

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

**Nick Charteris-Black**  
Managing Director,  
Market Development – EMEA

**Stefan Holzberger**  
Senior Managing Director,  
& Chief Rating Officer

**Greg Carter**  
Managing Director,  
Analytics – EMEA & Asia Pacific

**Anthony Diodato**  
Managing Director –  
Global Reinsurance Ratings

**Carlos Wong-Fupuy**  
Senior Director –  
Global Reinsurance Ratings





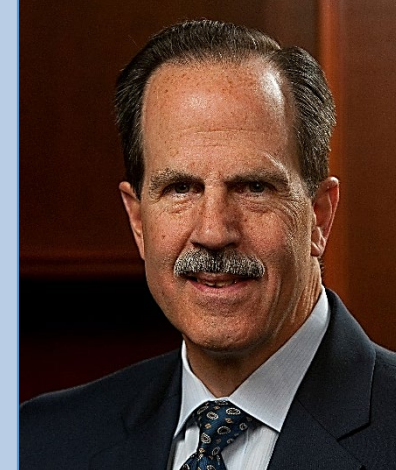
**Nick  
Charteris-Black**  
Managing Director  
Market Development



**Stefan  
Holzberger**  
Senior Managing Director  
& Chief Rating Officer



**Greg  
Carter**  
Managing Director, Analytics  
EMEA & Asia Pacific



**Anthony  
Diodato**  
Managing Director  
Global Reinsurance Ratings



**Carlos  
Wong-Fupuy**  
Senior Director  
Global Reinsurance Ratings



The new *Best's Market Segment Report*, “Global Reinsurance Outlook Remains Stable in a More Uncertain World”, is now available on AM Best’s website:

[www.ambest.com](http://www.ambest.com)

or point your mobile device at the QR code below to go to AM Best’s Industry Research page:



# Any Questions?

---

Please use these channels to submit questions to our speakers



**Email** – Send your questions to:  
[webinars@ambest.com](mailto:webinars@ambest.com)



**Questions Panel** – Send your questions to our speakers using the GoToWebinar Questions Panel

Don't forget to include your **NAME** and **COMPANY**

# Disclaimer

---

© AM Best Company, Inc. (AMB) and/or its licensors and affiliates. All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT AMB's PRIOR WRITTEN CONSENT. All information contained herein is obtained by AMB from sources believed by it to be accurate and reliable. AMB does not audit or otherwise independently verify the accuracy or reliability of information received or otherwise used and therefore all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall AMB have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of AMB or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if AMB is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser. Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. Credit ratings do not address any other risk, including but not limited to, liquidity risk, market value risk or price volatility of rated securities. AMB is not an investment advisor and does not offer consulting or advisory services, nor does the company or its rating analysts offer any form of structuring or financial advice. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY AMB IN ANY FORM OR MANNER WHATSOEVER. Each credit rating or other opinion must be weighed solely as one factor in any investment or purchasing decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security or other financial obligation and of each issuer and guarantor of, and each provider of credit support for, each security or other financial obligation that it may consider purchasing, holding or selling.

# Disclaimer

---

US Securities Laws explicitly prohibit the issuance or maintenance of a credit rating where a person involved in the sales or marketing of a product or service of the CRA also participates in determining or monitoring the credit rating, or developing or approving procedures or methodologies used for determining the credit rating.

**No part of this presentation amounts to sales / marketing activity and AM Best's Rating Division employees are prohibited from participating in commercial discussions.**

Any queries of a commercial nature should be directed to AM Best's Market Development function.

# Agenda

---

## Global Reinsurance Market

Stable Outlook

Improving Performance

Market Well Capitalised

Evolving Landscape

Emerging Issues

# Global Reinsurance Market Stable Outlook



# Global Reinsurance Market Outlook – Stable

---

## Headwinds

**Claims uncertainty: COVID-19, secondary perils, social inflation**

**Risk modelling challenges. Emerging risks in a more interconnected world: e.g. cyber**

**New capital continues to enter the segment. Low interest rates**

**Limited investment alternatives**

**Risk of a smaller role for the (re)insurance segment in an evolving economy**

# Global Reinsurance Market Outlook – Stable

## Headwinds

**Claims uncertainty: COVID-19, secondary perils, social inflation**

**Risk modelling challenges. Emerging risks in a more interconnected world: e.g. cyber**

**New capital continues to enter the segment. Low interest rates**

**Limited investment alternatives**

**Risk of a smaller role for the (re)insurance segment in an evolving economy**

## Tailwinds

**Positive pricing trends. Focus on underwriting discipline**

**Reinsurers seem to start to meet their cost of capital**

**Disciplined, limited impact from new entrants**

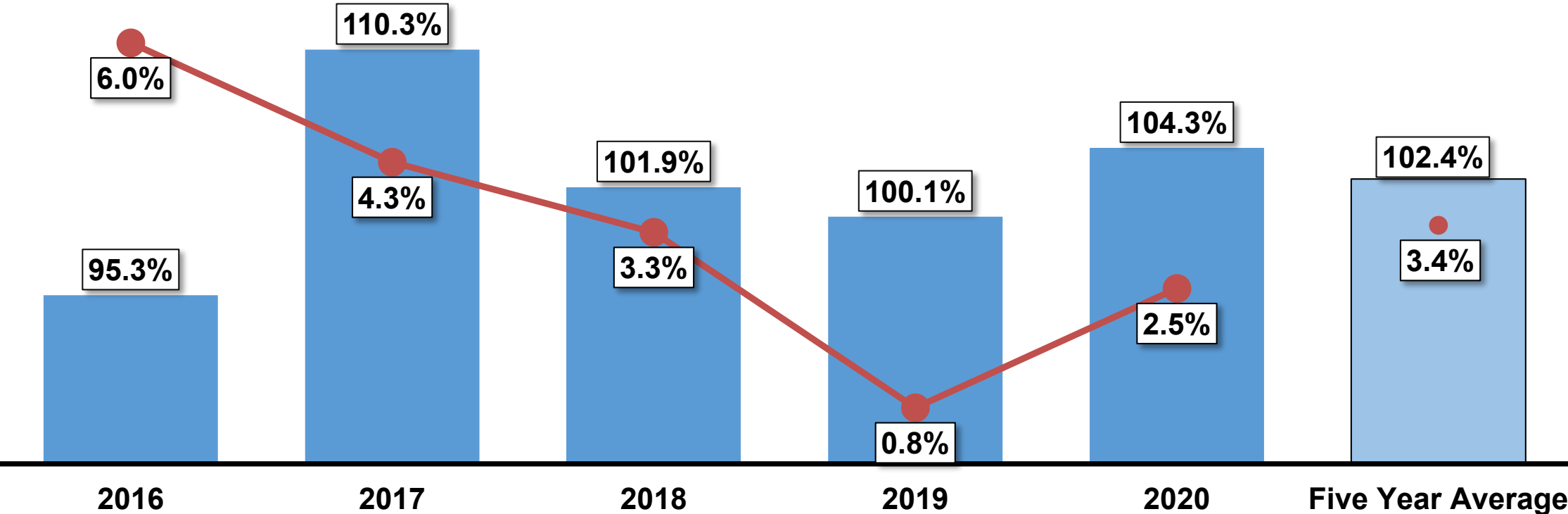
**Segment remains well capitalized. Closer convergence with ILS markets**

**Global reinsurance one of the most innovative segments**

# Global Reinsurance Market Improving Performance

# Global Reinsurance Market Performance

Combined Ratio ■ and Positive Loss Reserve Development ●



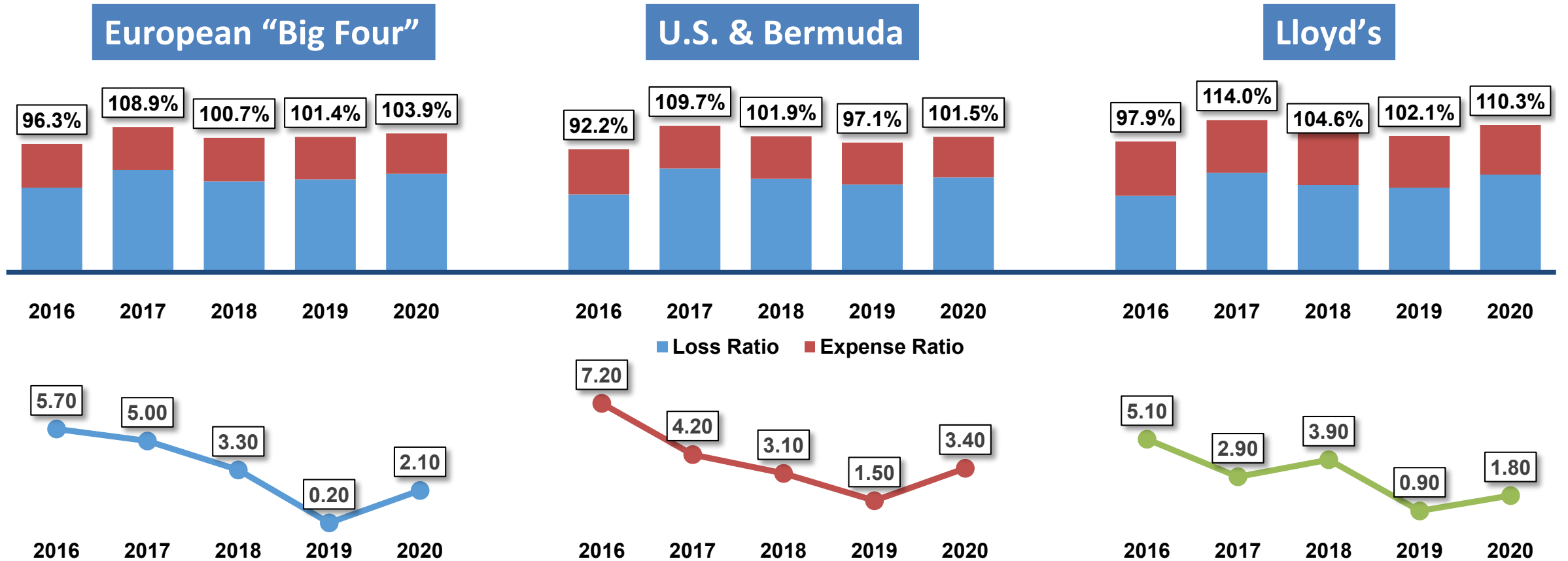
Our Insight, Your Advantage™





# Global Reinsurance Market Performance

## Combined Ratios and Positive Loss Reserve Development by Reinsurance Sector

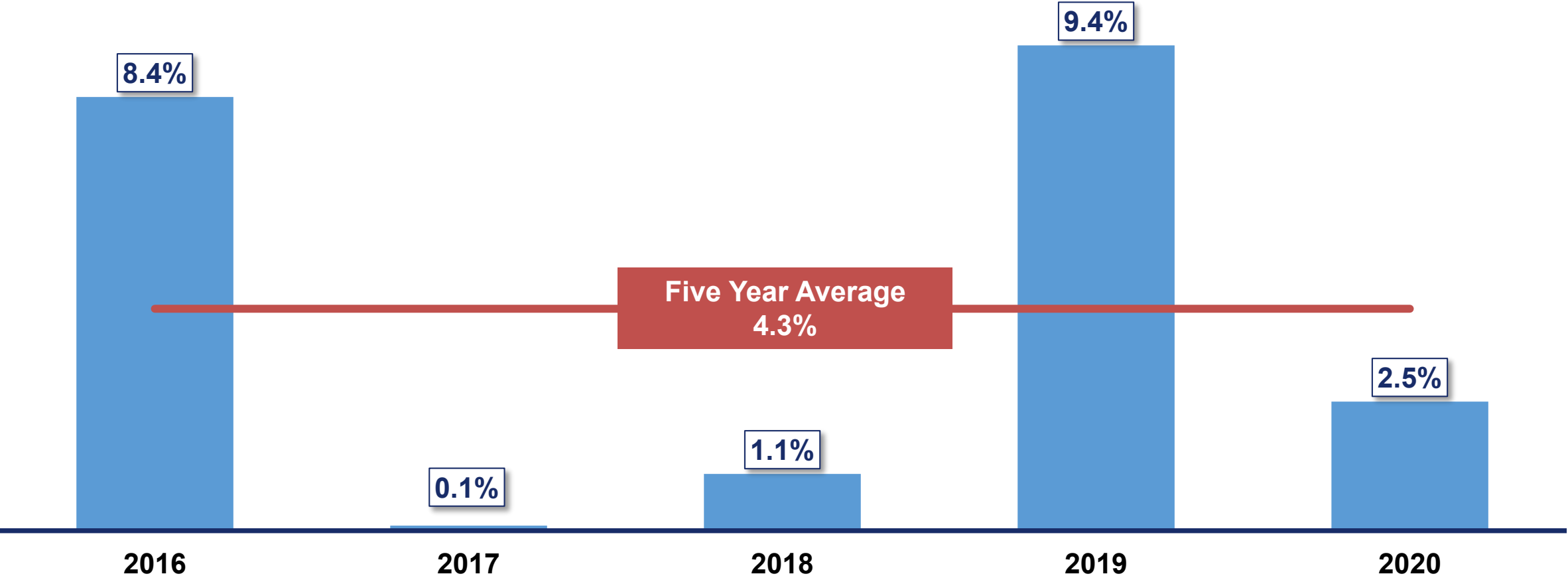


Our Insight, Your Advantage™



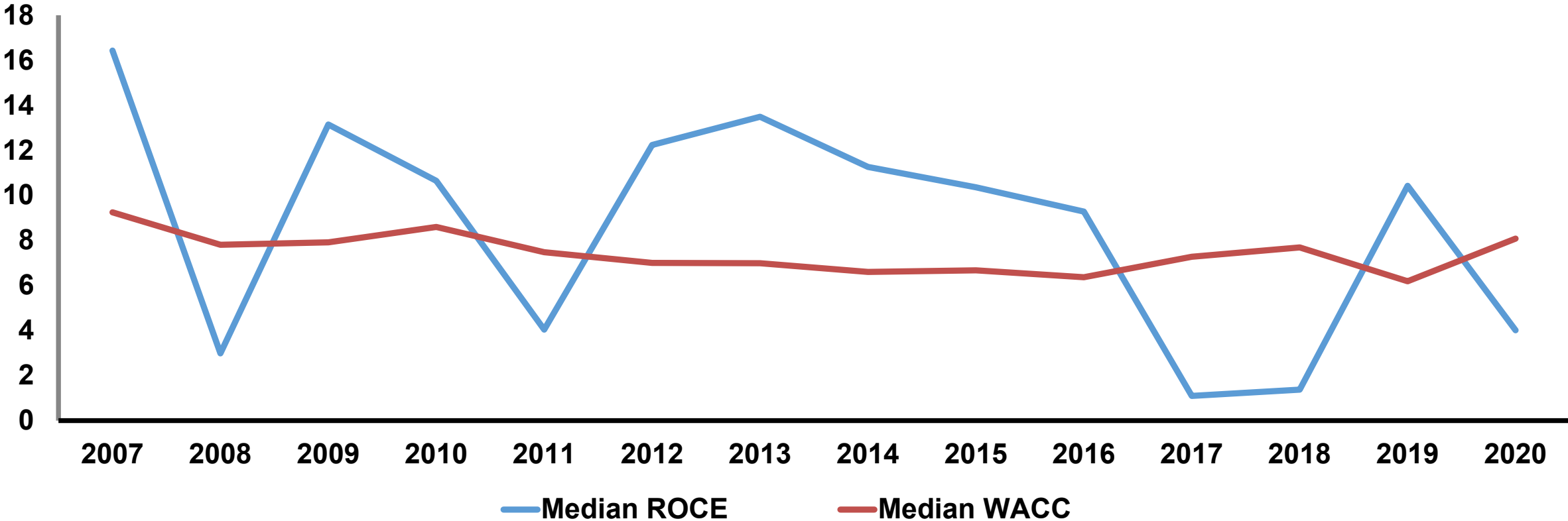
# Global Reinsurance Market Performance

## Return on Equity



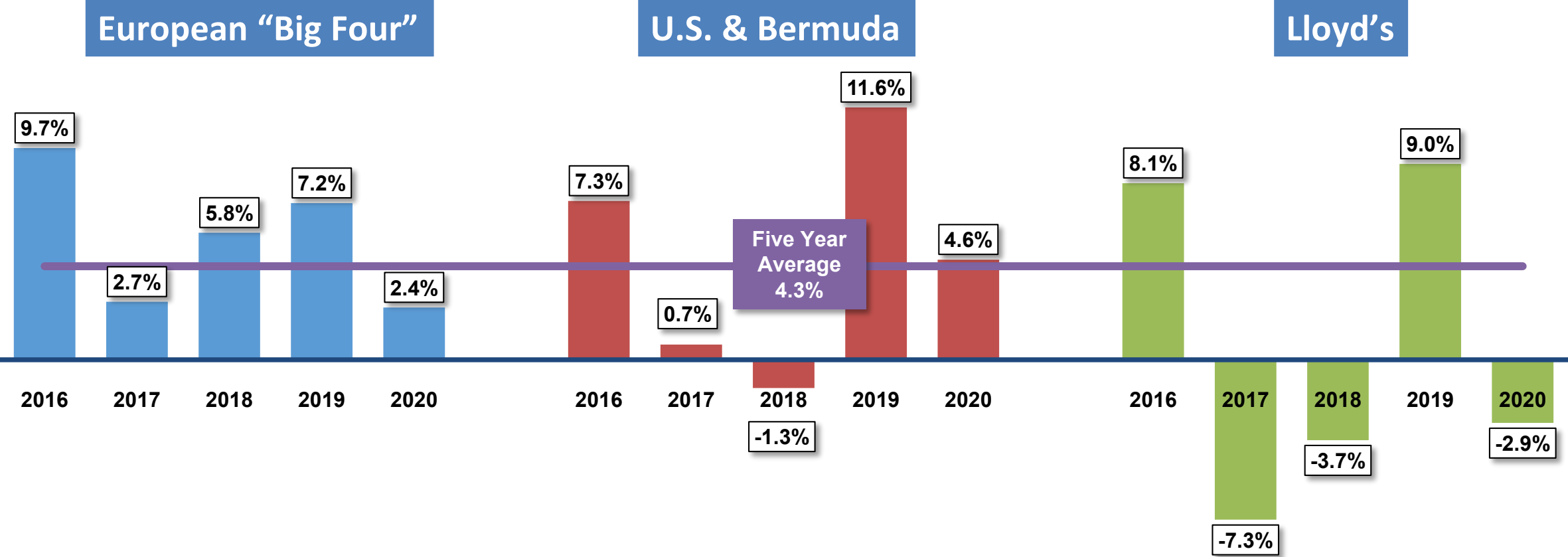
# Global Reinsurance Market Performance

Reinsurers' Median return on common equity (ROCE)  
Compared to Median weighted average cost of capital (WACC) (%)



# Global Reinsurance Market Performance

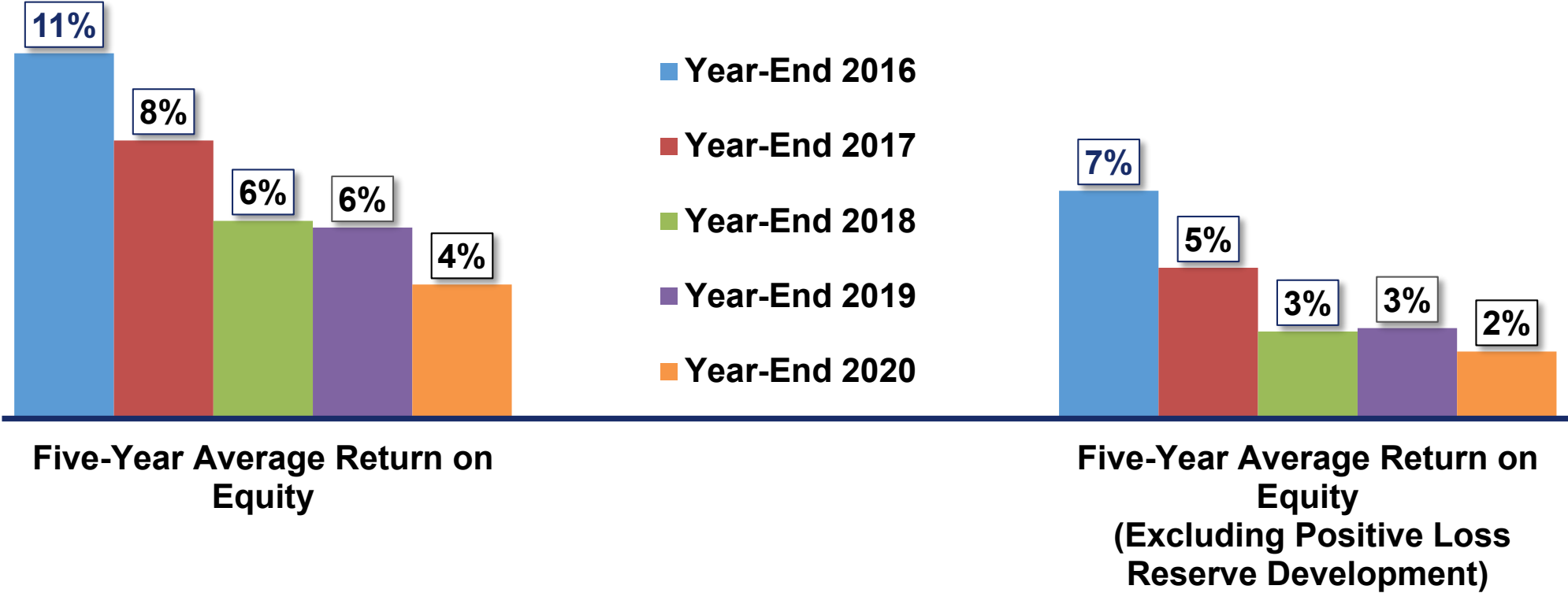
## Return on Equity by Reinsurance Sector





# Global Reinsurance Market Performance

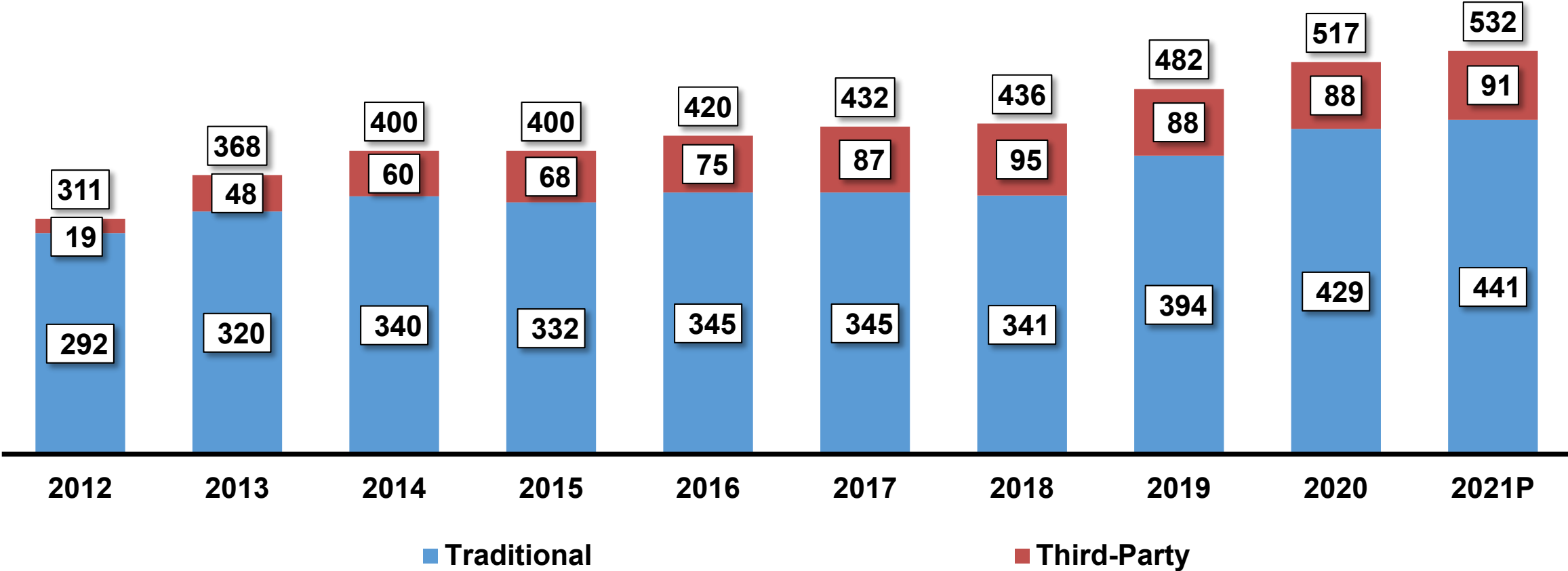
## Global Reinsurance Market



# Global Reinsurance Market – Market Well Capitalised

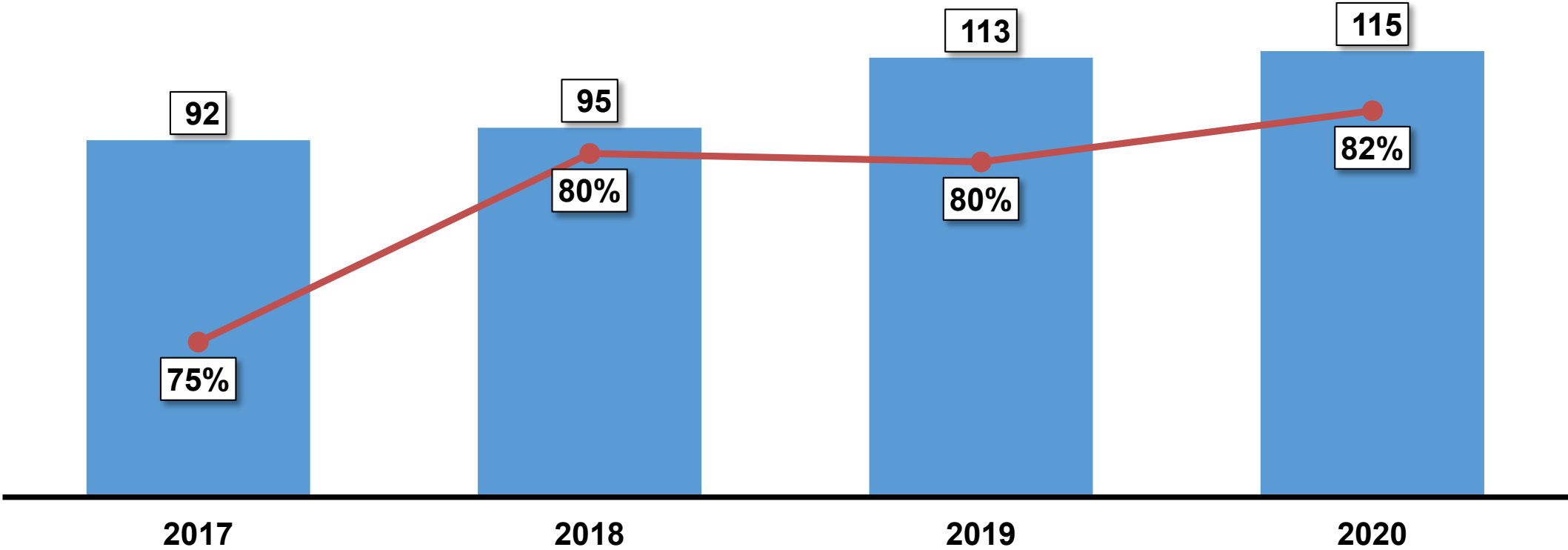
# Global Reinsurance Market Capital

Estimate - Total Dedicated Reinsurance Capital (USD billions)



# Global Reinsurance Market Capital

## Capital Utilisation

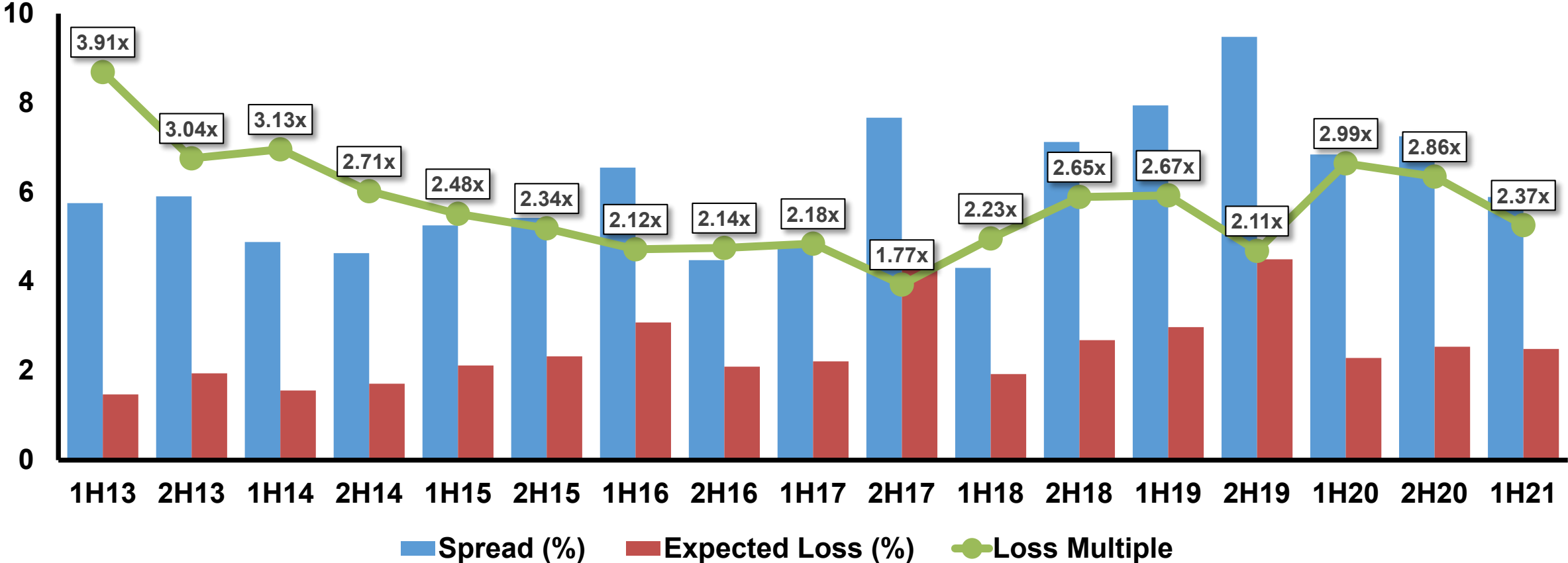


■ Capital Depletion Needed to Reach 10% @ 99.6 BCAR (USD billion)  
● Capital Utilisation at 25% VaR 99.6% BCAR (%)



# Global Reinsurance – Catastrophe Bonds

Loss Multiple ● Spread ■ to Expected Loss ■



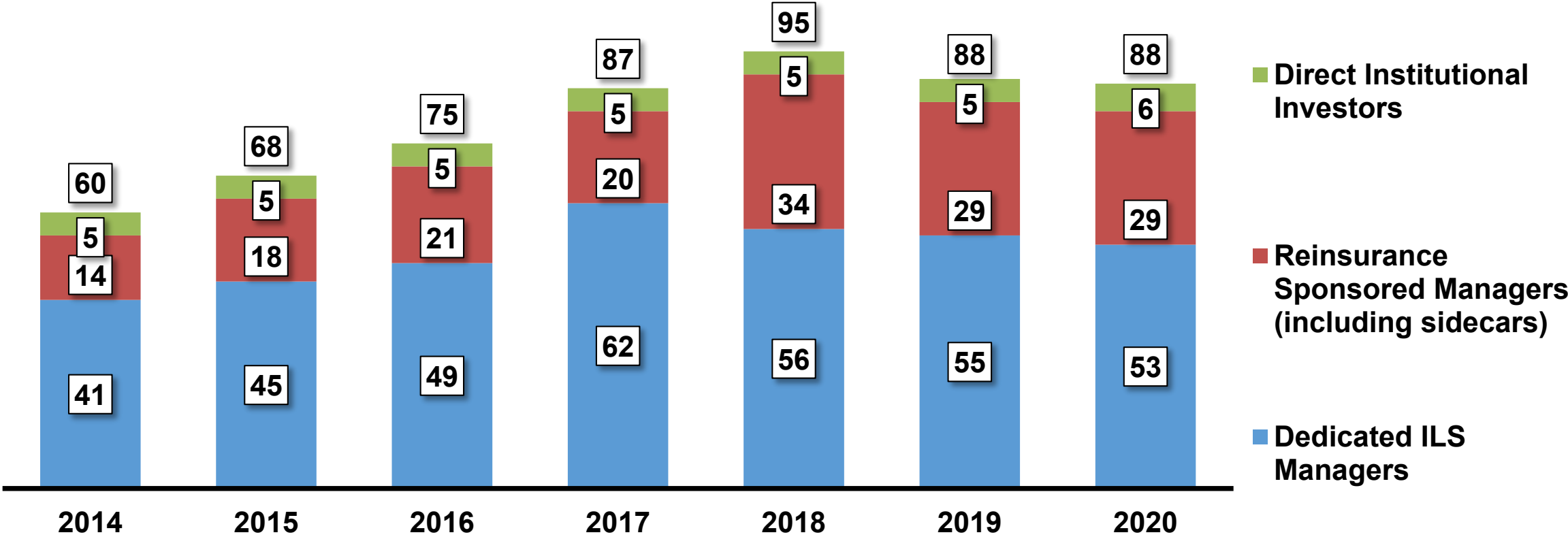
Our Insight, Your Advantage™

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 Market Capital

## Third-Party Capital (USD billions)



# Global Reinsurance - Top 15 ILS Funds (July 2021)

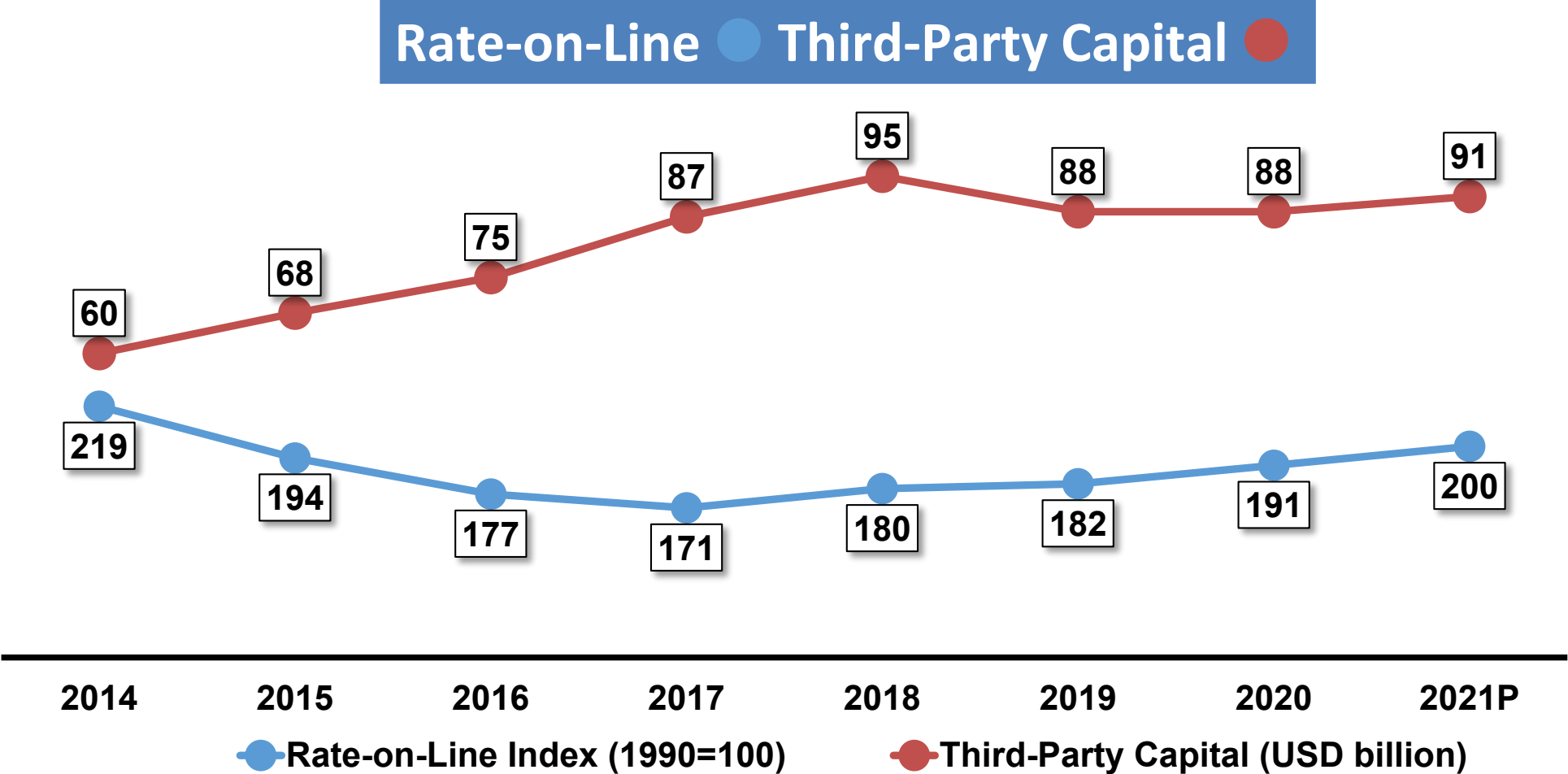
Fund Manager	Assets Under Management (USD millions)	Change in AUM	Funds Location	ILS Fund Managers Acquisition
RenaissanceRe Capital Partners <sup>1</sup>	10,400	▲	Bermuda	
Nephila Capital	9,800	▼	Bermuda	Purchased by Markel 2018
LGT ILS Partners	8,200	▲	Switzerland	
Fermat Capital Management LLC	7,500	▲	USA	
Leadenhall Capital Partners LLP	6,400	▲	UK	Purchased by Amlin 2014
Credit Suisse Insurance Linked Strategies Ltd	5,200	▼	Switzerland	
Stone Ridge Asset Management	4,900	▼	USA	
Securis Investment Partners LLP	4,600	▼	UK	Northill Bought out Swiss Re in 2012
Elementum Advisors LLC	4,500	▲	USA	White Mountains Purchased 30% Stake in 2019
Aeolus Capital Management Ltd	4,000	●	Bermuda	Purchased by Elliott 2016
Schroder Investment Management	4,000	▲	UK	
Twelve Capital AG	3,900	▼	Switzerland	
AlphaCat Managers	3,800	●	Bermuda	Purchased by AIG 2018
Hudson Structured Capital Management LLC	3,000	▲	USA/Bermuda	
Swiss Re - Via Sector Re Sidecar	2,800	▲	Switzerland	
<b>Total</b>	<b>83,000</b>	▲		

Our Insight, Your Advantage™



1: Includes Top Layer Re as well as Renaissance Re's investment in their ILS Funds.

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





# Global Reinsurance Market Evolving Landscape

# Global Reinsurance Market Capital

## Top 10 World's Largest Reinsurance Groups 2020

	Reinsurance				Total Shareholders' Funds	Ratios (%)		
	Premiums Written Life & Non-Life (USD m)		Non-Life Only (USD m)			Loss	Expense	Combined
	Gross	Net	Gross	Net				
<b>Munich Reinsurance Company</b>	<b>45,846</b>	<b>43,096</b>	<b>30,237</b>	<b>29,011</b>	<b>36,845</b>	<b>74.7</b>	<b>30.9</b>	<b>105.6</b>
<b>Swiss Re Ltd.</b>	<b>36,579</b>	<b>34,293</b>	<b>21,512</b>	<b>20,636</b>	<b>27,258</b>	<b>78.7</b>	<b>30.3</b>	<b>109.0</b>
<b>Hannover Rück SE</b>	<b>30,421</b>	<b>26,232</b>	<b>20,568</b>	<b>17,449</b>	<b>14,543</b>	<b>72.8</b>	<b>29.1</b>	<b>101.9</b>
<b>SCOR S.E.</b>	<b>20,106</b>	<b>17,910</b>	<b>8,795</b>	<b>7,695</b>	<b>7,588</b>	<b>70.2</b>	<b>30.1</b>	<b>100.2</b>
<b>Berkshire Hathaway Inc.</b>	<b>19,195</b>	<b>19,195</b>	<b>13,333</b>	<b>13,333</b>	<b>451,336</b>	<b>80.8</b>	<b>25.4</b>	<b>106.2</b>
<b>China Reinsurance (Group) Corporation</b>	<b>16,665</b>	<b>15,453</b>	<b>6,422</b>	<b>6,020</b>	<b>15,772</b>	<b>68.0</b>	<b>33.8</b>	<b>101.8</b>
<b>Lloyd's</b>	<b>16,511</b>	<b>12,213</b>	<b>16,511</b>	<b>12,213</b>	<b>45,010</b>	<b>73.7</b>	<b>33.9</b>	<b>107.6</b>
<b>Canada Life Re</b>	<b>14,552</b>	<b>14,497</b>	<b>–</b>	<b>–</b>	<b>21,137</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Reinsurance Group of America Inc.</b>	<b>12,583</b>	<b>11,694</b>	<b>–</b>	<b>–</b>	<b>14,352</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Korean Reinsurance Company</b>	<b>7,777</b>	<b>5,432</b>	<b>6,427</b>	<b>4,229</b>	<b>2,261</b>	<b>84.6</b>	<b>14.9</b>	<b>99.6</b>



*Our Insight, Your Advantage™*

Notes: Ranked by unaffiliated gross premium written in 2020.

Source: AM Best data and research

# Global Reinsurance Market Capital

## Top 10 Global Reinsurance Groups Non-Life

Munich Reinsurance Company

Swiss Re Ltd.

Hannover Rück SE

Lloyd's

Berkshire Hathaway Inc.

SCOR S.E.

Everest Re Group Ltd.

Korean Reinsurance Company

China Reinsurance (Group) Corporation

General Insurance Corporation of India

## Top 10 Global Reinsurance Groups Life

Munich Reinsurance Company

Swiss Re Ltd.

Canada Life Re

Reinsurance Group of America Inc.

SCOR S.E.

Hannover Ruck SE4

Berkshire Hathaway Inc.

Assicurazioni Generali SpA

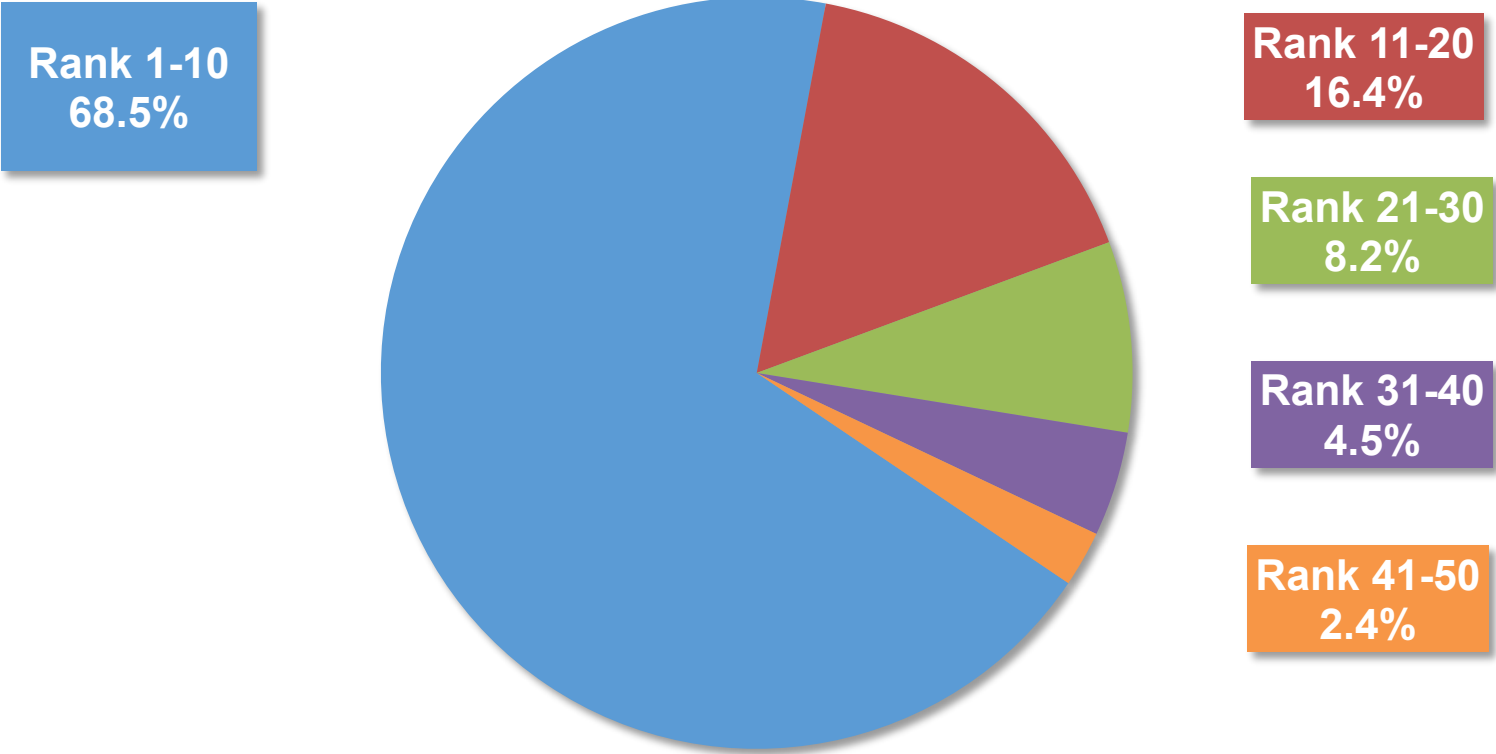
Pacific LifeCorp

PartnerRe Ltd.



# Global Reinsurance Market Capital

## Life and Non-Life Reinsurance GPW Distribution by Ranking



# Market Landscape ~10+ Years In Time

Established Franchises	Developing Franchises	Franchises that are Gone
<ul style="list-style-type: none"><li>• Allied World</li><li>• Arch</li><li>• Aspen</li><li>• AXA-XL</li><li>• AXIS</li><li>• Endurance</li><li>• Everest Re</li><li>• General Re</li><li>• Hannover Re</li><li>• Lloyd's</li><li>• MS Amlin</li><li>• Munich Re</li><li>• National Indemnity</li><li>• Odyssey Re</li><li>• Partner Re</li><li>• Renaissance Re</li><li>• SCOR</li><li>• Swiss Re</li><li>• TransRe</li><li>• Validus</li></ul>	<ul style="list-style-type: none"><li>• Convex</li><li>• Greenlight Re</li><li>• Hamilton</li><li>• Harrington Re</li><li>• Humboldt Re (Runoff)</li><li>• Kelvin Re (Runoff)</li><li>• Lumen Re</li><li>• Nectaris Re</li><li>• SiriusPoint</li><li>• Vantage</li><li>• Watford Re</li></ul>	<ul style="list-style-type: none"><li>• Ariel Re</li><li>• Flagstone</li><li>• Harbor Point / Max (Alterra)</li><li>• IPC Re</li><li>• Maiden</li><li>• Montpellier</li><li>• New Castle Re</li><li>• Paris Re</li><li>• Platinum Re</li><li>• Tokio Millennium Re</li></ul>

# Global Reinsurance Market Emerging Issues

# COVID-19 Still Ongoing

**P/C: Conservative booked losses still below worse original estimates  
Mainly incurred but not reported**

**Non-affirmative business interruption still contentious but blanket retroactive legislation unlikely**

**Mortality impact initially lower than originally expected, but continues to develop**

**Claims settlement will take years to develop. Further variants and pandemic risks to remain relevant**



# Recent Natural Catastrophe Losses – Secondary Perils

Texas freeze, non-modelled factors  
Unusual Q1 losses

Wildfires: high frequency continues  
Asset concentration in exposed areas

European flood losses: 1 in 400 event?  
Expected to become more frequent

Hurricane Ida (US North East impact)  
Atlantic hurricane season still under way

Natural catastrophe budgets under pressure



# Factors Putting Pressure on Underwriting Discipline Evolve

Low interest rate environment may change  
Inflationary pressures and economic stimulus  
measures

Prior years reserve releases seem to start to  
rebound, but may not be as significant as in the  
past

Third-party capital providers showing renewed  
interest but diversification under question  
Other alternatives may become more attractive

Claims uncertainty:  
COVID-19, secondary perils, social inflation

# Global Reinsurance – Innovation, Opportunities and Relevance



*“As a systemic risk, the risk of a pandemic lies fundamentally beyond these boundaries [of insurability]... Governments and the private sector should pool their expertise and capabilities, and then jointly develop forward-looking solutions.” – **Munich Re***

*“The global insurance protection gap reached a new high of USD 1.4 trillion. Closing this gap would both support long-term economic stability and increase society’s capacity to absorb shocks [...] But re/insurers and leaders in business and government must make resilience a shared priority...” – **Swiss Re***

*“Whether we are developing better climate change mitigation methods, closing the protection gap, or creating an environment where our people and communities thrive, we apply our risk acumen to help solve some of the world’s largest challenges...” – **Renaissance Re***

# Global Reinsurance Market Outlook – Stable

## Headwinds

**Claims uncertainty: COVID-19, secondary perils, social inflation**

**Risk modelling challenges. Emerging risks in a more interconnected world: e.g. cyber**

**New capital continues to enter the segment. Low interest rates**

**Limited investment alternatives**

**Risk of a smaller role for the (re)insurance segment in an evolving economy**

## Tailwinds

**Positive pricing trends. Focus on underwriting discipline**

**Reinsurers seem to start to meet their cost of capital**

**Disciplined, limited impact from new entrants**

**Segment remains well capitalized. Closer convergence with ILS markets**

**Global reinsurance one of the most innovative segments**

# Q&A



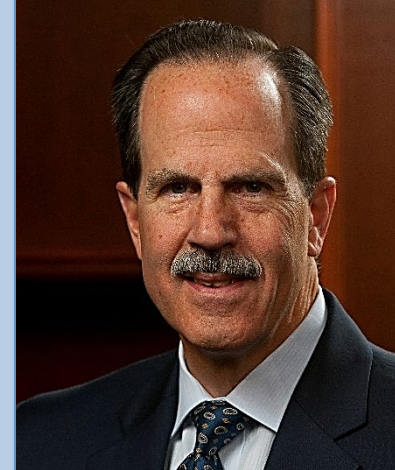
**Nick  
Charteris-Black**  
Managing Director  
Market Development



**Stefan  
Holzberger**  
Senior Managing Director  
& Chief Rating Officer



**Greg  
Carter**  
Managing Director, Analytics  
EMEA & Asia Pacific



**Anthony  
Diodato**  
Managing Director  
Global Reinsurance Ratings



**Carlos  
Wong-Fupuy**  
Senior Director  
Global Reinsurance Ratings



# AM Best Upcoming Events

Wednesday October 20, 2021



**Europe Insurance Market Briefing** (Morning)

**Methodology Review Seminar** (Afternoon)

Location: etc. Venues, St. Paul's, London (and online)

**Visit AM Best's events page at [ambest.com](https://www.ambest.com) or click here to view the agenda and register**