley, RLI, Selective, Markel, The Hanover, Hartford, CNA, AFG, Cincinnati, Allstate, AFG, Fairfax, Hamilton, Argo, Intact.
 Bermuda reinsurers consist of: Ren Re, Axis, Everest Re, Arch, Sirius Point, Conduit Re.
 European insurers & London Market consist of: Mapfre, Zurich, Axa, Allianz, Ageas, Beazley, Aviva, Generali, VIG, Lancashire, Hiscox.
 European reinsurer consist of: Swiss Re, Munich Re, Hannover Re, SCOR and Fidelis.

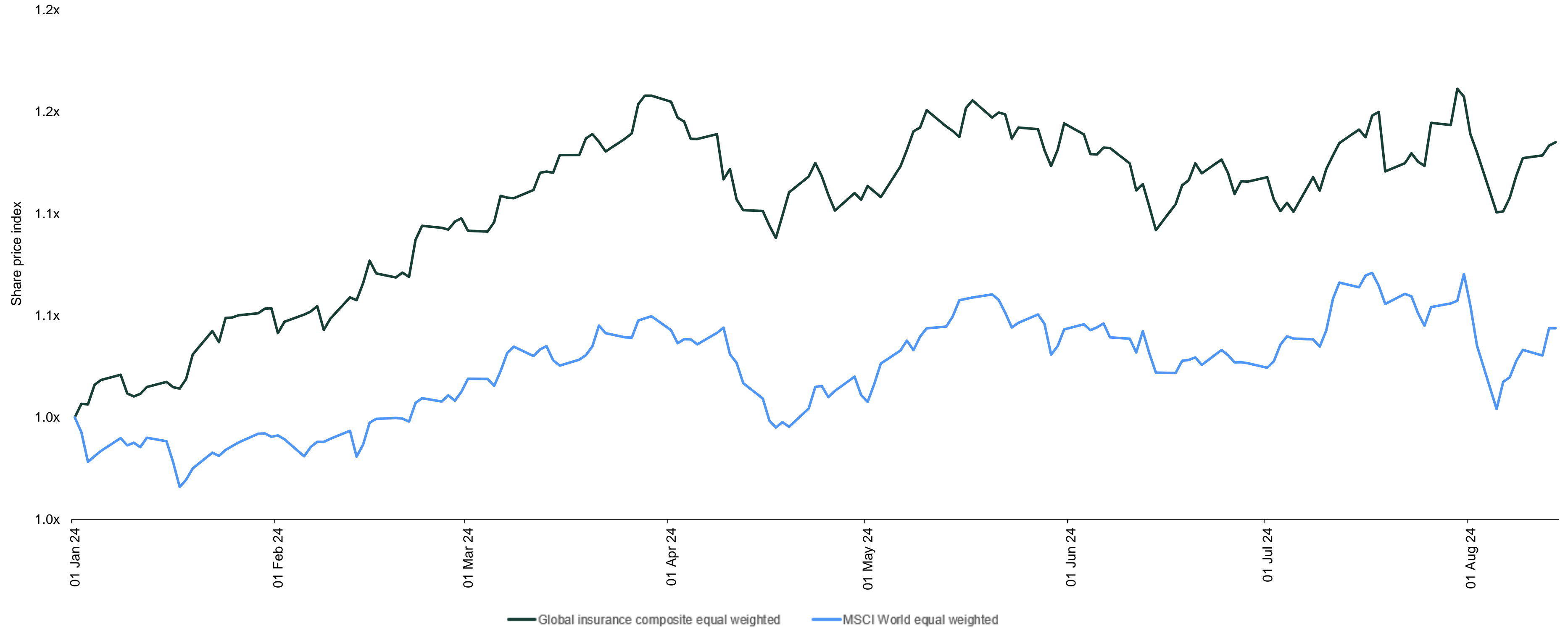
Source(s): Bloomberg, Howden.

Note(s): Economic value added (EVA) is calculated by Return on Equity – Weighted Average Cost of Capital using CAPM derived cost of equity, on a weighted basis.

P&C share outperformance in recent months on an equal-weighted basis



Global insurance composite vs. MSCI World – 2024 YTD



Our conclusion

The industry can't be too complacent;
risk premia are still heightened.

Vigilant risk and capital allocation
remain paramount.



Sustained capital
supported by
underwriting
diligence and
diversification mix.



**Continued
reserving
conservatism**
to support organic
growth, loss cost
trend concerns and
older accident years.



Margin growth
helped by substantial
volume increases
translating into strong
profits led by focused
appetites.



**Return on equity
on track for FY**
generating
shareholder
confidence and
increased momentum
despite active
catastrophes.

Adding value beyond the placement

For 30 years, Howden has been transforming the reinsurance landscape, pushing boundaries to operate differently at the forefront of a constantly evolving industry. An established force for industry progress, Howden's steadfast commitment to excellence delivers a distinctly integrated service for client needs – everywhere in the world.

[Howdenre.com](https://www.howdenre.com)





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