April 2024

Reinsurance Market Report

Results for full-year 2023

Table of Contents

Key findings 3

At a glance 5

- Capital 5
- Underlying ROE for the SUBSET 6
- Combined ratio for the SUBSET 7
- Expenses for the SUBSET 8
- Investment yield for the SUBSET 8

IFRS 17 impact 9

Capital 10

- Total reinsurance dedicated capital 10
- INDEX capital 12
- Return of capital 14
- Return on equity 17

Underwriting performance 22

- Premium volumes 22
- Combined ratios 24
- Prior-year loss development 28
- Natural catastrophe losses 31
- Expense ratios 33

Investment performance 34

Appendix 1

- Methodology 35

Appendix 2

- 2023 FY results details for INDEX 36

Key findings

Welcome to Gallagher Re's full-year 2023 Reinsurance Market Report. Now in its tenth year, the report tracks the capital and profitability of the global reinsurance industry.

Global reinsurers reported a significant improvement in underwriting profitability and ROEs in 2023, which supported an increase in their capital base to the highest level we have seen since we started this publication in 2014. Underlying[1] ROEs were materially higher due to a further reduction in underlying combined ratios and higher recurring investment income. Whether viewed on a headline or underlying basis, reinsurers' ROEs now comfortably exceed the industry's cost of capital. Given recent rate increases and reinvestment rates, it is likely that reinsurers' underlying ROEs will continue to trend upwards and remain meaningfully above the cost of capital.

Global reinsurance dedicated capital totalled USD729 billion at full-year 2023, a rise of 12% versus the restated full year 2022 base.[2] Growth was driven by both the INDEX[3] companies and non-life alternative capital.

Focusing on the INDEX companies, which contribute more than 80% of the industry's capital:

- INDEX capital was up 12% to USD599B driven principally by higher net income. This was also supported by unrealized investment appreciation, just over three quarters of which was attributable to National Indemnity whose significant US equity holdings rose in value during the year.
- The global reinsurance industry's capital position remains strong on an economic basis, which Gallagher Re views as the measure most relevant for management teams' decision making. Average solvency for the top four European reinsurers was 261%, up from 255% at 2022 FY. Moreover, capital growth, or 'supply', in 2023 outpaced two measures of demand.

Drilling further into profitability, for the SUBSET of companies within the INDEX that provide the relevant disclosure:

- Albeit moderating from higher levels seen at 2021 FY and 2022 FY, revenue[4] growth remained strong in 2023 FY at 7.6%, supported by higher rates. Volume growth was limited, partly due to rising attachment points and a shift in business mix.
- The reported combined ratio reduced 5.7 percentage points (ppts) to 88.9% in 2023 FY (2022 FY: 94.6%, restated for IFRS 17), despite a moderate increase in the expense ratio, thanks to a lower impact from natural catastrophes (-3.5ppts), a 2.0ppts reduction in the current-year attritional loss ratio and slightly increasing reserve releases. The favorable impact from discounting remained stable.

Global reinsurance dedicated capital totalled

USD729 Billion

at full-year 2023

"Given recent rate increases and reinvestment rates, it is likely that reinsurers' underlying ROEs will continue to trend upwards and remain meaningfully above the cost of capital.

Underlying ROE was up materially, from

12% to 14.3%

in 2023 FY

The reported ROE rose strongly in 2023 FY, from

7.1% to 20.2%

Following exceptionally strong profitability in 2023, the SUBSET has generated an ROE above the weighted average cost of capital (WACC) for the 2017-2023 period on aggregate.

Underlying combined ratio improved from

98.5% to 96.0%

This is the strongest level achieved in the last 10 years.

- The better natural catastrophe experience of the reinsurers stands in sharp contrast to overall insured natural catastrophe losses, which Gallagher Re estimates remain elevated at USD123B[5] in 2023. SUBSET companies have carried a reduced proportion of these losses over the last three years, from 9.2% in 2021 FY, to 8.0% in 2022 FY and 7.3% in 2023 FY. This reflects higher attachment points and the nature of 2023 catastrophe losses which were dominated by so-called "secondary" perils rather than by landfalling US hurricanes.
- On an underlying basis, the combined ratio continued its downward trend, from 98.5% to 96.0%. This is the strongest level achieved since the launch of the Reinsurance Market Report in 2014 and was primarily driven by a lower current-year attritional loss ratio and normalized natural catastrophe load. A number of companies have indicated extra conservatism in their current-year loss picks, which suggests that true underlying profitability could be even better.
- The reported ROE rose strongly in 2023 FY, from 7.1% to 20.2%, largely spurred by a higher investment gains yield and a lower impact from natural catastrophes. Following exceptionally strong profitability in 2023, the SUBSET group has now fully recouped for weaker profit years such as 2017-2020. On a cumulative basis, the SUBSET has generated an ROE above the weighted average cost of capital (WACC) for the 2017-2023 period.
- Underlying ROE was up materially, from 12.0% in 2022 FY to 14.3% in 2023 FY. Underlying underwriting margins and running investment income notably rose and so following an elongated period of sub-par returns, underlying ROE continues to exceed the cost of capital for the second consecutive year.
- As earnings react to higher interest rates with a lag, we estimate the underlying ROE will see a further uplift of 2-4ppts, all else being equal, if the portfolio yield converges to current reinvestment yields. In addition, the earn through of booked renewal rate increases could potentially further enhance the underlying ROE by 0.5-1ppts.
- Not only do these factors bolster the resilience and potential earnings power of the reinsurance industry but they place reinsurers in a better position to absorb any potential earnings volatility, such as from natural catastrophe losses, for example. Based on the current 14.3% underlying ROE, we estimate that the SUBSET companies could absorb natural catastrophe losses compromising almost double (17.6ppts) the normalized level (9.1ppts of net earned premiums) and still deliver an ROE in line with the sector's WACC.

[1]The underlying combined ratio basis replaces actual natural catastrophe losses with a normalized natural catastrophe load and strips out prior year reserve movements and discounting (for IFRS 17 reporters). Additionally, for the underlying ROE, the impact of investment gains/losses is removed.

[2]We have re-stated year-end 2022 capital from USD638B to USD652B due to late filers and re-stated capital for IFRS 17 reporters.

[3]The INDEX companies are listed in Appendix 2. This also lists the SUBSET companies, which are those companies that make the relevant disclosure in relation to natural catastrophe losses and prior-year reserve releases.

[4]We have used net insurance service revenue for IFRS 17 reporters and net earned premiums for US GAAP reporters.

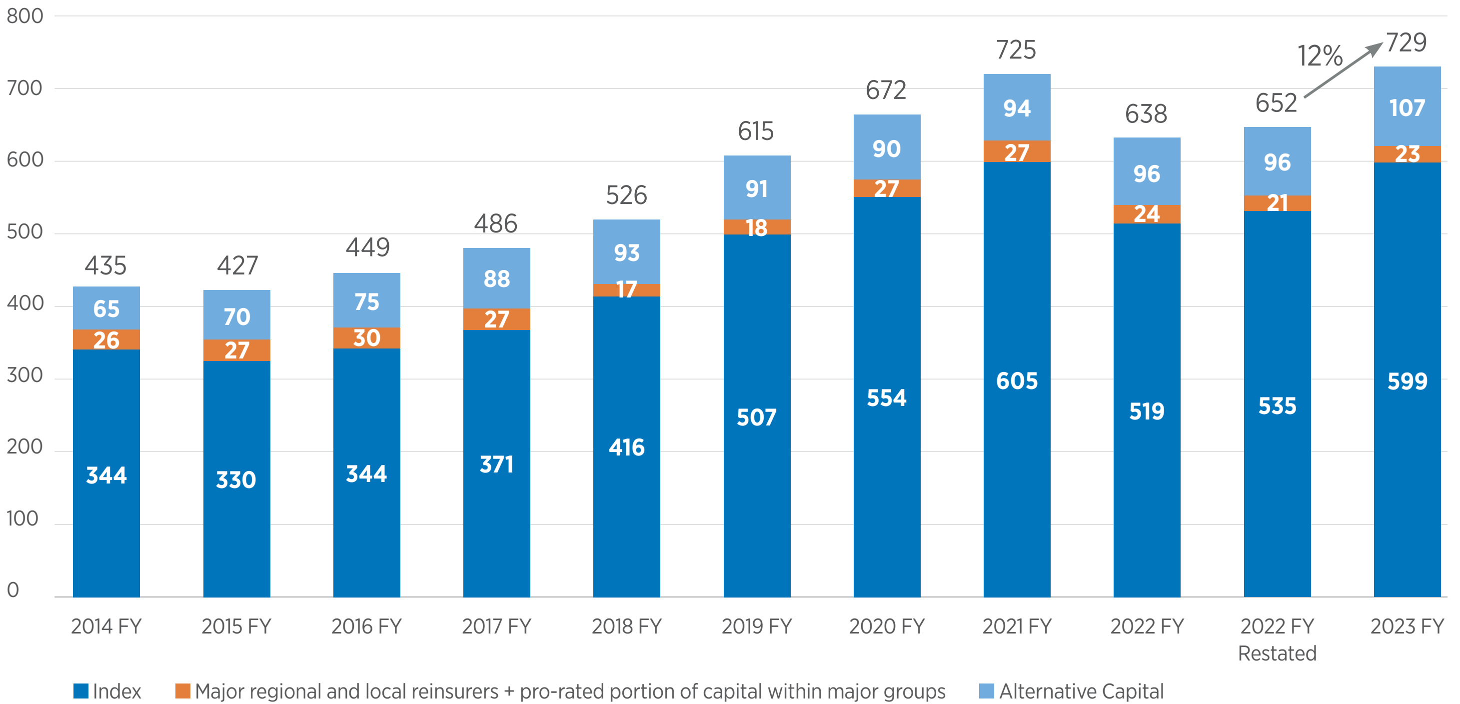
[5]Losses from direct physical damage and business interruption from global natural perils from Gallagher Re's Natural Catastrophe and Climate Report: 2023.

At a glance

CAPITAL

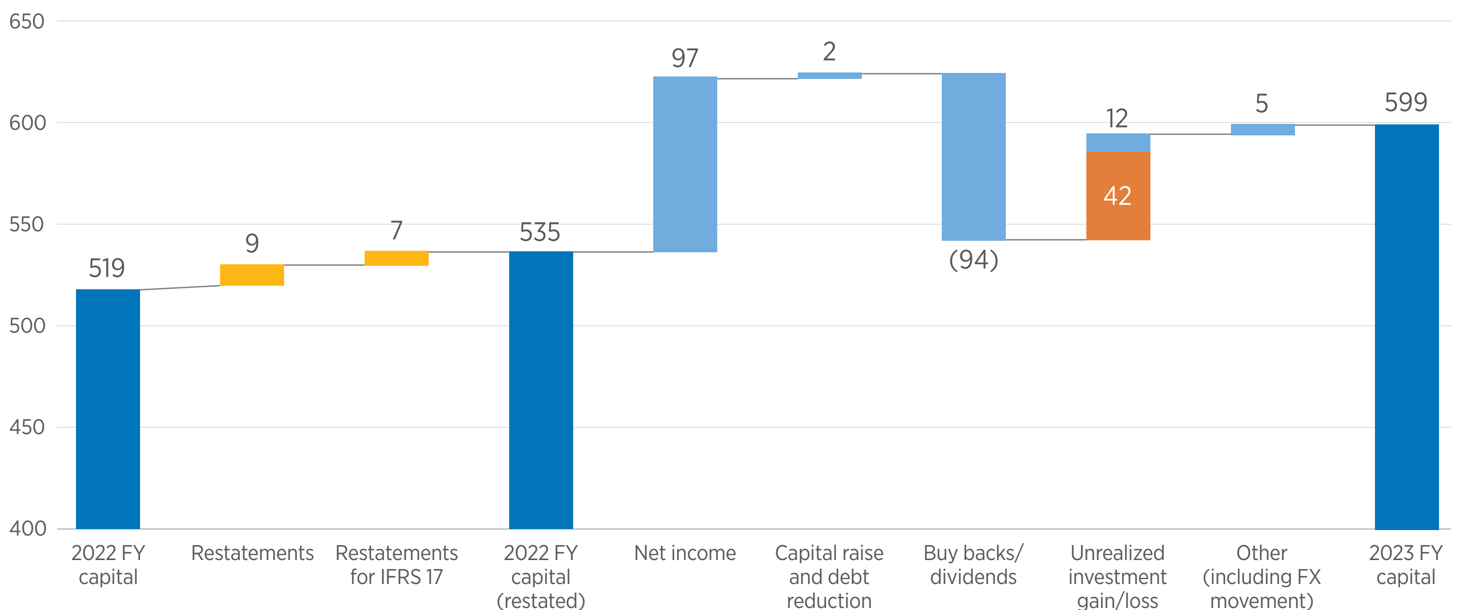
Reinsurance dedicated capital rises, surpassing the previous highpoint of 2021 FY

Total reinsurance dedicated capital (USD B)[6,7]



INDEX capital up, mainly due to strong net income

Capital analysis for the INDEX (USD B)



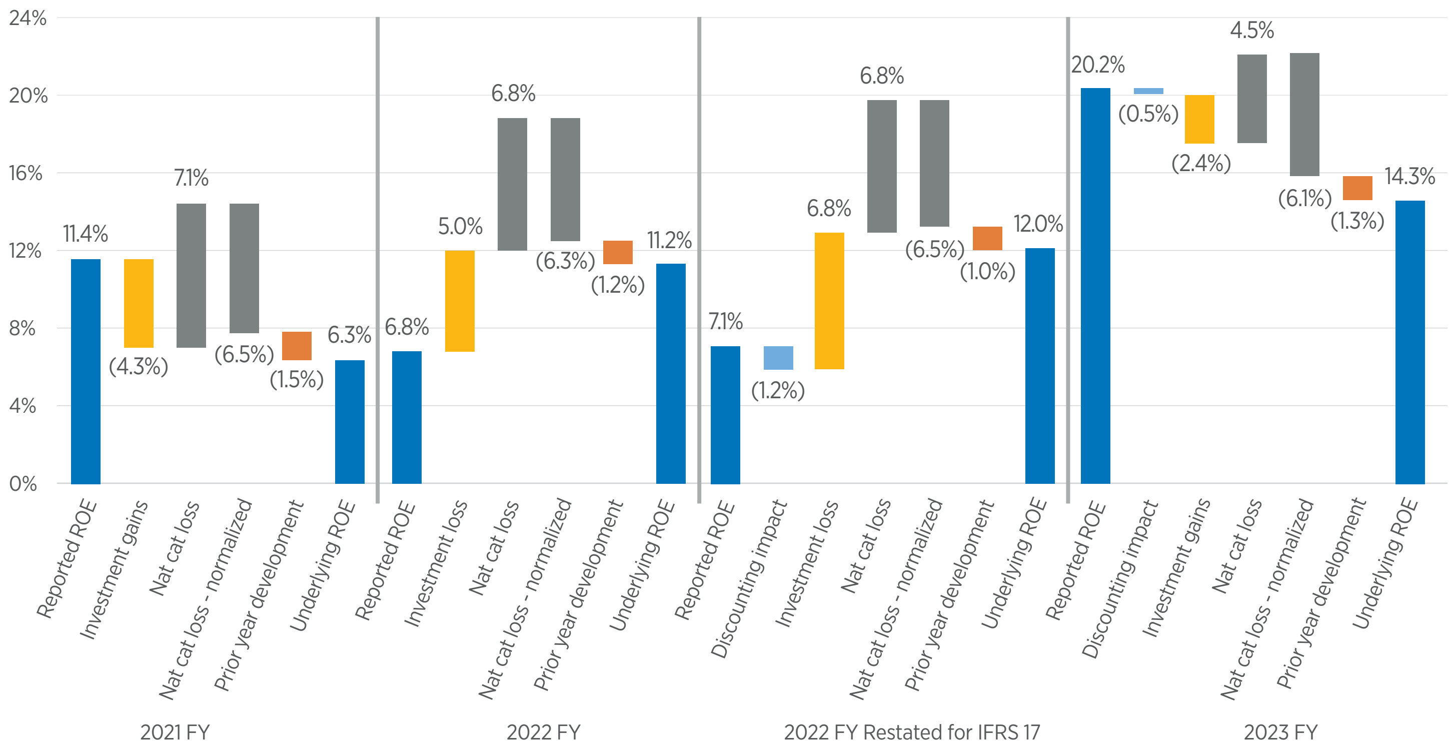
[6]We have re-stated 2022 FY INDEX capital from USD519B to USD535B due to late filers and re-stated capital for IFRS 17 reporters.

[7]Alternative capital excludes life, accident and health (LAH) ILS AuM and mortgage ILS AuM.

UNDERLYING ROE FOR THE SUBSET

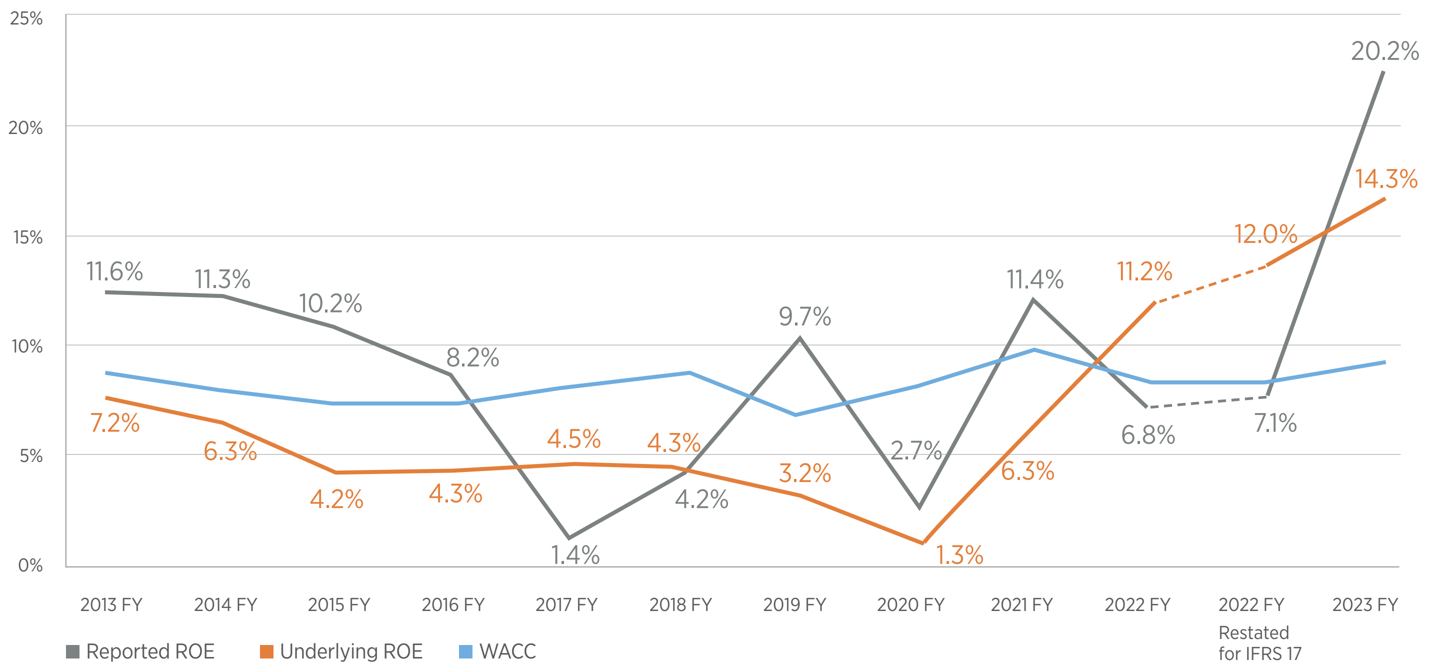
Significant improvement in both headline and underlying ROEs

ROE analysis for the SUBSET[8]



Reported and underlying ROEs now at a meaningful margin above the WACC[9]

ROE for the SUBSET[8, 10]



[8]SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre-2014 liabilities and cover 84% of the reported reserves; Discounting impact on the combined ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re.

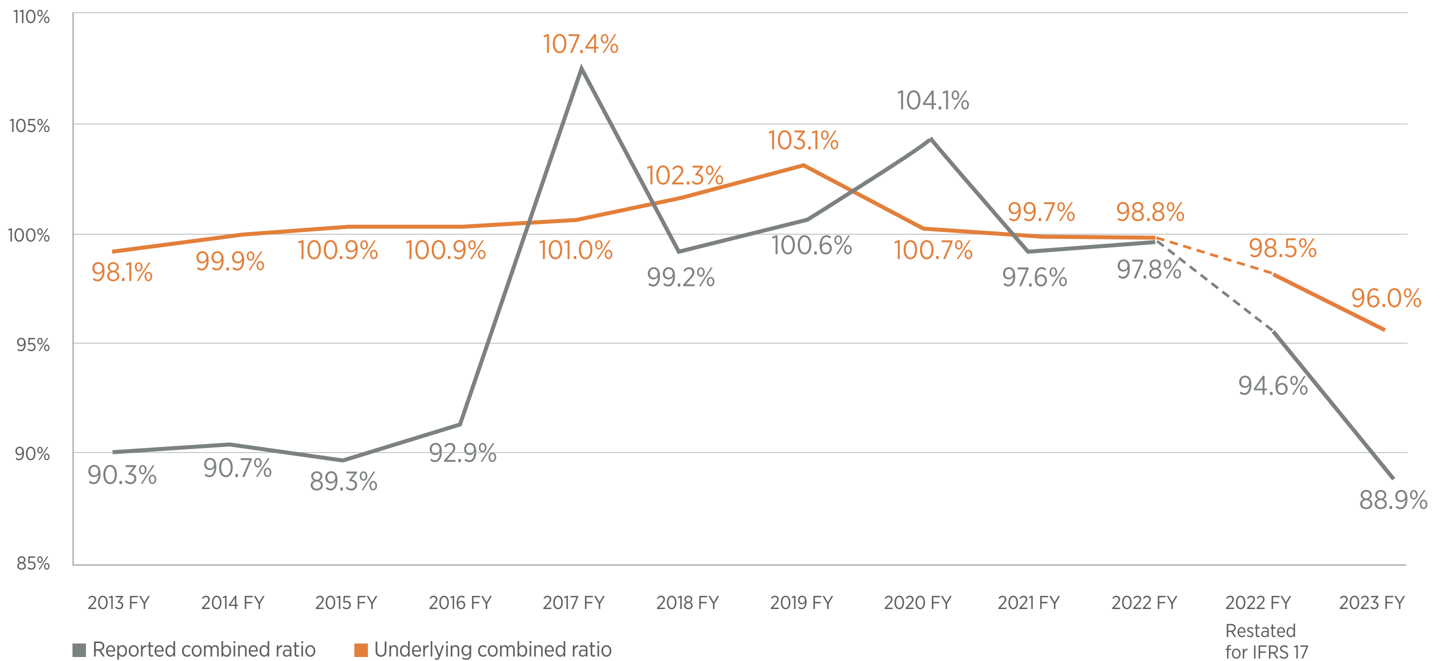
[9]Weighted average cost of capital.

[10]S&P estimated WACC figures. 2023 HY WACC figure used for 2023 FY.

COMBINED RATIO FOR THE SUBSET

Reported and underlying combined ratios reduced markedly in 2023

Reported and underlying combined ratio for the SUBSET[11]



Reported combined ratio lower, driven by reduction in both natural catastrophe and attritional losses

Combined ratio detail for the SUBSET[11, 12]

SUBSET	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2022 FY Restated for IFRS 17	2023FY
Reported combined ratio	**90.7%**	**89.3%**	**92.9%**	**107.4%**	**99.2%**	**100.6%**	**104.1%**	**97.6%**	**97.8%**	**94.6%**	**88.9%**
Add discounting impact (IFRS 17)										2.8%	2.9%
Remove prior year development	5.6%	6.7%	6.3%	5.3%	4.6%	2.3%	1.5%	2.3%	1.5%	1.4%	1.8%
Accident year combined ratio	**96.3%**	**96.0%**	**99.2%**	**112.7%**	**103.8%**	**102.9%**	**105.6%**	**99.9%**	**99.3%**	**98.9%**	**93.6%**
Strip out nat cat loss	-2.8%	-1.5%	-4.7%	-18.1%	-8.6%	-8.1%	-5.7%	-10.1%	-8.8%	-10.3%	-6.7%
Strip out COVID loss							-8.2%	-0.2%	0.0%	0.0%	0.0%
Ex-nat cat accident year CR	**93.5%**	**94.5%**	**94.5%**	**94.6%**	**95.2%**	**94.9%**	**91.7%**	**89.6%**	**90.6%**	**88.6%**	**86.9%**
Add in normalized nat cat loss	6.4%	6.4%	6.4%	6.4%	7.1%	8.2%	9.0%	10.1%	8.2%	9.9%	9.1%
Underlying combined ratio	**99.9%**	**100.9%**	**100.9%**	**101.0%**	**102.3%**	**103.1%**	**100.7%**	**99.7%**	**98.8%**	**98.5%**	**96.0%**
Expense ratio	32.1%	33.1%	33.2%	32.0%	32.1%	31.8%	30.2%	29.7%	28.7%	21.3%	21.6%
Ex-nat cat accident year loss ratio	61.4%	61.4%	61.3%	62.6%	63.1%	63.1%	61.5%	59.9%	61.9%	67.3%	65.3%
Ex-nat cat accident year combined ratio	**93.5%**	**94.5%**	**94.5%**	**94.6%**	**95.2%**	**94.9%**	**91.7%**	**89.6%**	**90.6%**	**88.6%**	**86.9%**

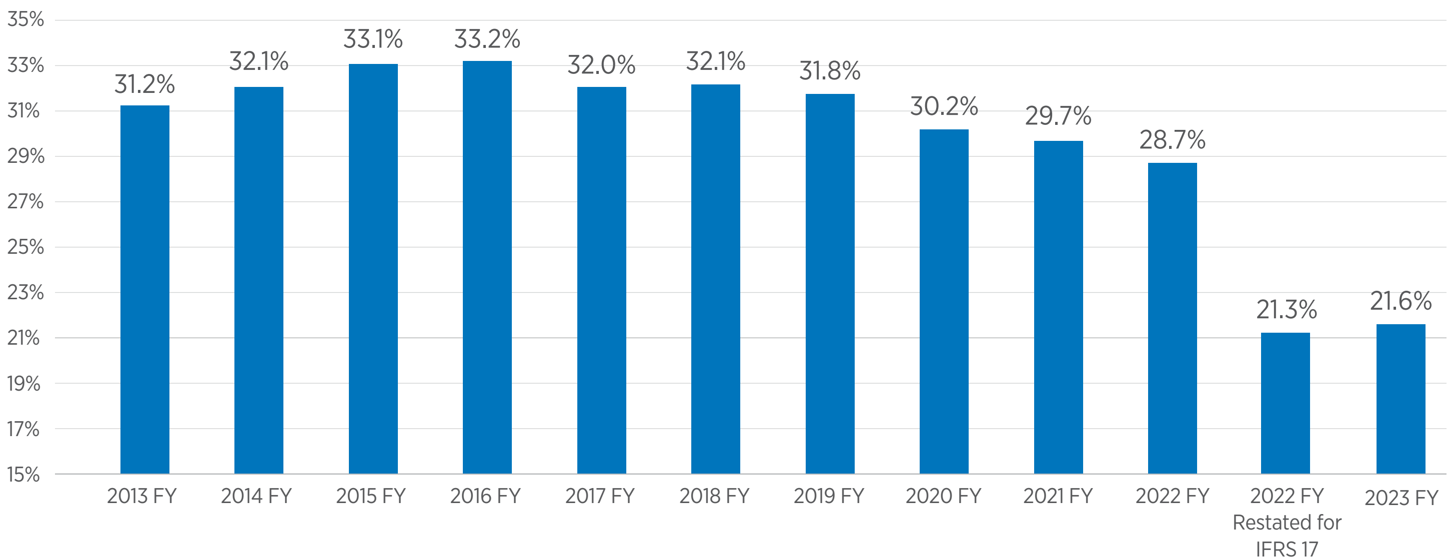
[11] SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves; Discounting impact on the combined ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re; Expense ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re and 2023 FY is estimated for Hannover Re.

[12] The normalized natural catastrophe load is the five-year moving average of the SUBSET's full-year actual natural catastrophe loss impact (excluding COVID-19 losses), adjusted for the impact of IFRS 17 in 2022 FY (restated for IFRS 17) and 2023 FY.

EXPENSES FOR THE SUBSET

Expense ratio impacted by IFRS 17 and grew marginally for the first time since 2016

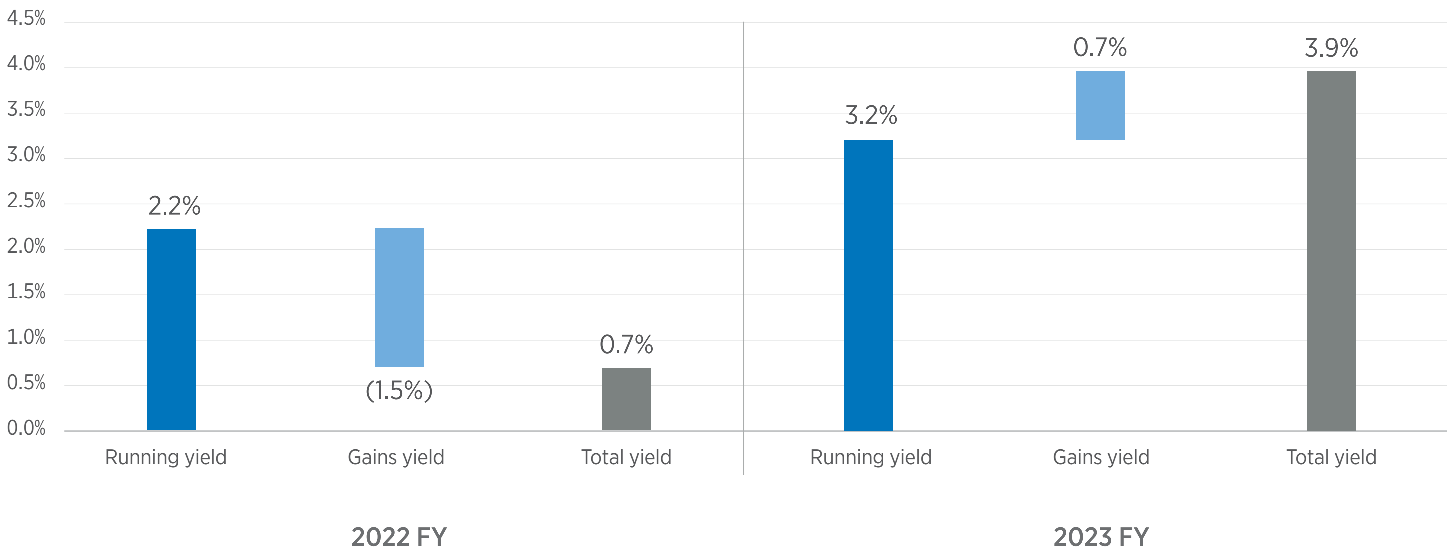
Weighted average expense ratio for the SUBSET[13, 14, 15]



INVESTMENT YIELD FOR THE SUBSET

Investment income up due to higher running yield and positive gains yield

Investment yield for the SUBSET[16]



[13]Methodology was revised in 2019.

[14]Expense ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re and 2023 FY is estimated for Hannover Re.

[15]See page 33 for further details.

[16]Running yield captures items such as bond coupons, equity dividends and interest income.

IFRS 17 impact

- IFRS 17 came into force on January 1, 2023 and represents a fundamental change to insurance accounting, compared to IFRS 4. In essence, IFRS 17 is designed to provide a more economic view of profit and capital and ensure a more truthful recognition of profit emergence from insurance contracts.
- While the US and most Bermudian reinsurers in our study continue to report on a US GAAP basis, all the other reinsurers aside from Swiss Re now report according to IFRS 17.
- IFRS 17 does not address widely used metrics such as combined ratios or ROEs, leaving it open for companies to set their own definitions, and resulting in significant inconsistencies in reporting. There are also material differences vs US GAAP.
- Insurance revenue, a measure close to gross earned premiums but net of ceding commissions, becomes the top line item in the income statement, replacing gross written premiums. Fixed ceding commissions are no longer recognized within expenses, resulting in a significant reduction in the expense ratio for reinsurers.
- The other implication from this is that the natural catastrophe loss ratio increases, due to the use of net insurance revenue instead of net earned premiums in the denominator.
- In addition, expenses that are not directly attributable to insurance activities are stripped out of the insurance service result (IFRS 17's underwriting profit), meaning that expense ratios are materially lower.[17]
- Under IFRS 17, claims are discounted at prevalent rates, thereby resulting in a lower, more volatile claims ratio. The discount rate is unwound in subsequent years, but outside of the underwriting profit. As a result, as interest rates have risen sharply since 2022, companies are currently benefitting from a significant boost to profit.
- In order to ensure like-for-like comparison across time and reporting standards, we have addressed the IFRS 17 challenge directly, reflecting the new disclosures and adapting the Reinsurance Market Report to the new standard.
- 2022 FY data has been restated throughout the report to reflect the impact of IFRS 17. Equally, our underlying ROE and combined ratio metrics have been updated to neutralize the effect of discounting, while the normalized nat cat loss ratio has been adjusted to neutralize the effect of different accounting standards.

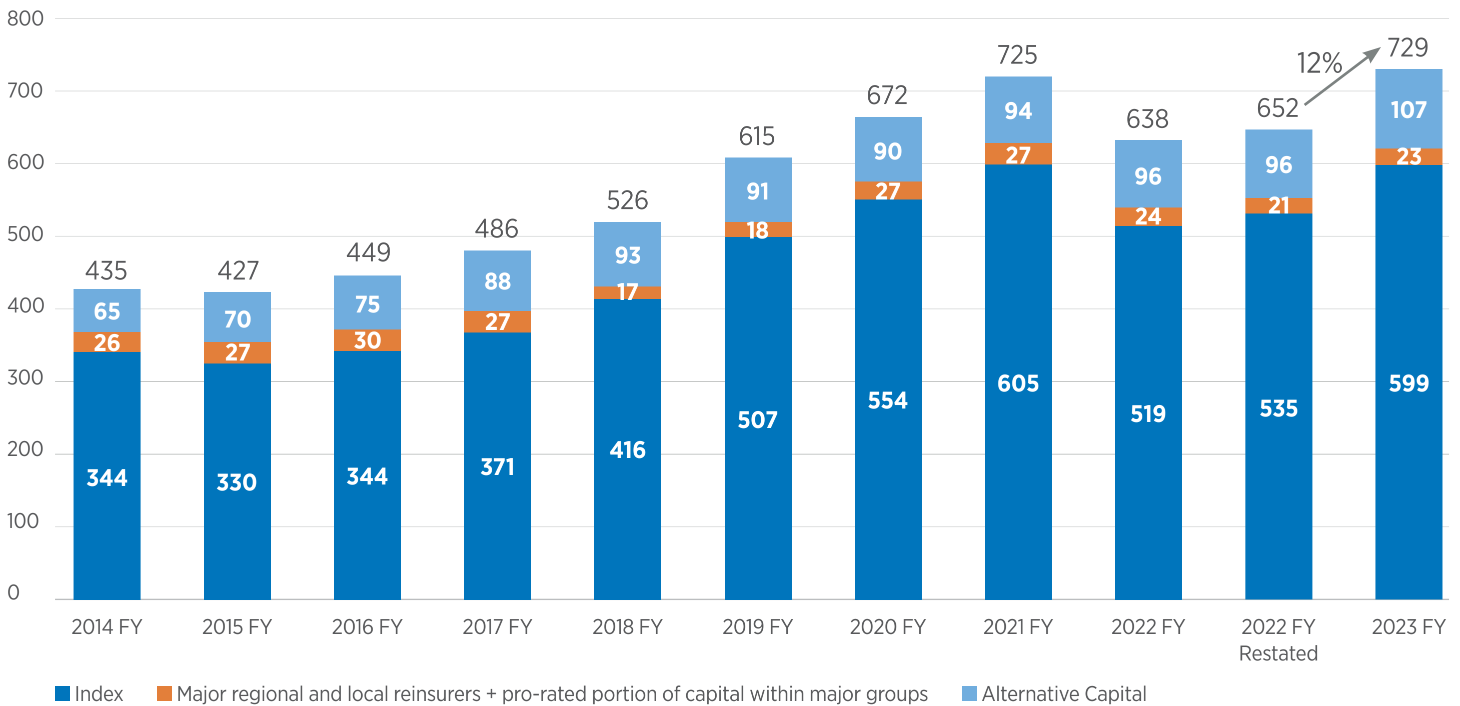
[17]Certain firms have opted to include non-attributable expenses in the expense ratio.

Capital

TOTAL REINSURANCE DEDICATED CAPITAL

Reinsurance dedicated capital rises, surpassing the previous highpoint of 2021 FY

Chart 1: Total reinsurance dedicated capital (USD B)[18]



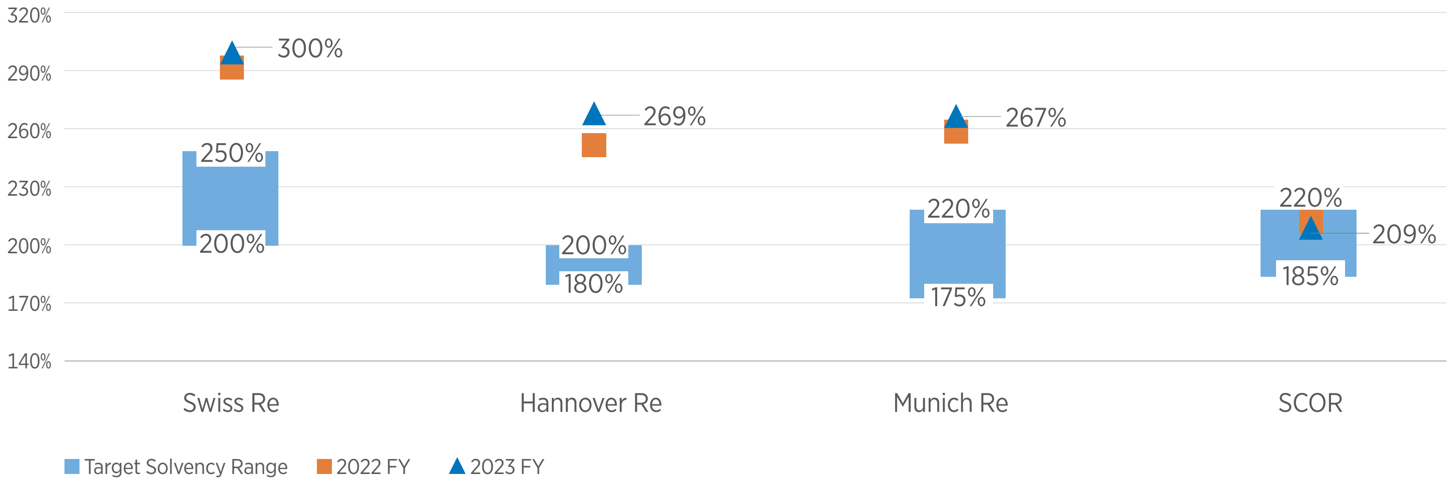
- Although reinsurance dedicated capital reached a new peak in 2023, capital growth over the past three years (+8%) has been outpaced by premium growth (+18%) as a result of both underlying demand and inflationary pressures.
- Capital for the INDEX companies, which contribute just over 82% of total reinsurance dedicated capital, was up 12% to USD599B.
- Non-life alternative capital rose by USD11B, or 11%, to USD107B, supported in particular by growth in catastrophe bonds which contributed approximately USD6B of the increase. The key drivers were retained earnings resulting from reduced loss activity and higher collateral yields, net inflows and mark-to-market gains. Collateralized reinsurance continues to reduce on a relative share basis, in line with developments seen in 2022.
- As well as increasing on an accounting basis, global reinsurers' capital adequacy remains strong on an economic basis, the measure which Gallagher Re views as more relevant for management teams' decision making. Average solvency for the top four European reinsurers was 261%, up from 255% at 2022 FY, which is at the upper end of, and in most cases above, management target levels.[19]

[18]Non-life alternative capital excludes life, accident and health (LAH) ILS AuM and mortgage ILS AuM.

[19]Rising interest rates are usually a positive for economic measures such as the EU's Solvency 2 and Switzerland's SST. This is because liabilities are discounted, and a higher discount rate brings down their value. Many reinsurers have a longer liability duration than asset duration, and so the value of liabilities falls more than the value of assets.

Economic capital adequacy further increases at 2023 FY

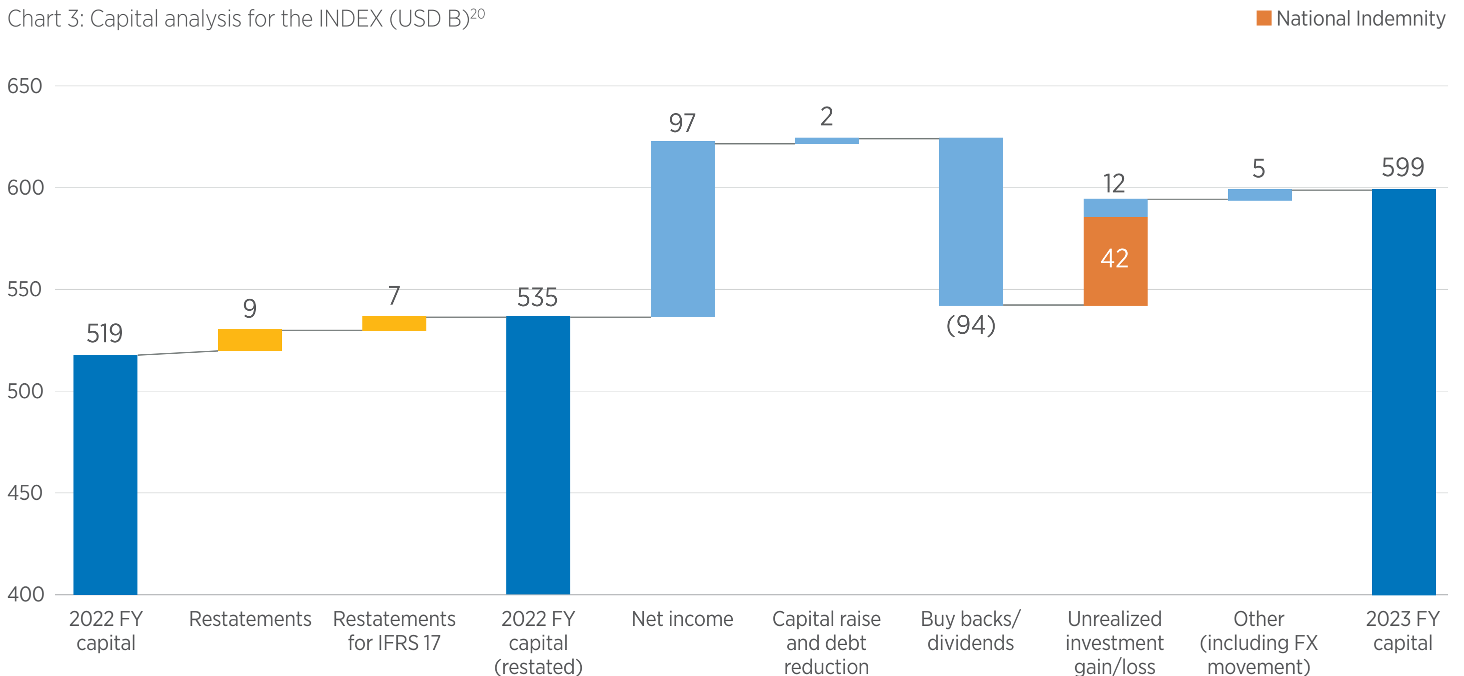
Chart 2: European solvency ratios



INDEX CAPITAL

INDEX capital up, mainly due to strong net income

Chart 3: Capital analysis for the INDEX (USD B)[20]

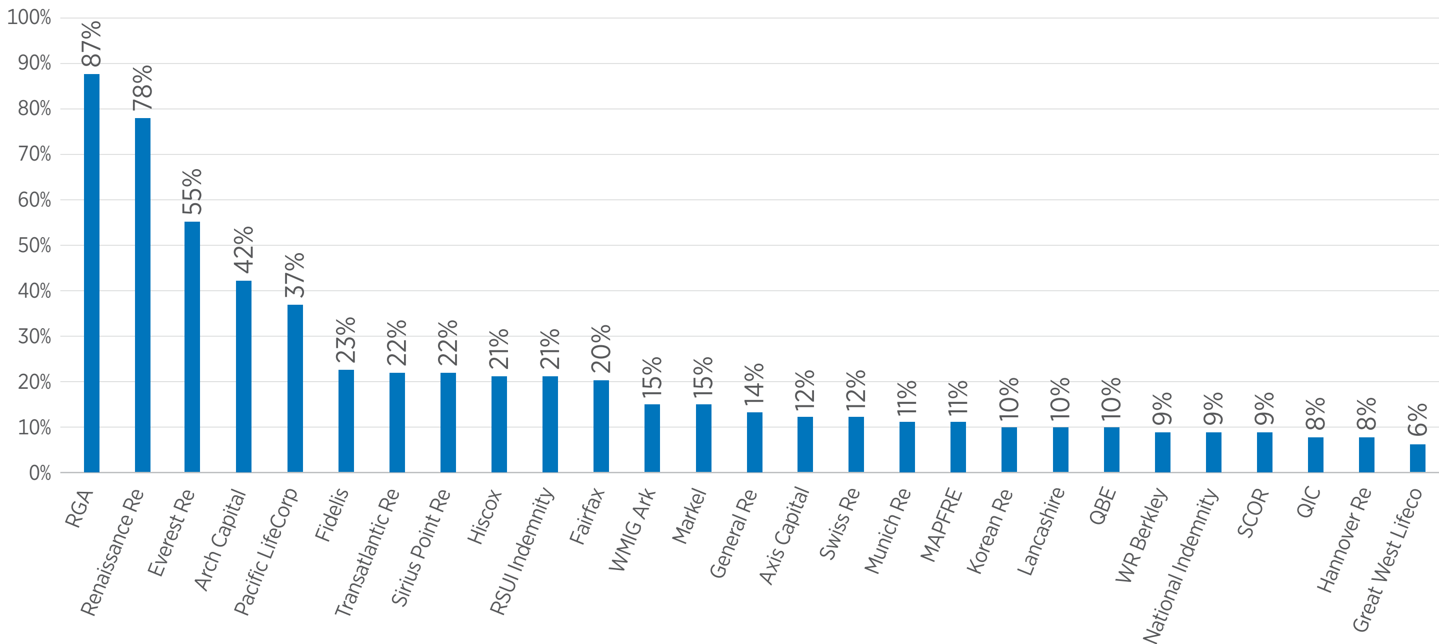


- The USD64B rise in INDEX capital to USD599B was driven by strong net income of USD97B and USD54B of unrealized investment appreciation, which reverses just over 60% of the unrealized investment depreciation reported in 2022 FY. Most of the unrealized investment appreciation was attributable to National Indemnity whose significant US equity holdings rose in value during the year.
- Net income improved significantly to USD97B versus USD23B at 2022 FY due to higher underwriting and investment profitability, the latter benefiting from a 1ppt rise in the running yield and a return to a positive gains yield.
- Almost all (97%) of the INDEX companies' net income was returned through buy-backs and dividends which together totaled USD94B. However, 87% of total capital returned was due to National Indemnity, with other INDEX companies retaining much of their net income.
- Despite continued favorable market conditions there were no material new market entrants. The net balance of capital raises versus debt reduction accounted for only USD2B. However, as we saw in Chart 1, we have seen a double digit increase in non-life alternative capital, supported by growth in catastrophe bonds.

[20]We have re-stated 2022 FY capital from USD519B to USD535B due to late filers and re-stated capital for IFRS 17 reporters.

Capital rises for all INDEX companies

Chart 4: Movement in capital at 2023 FY for the INDEX constituents[21]



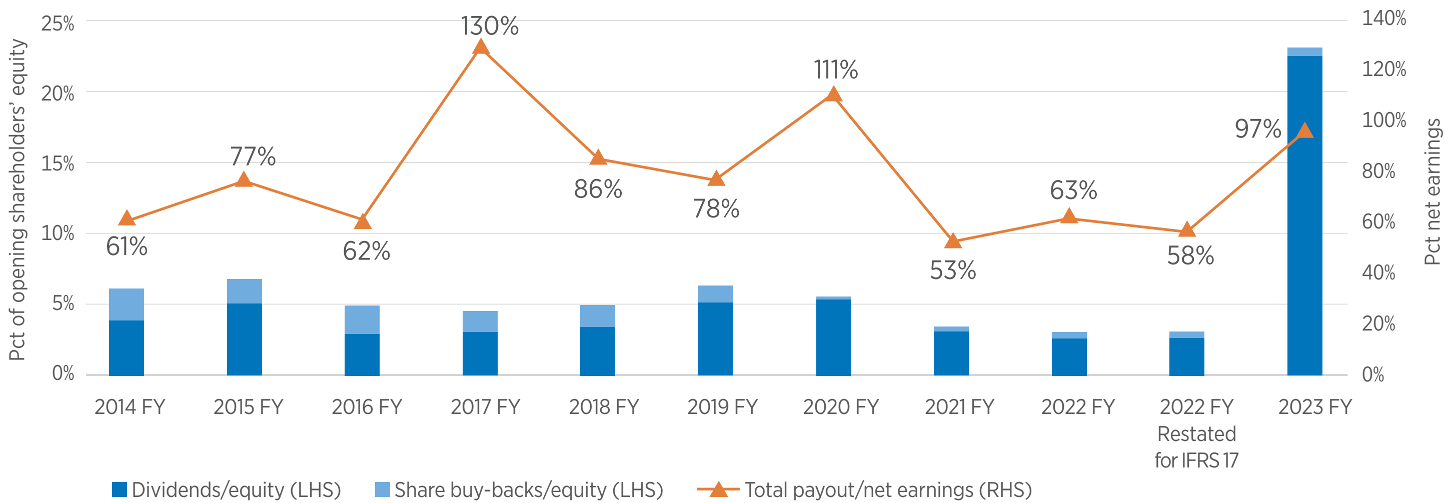
- All INDEX companies reported higher capital bases with drivers including robust net income, unrealized investment appreciation and, in a few cases, capital raises.
- Accounting changes were the main driver of RGA's 87% increase in capital. 2023 FY capital was still up by a robust 28% relative to the restated 2022 FY capital base due to unrealized investment appreciation and net income.
- Renaissance Re's 78% rise in capital was due to net income of USD2.5B and a capital raise of USD1.6B to support its purchase of Validus Re.
- Everest Re's 55% rise in capital was due to net income of USD2.5B and a capital raise of USD1.4B to target growth in the current favorable market conditions.
- Notably, National Indemnity reported a 9% rise in capital despite paying a significant dividend of USD82B. The dividend payment was more than offset by unrealized and realized investment gains (USD92B combined).

[21]Excludes companies who have not yet reported 2023 FY.

RETURN OF CAPITAL

Adjusted capital return as a percentage of net earnings reduces due to significant growth in profit[22]

Chart 5: Return of capital (as a percent of opening shareholders' equity) and payout ratio for the INDEX

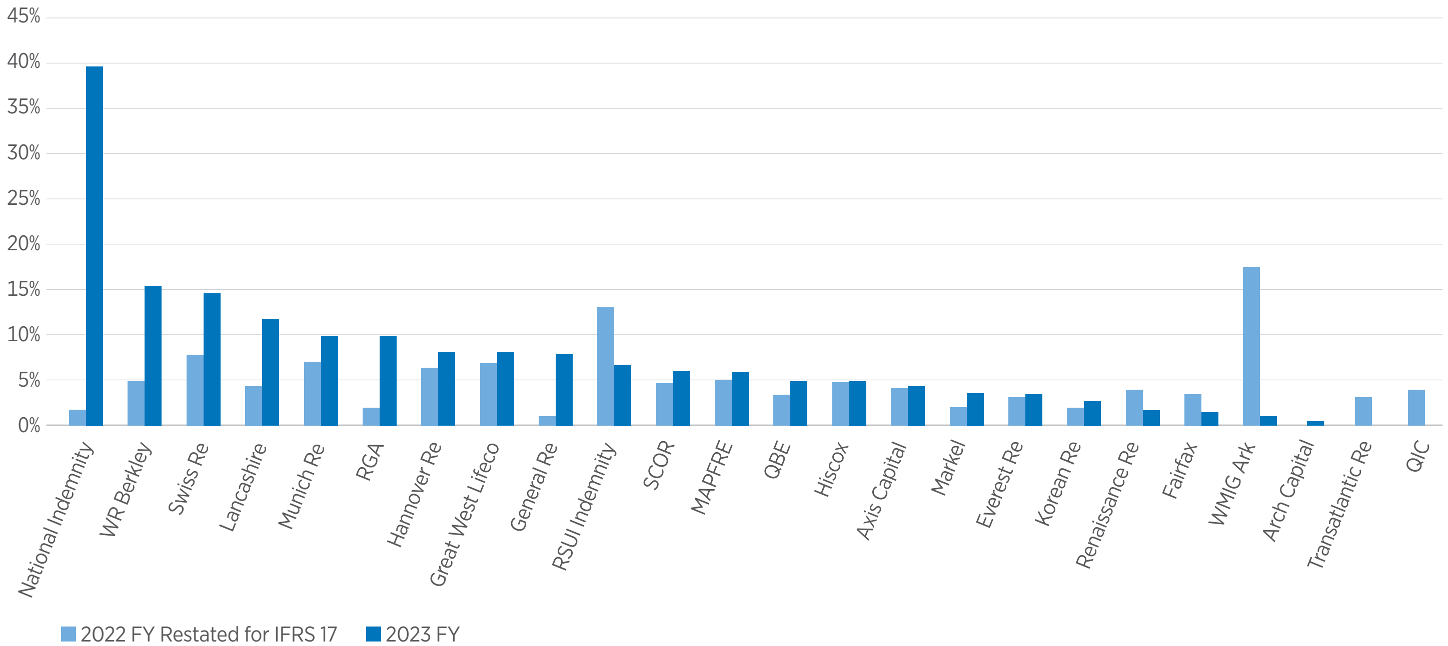


- As a result of an USD82B dividend paid by National Indemnity, which contributed 87% of total capital returns (dividends and buy-backs), return of capital both as a percentage of net earnings and of opening shareholders' equity rose significantly at 2023 FY.
- Excluding National Indemnity from both 2023 FY and 2022 FY, total capital return as a percentage of net earnings reduced to 31% from 66% due to growth in the denominator (reflecting reinsurers' significantly higher profitability) exceeding growth in the numerator. In absolute terms, capital return in 2023 was up by more than 10% compared to 2022.
- As is generally the case, capital return as a percentage of opening shareholders' equity was more stable. Excluding National Indemnity, it increased marginally to 6% from 5% at 2022 FY due to the combination of a higher capital return and reduced opening shareholders' equity.
- As has been the case since 2020, share buy-backs were modest, comprising just 0.6% of opening shareholders' equity, as management teams targeted growth in favorable market conditions.

[22]Excluding National Indemnity.

Capital return was up for most INDEX companies

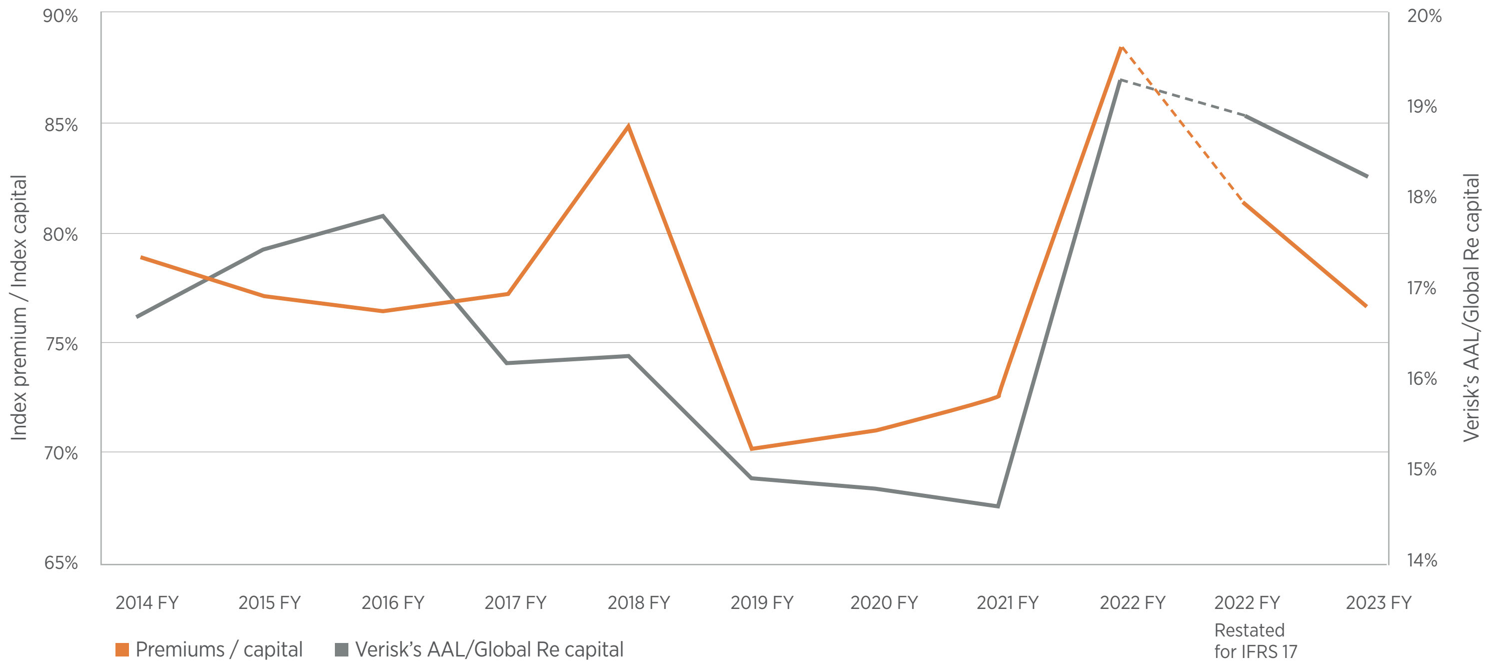
Chart 6: Return of capital (as a percent of opening shareholders' equity) for the INDEX constituents



- The ratio of capital return as a percentage of opening shareholders' equity was up for most INDEX constituents at 2023 FY.
- Although a number of companies increased their capital returns in 2023, most notably National Indemnity, a key contributing factor was lower opening shareholders' equity compared to the prior period due to unrealized investment depreciation during 2022 FY as a result of rising interest rates. This was a driver of the increase in capital return as a percentage of opening shareholders' equity for the four main European reinsurers.
- The rise in W.R. Berkley's capital return ratio was due to growth in capital return outpacing growth in opening shareholders' equity. The higher capital return comprised a USD537M buy-back (2022 FY: USD94M) and a USD501M dividend (2022 FY: USD235M).

Demand continues to rise, but at a lower pace than supply

Chart 7: Verisk loss scenarios and premiums vs capital[23]



- If the reinsurance industry's capital base is 'supply', then a proxy for 'demand' is the premiums ceded to reinsurers. Another proxy is catastrophe modeling agency Verisk's aggregate annual loss (AAL).[24]
- Both measures are imperfect. Premiums capture price changes as well as exposure growth and Verisk's figures reflect only the natural catastrophe portion of reinsurance demand.
- The ratio of demand (measured both ways) to supply reduced relative to the re-stated 2022 FY (for IFRS 17). We would note that both of our measures of demand have continued to rise but that has been outpaced by growth in our measures of capital supply.

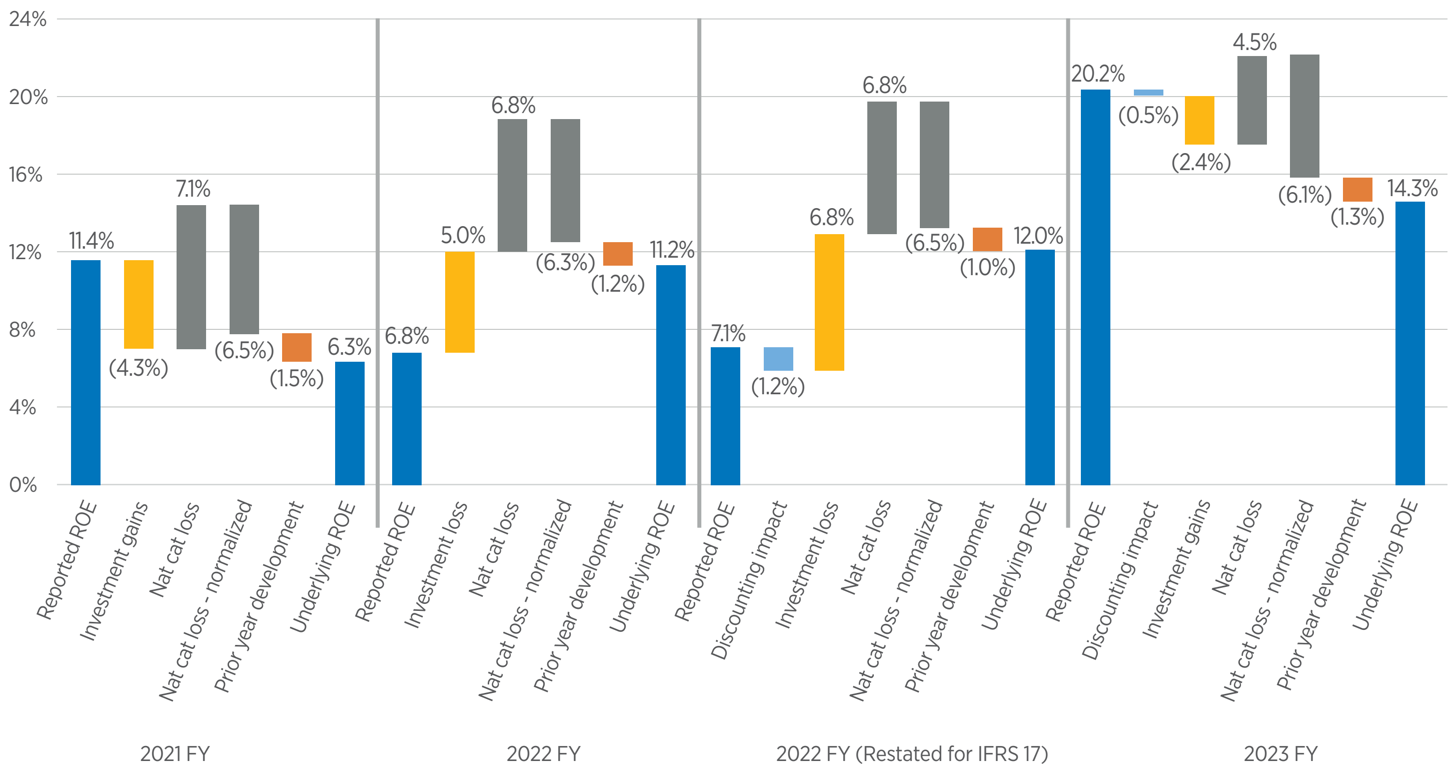
[23]Source: Verisk Global Modeled Catastrophe Losses report.

[24]AAL is Verisk's mean value of a loss exceedance probability (EP) distribution. It is the expected loss per year, averaged over many years.

RETURN ON EQUITY

Significant improvement in both headline and underlying ROEs

Chart 8: ROE analysis for the SUBSET[25]



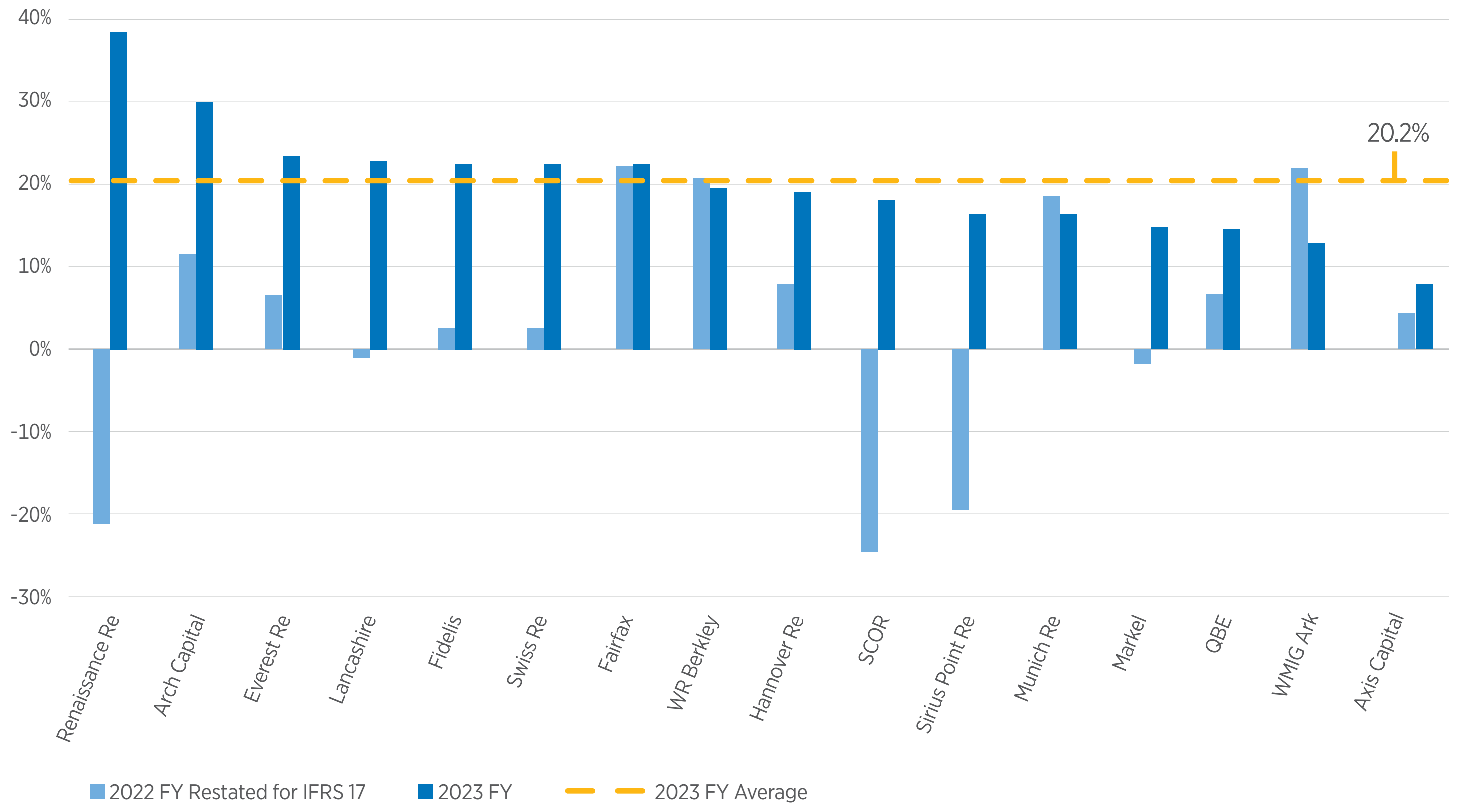
- The reported ROE for the SUBSET companies was up materially to 20.2% (2022 FY: 7.1%). In addition to a strongly improved underlying profitability, a normalization of investment gains (drag of 6.8ppts 2022 FY, benefit of 2.4ppts in 2023 FY) and a lower impact from natural catastrophes (6.8ppts 2022 FY vs 4.5ppts 2023 FY) were core to the material improvements amongst this group.
- Over the past two years, ROEs reported by IFRS 17 companies have benefited from a favorable discounting impact (1.2ppts in 2022 FY and 0.5ppts in 2023 FY). As noted earlier in this report, due to the rapid rise in interest rates seen in the past two years, the effect of discounting claims is indeed currently larger than the unwind of the discount.
- In calculating the underlying ROE, investment gains/losses[26] and the impact from prior-year developments are omitted, and natural catastrophe losses are normalized. Adjusting for these factors, we calculate an underlying ROE of 14.3%, materially higher than 12.0% at 2022 FY (restated for IFRS 17).

[25] SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves; Discounting impact 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re.

[26] We strip out investment gains/losses because, over time in a stable macro environment, they should largely net out to zero. Gains on fixed income should net out to zero. Equity investments should produce gains over time but most reinsurers allocate very little of their investments to equities.

The improvement in ROE is widely carried across the SUBSET companies

Chart 9: Reported ROE for the SUBSET constituents[27]



- 2023 was clearly a good year for the sector from a profitability perspective, with the ROE improvements delivered across most companies in our SUBSET universe. Except for Axis Capital, all companies in our SUBSET universe delivered a double-digit ROE, and 75% an ROE of at least 15%.

[27]ROEs are based on 'all-in' net income. They do not necessarily match the 'headline' ROEs reported by the companies as these are sometimes struck on an operating net income basis.

Improved underwriting and higher interest rates drive the uplift in underlying ROE

Chart 10: ROE components for the SUBSET[28]

	2021 FY	2022 FY	2022 FY Restated for IFRS 17	2023 FY
Reported ROE	**11.4%**	**6.8%**	**7.1%**	**20.2%**
Remove impact of discounting			-1.2%	-0.5%
Remove nat cats	7.1%	6.8%	6.8%	4.5%
Add in normalized nat cats	-6.5%	-6.3%	-6.5%	-6.1%
Remove prior year development	-1.5%	-1.2%	-1.0%	-1.3%
Strip out investment gains/losses	-4.3%	5.0%	6.8%	-2.4%
Underlying ROE	**6.3%**	**11.2%**	**12.0%**	**14.3%**
Composition of underlying ROE				
Underlying underwriting margin	0.2%	0.9%	1.0%	2.8%
Running investment income	6.5%	6.9%	7.0%	10.4%
Other income/expenses	-0.4%	3.4%	4.0%	1.2%
Underlying ROE	**6.3%**	**11.2%**	**12.0%**	**14.3%**

- Both the underlying underwriting margin and running investment income are key contributors to the underlying ROE. Rising interest rates improved the running yield materially over the year and as a result the ROE contribution rose to 10.4%, (2022 FY: 7.0%). It is important to note that the running investment income relates to the entire group and not just the P&C reinsurance operations of the companies within the SUBSET.

- The underlying underwriting margin also contributed to the underlying ROE improvement, which almost tripled in 2023 to 2.8% (from 1.0%). This is driven by the meaningful reduction in the underlying combined ratio.

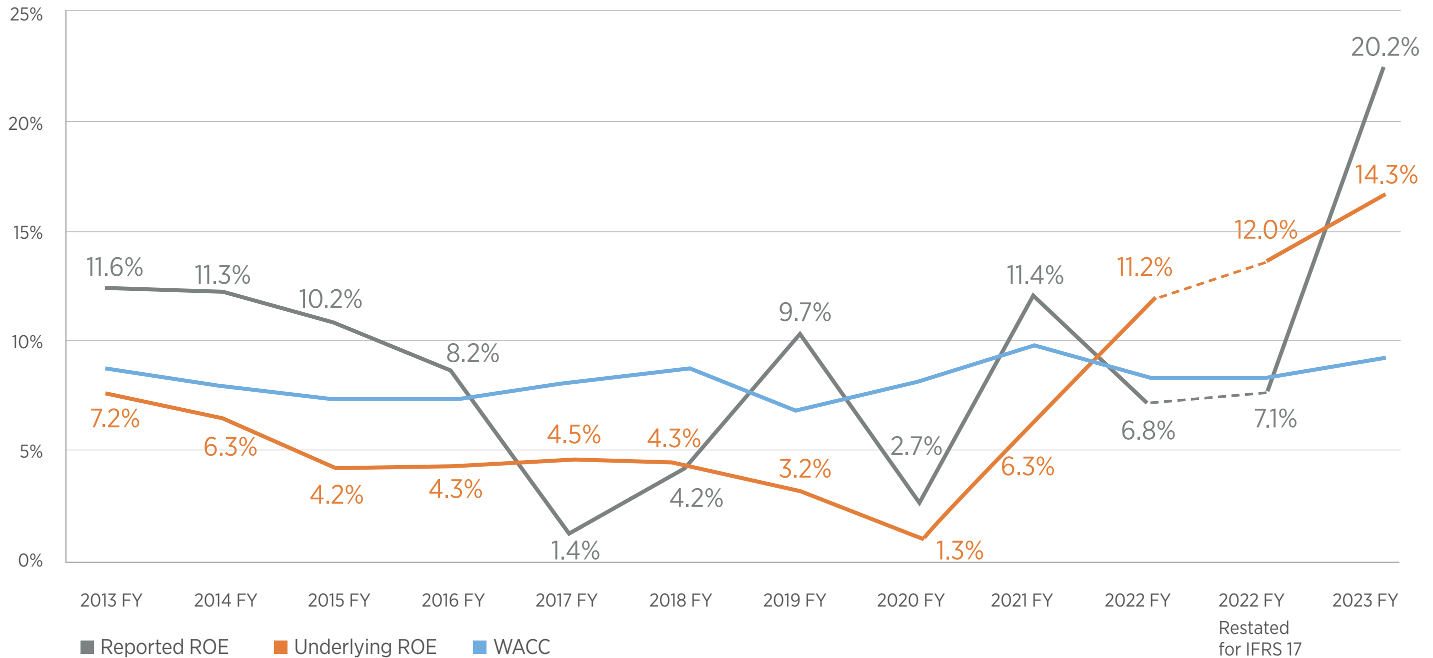
- The 'other' component has been volatile over time and includes companies' non-reinsurance activities as well as other earnings drivers not related to P&C reinsurance underwriting or investment income.

- The underlying ROE was up as a result of a further rise in the underwriting margin and running yields which makes earnings considerably more resilient and provides more cushion to absorb any potential earnings volatility coming from natural catastrophe losses or financial market volatility, for example.

[28]SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves; Discounting impact for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re.

Underlying ROE now at a meaningful margin above the WACC

Chart 11: ROE time series for the SUBSET[29, 30]



- Reported ROEs have been highly volatile for several years, thanks to both natural catastrophe activity and volatile investment markets. However, buoyed by better underwriting results and stronger running investment income, the underlying ROE is up markedly over the past two years.
- For only the second time during our analysis of underlying reinsurer ROEs, we calculate an underlying ROE that surpasses reinsurers' weighted average cost of capital (WACC). Strictly speaking, ROEs should be compared to cost of equity, which somewhat exceeds WACC. Nevertheless, better underlying operating results and higher interest rates have finally enabled reinsurers to generate underlying returns that create shareholder value and recoup some of the underperformance (vs WACC) witnessed prior to 2022.
- As a result of the exceptionally strong profitability in 2023, the SUBSET group has now fully recouped for weaker profit years, namely 2017-2020. On a cumulative basis, the SUBSET has generated a reported ROE above the WACC for the 2017-2023 period.
- Although the running investment yield was up materially (1.0ppt) in 2023 FY to 3.2%, it is still 0.5-1.5ppts below the reinvestment yields. Therefore, all else being equal, the underlying ROE is expected to continue to rise when the investment portfolio has been fully reinvested at the current reinvestment yields. As shown in the table below, we estimate a 50bps increase in the running yield would add 1.6ppts to the underlying ROE. This implies a potential underlying ROE uplift of 2-4ppts over the coming years coming from a higher running yield based on current interest rates. This would improve the underlying ROE to 16-19%.
- In addition to the uplift in running investment income there will be further earn through from rate increases achieved at renewals (in 2023 and YTD) over the coming 12-18 months, which will in turn improve the underlying underwriting margin. However, we estimate that at a group level, this will be materially less significant (approximately 0.5-1ppts of underlying ROE uplift) than the potential ROE uplift from running investment income.

[29] S&P estimated WACC figures. 2023 HY WACC figure used for 2023 FY.

[30] SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves; Discounting impact for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re.

Uplift to running yield based on current interest rate levels could increase the ROE by 1.6-4.7 ppts

Chart 12: Sensitivity of underlying ROE to higher in running yield – based on SUBSET companies data

Impact of investment yield uplift			
Incremental investment yield uplift	0.5%	1.0%	1.5%
ROE uplift	1.6%	3.1%	4.7%
Implied ROE after uplift running yield	15.9%	17.4%	19.0%

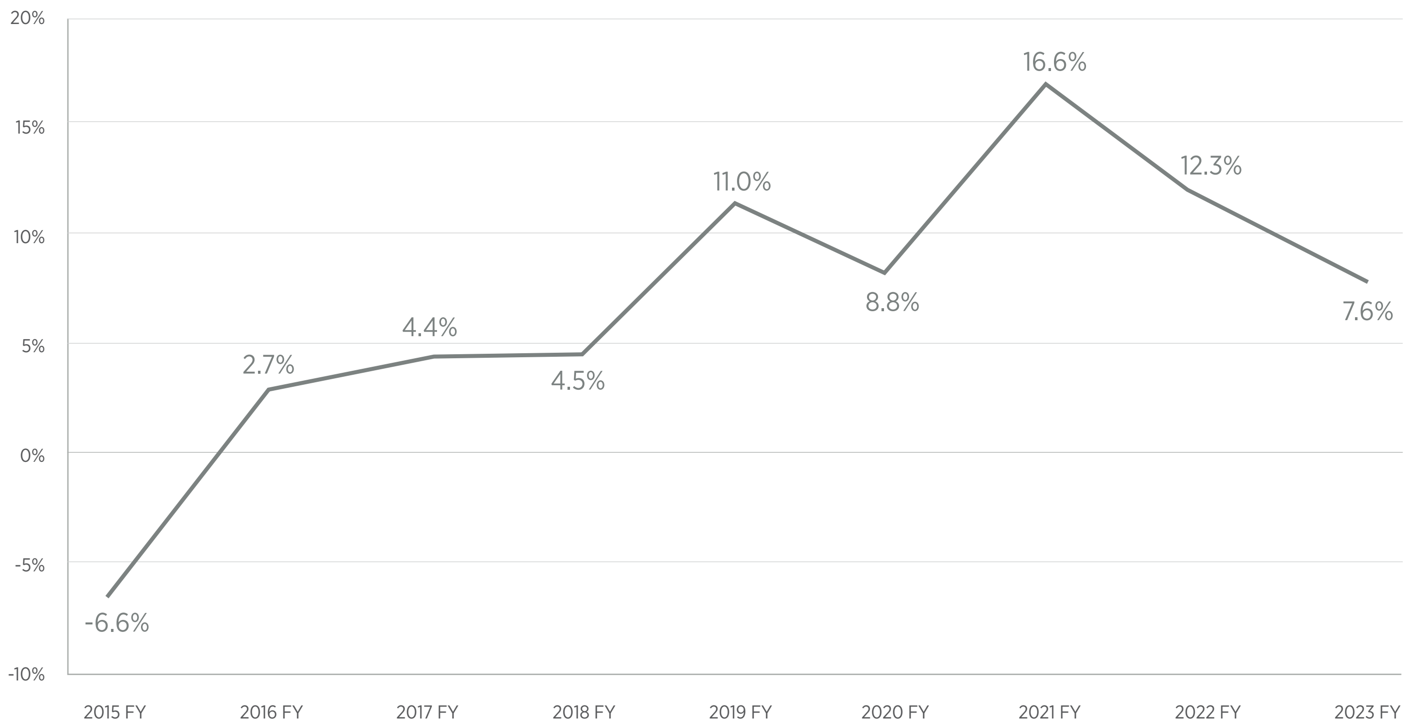
- As previously highlighted, better underlying earnings power will augment the reinsurance sector's ability and capacity to absorb potential volatility, such as arising from natural catastrophe losses. Based on the current underlying ROE of 14.3%, we estimate that the SUBSET companies could absorb natural catastrophe losses almost double (17.6ppts) the level of normalized natural catastrophe losses (9.1ppts) and still deliver an underlying ROE in line: with the sector's WACC.

Underwriting performance

PREMIUM VOLUMES

Revenue growth continues, but at a slower pace than in 2021 and 2022

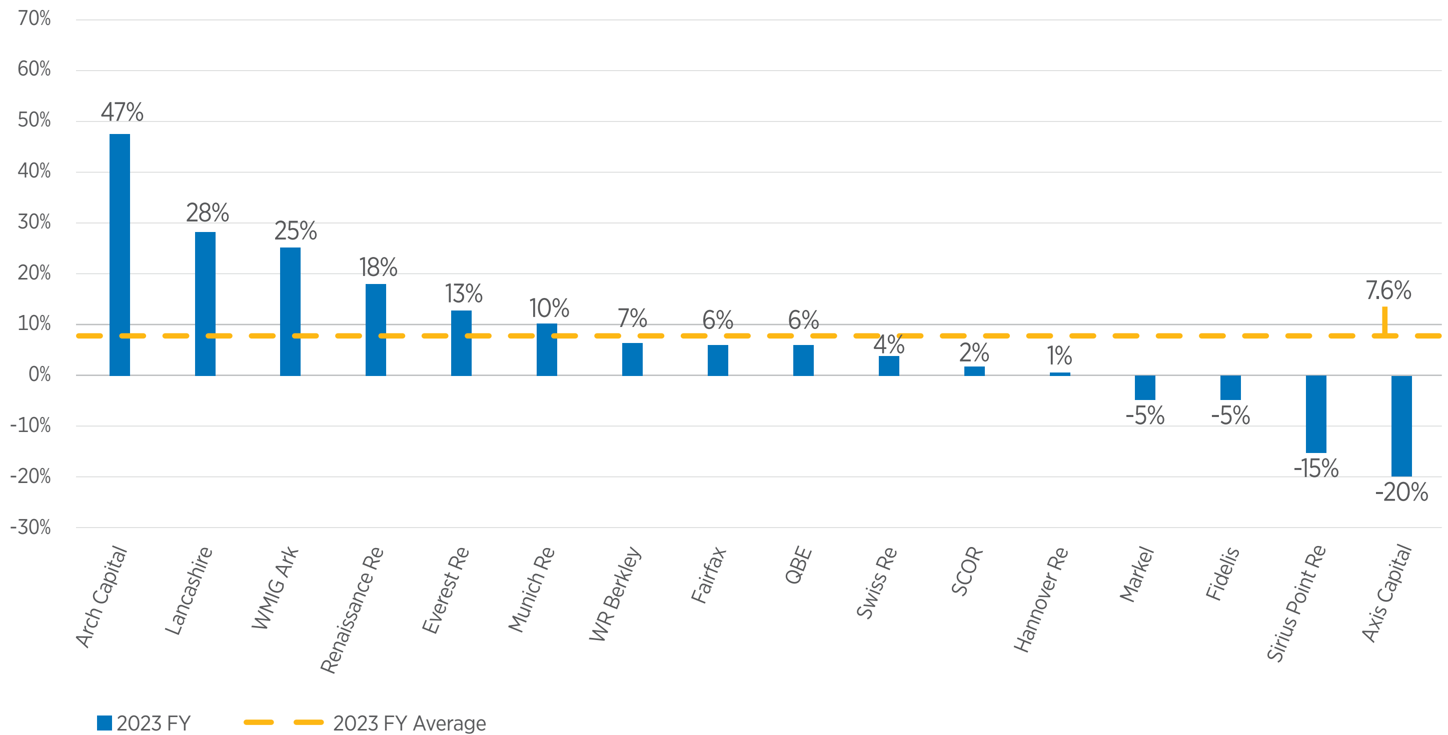
Chart 13: Revenue growth over time of SUBSET constituents (USD basis)[31]



[31]Net earned premiums (for companies that report on a US GAAP basis), or net insurance service revenues (for companies that report on an IFRS 17 basis), relate to the reinsurance segment if disclosure is available, or otherwise to the consolidated group. Appendix 1 explains in more detail.

Most companies experienced revenue growth, however some scaled back their portfolios

Chart 14: 2023 FY change in relevant net revenues[31] (USD basis) for the SUBSET constituents

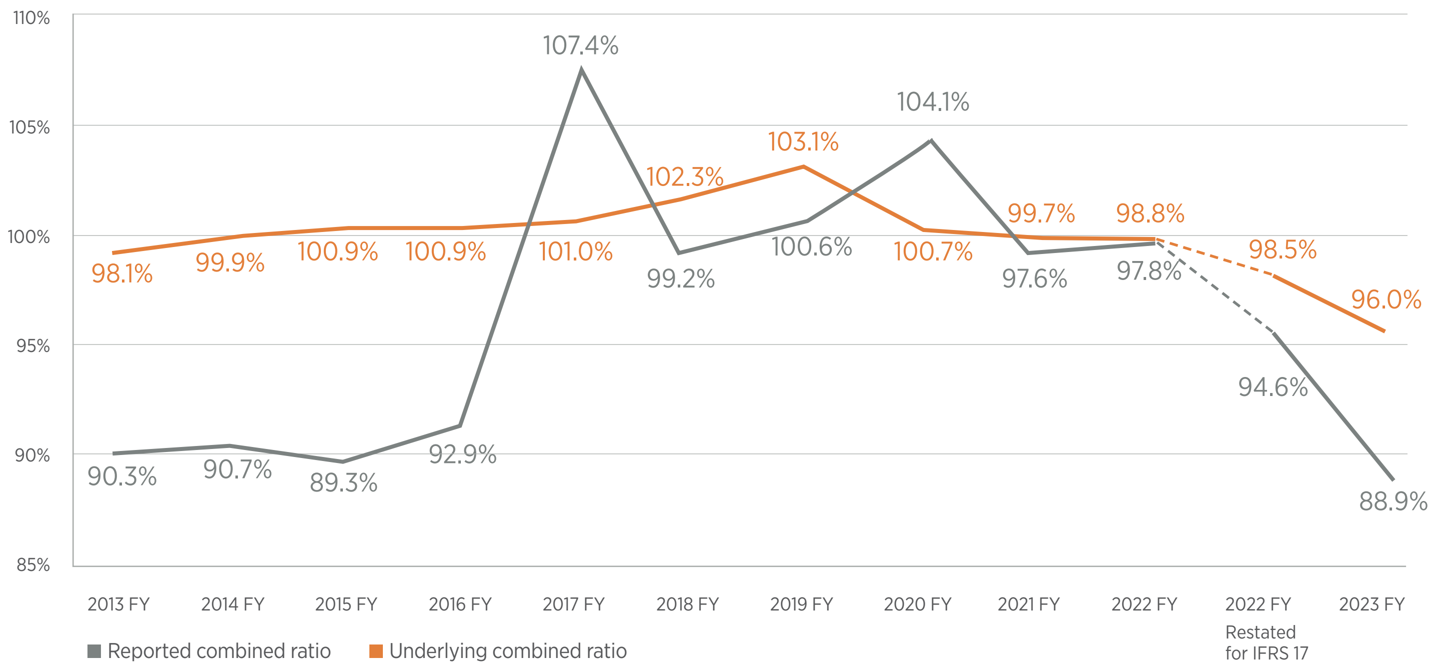


- 2023 revenue growth was a healthy 7.6%, albeit moderating from the higher growth seen in 2022 and 2021 FY. 2023 growth was driven by significant rate improvements within property reinsurance, while rising attachment points and portfolio management actions (both portfolio pruning and a shift in business mix towards non-proportional) muted volume growth.
- Over a third of companies reported double-digit revenue growth with the most significant rises driven by targeted expansion in the hard market and property lines specifically. Arch Capital spearheaded this with a 47% growth in revenue down to strong growth in property business.
- Many of the firms with moderate (low to mid-single digit) revenue growth reduced their exposure to natural catastrophe exposed property lines. This reduction was typically offset by rate increases, most apparent in the property business that was written.
- Notable is the 20% reduction in Axis Capital's revenue, which followed its complete exit from property reinsurance in 2023. Sirius Point Re meanwhile recorded a 16.5% reduction in gross written premiums (a decline of 15% on a net basis) off the back of a significant restructuring of its reinsurance book which concluded in 2023.

COMBINED RATIOS

Reported and underlying combined ratios reduced markedly in 2023

Chart 15: Reported and underlying combined ratio time series for the SUBSET[32]



Reported combined ratio lowers, driven by reduction in both natural catastrophe and attritional losses

Chart 16: Combined ratio detail for the SUBSET[32, 33]

SUBSET	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2022 FY Restated for IFRS 17	2023 FY
Reported combined ratio	**90.7%**	**89.3%**	**92.9%**	**107.4%**	**99.2%**	**100.6%**	**104.1%**	**97.6%**	**97.8%**	**94.6%**	**88.9%**
Add discounting impact (IFRS 17)										2.8%	2.9%
Remove prior year development	5.6%	6.7%	6.3%	5.3%	4.6%	2.3%	1.5%	2.3%	1.5%	1.4%	1.8%
Accident year combined ratio	**96.3%**	**96.0%**	**99.2%**	**112.7%**	**103.8%**	**102.9%**	**105.6%**	**99.9%**	**99.3%**	**98.9%**	**93.6%**
Strip out nat cat loss	-2.8%	-1.5%	-4.7%	-18.1%	-8.6%	-8.1%	-5.7%	-10.1%	-8.8%	-10.3%	-6.7%
Strip out COVID loss							-8.2%	-0.2%	0.0%	0.0%	0.0%
Ex-nat cat accident year combined	**93.5%**	**94.5%**	**94.5%**	**94.6%**	**95.2%**	**94.9%**	**91.7%**	**89.6%**	**90.6%**	**88.6%**	**86.9%**
Add in normalized nat cat loss	6.4%	6.4%	6.4%	6.4%	7.1%	8.2%	9.0%	10.1%	8.2%	9.9%	9.1%
Underlying combined ratio	**99.9%**	**100.9%**	**100.9%**	**101.0%**	**102.3%**	**103.1%**	**100.7%**	**99.7%**	**98.8%**	**98.5%**	**96.0%**
Expense ratio	32.1%	33.1%	33.2%	32.0%	32.1%	31.8%	30.2%	29.7%	28.7%	21.3%	21.6%
Ex-nat cat accident year loss ratio	61.4%	61.4%	61.3%	62.6%	63.1%	63.1%	61.5%	59.9%	61.9%	67.3%	65.3%
Ex-nat cat accident year combined ratio	**93.5%**	**94.5%**	**94.5%**	**94.6%**	**95.2%**	**94.9%**	**91.7%**	**89.6%**	**90.6%**	**88.6%**	**86.9%**

[32]SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves; Discounting impact on the combined ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re; Expense ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re and 2023 FY is estimated for Hannover Re.

[33]The normalized natural catastrophe load is the 5-year moving average of the SUBSET's full-year actual natural catastrophe loss impact (excluding COVID-19 losses), adjusted for the impact of IFRS 17 in 2022 FY (restated for IFRS 17) and 2023 FY.

- The transition to IFRS 17 led to a significant lowering in the SUBSET's reported combined ratio for 2022 FY, from 97.8% as originally reported to 94.6%. This is mainly driven by the introduction of discounting and ceding commissions being deducted from revenues, rather than being reflected in expenses for IFRS 17 reporters. The reduction in the denominator in turn increased the effect of natural catastrophe losses on the combined ratio (from 8.8% to 10.3%).

- The reported combined ratio was down 5.7ppts from this basis to 88.9% in 2023 FY, due to a lower impact from natural catastrophe losses (-3.5ppts down from 10.3ppts in 2022 FY to 6.7ppts in 2023 FY), an improving ex-nat cat accident year loss ratio (-2.0ppts) as rate increases continue to earn through, and a slight increase in the effect of reserve releases on the combined ratio (+0.4ppts to 1.8%). This was partly offset by a marginally higher expense ratio (+0.3ppts). The favorable impact from discounting remained broadly stable (+0.1ppt) at 2.9%.

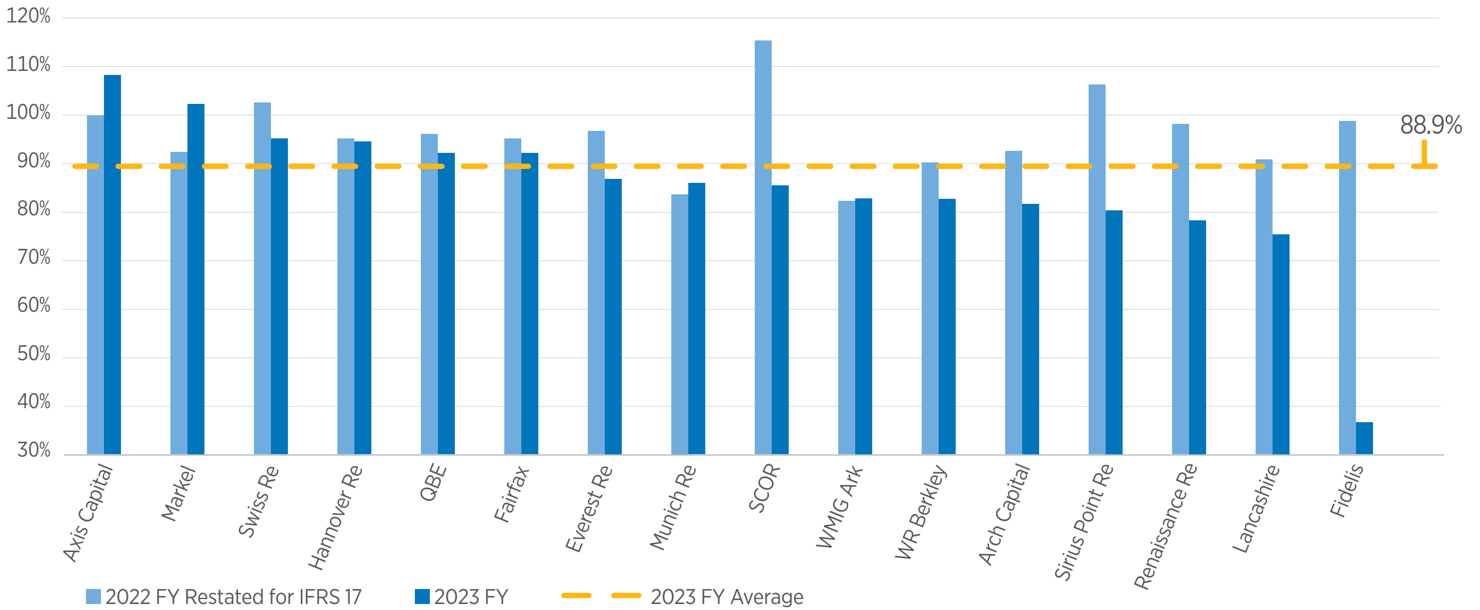
- The normalized natural catastrophe load reduced substantially, from 10.1% in 2021 FY to 8.2% in 2022 FY, as 2017 (which had been heavily impacted by the Harvey-Irma-Maria hurricanes) was no longer factored into that calculation. The natural catastrophe load however increased to 9.9% on transition to IFRS 17 as the denominator in the calculation decreased. On this restated basis, the normalized natural catastrophe load reduced to 9.1% in 2023 FY as the relatively natural catastrophe light 2023 FY replaced the heavier 2018 FY.

- These factors have contributed to the solid 2.5ppts reduction in the underlying combined ratio to 96.0%, which proved to be the strongest level achieved since the *Reinsurance Market Report* started in 2014.

- It is worth noting that a number of companies have indicated extra conservatism in their current-year loss picks and shored up reserve buffers, reinvesting the discounting benefit or any remaining natural catastrophe budget over 2023 FY. This suggests that true underlying combined ratios could be even better.

Most companies reported lower combined ratios in 2023 FY

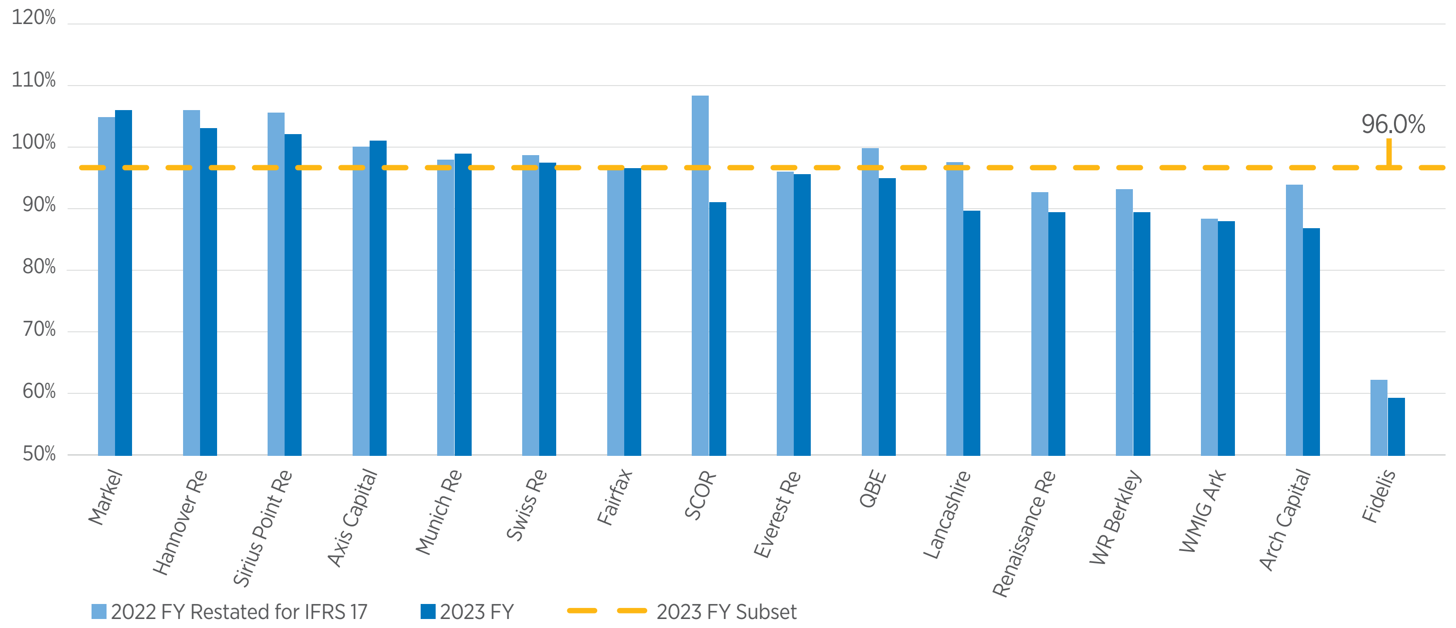
Chart 17: Reported combined ratios for the SUBSET constituents



- Every company within our analysis aside from Axis Capital, Markel, Munich Re and WMIG Ark reported a lower combined ratio in 2023 FY, while all but Axis Capital and Markel reported a sub-100% combined ratio in 2023 FY.
- Both Axis Capital and Markel experienced significant adverse prior-year reserve development (14.6% and 5.6% respectively) from their liability books which drove the deterioration in their combined ratios. WMIG Ark also experienced a comparatively moderate reserve deterioration (2% in 2023 FY, compared with a 5% release reported in 2022 FY) which more than offset the reducing impacts from natural catastrophes (from 8.7% in 2022 FY to 2% in 2022 FY). Munich Re attributes the slight deterioration in its combined ratio (from 83.2% to 85.2%) to prudent reserving.
- Sirius Point Re, SCOR and Fidelis experienced material reductions in their combined ratios. For Sirius Point Re, this is due to lower natural catastrophe losses, higher reserve releases following the execution of an LPT and a reduction in the expense ratio. SCOR's 2023 FY combined ratio reflected a normalization of natural catastrophe losses. For Fidelis, the improvement was driven by a lower natural catastrophe load (from 39.6% in 2022 FY to 13.4% in 2023 FY) and a favorable reserve development from a material strengthening (6.7% in 2022 FY) to a significant release (-27.0% in 2023 FY) caused primarily by loss reductions from Hurricane Ian.

Underlying combined ratios were lower for most companies

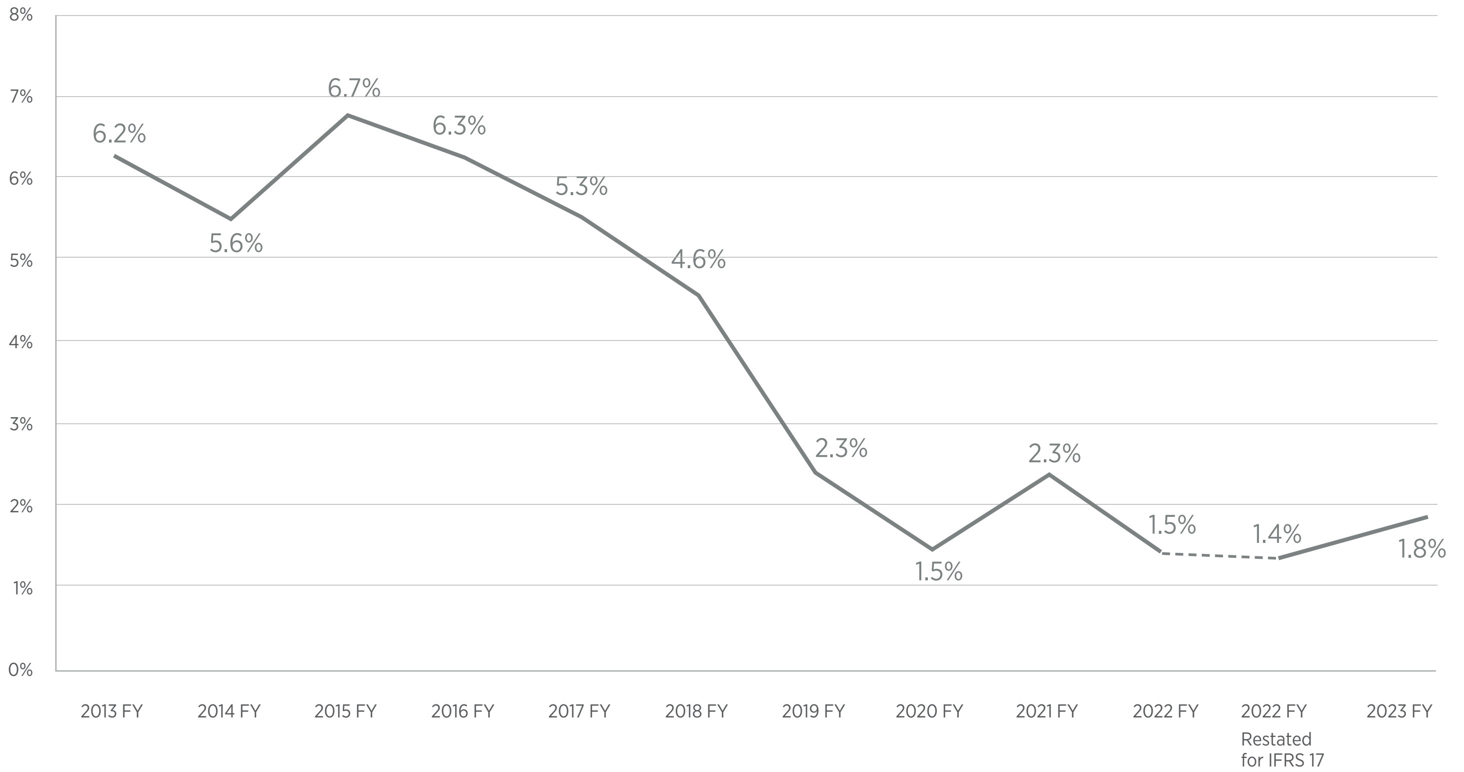
Chart 18: Underlying combined ratios for the SUBSET constituents



PRIOR-YEAR LOSS DEVELOPMENT

Reserve releases broadly stable but much lower than in 2014-2018

Chart 19: Prior-year development impact on combined ratio for the SUBSET[34, 35]

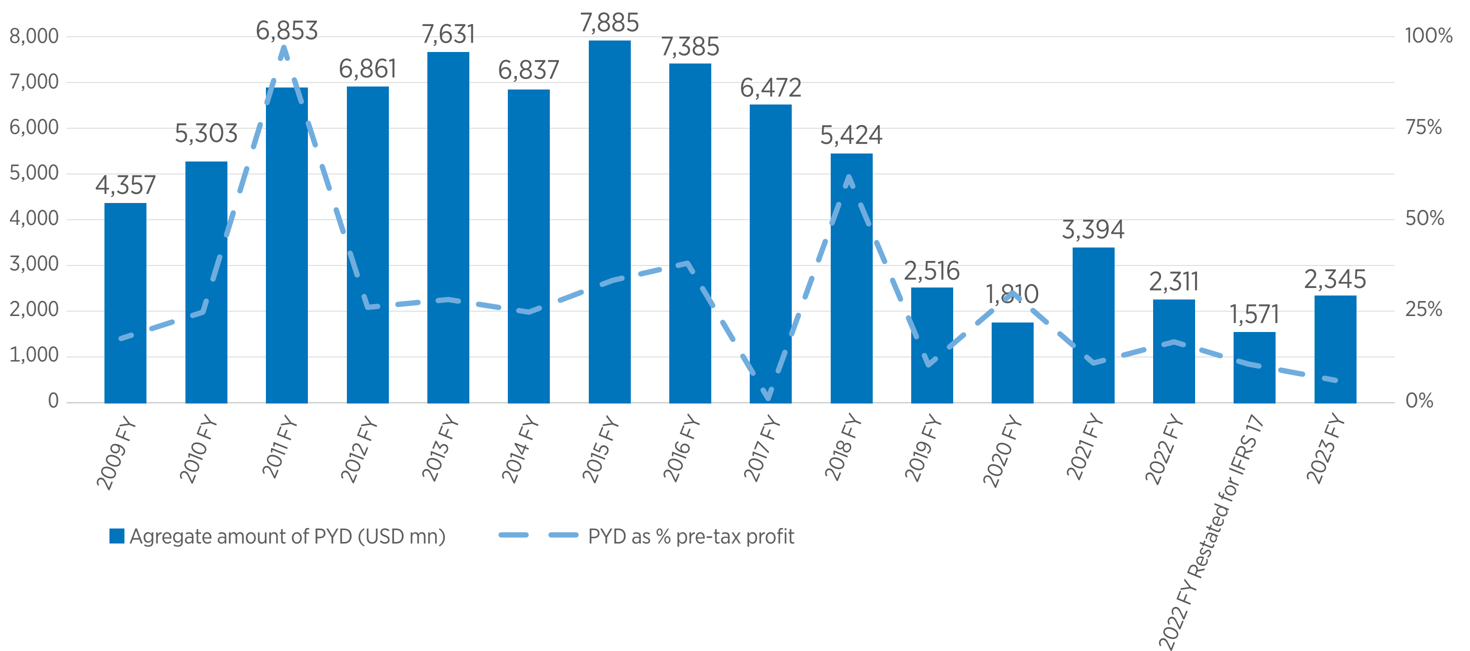


[34]Positive number indicates a favorable prior-year impact.

[35]SCOR PYD based on reserve triangle disclosures, excluding impact from development in pre 2014 liabilities and cover 84% of the reported reserves.

PYD increases, but its contribution to pre-tax profit reduces

Chart 20: Prior-year development for the SUBSET (positive number = benefit)

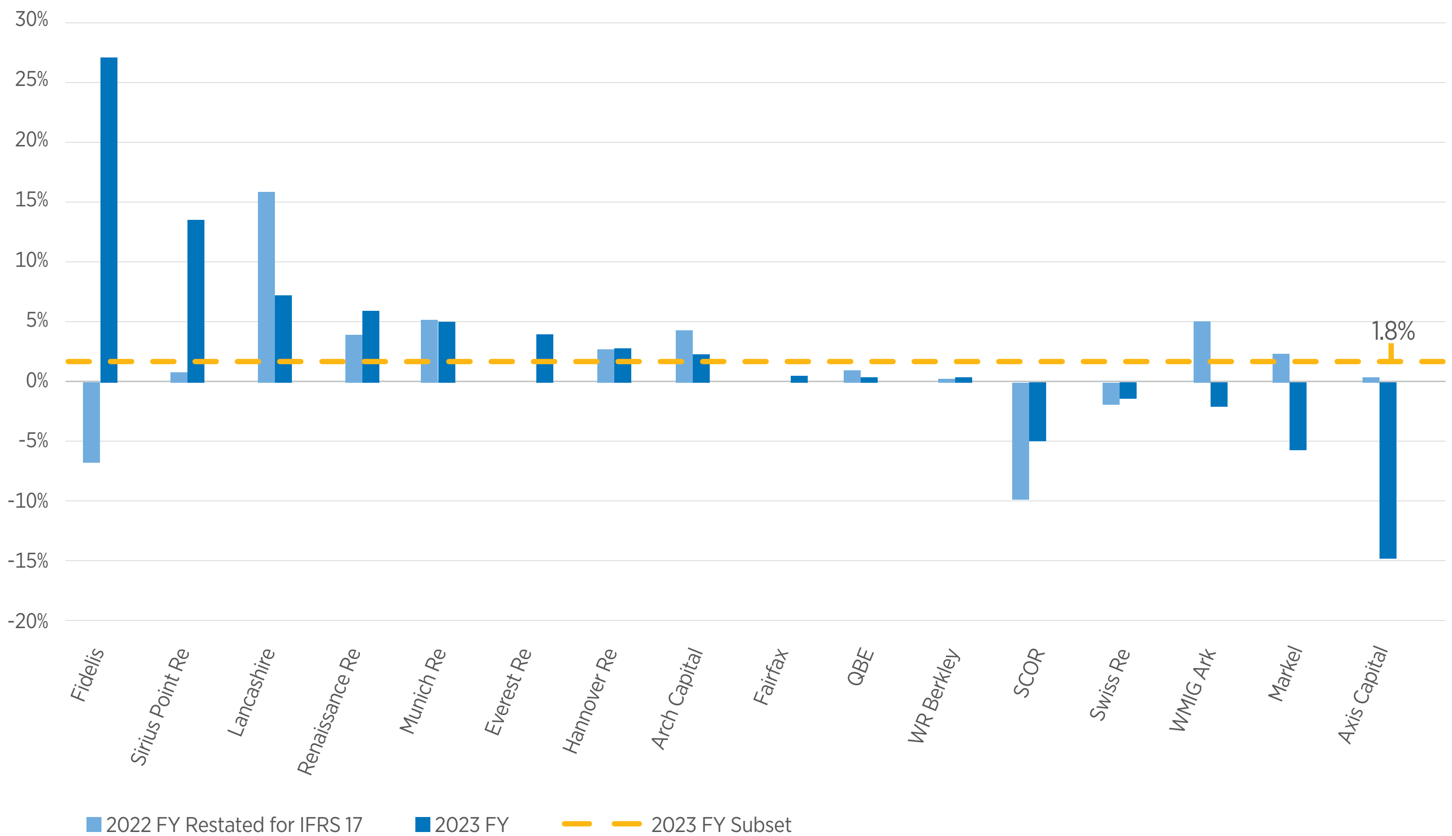


- In 2023 FY, reserve releases on average benefited companies' combined ratio by 1.8%, which is a small increase on 2022 FY (1.4%). The contribution of reserve releases to the combined ratio fluctuated around the 2% mark since 2019, much lower than 2014-2018 levels. Given continued inflationary pressures, however, we do not expect any material uplift in the near-term.

- Reserve releases increased by 49% in monetary terms in 2023 FY, but the larger 2023 FY increase in pre-tax profit led to a decrease in the contribution of reserve releases to pre-tax profit, from 11% in 2022 FY to 6% in 2023 FY.

A greater number of SUBSET companies had to strengthen reserves in 2023 FY

Chart 21: Prior-year development impact on combined ratio for the SUBSET constituents (positive number = benefit)

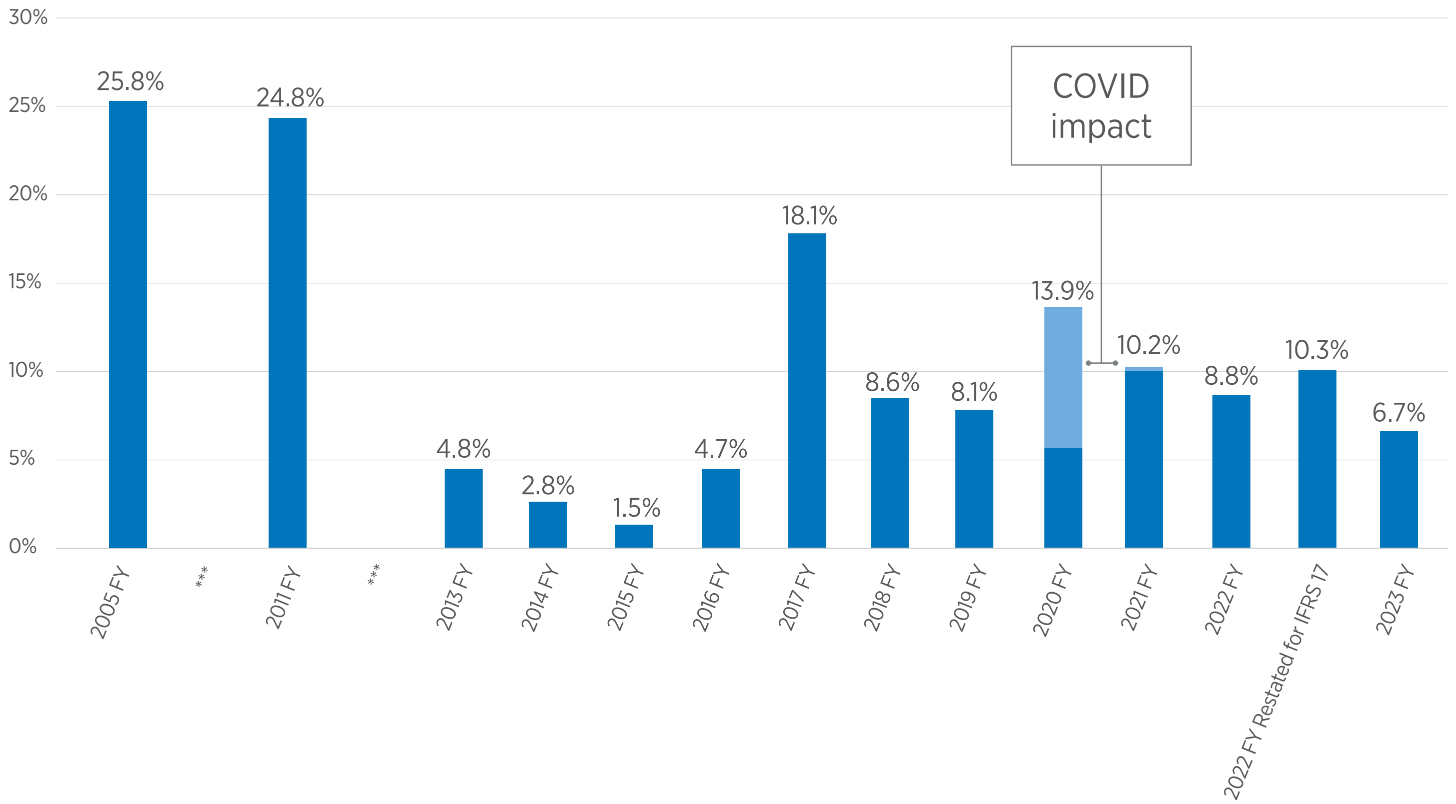


- Social inflation is a continuing theme in the US, as courts catch up on the backlog arising from the pandemic. This has required certain firms to strengthen reserves in casualty, most notably Swiss Re, Axis Capital and Markel.
- As noted earlier, Axis Capital's and Markel's adverse development was substantial enough to tip the overall combined ratio over the 100% mark. Swiss Re's more moderate adverse reserve development (1.3% of net earned premium) was driven by reserve additions in US liability which were partly offset by favorable reserve developments in property and specialty lines. WMIG Ark also strengthened reserves in 2023 FY (2.0% of net earned premium) due to unfavorable loss reserve development in the property and accident and health lines.
- For SCOR, the prior-year reserve development has been determined in both 2022 FY and 2023 FY based on reported reserve triangles which cover about 84% of reported net reserves. These reflect extra prudence in assumptions in the last two years.
- Several companies increased reserve levels in 2023 FY in response to inflation. These buffers could potentially be used to stabilize reserve releases in future periods.
- Sirius Point Re reported significant favourable reserve development following implementation of an LPT.

NATURAL CATASTROPHE LOSSES

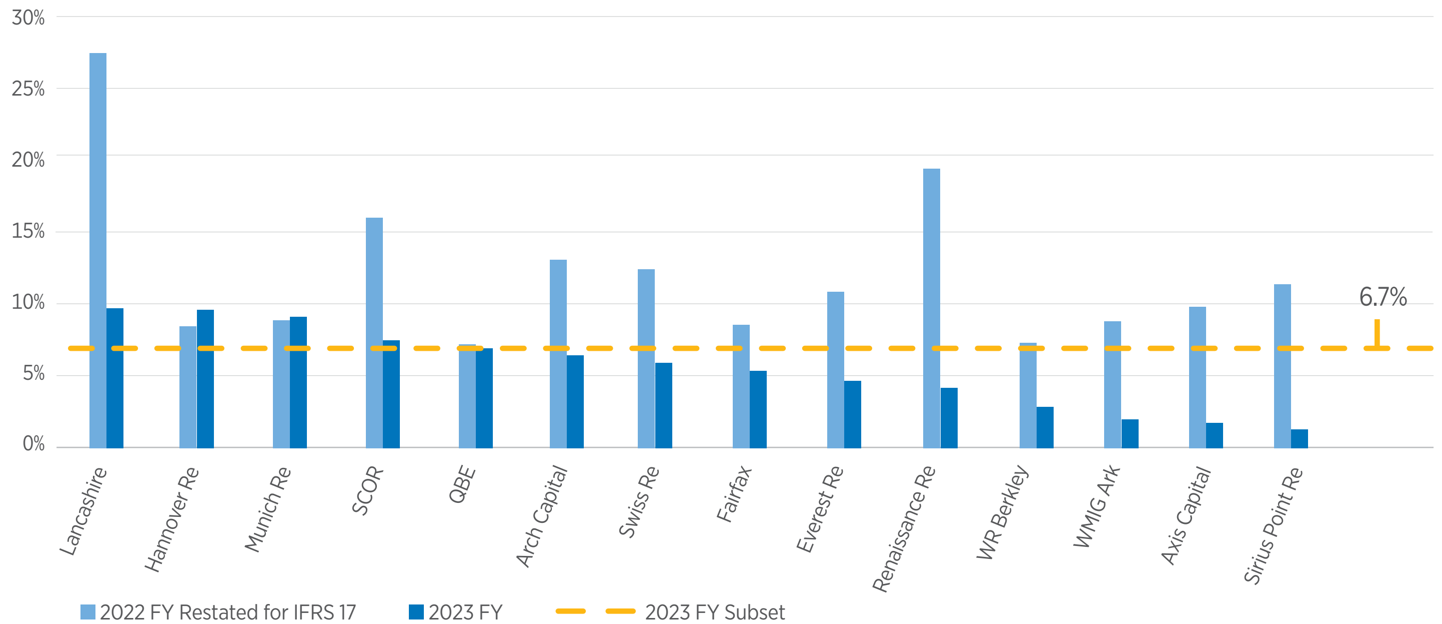
The effect of natural catastrophes on the combined ratio reduced in 2023 FY

Chart 22: Natural catastrophe impact on combined ratio for SUBSET



Most companies benefited from a lower impact on the combined ratio from natural catastrophe losses

Chart 23: Natural catastrophe impact on combined ratio for the SUBSET constituents

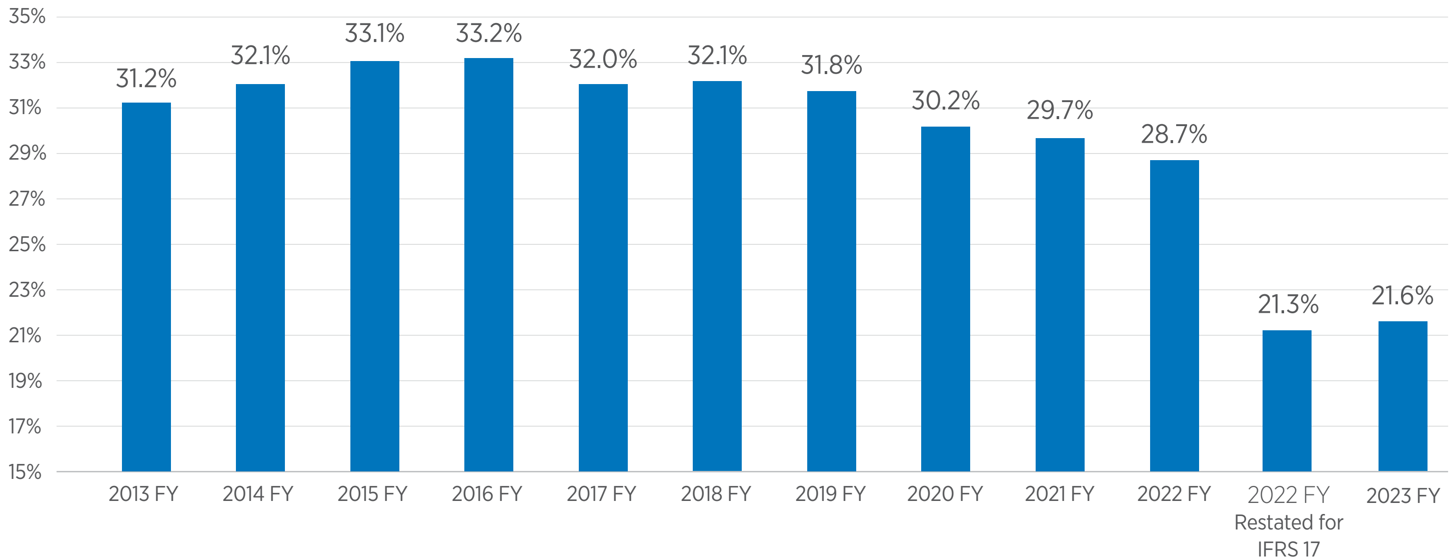


- The natural catastrophe loss ratio reduced to 6.7% (IFRS 17 restated figure for 2022 FY: 10.3%), which was below the normalized natural catastrophe load of 9.1%.
- All SUBSET companies saw a reduction in natural catastrophe losses aside from Munich Re and QBE whose natural catastrophe loss ratios were broadly unchanged, and Hannover Re, whose natural catastrophe losses marginally increased in light of the hail storm in Italy in Q3. In spite of this, Hannover Re's natural catastrophe experience remains within budget for the year.
- SCOR's natural catastrophe ratio, meanwhile, significantly reduced in 2023 FY given that natural catastrophe losses adversely impacted 2022 FY levels, while mature natural catastrophe developments, which largely arose from Hurricane Ian, positively impacted the 2023 FY picture.
- Reinsurers' more favorable natural catastrophe experiences stand in sharp contrast to overall industry losses. Gallagher Re estimates that insured losses from direct physical damage and business interruption from global natural perils stood at USD 123B in 2023 FY (see Gallagher Re's Natural Catastrophe and Climate Report: 2023). This marked the fourth consecutive year in which nominal insured losses topped USD 100B, and the sixth out of the last seven years. Over the last three years, SUBSET companies have carried a reduced proportion of these losses, from 9.2% in 2021 FY, to 8.0% in 2022 FY and 7.3% in 2023 FY. This trend reflects higher attachment points but also the nature of catastrophe losses in 2023, dominated by so-called "secondary" perils rather than by landfalling US hurricanes.

EXPENSE RATIOS

Expense ratio impacted by IFRS 17 and grew marginally for the first time since 2016

Chart 24: Weighted average expense ratio for the SUBSET[36, 37]



- As noted previously,[38] the introduction of IFRS 17 has resulted in a material reduction in the expense ratio, as fixed ceding commissions are deducted from revenues rather than being recognized as an expense. This has led to a material restatement in the 2022 FY expense ratio, which has lowered from 28.7% to 21.3%.
- The slight increase in the expense ratio was driven by an uplift in performance-related compensation and increased headcount within SUBSET companies.
- Looking at individual firms specifically, Fairfax's commission expenses increased due to a change in business mix, while Everest Re's expense ratio was impacted by profit commissions relating to reserve releases within its mortgage business.

[36]Methodology was revised in 2019.

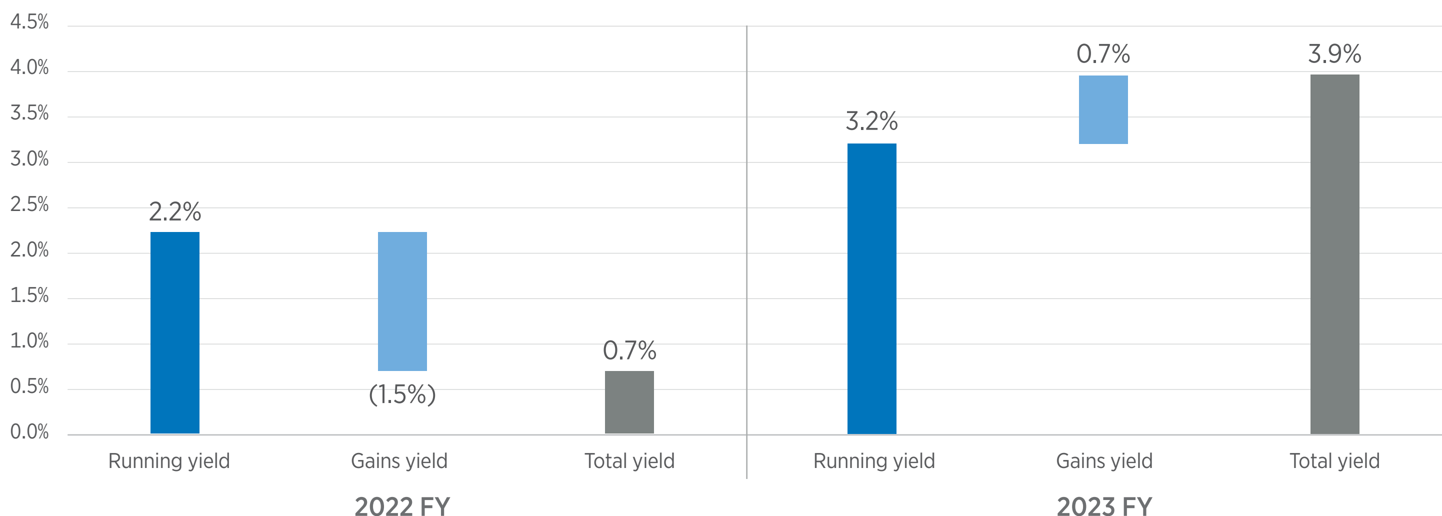
[37]Expense ratio for 2022 FY (restated for IFRS 17) is estimated for SCOR and Hannover Re and 2023 FY is estimated for Hannover Re.

[38]See 'IFRS 17 Impact'

Investment performance

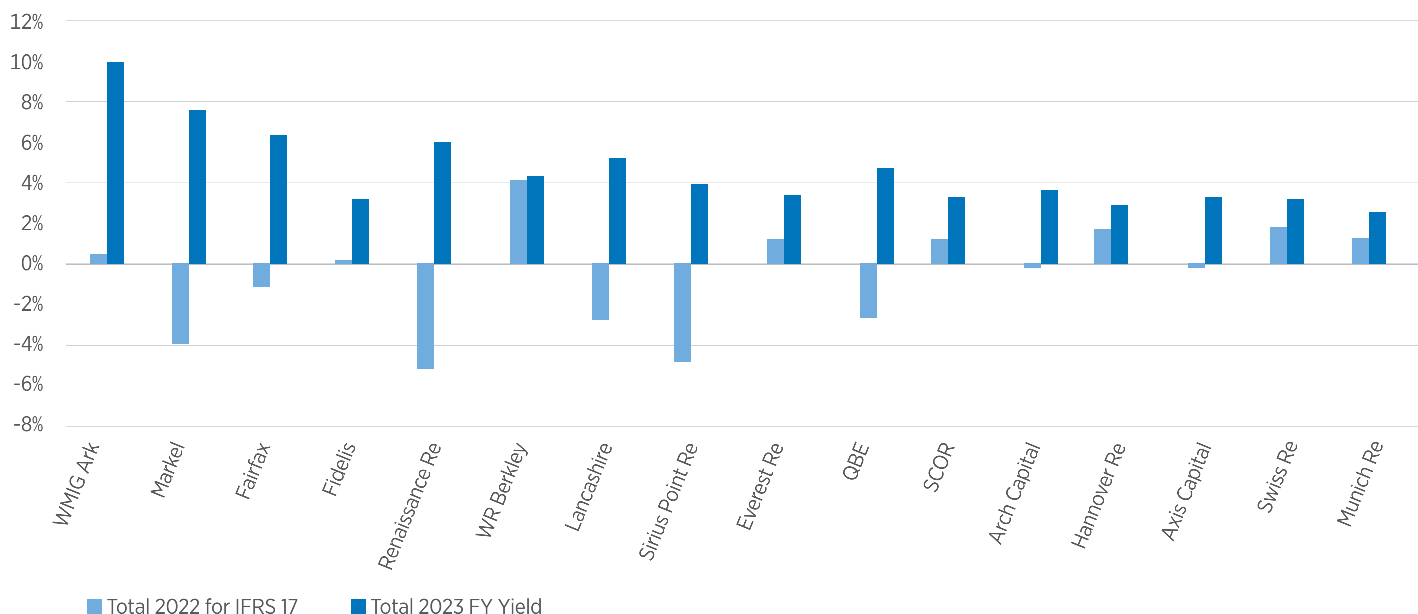
Investment income increases due to higher running yield and positive gains yield

Chart 25: Investment yield for the SUBSET[39]



Investment yield up for all companies

Chart 26: Investment yield for the SUBSET constituents



- The recorded rise in the gains yield to +0.7% (2022 FY: -1.5%) and the running yield to +3.2% (2022 FY: +2.2%) prompted an increase in the total investment yield to +3.9% (2022 FY: +0.7%), which in turn contributed to a hike in the reported ROE.
- The increase in the gains yield was driven by significant unrealized investment gains resulting from improving equity and bond markets (which for US GAAP reporters flows through the P&L).
- Higher reinvestment rates inflated the running yield to +3.2% (2022 FY: +2.2%), but this still stands 0.5-1.5ppts below the reinvestment yields. Therefore, on the assumption of stable interest rates, we anticipate that the running yield will rise further when the investment portfolio has been fully reinvested at current reinvestment yields.

[39]Running yield captures items such as bond coupons, equity dividends and interest income.

Appendix 1

Methodology

In our 2019 HY report, we broadened our definition of capital to include subordinated debt and minority interests, and restated 2018 FY capital accordingly. We also introduced the rules below to choose the constituents of our capital calculation for the traditional reinsurance market. As per Chart 1 on page 10, these components are the INDEX, major regional and local reinsurers, and pro-rated portion of capital within major groups.

We review and adjust our constituents annually based on year-end data.

The constituents of these components within this report have been selected by applying the rules below to year-end 2023 disclosures. We also restate the 2022 FY capital position for late filers. The impact is the USD9B of 'Restatements' shown in Chart 3.

.

Index

Capital at least USD1B or total group NWP at least USD1B, and reinsurance NWP at least 10% of group NWP.

Major regional and local reinsurers

Capital at least USD250 million, or total group NWP at least USD250M, and reinsurance NWP at least 10% of group NWP.

Pro rata of composites

In the case of large groups whose reinsurance NWP is less than 10% of group NWP, we take a pro-rated portion of capital which must be at least USD250M.

Segment versus group data for the SUBSET

In our combined ratio analysis, we use P&C reinsurance segment combined ratios for those SUBSET reinsurers which provide the disclosure. Otherwise, we use group combined ratios. In calculating the SUBSET averages, we weight these combined ratios by the appropriate segment or group net earned premium. In the section on premium volumes, we show the growth rate in this 'relevant NEP'. In Appendix 2, premium income is on a written basis and relates to the entire group.

Lloyd's market

The treatment of the Lloyd's market is complex given its nature. Lloyd's syndicates are not explicitly included in this study, in order to avoid double-counting. Many of the companies included in this study have capital backing Lloyd's syndicates, which is included in each company's individual contribution.

Appendix 2

2023 FY results detail for INDEX

Group 2023 FY results table (USD millions)																	
Consolidated data unless otherwise stated	**Notes**	**Total capital**				**Net written premium**				**Net income**				**Combined ratio**			
		2021 FY	**2022 FY**	**2023 FY**	**Δ FY**	**2021 FY**	**2022 FY**	**2023 FY**	**Δ FY**	**2021 FY**	**2022 FY**	**2023 FY**	**Δ FY**	**2021 FY**	**2022 FY**	**2023 FY**	**Δ FY ppts**
Arch Capital	(1)	13,546	12,910	18,353	42.2%	9,018	11,077	13,468	21.6%	2,093	1,436	4,403	206.6%	94.2%	92.2%	81.4%	-10.8
Ascot	(2)		1,419	1,419			2,599	2,599									
Aspen	(2)	2,775	2,358	2,358		2,588	2,896	2,896									
AXA XL	(2)	13,139	9,334	9,334		12,876	11,594	11,594									
Axis Capital	(1)	5,831	5,061	5,685	12.3%	4,927	5,263	5,102	-3.1%	588	193	346	79.5%	99.0%	99.1%	107.6%	8.5
CCR, France	(2)	3,545	3,507	3,627		2,238	1,972	2,029									
China Re	(2)	16,149	13,726	13,351		22,906	22,944	21,813									
Convex	(2)	2,400	2,063	2,063		1,351	2,023	2,023									
Deutsche Re	(2)	491	470	486		1,098	1,375	1,414									
DEVK Re	(2)	2,717	2,616	2,706		3,231	3,036	3,122									
Everest Re	(1)	10,363	8,659	13,420	55.0%	11,446	12,344	14,730	19.3%	1,379	597	2,517	321.6%	98.1%	96.4%	86.4%	-10.0
Fairfax	(9)	19,116	23,019	27,701	20.3%	18,278	13,506	13,563	0.4%	3,401	3,374	4,382	29.9%	95.0%	94.8%	91.7%	-3.1
Fidelis	(1)	2,078	2,046	2,508	22.6%	1,601	1,858	2,137	15.0%	76	53	493	838.0%		98.4%	36.5%	-61.9
General Re	(6)	13,927	12,739	14,469	13.6%	4,974	2,078	2,558	23.1%								
GIC India	(3)	7,903	8,152	8,106		5,260	4,294	4,088									
Great West Lifeco		24,167	21,350	22,679	6.2%	42,124	15,080	15,117	0.2%								
Hamilton Re	(2)	1,744	1,580	1,580		939	1,044	1,044									
Hannover Re	(1)(5)	15,952	14,623	15,751	7.7%	29,384	22,781	22,799	0.1%	1,456	821	1,973	140.3%	97.7%	94.5%	94.0%	-0.5
Hiscox		2,912	3,008	3,647	21.2%	2,955	3,009	3,364	11.8%								
Korean Re		2,149	2,305	2,545	10.4%	5,240	5,586	4,980	-10.9%								
Lancashire	(5)	1,839	1,772	1,955	10.3%	816	855	1,095	28.1%	-62	-16	322	NM	107.3%	90.2%	74.9%	-15.3
MAPFRE	(5)	11,933	11,218	12,473	11.2%	21,097	19,596	22,189	13.2%								
Markel	(1)	14,718	13,128	15,056	14.7%	7,120	8,203	8,398	2.4%	2,389	-250	1,960	NM	105.3%	92.1%	101.9%	9.8
MS&AD	(3)	28,564	23,176	21,682		44,033	33,368	31,221									
Munich Re	(1)(5)	37,990	34,191	38,117	11.5%	65,254	56,527	60,881	7.7%	3,467	5,585	4,980	-10.8%	99.6%	83.2%	85.2%	2.0
National Indemnity	(6)	239,470	207,276	225,583	8.8%	34,348	35,070	49,230	40.4%								
Pacific LifeCorp		17,005	7,911	10,816	36.7%	8,468	5,168	6,285	21.6%								
Partner Re	(2)	8,101	6,845	6,845		7,134	7,544	7,544									
Peak Re	(2)	1,470	1,198	1,198		1,722	1,502	1,502									
PICC Re	(2)	635	587	571		967	1,166	1,109									
QBE	(5)	12,190	11,595	12,751	10.0%	14,474	15,054	15,978	6.1%	750	587	1,355	130.8%	93.7%	95.7%	91.8%	-3.9
QIC		3,081	2,229	2,408	8.0%	2,336	1,892	1,733	-8.4%								
R&V Versicherung	(2)	2,445	2,562	2,650		4,071	3,529	3,630									
Renaissance Re		6,624	5,325	9,455	77.5%	5,939	7,196	7,468	3.8%	-73	-1,097	2,526	NM	102.1%	97.7%	77.9%	-19.8
RGA	(4)	14,133	5,654	10,590	87.3%	12,513	13,078	15,085	15.3%								
RSUI Indemnity	(6)(10)	1,851	1,510	1,824	20.8%	1,235	1,435	NM									
SCOR	(1)(5)	10,247	7,466	8,109	8.6%	16,952	13,728	14,130	2.9%	539	-1,454	878	NM	100.6%	114.9%	85.0%	-29.9
Sirius Point Re	(1)	2,503	2,083	2,531	21.5%	1,735	2,549	2,438	-4.4%	45	-403	339	NM	116.3%	105.6%	80.0%	-25.6
Swiss Re	(1)	31,389	21,127	23,701	12.2%	43,220	43,917	45,095	2.7%	1,437	472	3,214	580.9%	97.1%	102.4%	94.8%	-7.6
Toa Re	(3)	1,741	1,489	1,393		2,701	2,440	2,283									
Transatlantic Re	(6)(10)	5,066	3,875	4,717	21.8%	5,014	4,734	NM									
WMIG Ark	(1)	3,891	4,119	4,747	15.3%	906	1,195	1,411	18.0%	-275	793	509	-35.8%	87.4%	81.8%	82.4%	0.6
WR Berkley	(1)	7,675	7,777	8,478	9.0%	8,863	10,004	10,954	9.5%	1,022	1,381	1,381	0.0%	90.7%	89.7%	82.1%	-7.6
Index aggregate	**(7)(8)**	**625,525**	**535,058**	**599,437**	**12.0%**	**493,351**	**436,111**	**460,097**	**5.5%**								
Subset aggregate	**(7)(8)**	**195,952**	**174,901**	**208,317**	**19.1%**	**239,933**	**226,059**	**239,647**	**6.0%**	**18,231**	**12,073**	**31,578**	**161.6%**	**97.8%**	**95.0%**	**88.9%**	**-6.1**

NB : Shaded rows in the above summary denote SUBSET groups. NM = not meaningful.

Appendix 2 (continued)

(1) Combined ratios are in respect of the P&C Reinsurance segment only.

(2) Due to lack of disclosure at the time of the report, total capital and net written premiums shown for 2023 FY is based on 2022 FY disclosure, with any differences due to a change in foreign exchange rates.

(3) Companies which have a March 31 financial year-end. Data for the year ended March 31 2023 is included in the column headed 2022 FY (and similar for prior years), and 2023 FY data is also based on year-end March 31 2023 disclosure.

(4) Figures for net premiums are net earned premiums, not net written premiums.

(5) 2022 FY and 2023 FY figures for net premiums are net insurance service revenue.

(6) Numbers are sourced from unconsolidated financial statements.

(7) Total of numbers reported, converted to USD at exchange rates prevailing at end of reporting period for total capital figures. For net income and NWP figures, we use average exchange rates over the reporting period.

(8) Pre 2023 FY aggregates shown in this appendix will not necessarily match the aggregates shown in body of report. In the body, prior-year figures have generally not been restated for changes in constituents. The figures here have been restated.

(9) For 2022 FY and 2023 FY, combined ratios and premiums are in respect of Brit, Allied World and Odyssey (major reinsurance subsidiaries).

(10) Negative NWP due to significant ceding to intragroup companies.

(11) Ascot added in the report from 2023 FY.

.

Connect with us

James Vickers
Chairman
Gallagher Re, International
james_vickers@gallagherre.com

Michael van Wegen
Head of Client & Market Insights, International
Global Strategic Advisory
michael_vanwegen@gallagherre.com

It's the *way* we do it.

This analysis has been prepared by Gallagher Re on the condition that it shall be treated as strictly confidential and shall not be communicated in whole, in part, or in summary to any third party without prior written consent from Gallagher Re. Gallagher Re is a business unit that includes a number of subsidiaries and affiliates of Arthur J. Gallagher & Co. which are engaged in the reinsurance intermediary and advisory business. All references to Gallagher Re below, to the extent relevant, include the parent and applicable affiliate companies of Gallagher Re.

Gallagher Re has relied upon data from public and/or other sources when preparing this analysis. No attempt has been made to verify independently the accuracy of this data. Gallagher Re does not represent or otherwise guarantee the accuracy or completeness of such data nor assume responsibility for the result of any error or omission in the data or other materials gathered from any source in the preparation of this analysis. Gallagher Re shall have no liability in connection with any results, including, without limitation, those arising from based upon or in connection with errors, omissions, inaccuracies, or inadequacies associated with the data or arising from, based upon or in connection with any methodologies used or applied by Gallagher Re in producing this analysis or any results contained herein. Gallagher Re expressly disclaims any and all liability, based on any legal theory, arising from, based upon or in connection with this analysis. Gallagher Re assumes no duty in contract, tort or otherwise to any party arising from, based upon or in connection with this analysis, and no party should expect Gallagher Re to owe it any such duty.

There are many uncertainties inherent in this analysis including, but not limited to, issues such as limitations in the available data, reliance on client data and outside data sources, the underlying volatility of loss and other random processes, uncertainties that characterize the application of professional judgment in estimates and assumptions. Ultimate losses, liabilities and claims depend upon future contingent events, including but not limited to unanticipated changes in inflation, laws, and regulations. As a result of these uncertainties, the actual outcomes could vary significantly from Gallagher Re's estimates in either direction. Gallagher Re makes no representation about and does not guarantee the outcome, results, success, or profitability of any insurance or reinsurance program or venture, whether or not the analyses or conclusions contained herein apply to such program or venture.

Gallagher Re does not recommend making decisions based solely on the information contained in this analysis. Rather, this analysis should be viewed as a supplement to other information, including specific business practice, claims experience, and financial situation. Independent professional advisors should be consulted with respect to the issues and conclusions presented herein and their possible application.

Gallagher Re makes no representation or warranty as to the accuracy or completeness of this document and its contents.

This analysis is not intended to be a complete actuarial communication, and as such is not intended to be relied upon. A complete communication can be provided upon request. Subject to all terms of this Disclaimer, Gallagher Re actuaries are available to answer questions about this analysis.

Gallagher Re does not provide legal, accounting, or tax advice. This analysis does not constitute, is not intended to provide, and should not be construed as such advice. Qualified advisers should be consulted in these areas.

Gallagher Re makes no representation, does not guarantee and assumes no liability for the accuracy or completeness of, or any results obtained by application of, this analysis and conclusions provided herein.

Where data is supplied by way of CD or other electronic format, Gallagher Re accepts no liability for any loss or damage caused to the Recipient directly or indirectly through use of any such CD or other electronic format, even where caused by negligence. Without limitation, Gallagher Re shall not be liable for: loss or corruption of data, damage to any computer or communications system, indirect or consequential losses. The Recipient should take proper precautions to prevent loss or damage – including the use of a virus checker.

This limitation of liability does not apply to losses or damage caused by death, personal injury, dishonesty or any other liability which cannot be excluded by law.

This analysis is not intended to be a complete Financial Analysis communication. A complete communication can be provided upon request. Subject to all terms of this Disclaimer, Gallagher Re analysts are available to answer questions about this analysis.

Gallagher Re does not guarantee any specific financial result or outcome, level of profitability, valuation, or rating agency outcome with respect to A.M. Best or any other agency. Gallagher Re specifically disclaims any and all liability for any and all damages of any amount or any type, including without limitation, lost profits, unrealized profits, compensatory damages based on any legal theory, punitive, multiple or statutory damages or fines of any type, based upon, arising from, in connection with or in any manner related to the services provided hereunder.

© Copyright 2024 Arthur J. Gallagher & Co. and subsidiaries. All rights reserved: No part of this document may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, whether electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Arthur J. Gallagher & Co. Gallagher Re is a business unit that includes a number of subsidiaries and affiliates of Arthur J. Gallagher & Co. which are engaged in the reinsurance intermediary and advisory business. All references to Gallagher Re below, to the extent relevant , include the parent and applicable affiliate companies of Gallagher Re.Nothing herein constitutes or should be construed as constituting legal or any other form of professional advice. This document is for general information only, is not intended to be relied upon, and action based on or in connection with anything contained hereinshould not be taken without first obtaining specific advice from a suitably qualified professional. The provision of any services by Gallagher Re will be subject to the agreement of contractual terms and conditions acceptable to all parties. Gallagher Re is a trading name of Arthur J. Gallagher (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered Office: The WalbrookBuilding, 25 Walbrook, London EC4N 8AW. Registered in England and Wales. Company Number: 1193013. www.ajg.com/uk. GREGLOB7095