Howden Re Business Intelligence

(Re)insurer earnings overview

Full year 2024

An industry report by Howden Re

March 2025

Introduction

Howden Re Business Intelligence explores key market movements at FY 2024 from (re)insurance earning updates. This includes analysis on reserve volatility, widening loss gap, pricing and capital recovery.

Data sources include:

- NOVA
- Bloomberg
- S&P
- NAIC
- Various insurance news outlets
- Company financial full year reports and earnings updates
- Howden proprietary data

A recording of the full year earnings review video is available on howdenre.com

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FY2024 overview

Reserve volatility in context

Calendar year net reserve releases are reported across both primary & reinsurers, despite strengthening in some liability lines.

Widening loss gaps

The gap between economic and insured losses creates significant exposure. With an elevated catastrophe landscape, underinsurance risk is growing.

Underwriting is key as pricing stabilises

As pricing begin to moderate, premium growth incurs greater exposure. Those with a mixed portfolio and a higher reinsurance composite reported have achieved an above average profit in FY2024.

Capital recovery

Higher capital levels driven by retained earnings, asset recovery and strong ILS issuance.

January renewal premiums increased by 4.5%, primarily driven by volume

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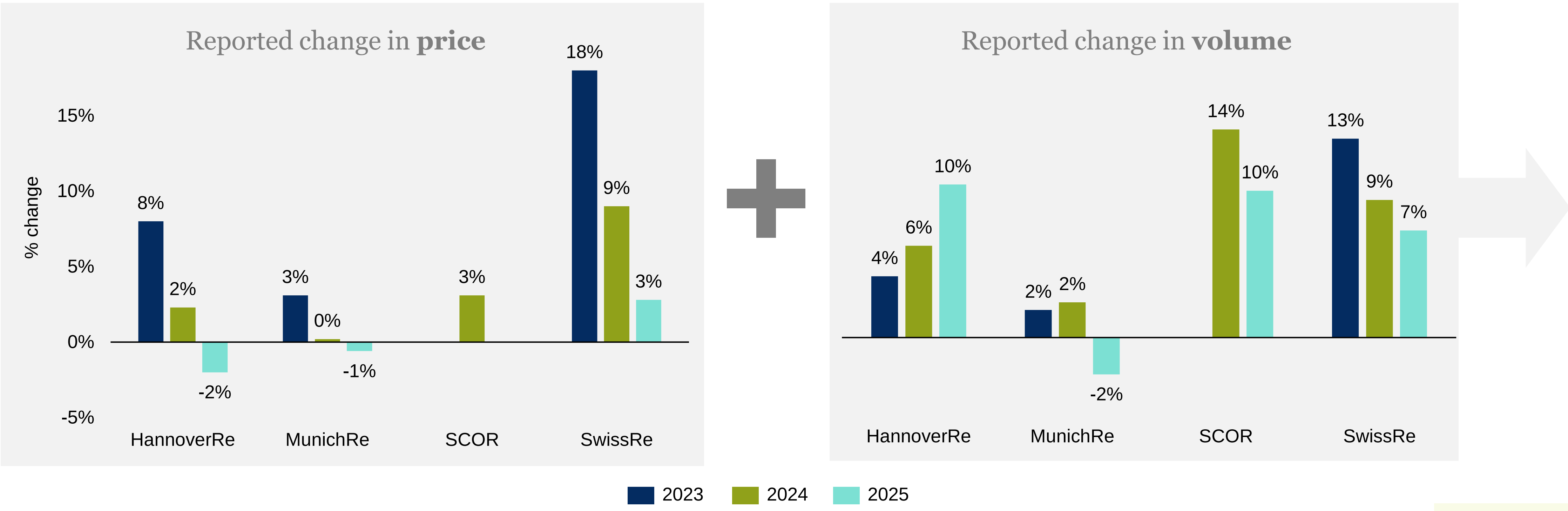
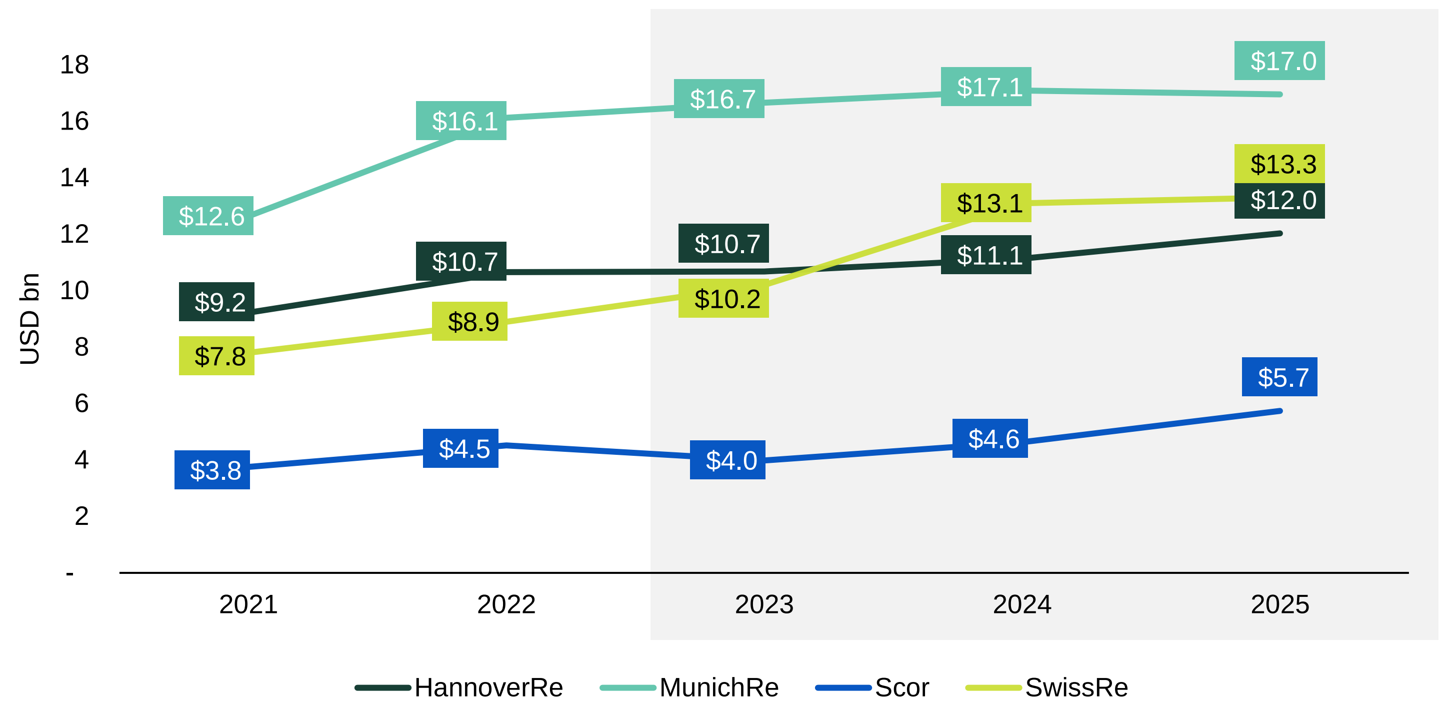
Reinsurers experienced stable reinsurance renewals at 1.1 due to greater prudence and selective focus in underwriting

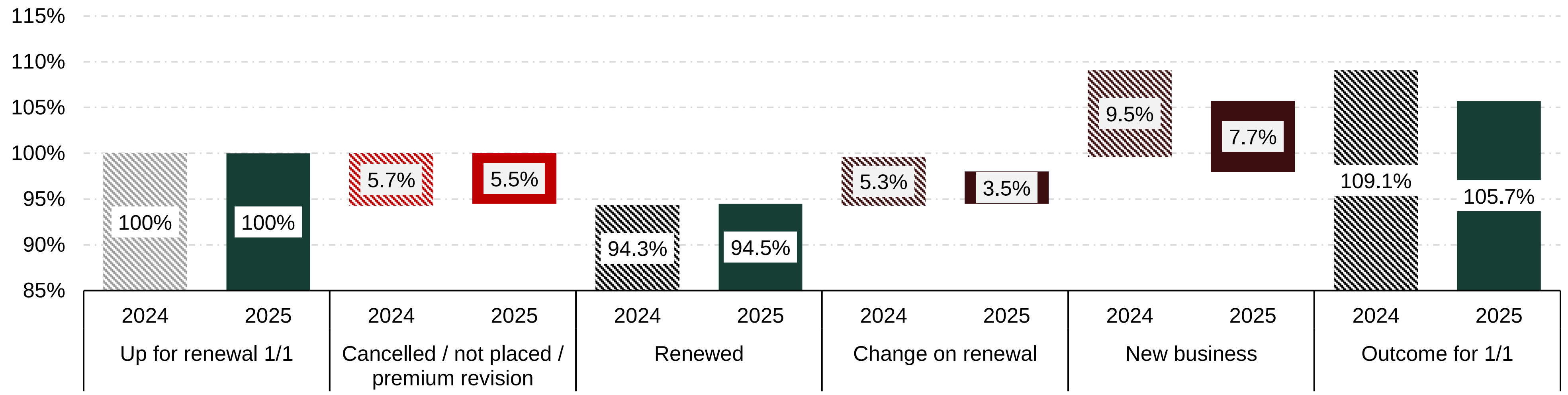
January 2023, 2024 and 2025 renewal results



January renewal premium



Average January renewal breakdown (straight average)



- There was a greater focus on volume to account for premium growth as demand for reinsurance increased driven primarily by growth of exposure, predominately in property.
- Pricing decreased slightly predominately for natural catastrophe business offset by a stabilising / increase environment for casualty due to prudent view on inflation and loss model updates
- Munich Re underwent rigorous portfolio management where they focused on client relationships and selective growth
- Terms and conditions were reported to be attractive and with sufficient retrocession capacity available resulting in dynamic purchasing behaviours
- “There is little evidence of capacity stepping back…we expect reinsurance market to remain oversupplied for April, June/July renewals and into 2026” Barclays 6th Jan 2025

Source(s): Hannover Re, Munich Re, SCOR and Swiss Re, investor presentations and reports
Note(s): SCOR’s renewal breakdown is for their treaty book of business, and is based on EGPI (Estimated Gross Premium Income, U/W year) in 2025

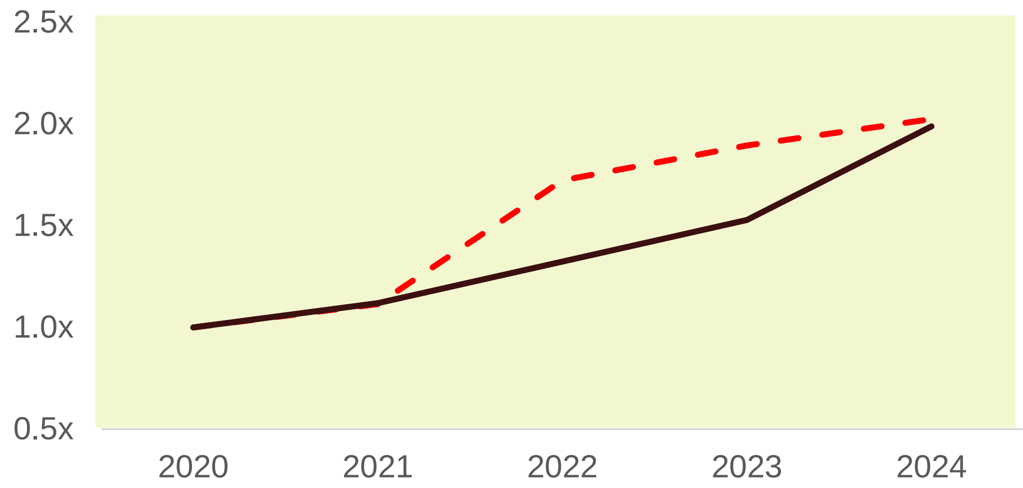
Varying trends found between pricing and premiums across LoB's

Attention shifts to upcoming renewals where pricing is expected to moderate

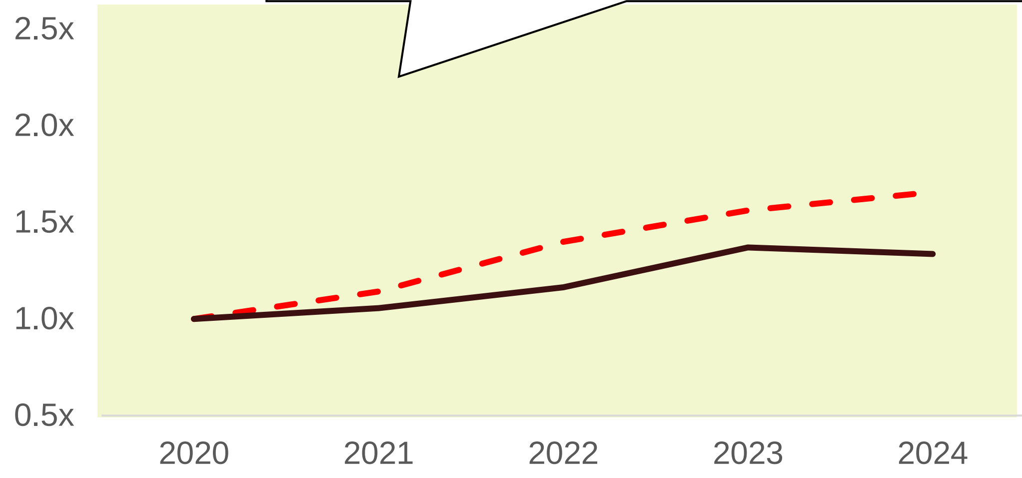
P&C insurance lines

"We achieved volume growth of 7% driven by increases in property and specialty lines, partially offset by our continued cautious stand in casualty."
Alexander Andreas M. Berger (Swiss Re Group Chief Executive Officer)

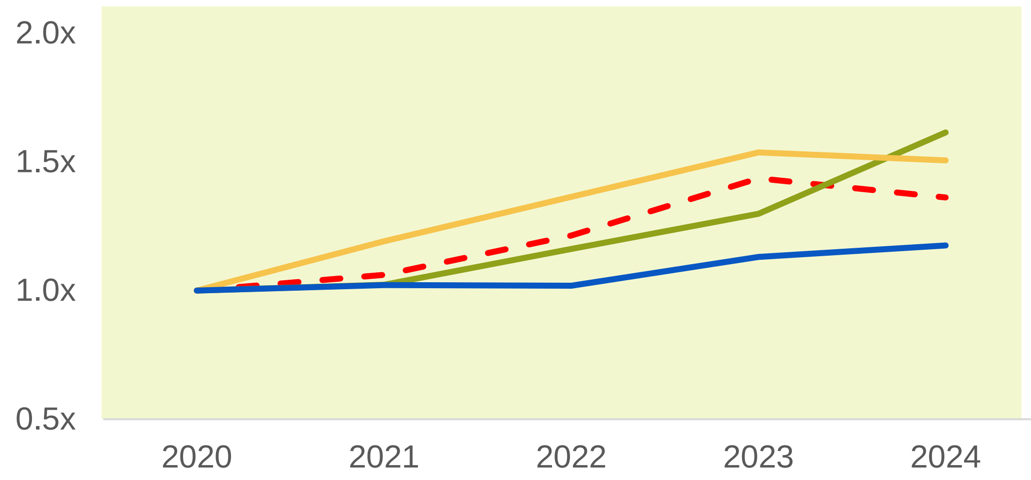
Property



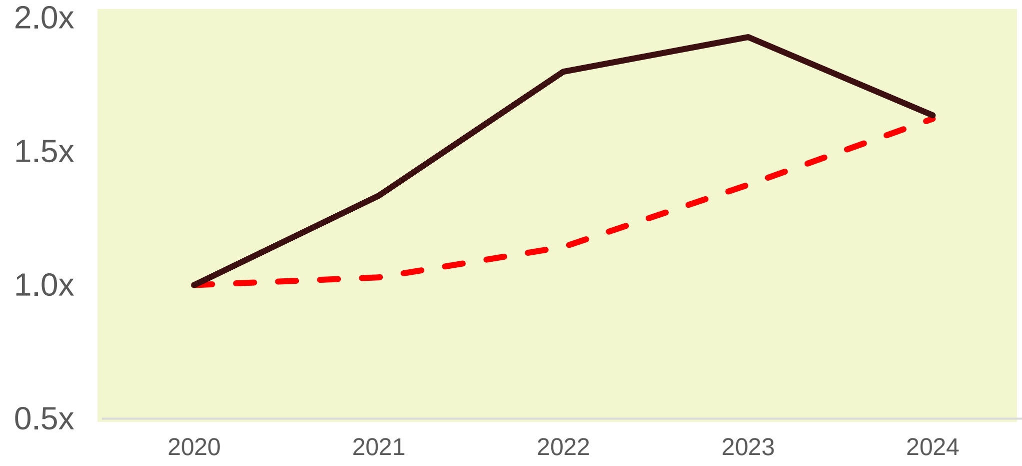
Liability



Specialty



Financial lines



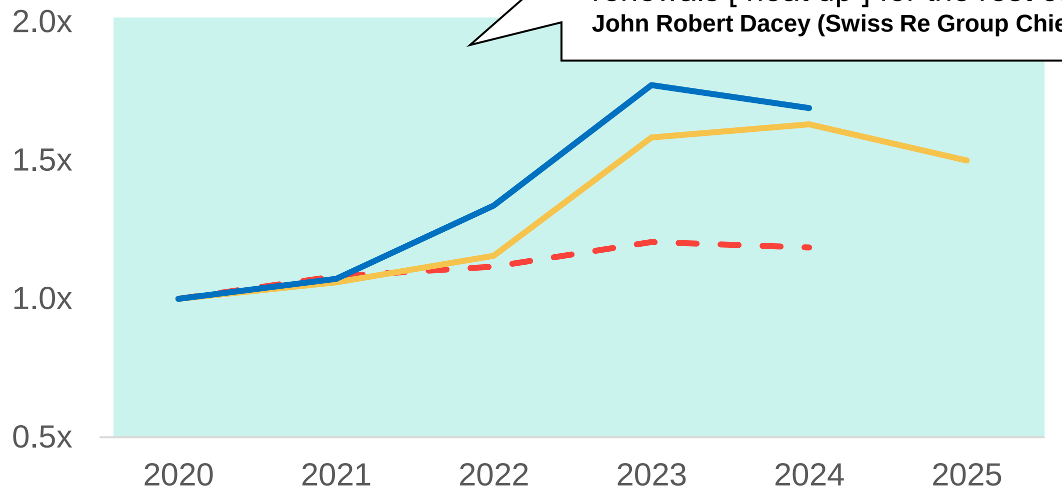
Premium growth rate
RARC
Marine RARC
Aviation RARC
Energy RARC

P&C Ins YoY premium change	4.5%
P&C Ins YoY price change	1.7%

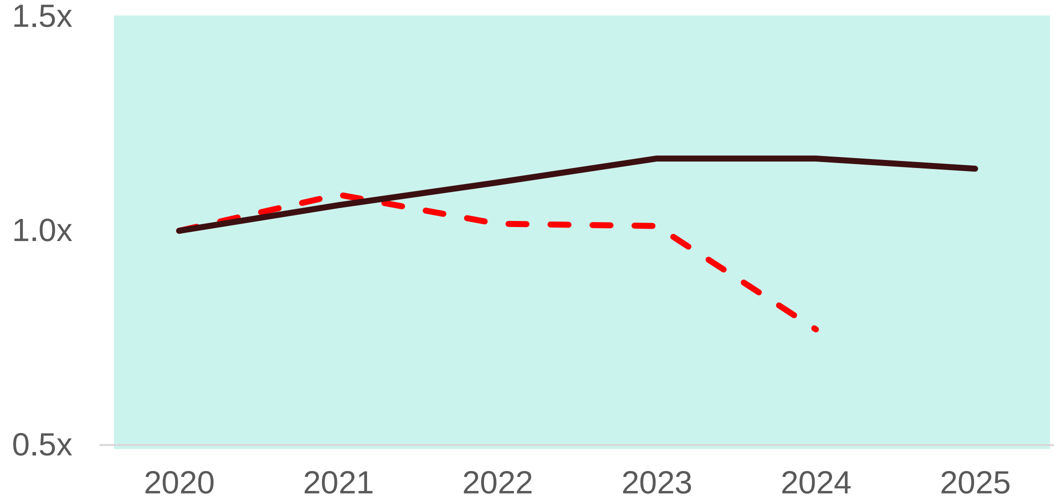
P&C reinsurance lines

" We … expect as a result of the California wildfires that any downward momentum in property and cat prices will be mitigated materially as the renewals [heat up] for the rest of the year."
John Robert Dacey (Swiss Re Group Chief Financial Officer

Property catastrophe



Liability



Premium growth rate
London market casualty RARC
Prop cat 1.1 RARC
Prop cat 1.6 RARC

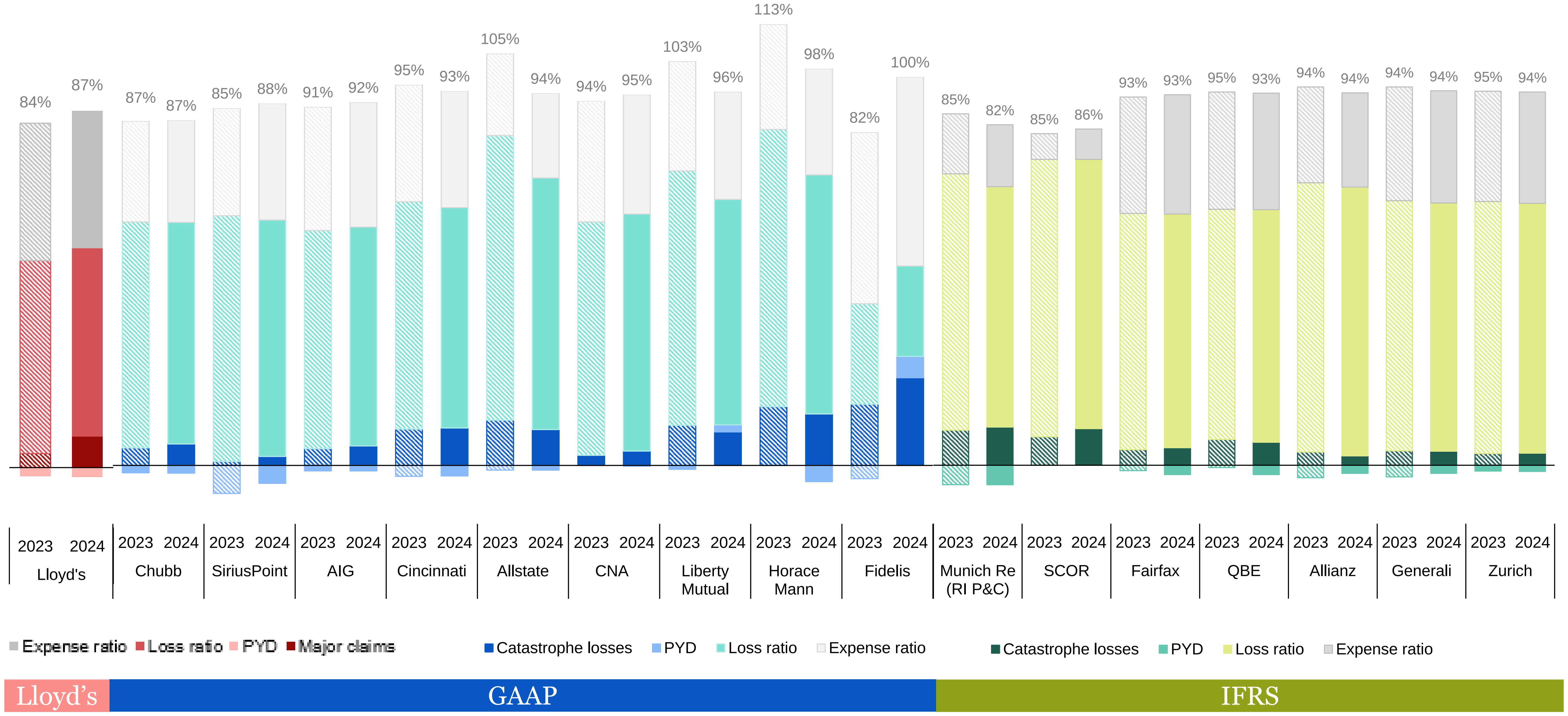
P&C Re YoY premium change	-12.7%
P&C Re YoY price change	-5.4%

Source: NOVA
Note(s): Energy and marine, aviation and transit included within specialty. Composite includes a variation of 19 (re)insurance companies globally. Risk adjusted rate change (RARC).

Global combined ratios marginally better year-on-year, on average

Underwriting improvements driven by calendar year net reserve releases and better underwriting experience

Combined ratio breakdown by (re)insurer



Ordered by lowest to highest 2024 combined ratio.

GAAP	2023 average	2024 average	YoY change
Catastrophe loss ratio	7.79%	8.74%	*0.95%*
Prior year development ratio	-2.11%	-1.14%	*0.97%*
Loss ratio	57.90%	54.54%	*-3.36%*
Expense ratio	30.08%	30.81%	*0.73%*
Combined ratio	93.66%	92.95%	*-0.71%*

IFRS	2023 average	2024 average	YoY change
Catastrophe loss ratio	5.29%	5.53%	*0.24%*
Prior year development ratio	-2.10%	-2.23%	*-0.13%*
Loss ratio	64.96%	63.90%	*-1.07%*
Expense ratio	23.44%	23.69%	*0.25%*
Combined ratio	91.57%	90.87%	*-0.70%*

Source: NOVA, company annual reports & investor presentations
Note(s): Lloyd's major claims ratio includes Hurricane Milton, Hurricane Helene, and the Dali Baltimore Bridge collision, Horace Man is their property line. Munich RE Reinsurance P&C line is used (excluding ERGO)

Reserving, higher risk premia and catastrophe loss expectations key themes

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Reserve change impact

“**Hannover Re’s** resiliency reserve has increased 'at least in line with reserve growth' which to us implies €250m - ie they could have printed a better profit if they'd wanted to.” - *BNPP*

“"**Everest** adjusted reserves in both its insurance and reinsurance segments as part of its recent $1.7bn Q4 reserve change..“ – *Insurance Insider*

“"**RenRe's** reserve movements show lower volatility, although its recent Validus acquisition and the seasoning of its acquired casualty reinsurance book could add more volatility down the road...“ – *Insurance Insider*

“"**Atrium** posts 99.5% 2024 CoR and reserves £393.4mn for Ukraine aviation. CEO John Fowle said 'isolated missteps' had tarnished Atrium's record. . Total comprehensive income of £62mn, down 21% from the prior-year period.” *Insurance Insider*

“**Hanover Insurance Group** - Our year-end 2024 GAAP reserve analysis indicates that THG’s GAAP loss and ALAE reserves were overstated mostly reflecting still-solid workers’ compensation redundancies that outweigh modest perceived personal lines’ deficiencies.” *KBW*

“"**Chubb Ltd’s** calendar-year 2024 reserve releases mostly stemmed from shorter-tailed lines and **workers compensation** reserves, partly offset by several segments’ (mostly within North America) casualty reserve charges, with no releases of recent accident-years’ casualty reserves.” - *KBW*

“**WRB’s** GAAP loss and ALAE reserves were overstated by about $60 million implying that releases from consistently-redundant lines (**workers’ compensation, short-tailed lines, and monoline excess**) and from recent accident-years’ casualty reserves can offset older accident years’ casualty reserve strengthening” - *KBW*

Key themes

- Recent changes affecting reserves
- Impacted by hurricanes
- Releases from workers compensation
- Impacted by wildfires

Catastrophe loss impact

““**Axis** swings to $130mn Q4 U/W profit despite higher cat activity. The carrier’s Q4 CoR decreased 34.8 pts YoY to 94.2% as it reported favourable prior-year reserve development.” *Insurance Insider*

““**MS Amlin** said its increased profit was driven by premium growth, as well as its attritional loss ratio. While the net claims ratio increased slightly due to loss events such as **hurricanes Helene and Milton** and the Baltimore bridge collapse, the company said its expense ratio has continued to fall, as has the acquisition ratio.“ – *Insurance Insider*

““**Hannover Re -** Updating estimates post FY24 results - 2025 net income still broadly unchanged despite wildfires.“ – *JP Morgan*

““**Hiscox Ltd -** Earnings risk accounting for the wildfire loss is highest among the peer group in our view. Big picture, the impact will also test one of HSX's core investment thesis of having a more resilient profile through a Retail-focused book” *RBC*.

““**SCOR -** Our 2025E net income declines 2% largely driven by the expected impact from the **California wildfires** although this is partly offset by an improved underlying P&C combined ratio assumption for 2025 given that the reserve buffer build-up has been completed.“ – *JPM*

““**Conduit Re’s** 2025 RoE is negatively impacted by **the LA wildfires**, but we believe the underlying returns remain strong enough to absorb this catastrophe volatility..“ – *PH*

Source(s): The Insurer, Insurance Insider, KBW, BNPP, JPM, PH

Most improved performers in 2024 show a greater proportion of reinsurance

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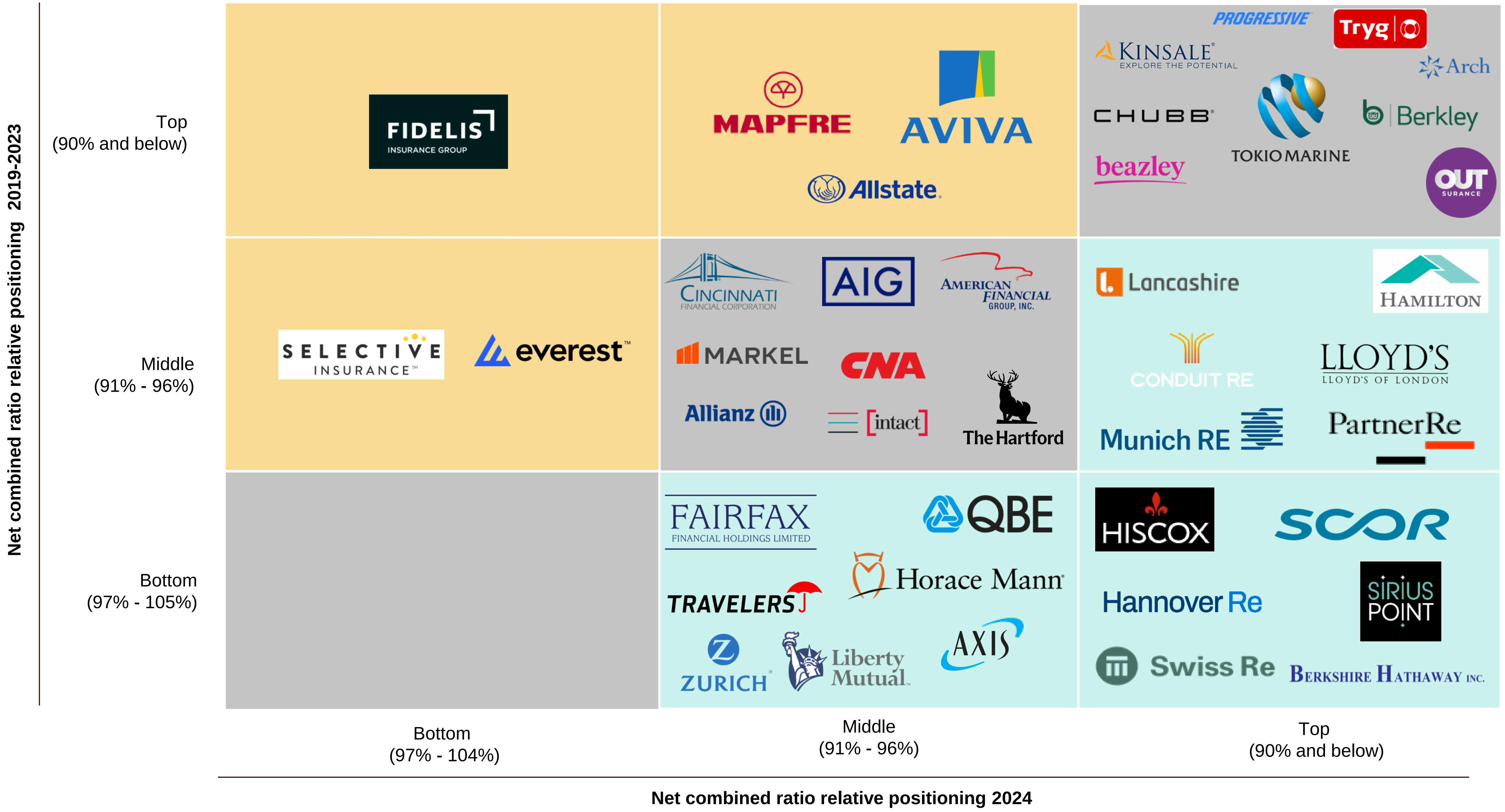
2024 shows mostly positive underwriting results, with an average 3.6ppt c/r improvement over the last five-years



Average (re)insurer net combined ratio	
2019-2023	**2024**
92.5%	88.9%

- Relative position deteriorated in 2024 (5 Markets)
- Relative position unchanged in 2024 (21 Markets)
- Relative position improved in 2024 (16 Markets)

Source: NOVA

Note: 2024 is based on reported combined ratio figures. Hamilton Group include averages based on 2022 and 2023 only. QBE Group refers to management reporting figures and takes latest reported combined ratios including restatements.

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Reinsurance buying remains key, with gross-net combined ratios elevated

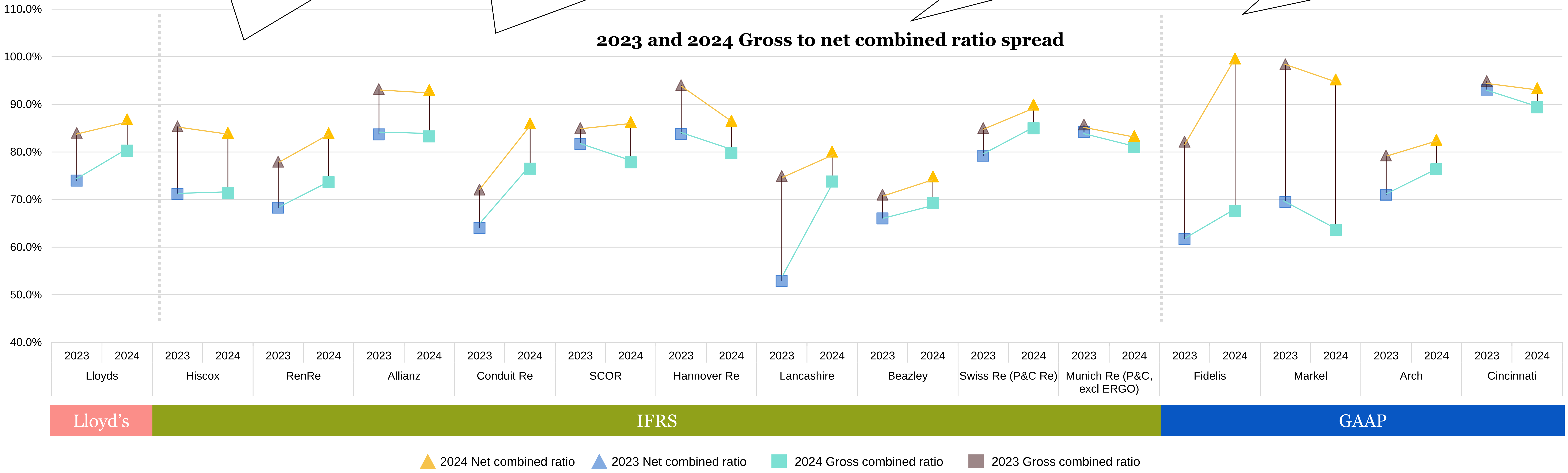
Cedents have adjusted purchasing strategies to adapt to a changing loss environment

Hiscox CUO: "*In terms of reinsurance, our London market programme intact, and we reinstated our retro programme, and we bought some additional protection on both a second loss basis and also, we placed a $200m catastrophe bond out of our retro 1/1 savings" FY2024 earnings call*

Ren Re CUO: "*We have now seen three large catastrophes in the last three quarters…we were already expecting about $10bn in new demand coming to the market this year. We now expect this demand to increase as companies review their reinsurance needs and likely purchase backup covers for the remainder of the year" FY2024 earnings call*

Lancashire CUO: *"At Jan 1st, we renewed the [aggregate reinsurance protection] structure and extended the product to fully include all natural catastrophe perils". FY2024 earnings call*

Fidelis CUO: "Fidelis has completed the most recent issuance of the Herbie Re Catastrophe Bond program. These bonds continue to be a crucial part of our strategic capital management and risk mitigation plan.*" FY2024 press release*

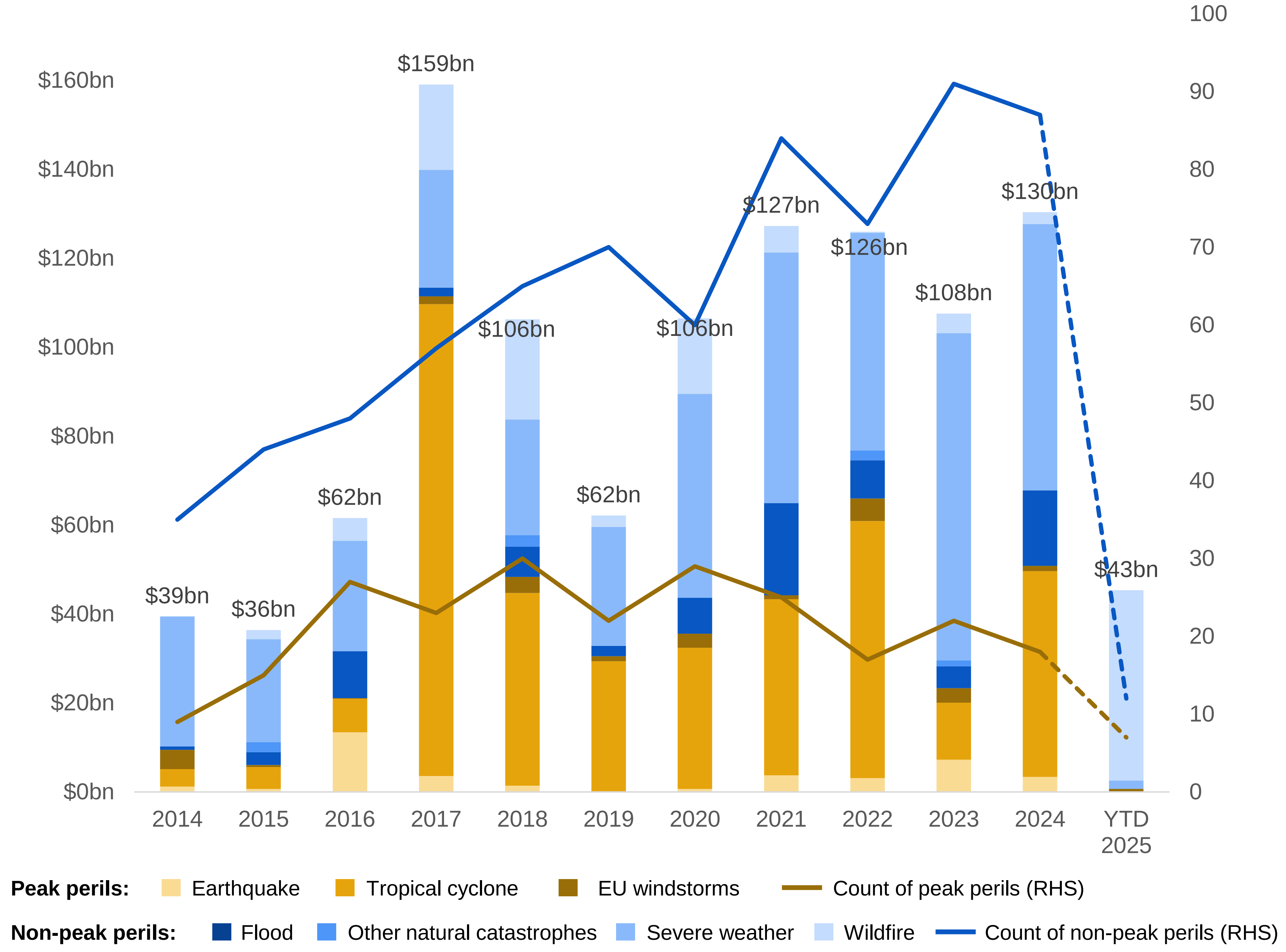


Source(s): NOVA, Earnings transcripts
Note(s): Companies grouped by reporting standard, and order ranked by the largest gross-net spread in 2024.

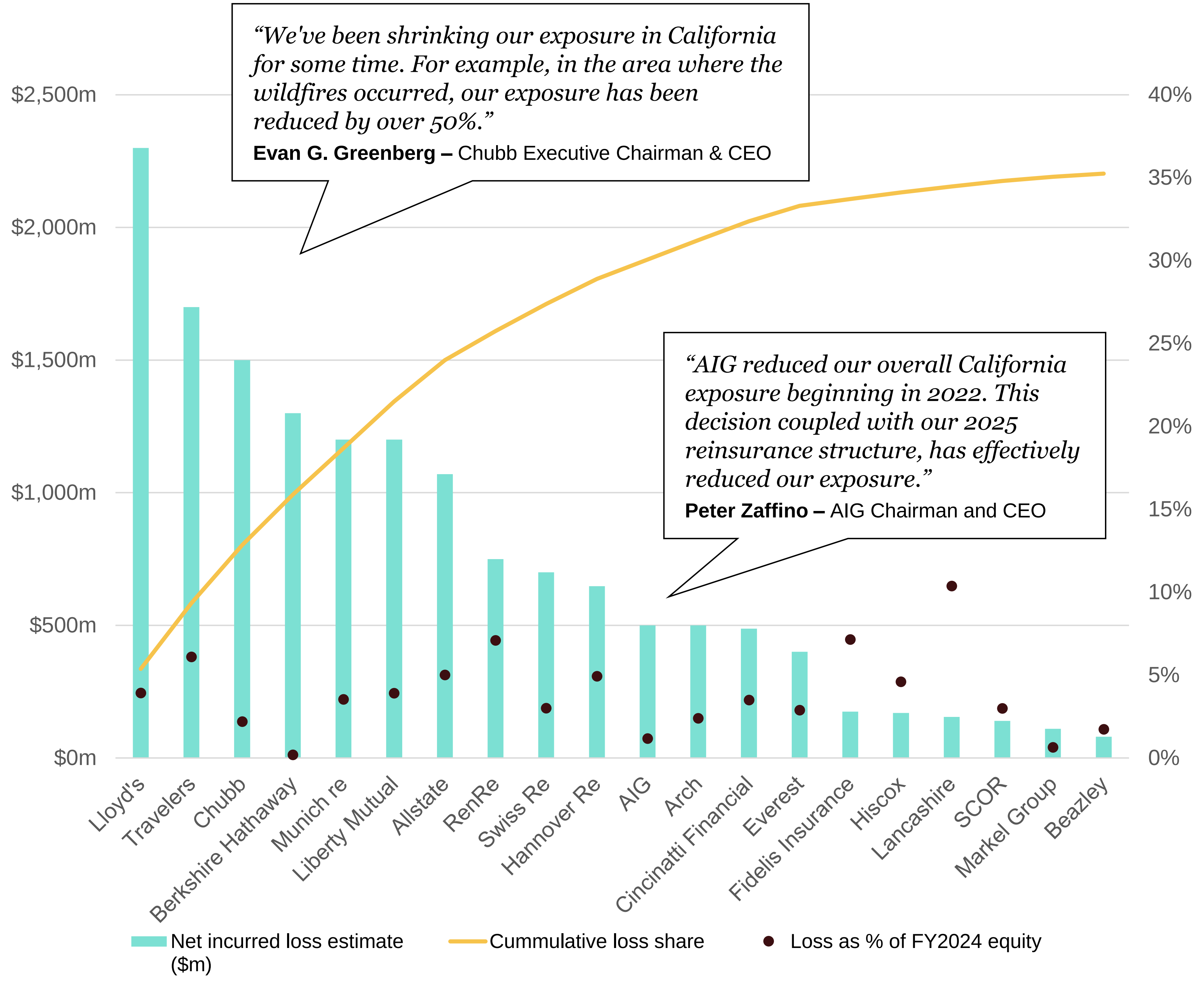
Natural catastrophe insured losses above USD 100 billion for 5th consecutive year

The growing prominence of non-peak perils in 2024 underscores a shifting risk landscape

Full year natural catastrophe insured losses by peril



Share of $42.8bn insured loss estimate for 2025 LA wildfire



Source(s): NOVA, company annual reports, earnings calls
Note(s): Only >USD 100mn insured losses were captured.
Industry average loss as % of total equity is weighted by total equity, excluding Berkshire Hathaway.
$42.8bn insured loss estimate calculated from average of loss ranges provided by 9 (re)insurers.

As risks escalate and economic losses increase, there is heightened pressure to address the natural catastrophe protection gap

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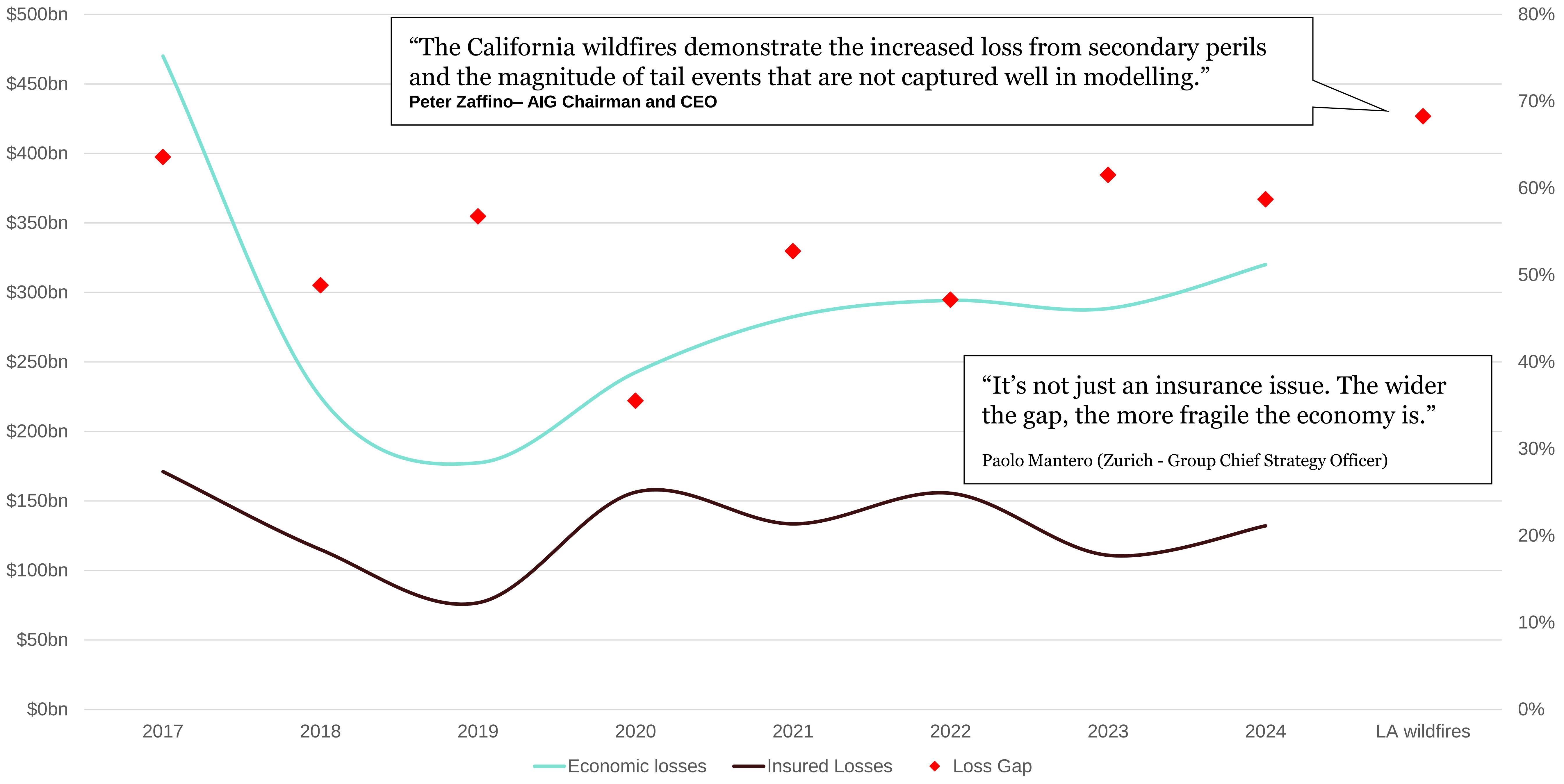
Significant economic losses and market pullback furthering the underinsurance crisis

Inflation-adjusted global economic and insured losses



"The California wildfires demonstrate the increased loss from secondary perils and the magnitude of tail events that are not captured well in modelling."
Peter Zaffino– AIG Chairman and CEO

"It's not just an insurance issue. The wider the gap, the more fragile the economy is."

Paolo Mantero (Zurich - Group Chief Strategy Officer)

Costliest natural catastrophe events in recent years

in USD	Economic losses	Insured losses
Hurricane Helene	56 Bn	30 Bn
Hurricane Milton	38 Bn	25 Bn
Noto Earthquake Japan	10 Bn	2 Bn
LA Wildfires	135 Bn	43 Bn

"As climate risks continue to evolve, insurers must be more agile and innovative in how they approach risk."

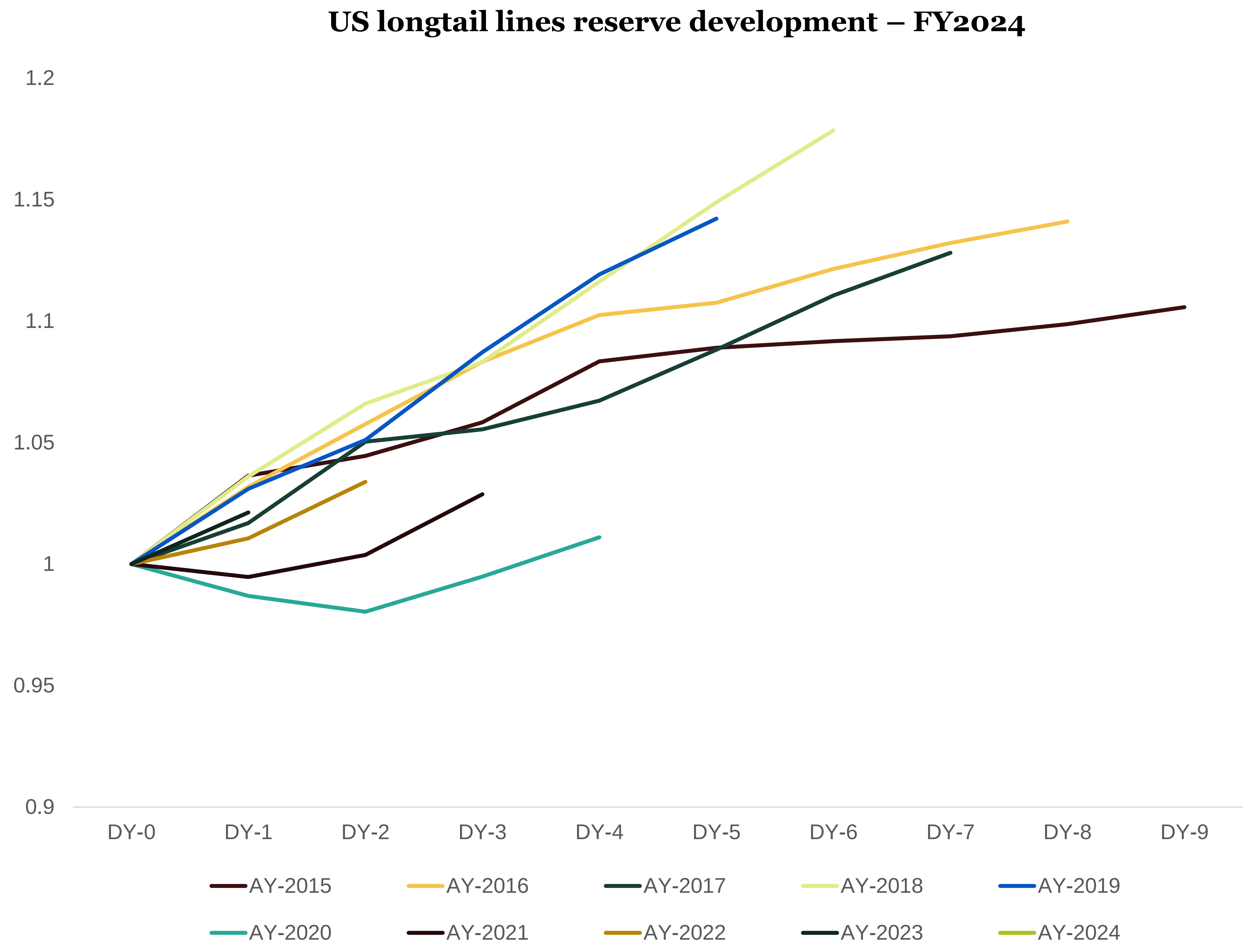
Julian Alovisi (Howden – Head of Research)

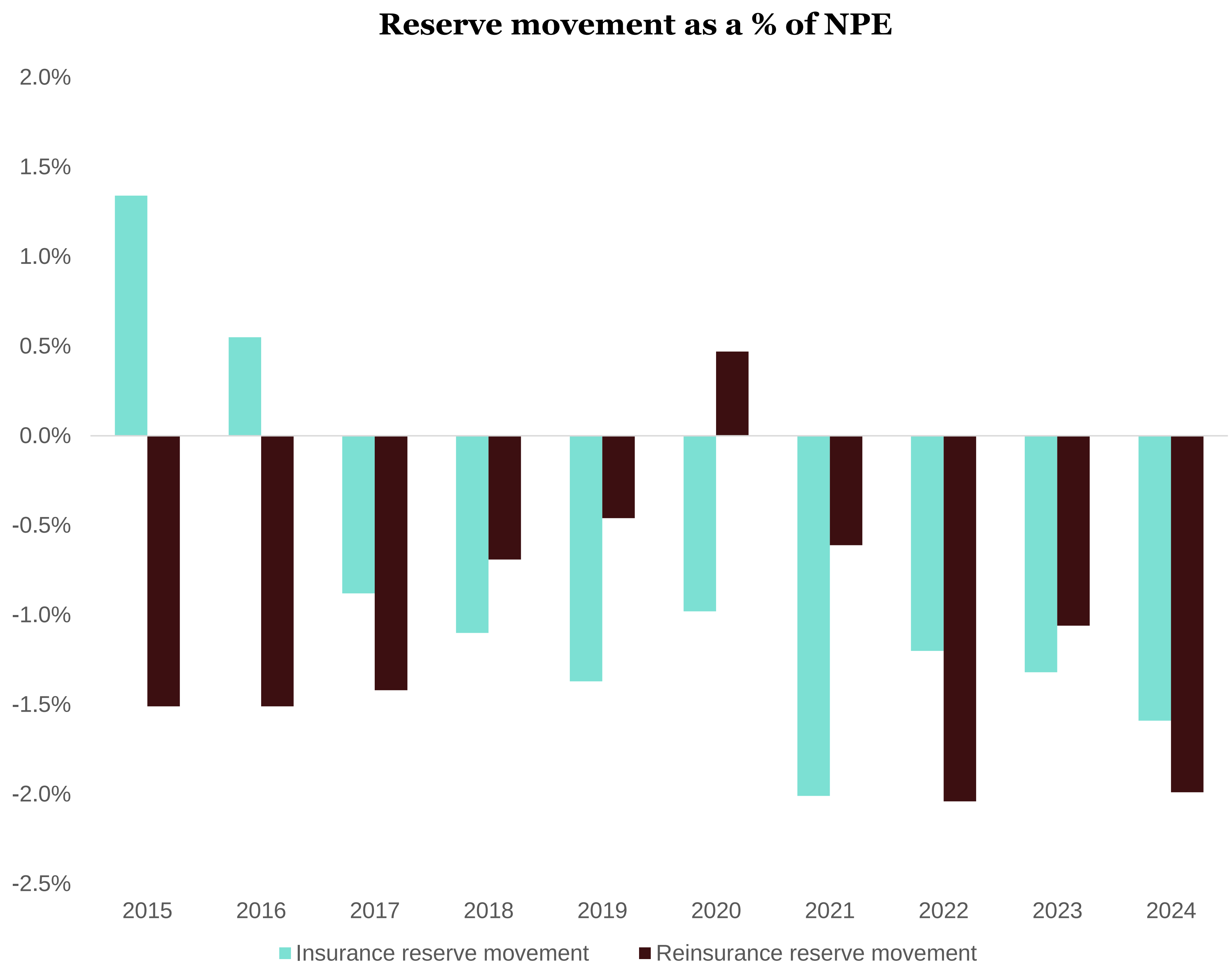
Source(s): NOVA, Swiss Re, Munich Re, AccuWeather

Notes: Loss Gap % = Uninsured losses / Economic losses
$42.8bn insured loss estimate calculated from average of loss ranges provided by 9 (re)insurers.

Net calendar year development favourable in spite of problematic lines and accident years

US liability reserve strengthening reported in FY2024, offset by comp, short-tail and 'everything else'



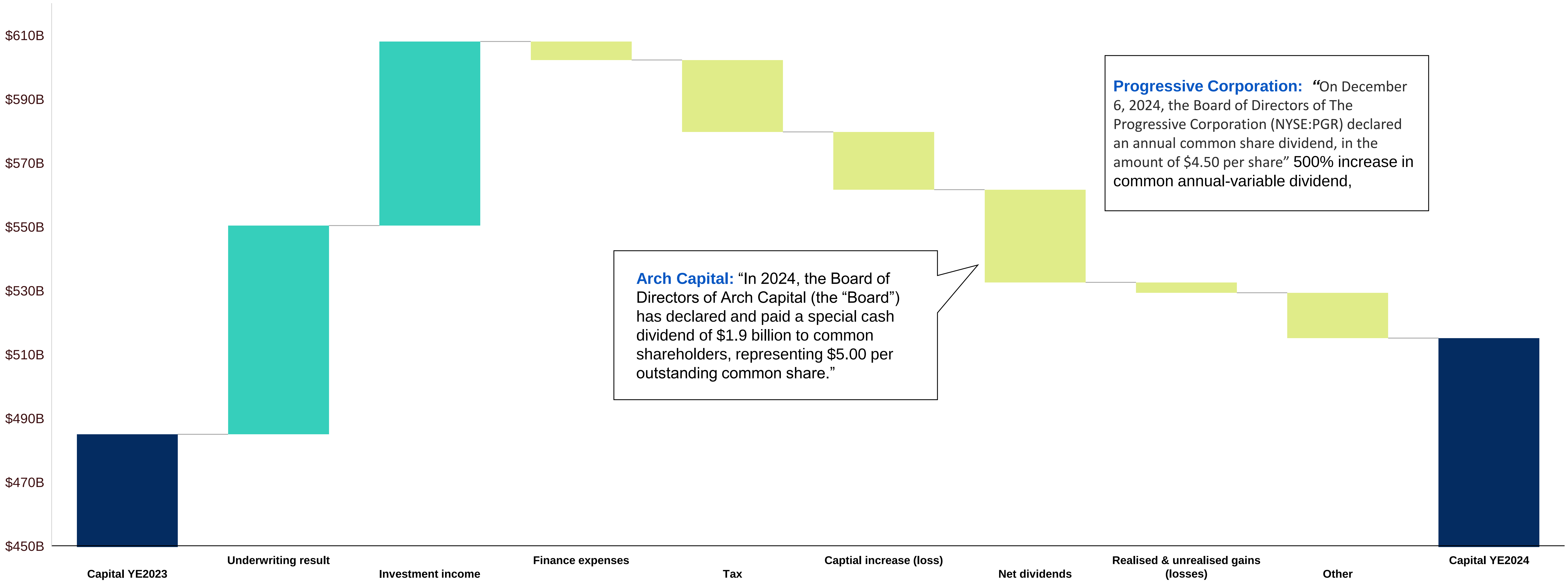


Source(s): NOVA, NAIC
Note(s): Longtail lines include Commercial auto liability, Other liability claims made & occurrence and Reinsurance nonproportional assumed liability.

Composite capital has increased in 2024 even after dividends and buybacks

Investment and underwriting results have continued to grow through 2024, allowing for significant dividend payout

Composite capital changes in 2024



Source(s): NOVA
Note(s): Other includes other operating income (loss) and other comprehensive income (loss). Composite includes a variation of 33 (re)insurance companies globally.

Economic value added (EVA) sustained but momentum shifting

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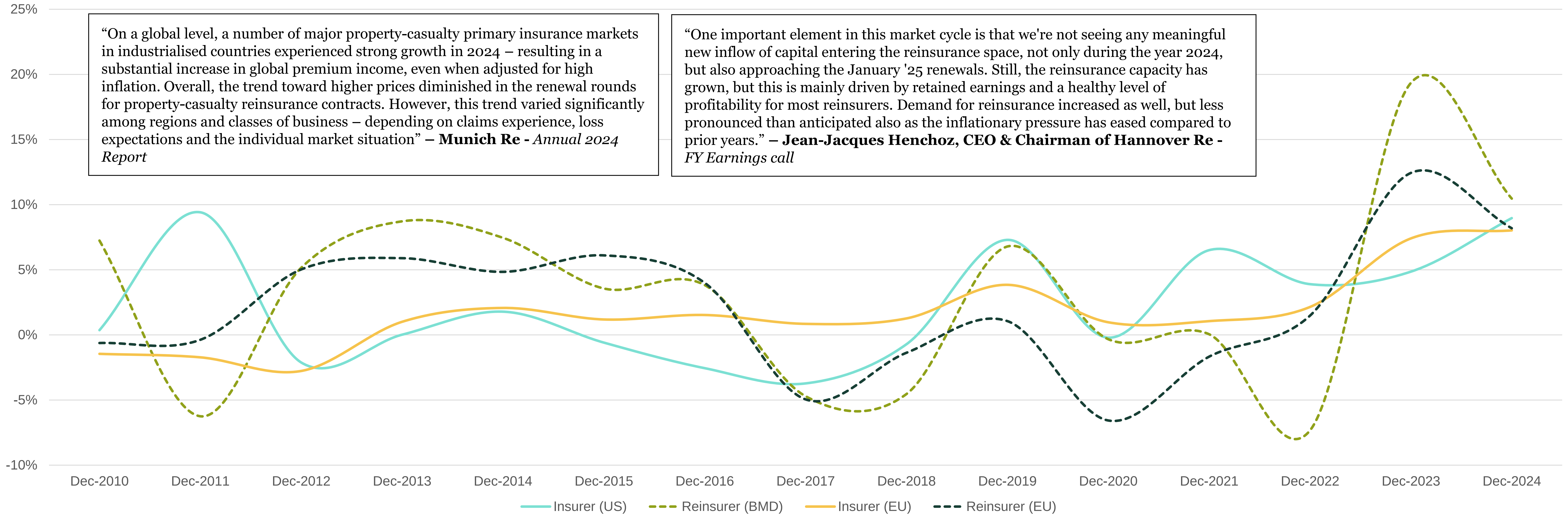
After exceeding returns in 2023, reinsurer value added returns began to realign with insurers in 2024

Economic value added by regional segment

"On a global level, a number of major property-casualty primary insurance markets in industrialised countries experienced strong growth in 2024 – resulting in a substantial increase in global premium income, even when adjusted for high inflation. Overall, the trend toward higher prices diminished in the renewal rounds for property-casualty reinsurance contracts. However, this trend varied significantly among regions and classes of business – depending on claims experience, loss expectations and the individual market situation" **– Munich Re -** *Annual 2024 Report*

"One important element in this market cycle is that we're not seeing any meaningful new inflow of capital entering the reinsurance space, not only during the year 2024, but also approaching the January '25 renewals. Still, the reinsurance capacity has grown, but this is mainly driven by retained earnings and a healthy level of profitability for most reinsurers. Demand for reinsurance increased as well, but less pronounced than anticipated also as the inflationary pressure has eased compared to prior years." **– Jean-Jacques Henchoz, CEO & Chairman of Hannover Re -** *FY Earnings call*



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.

This is the phase of the cycle when underwriting comes to the fore

Price alone is no longer enough

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

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