Gallagher Re

1st View

JULY 2024

Balance Maintained

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Reinsurance buyers experienced a more welcoming market at 7.1.2024 compared to recent years, and in many ways, this was no surprise. There were near record returns for reinsurers in 2023, exceeding 20% ROE in many cases. Equally strong Q1 2024 results showed improvements in combined loss ratios of up to 12%. This has resulted from benign natural catastrophe activity, structural and pricing adjustments in the reinsurance market, improved underlying conditions in most primary markets (despite prior-year adverse-development in US long tail lines) and greatly improved reinvestment rates.

This more comfortable market for buyers has been underpinned by sufficient supply of capital to meet rising demand as reinsurers balance sheets have expanded on the back of strong 2023 and Q1 2024 results.

At the same time nonlife ILS capital grew to a record level of USD 107 billion at year end 2023 and continued to grow in H1 2024, driven by the excellent results on cat bonds and the consequent increase in investor interest. New capital coming into the industry in the form of new "bricks and mortar" rated entities continues to be limited.

Property lines more competitive but overriding message of Underwriting discipline

With this encouraging background, property catastrophe buyers at 7.1 and 6.1 were looking to achieve improvements in terms and conditions on their reinsurance building on the "risk on" approach being taken by reinsurers. The result was an improvement in pricing, with risk adjusted catastrophe placements flat to -10% on an overall program basis. Reinsurers were more willing to adjust premium than structure.

Whilst reinsurers were not significantly impacted by natural catastrophe losses in Q1 overall there were an estimated US$43 billion of economic losses and US$20 billion insured losses in Q1 with both numbers being near the 10-year average. Q1 is not traditionally a major driver of the annual natural catastrophe loss burden (historic average 14%). Q1 losses have been dominated by SCS loses (34% of insured losses) and other secondary perils of wildfire, drought and flood making up another 29%. Unexpectedly widespread flood losses in the UAE, Southern Germany and Brazil in Q2 have continued the trend and only served to reinforce reinsurers discipline around retention levels with no signs that reinsurers are prepared to offer any flexibility. Demands for additional capacity, including an additional US$3B to US$5 billion of Florida limits were all met.

The predictions of a more active 2024 North Atlantic Hurricane season did not unduly influence core traditional reinsurers' pricing and capacity though some ILS capacity, ILW capacity and retrocession capacity providers did moderate their appetite for US and Caribbean Catastrophe exposure.

Casualty stakeholders aligned

Casualty underwriters appear less confident as Property underwriters outlined above, although this warrants its own caveat. The issues driving stakeholder concerns are regionally nuanced as the frequency and severity of casualty losses are driven by local societal, economic, judicial, legislative, and behavioral factors.
Concern over rate adequacy in the US is elevated after the Q4 2023 prior year adverse development reported by several liability (re)insurers. The lengthening and deteriorating tail has exacerbated reinsurers concerns in a market already alert to economic and non-economic loss inflation. Against this background, successful

placements were achieved by cedants who successfully articulated to reinsurers their underwriting and pricing strategies to navigate the loss headwinds with supporting analysis. Supply/demand dynamics remained stable with adequate capacity but there were some modest movements in reinsurer panels indicating a lack of consensus on the underlying issues and what is required to address them.

In specialty lines, 'orderly' remains the overriding message

Within the broad field of specialty lines reinsurers have maintained the underwriting discipline they are applying in other classes, and with the possible exception of UNL retrocession this has not led to any capacity constraints for reasonably priced and structured programs. Certain individual lines such as Medical Excess are being impacted by class specific issues. This is leading to substantial rate increases, but these remain class specific and uncorrelated to any other specialty lines or wider property and casualty lines of business.

Outlook

The current market has achieved a balance in terms of supply and demand with reinsurers less hesitant than previously to deploy their significant capital. Underwriting discipline remains strong so any shortfalls in reinsurance placements are no longer linked to capital concerns but to individual underwriting considerations on each specific treaty. Client differentiation and full transparency with reinsurers supported by a compelling explanation of improvements in original underwriting and pricing remains the bedrock of all successful placements. This is being increasing rewarded by reinsurers in terms of capacity supplied as well as pricing and terms and conditions. To date reinsurers appear comfortable with the balance between top-line revenue growth and bottom-line margin and there are no signs yet of any major reinsurer breaking ranks and seeking to drive top line growth through looser underwriting and pricing. With the historically active Q3 about to start there can be no doubt that the outlook for 2025 will be heavily influenced by natural catastrophe losses in the second half year and reserving developments in the US casualty market. If 2024 does not produce an acceptable result, or worse leads to a reduction in available capital, 2025 buyers may face a demanding market with an uncertain outlook. Equally, should 2024 close on the back of the recent very favorable trading conditions in general for reinsurers with a financial result similar to the excellent 2023 result, there will inevitably be pressure from buyers for improved terms and conditions at 1.1.2025.

Tom Wakefield
CEO, Gallagher Re

Gallagher Re

Property: Commentary by Territory

Australasia

- Compared to 2023, there was a much smaller variance in property catastrophe quotations as reinsurers have been relatively accepting that they have reached levels of long-term price sustainability.
- Pricing discipline was still evident throughout the quoting and firm order stages though influenced by the level of capacity offered, with increased shares generally only offered if pricing perceived to be technically adequate.
- The majority of buyers achieved a relatively flat property cat renewals, with some risk adjusted decreases available on higher layers due to both reinsurer competition and a slight shift downwards in minimum rate online levels.
- Property catastrophe retentions have generally been held unchanged in dollar terms by most buyers after the significant changes reinsurers achieved last year.
- Reinsurers views on pre-paid reinstatements on property cat programs has softened, albeit there is now a market consensus that these need to be appropriately loaded compared to pricing available for paid reinstatements.
- Per Risk covers remain challenging, although reverse two risk warranties have assisted in attracting new capacity and reducing reinsurer pricing.
- There remains limited appetite from reinsurers for new aggregate covers, with these either expensive or coming with relatively restrictive terms and conditions (and/or only part placed).
- Appetite remains limited for new proportional programs, with commission terms offered allowing for significant reinsurer profit margins.

Caribbean

- Pro Rata treaties remain under pressure with reinsurers only supporting modest organic growth whilst pushing for increases in underlying rates to improve profitability.
- Reinsurers' preference and appetite for non-proportional placements led to more competitive pricing of catastrophe excess of loss and risk excess of loss treaties.
- We've observed a very limited number of new entrants to the market but existing reinsurer panels were willing to deploy more capacity on catastrophe excess of loss treaties.
- Elevated forecasts of increased frequency for the upcoming hurricane season were the main reason why reinsurers remained relatively firm in their pricing.

Latin America

- Reinsurers continued to cautiously manage their exposures to hurricane exposed beachfront premises, nevertheless, existing reinsurers demonstrated appetite to support organic growth with some of them increasing their renewal lines.
- Following the impact of Hurricane Otis, Mexican catastrophe excess of loss program pricing increased between +15% to +35% for affected layers. The rest of the region has been largely unaffected by Hurricane Otis.
- Appetite for lower layers continued to contract as reinsurers have sought to shift capacity to higher layers with lower return periods. In terms of capacity, existing reinsurers have supported increases in exposure of around +5% to +10% and new reinsurers have also offered support with new lines across the region.
- In general reinsurance markets accepted firm order terms for loss free catastrophe excess of loss at risk adjusted flat to +5% versus peak 2023 levels, which signals reinsurers are comfortable with the technical pricing adequacy levels reached in the recent years.
- The South Brazil Flood losses of May/June have not yet impacted the reinsurance market though preliminary estimates indicate an insured market loss of approximately of USD2 billion for all affected lines of business combined.

Middle East

- Renewals in the Middle East were challenging and late, due to uncertainty around loss estimates for the recent floods in the UAE.
- These have had a direct impact on the original property policies as cedants are imposing increases in deductibles and prices. This has been monitored by reinsurers.
- The shift in program structures to pure quota share intensifies. Some programs have seen a more radical shift to gross XL.
- Commission levels on pro rata treaties have reduced between -2 to -1.5 points.
- There has also be a reduction in the event limits for flood and rainwater accumulation as reliance on CAT modeling increases.
- Recommended NAT CAT loadings on premiums.
- Exclusion of the FAC Inward capacity in some cases.
- On excess of loss treaties there was an increase in buyers retentions with reinsurers adopting higher minimum entry return periods.
- Price increases varied between +20% to +60% depending on the results.
- Minimum top catastrophe layers rates on line were set at minimum 2% in most cases.

South Africa

- Generally, buyers programs have performed well over the last year, thanks to the effectiveness of corrections at previous renewal seasons as well as benign loss activity.
- As a result, the market has stabilized and possibly reached its peak.
- Renewals saw increased interest from reinsurers in deploying their capacity (including those that had previously withdrawn from the market), with subscription levels exceeding 130% and terms remaining reasonably flat.
- There was no particular pressure on deductibles, although some buyers willingly adopted increases to leverage better terms.
- Facultative reinsurance capacity improved.
- Reinsurers and primary companies are hoping to see hardening in the commercial segment, following a fairly recent contraction in primary capacity.
- There was particular scrutiny from reinsurers on the thatch property segment, which has experienced poor historic performance.
- Contractual discussions were more muted, however with continued focus on grid failure exclusions.

United Kingdom

- Mid-year renewals for UK primary insurers saw stable capacity and buying patterns with retentions largely unchanged.
- Reinsurers were able to support modest risk adjusted rate reductions in the region of flat to -5% largely based on the benign natural catastrophe loss experience in the UK.
- For specialty property, most midyear catastrophe renewals have been clean, so despite some localized loss activity from natural catastrophes over the past 12 months, increased attachment points in 2023 have meant that the majority of losses have been net retained.
- Following the spate of per risk losses in the specialty market largely driven by gas and power losses in 2022 and Onshore Energy in 2023, the majority of risk renewals in 2024 have renewed as "clean" programs, so while the market quoted flat renewals some discounts were available for selected buyers.
- Gross Underwriting results have also improved in the London property market, resulting in a small uptick in commission levels on pro-rata treaties for select and better performing accounts.

United States – Florida

- Following 3 consecutive years of double-digit risk adjusted rate increases, reinsurers were largely looking to hold the line from a pricing perspective.
    - The majority of the quotes received were risk adjusted flat to -10%.
    - Layers alongside and just above the Florida Hurricane Catastrophe Fund (FHCF) had a wide range of quoted rates online driven by differing view of loss adjustment expenses.
    - Largest quoted decreases observed on layers above the FHCF.
    - Client differentiation by reinsurers continued to be heavily influenced by development of prior losses.
- Early market softening leveled off and ultimately firmed as capacity became less abundant closer to June 1.
    - Programs that completed in early May saw an environment where capacity was readily available with many reinsurers looking to deploy increased capacity on programs.
    - This dynamic shifted closer to June 1, as ILS capacity became scarce as ILS investors were "unnerved" by forecasts of an active hurricane season.
        - Expected Florida market cat bond capacity fell short for May and pushed additional capacity need to the traditional market. Traditional reinsurers generally looked to deploy additional capacity.
    - Most quoting markets indicated increased capacity.
    - Existing traditional reinsurers looked to defend their positions on programs with competitive quotes and increased line sizes.
    - Less migration of capacity to higher layers with more reinsurers willing to support lower down in programs.
    - Limited pressure to increase retentions.
    - Quota share capacity with catastrophe coverage has rebounded due to primary rate increases and credit for improved attritional loss ratios driven by legislative reform.
- Firm order terms
    - Most programs were firm ordered at risk adjusted flat to -10%.

United States

- There was a general acknowledgement among reinsurance markets that after two years of material increases, property rates are now adequate to sustain long term profitability.
    - Catastrophe capacity has increased materially owing to profitable underwriting results and meaningful retained earnings.
    - Property Per Risk capacity remains in shorter supply, with the industry still grappling over valuations, inflation and the impact of secondary perils (SCS in particular) on per risk exposures.
- Quotes received demonstrated reinsurers attempt to hold onto gains achieved the past couple renewal cycles, with most quotes offered being flat or up mid-single digits on a risk adjusted basis.
    - Top end cat layers proved to be the most competitive segment of the market, with lower layers and perceived earnings protection covers still largely under pressure.
    - Per Risk pricing was highly dependent on loss experience, but loss free programs saw quoting behaviors that were generally up 5-10% on a risk adjusted basis.
- Against this backdrop several large carriers opted to increase their total Cat XOL purchases, with an estimated 5B of new capacity. purchased. While a large figure on an absolute basis, this should be considered against a global property cat market with ~$500B of limit

purchased.

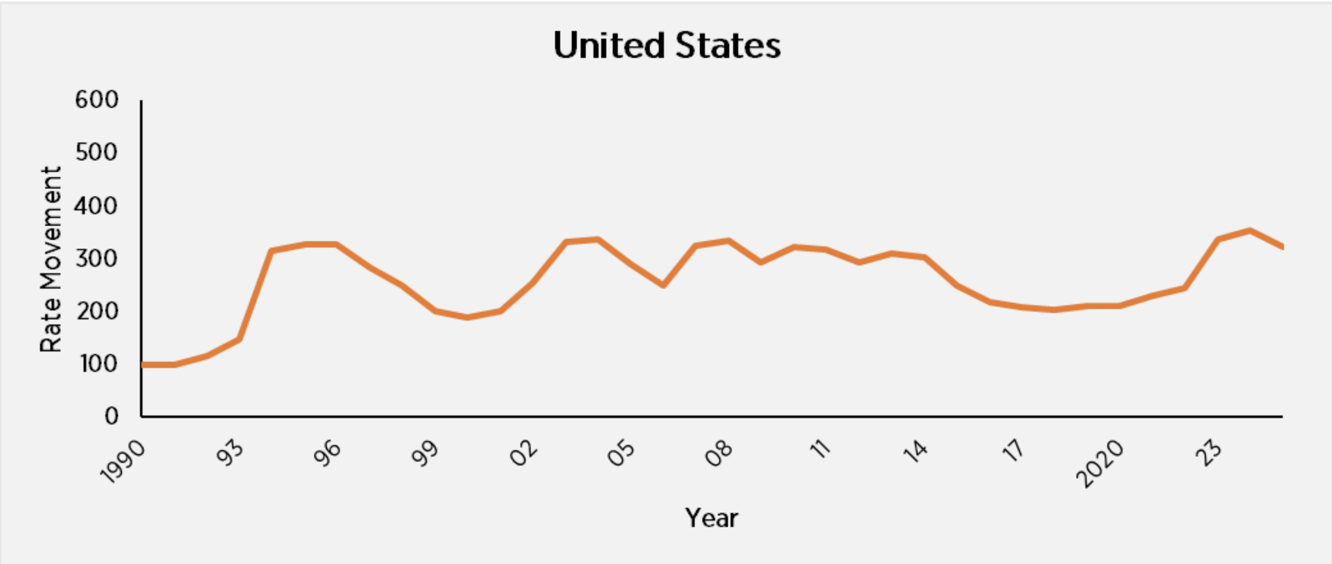
- Non-concurrent terms and private placements, which were common features of the 2022 and 2023 renewal cycles were materially less prevalent at 7.1.2024, with even the most opportunistic market participants accepting loosened Terms and Conditions around coverage, perils and hours.
- Loss-impacted midwestern accounts continued to face pressure on retentions and in some instances faced capacity shortfalls.
- Client differentiation remained a theme, with cedants perceived by the market to be best-in-class outperforming the quoted price ranges below.

Table 1: Property Rate Movements

Territory	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
Australia	0%	0%	+5% to +10%	0% to -10%	N/A
Caribbean	0%	N/A	N/A	0% to+5%	N/A
China	N/A	-2.5%	N/A	0% to +15%	N/A
Latin America	0%	0% to + 5%	+5% to 15%	0% to + 5%	+10% to +30%
Middle East	0% to -5%	0% to -5%	+15% to +20%	0% to +5%	+20% to +60%
South Africa	0%	0%	+5% to +10%	0%	+5% to +10%
United Kingdom	Flat to - 2.5%	-5% to 0%	0% to +15%	0% to -5%	N/A
United States – Florida	N/A	N/A	N/A	0% to -10%	N/A
United States	0% to -3%	0% to -10%	+5% to +15%	0% to -12%	+5% to +15%

Note: Movements are risk adjusted.
Source: Gallagher Re

Table 2: Property Catastrophe Pricing Trends



Casualty: Commentary by Territory

Australia

- This was another stable renewal with ongoing and strong support for those programs with perceived price adequacy.
- Inflation was still being priced in by reinsurers, however there was a consensus that both buyers and reinsurers are generally dealing with their exposure to inflation appropriately.
- Exposure to PFAS continued to be a topic for investigation by reinsurers, however reinsurance exclusions were not applied where exposure was considered low or where original underwriting guidelines were considered adequate.
- Reinsurers were once again focused on aggregate exposure to Cyber, however adequate coverage was available for buyers.
- Buyers' appetite for casualty catastrophe remains strong with some further embedding protection with additional coverage.

International – Liability and Professional Lines

- Other than territories with separate reports, there are relatively few mid-year renewals in the International space.
- Pricing increases are still being imposed on programs with US and industrial exposures – reinsurers citing continued concerns about US awards (including large individual bodily injury losses) and Social Inflation.
- Non-US exposed covers have achieved lower increases.
- Reinsurers currently show a significant interest in expanding their presence in the international market, with a particular focus on European Casualty.
- Entering these markets is challenging due to the dominance of the well-established incumbent reinsurers, so newcomers will need to make attractive offers on price and coverage.
- Some reinsurers appeared to be managing their line deployments down to some degree.

United States – General Third Party Liability

- US Casualty loss trends remain elevated and as a result volatility in performance is expected for the foreseeable future.
- That said, the original market remains disciplined, and carriers continue to take corrective actions to their portfolios, particularly from a pricing stand-point.
- As a result, reinsurers overall maintained a healthy appetite and stable capacity for US Casualty lines.
- Given the expectation of volatility going forward, reinsurers are taking nuanced approach by cedant and continued to put pressure on pricing where they view it warranted.
- Equally, a number of reinsurers continued to selectively grow in segments such as E&S Casualty and Middle Markets.
- Individual placement outcomes were highly dependent on cedants' historical performance as well as transparency on strategy and disclosure of data around key battlegrounds such as view of rate adequacy, loss trends, claims trends, etc. Those that provided greater transparency and insight were able to achieve stable pricing and placement outcomes.

United States – Healthcare Liability

- Pricing trends continued to moderately increase as increased severity continues across all subsegments of US Healthcare.
- Capacity remained adequate overall, with select reinsurers moderately increasing/decreasing appetite.
- Hospital exposures continued to be the most scrutinized subsegment by reinsurers given the larger limit stretches and track record of significant "nuclear verdicts", reinsurers focusing much of their attention to sexual abuse and molestation.
- While location continues to be a key consideration in evaluating potential severity exposure, the spread of "nuclear verdicts" across most States - even those historically deemed as favorable - is contributing to ongoing pricing pressure.

United States – Professional Lines

- For pro rata structures, there was continued pressure on terms and conditions.
- Variable/qualified features have been eliminated or reduced for many placements.
- Ceding commissions were down -0.5% to -1.5%.
- We saw increasing interest in Excess of Loss structures and renewal terms for these placements were much more stable with risk adjusted rate changes in the -5% to +10% range.
- The pressure on terms is primarily driven by negative underlying rate / missed rate projections across most lines, most dramatically for Public D&O.

United States – Workers' Compensation

- Single claimant exposed layer pricing has seen continued pressure for increases, even on loss-free layers. Capacity for these layers is tighter but has been stable.
  - This is due to continued primary rate decreases and anticipated medical inflation impacting historical development and future costs.
- For catastrophe layers, rates online remained largely flat. There was pressure on price due to prevalence of payroll increases, but wage inflation and abundant capacity have enabled buyers to maintain terms largely as expiring.

Table 3: Casualty Rate Movements

Territory	Pro rata commission	Excess of Loss – no loss emergence % change	Excess of Loss – with loss emergence % change
Australia	0%	0% to +3%	0% to +7.5%
China	N/A	N/A	+4%
International – Liability and Professional Lines	N/A	0% to +10%	+10% to +20%
United States – General Third Party Liability	-2% to 0%	+5% to +10%	+5% to +15%
United States – Healthcare Liability	-1% to 0%	0% to +5% for single claimant, limits exposed layers +3% to +8% for awards made, common loss, catastrophe layers	+5% to +15% for single claimant, limits exposed layers +10% to +20% for awards made, common loss, catastrophe layers
United States – Professional lines	0% to -1.5%	-5% to 0%	0% to +10%
United States – Workers' Compensation	N/A	0% to+5%	5% to +10%

Note: Movements are risk adjusted.
Source: Gallagher Re

Specialty: Commentary by Line of Business

Global – Aerospace

- Within the first tier excess of loss segment a further continuation of pricing movement flattening that was evidenced during the earlier April renewals, has continued through the June and July renewal period.
- There was some evidence of weakening momentum as regards further rate increases in the middle – catastrophe areas of programs with a more marked degree of differentiation apparent within top layer pricing dependent on portfolio make up, the extent of exposure to US domiciled risks and the major manufacturing placements.
  A continued push from reinsurers for rate improvement within the retrocessional segment has been evident, with pricing movement in the +5% range being typical.

Global – Cyber

- Reinsurers continue to show strong appetite for cyber reinsurance premium across Proportional, Event XoL and Aggregate XoL structures. Risk excess remains a challenge.
- The supply demand dynamic has moved in buyers favor which has facilitated the continuing improvement in terms and conditions for reinsureds.

Proportional

- Pro rata remains the optimal choice of cession structure for reinsureds.
- Abnormally high cession percentages from 2022 (50%+) have come down YoY toward an average cession in the 40%'s.
- Ceding commissions have continued to improve in favor of reinsureds in the range +1.0% to +2.5%.
- Gross Loss Ratio caps have remained relatively static but have drifted out from a return period perspective.
- Competition is growing in the US Cyber market with softening rates and muted organic growth, leading to slower
- gross written premium (GWP).
- U.S. Cyber insurers are continuing to report primary rate changes anywhere between +1.0% to -20% dependent on the characteristic of their book and appetite. As a result insurers are facing challenges to meet their 2024 premium estimates.
- This period of original rate softening and tempered GWP growth has come at a time where proportional reinsurers' confidence in the class has grown, translating into increased appetite and greater aggregate to deploy tilting the supply demand in buyers favor.

Event Excess of Loss

- Event excess of loss protections are relatively new in the cyber market so rate movements are correlated to scale of limit required and vary between -5% to-15% for smaller limit programs but near 0% for larger limit programs

Aggregate Stop Loss

- Buyers have challenged the risk transfer efficiency of these products of late, which led some to decide not to renew, and/or reduce purchased limits, at 1.1.2024.
- As rates deteriorate, original coverage expands, and average deployed insurance limits increase, this structure is recognized as becoming more efficient. This has led to significant demand from clients with a forward-looking perspective.

Retrocession

- Some reinsurers have deploy capacity on a retro basis recognizing that they may not be able to fully deploy their 2024 aggregate on first tier reinsurance alone leading to a greater equilibrium between demand versus supply of cyber retro capacity.
- This "new" retro capacity has facilitated some product innovation and/or enabled greater fulfilment of retro orders.
- Retro protections renewed with rate movements between 0% and +10%.

Cyber ILS

- Cyber ILS saw continued growth with $160m of capacity placed in Q2 via a second tranche of the Polestar Re cyber catastrophe bond. This brings 2024 total market issuance on underwritten-Rule 144A structures to $580m across four major cedants in their first year of existence.
- Limit placed on catastrophe bonds now almost matches that of catastrophe excess of loss limit.
- The cyber ILS market has reacted favorably to these issuances, with around 20 investors now committed since 2023. With each new tranche of limit, we see the universe of supporting investors grow in number.
- The secondary trading of cyber catastrophe bonds has been semi-active with all trades as of June 2024 going above par, which has in turn led to price softening.

Coverage and Wordings

- The topic of exclusions for 'Cyber War' and State-sponsored cyber-attacks continues to divide opinion in the market.
- The broad shift toward Type 3 exclusions (under the Lloyd's classification system) in the London market and some international markets has continued but is not as pronounced in the US market where Type 7 exclusions (like NMA464) continue to be widely used.
- Lloyds and Munich Re are leading efforts to steer cedents away from Type 4 and Type 7 clauses with Lloyds recent bulletin confirming the

non-compliant status of Type 4 and 7 clauses from 1/1/25 at both the insurance and reinsurance level.
- Apart from 'Cyber War' and state-sponsored attacks, we have observed more frequent application of critical infrastructure, and sometimes natural perils exclusions in reinsurance treaties.
- On the original product side there is increased focus on managing coverage for privacy violations not involving IT security breaches, whether that be by more stringent underwriting and/or applying exclusions or other coverage restrictions.

Modelling Landscape

- More emphasis is being placed on modelled outputs during the placement process, incorporating both cat & non-cat elements
- The growth of the cyber cat bond market has further highlighted the importance of the independent catastrophe models which are used to structure and price deals.
- With increased utilization comes increased scrutiny, and 3rd party Cyber catastrophe models are under pressure to continuously update their models to remain relevant and capture the current trends and developments in the cyber threat landscape and insurance markets.

Global - Non-Marine Retrocession

- The midyear renewal season saw an increase in demand from existing retro buyers with additional limit being sought in both Index and Ultimate Net Loss (UNL) form.
- Favorable H1 results, coupled with positive signings on mid-year underlying natural catastrophe renewals, encouraged a number of established reinsurers to return to the retro market in pursuit of additional earnings protection.
- Growing demand, but with limited new capacity at mid-year, served to promote only a marginal softening retro market.
- Rate reductions remained available for buyers core UNL renewal layers, with market capacity (supply) stable at an earnings level and continued concentration in the middle and upper layers of programs.
- Coverage and attachment trends were broadly stable to those identified earlier in the year however further improvements were available where client portfolio and pricing permitted.
- Early US wind season forecasts prompted increased ILW purchasing activity as carriers, predominantly ILS funds, looked to manage their hurricane exposure through to year end.

Global - Personal Accident / Life Catastrophe

- After a period of modest hardening post Covid-19 pricing for loss free programs across 1st tier Reinsurance & Retro has largely been flat.
- We saw pressure at top end of programs to push up minimum rates online, particularly in the retro space.
- Capacity for 1st tier reinsurance is growing and we have seen notable new entrants who are looking to establish themselves as leaders.
- Signs that other new reinsurers are contemplating a move into A&H given the excellent historical results, and non-correlation with Property Cat.

United States – Medical Excess

- While capacity and competition remain strong in the medical excess reinsurance market, pricing continued to harden due to the continued increase in catastrophic medical and pharmacy claims.
- Reinsurers continued to monitor the gene and cell therapy pipeline and the new wound care therapies and adjusted pricing for these therapies as they become available in the market.
- Carriers and health plans are struggling to price for and manage the costs related to GLP-1s for weight loss.
- Carriers and reinsurers are preparing and pricing for the 2025 changes in Part D reimbursement for Medicare Advantage plans.

Table 4: Specialty Rate Movements

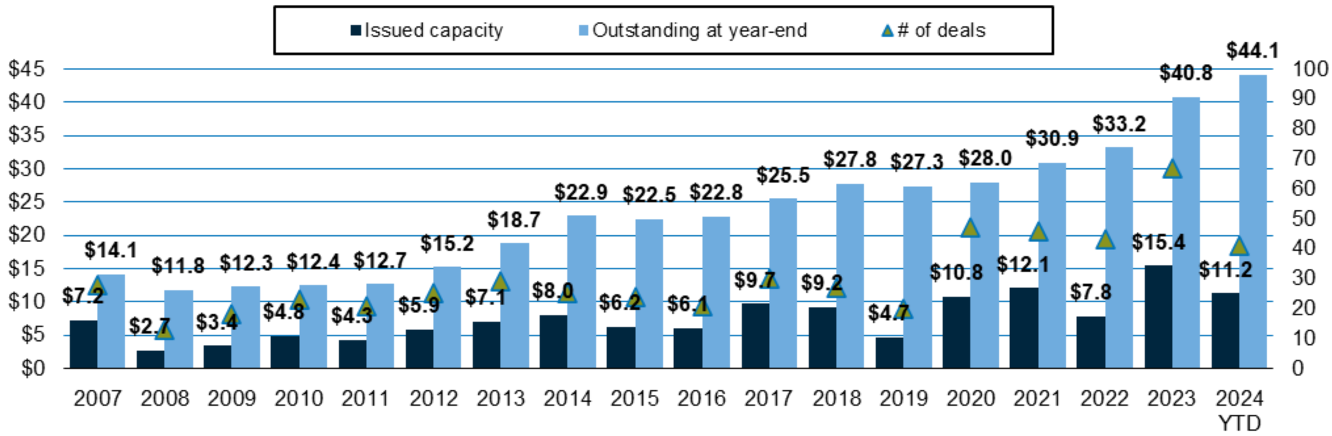
Line of Business	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
Global – Aerospace	0%	0%	N/A	0%	N/A
Global – Cyber	+1% to +2.5%	N/A	N/A	0%	N/A
Global – Non-Marine Retrocession	0%	0%	+5% to +15%	0% to -10%	+5% to +15%
Global - Personal Accident / Life Catastrophe	N/A	0%	+5% to +10%	0%	N/A
United States – Medical Excess	N/A	0% to +15%	+10% to +70%	N/A	N/A

Note: Movements are risk adjusted.
Source: Gallagher Re

Insurance-Linked Securities (ILS)

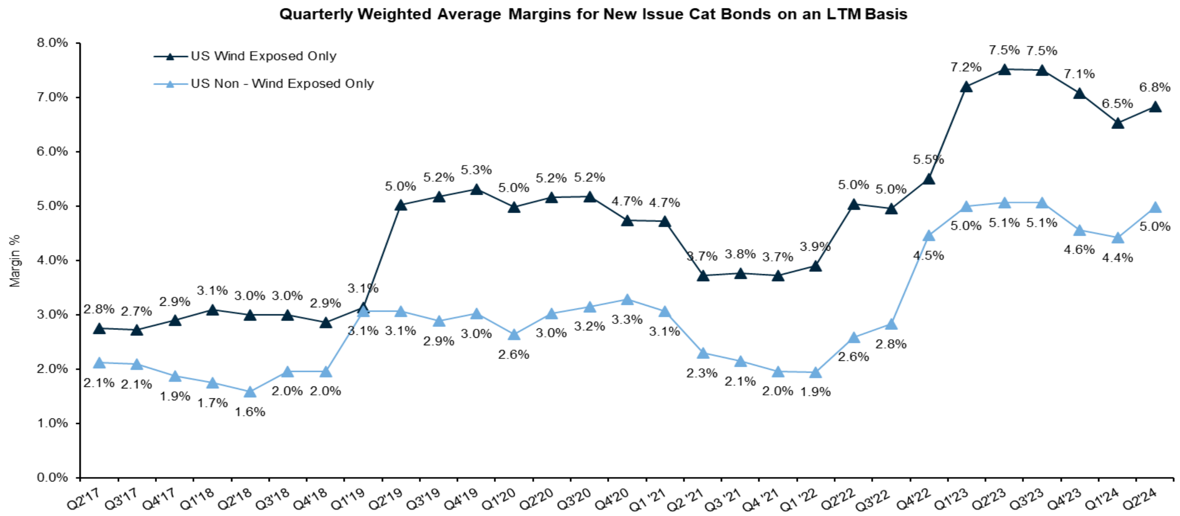
- 2024 is set to be another record-breaking year of cat bond issuance, with issuance up roughly 41% year-over-year through May 31, 2024
- Risk spreads have widened since February 2024 primarily due to a robust pipeline and to a lesser extent forecasts for an active hurricane season as well as catastrophe model changes.
- Risk spreads remain significantly below where they were one year ago.
- More than 80% of cat bonds issued year to date have hurricane exposure, a higher percentage than in the past.
- Secondary pricing on index-linked transactions widened out, along with a broader sell-off in the secondary market through the end of May but then stabilized in June.
- ILS activity continues to accelerate outside of property cat with additional activity in Q2 in cyber cat bonds.

Table 5: Non-life Catastrophe Bond Capacity Issued and Outstanding by Year



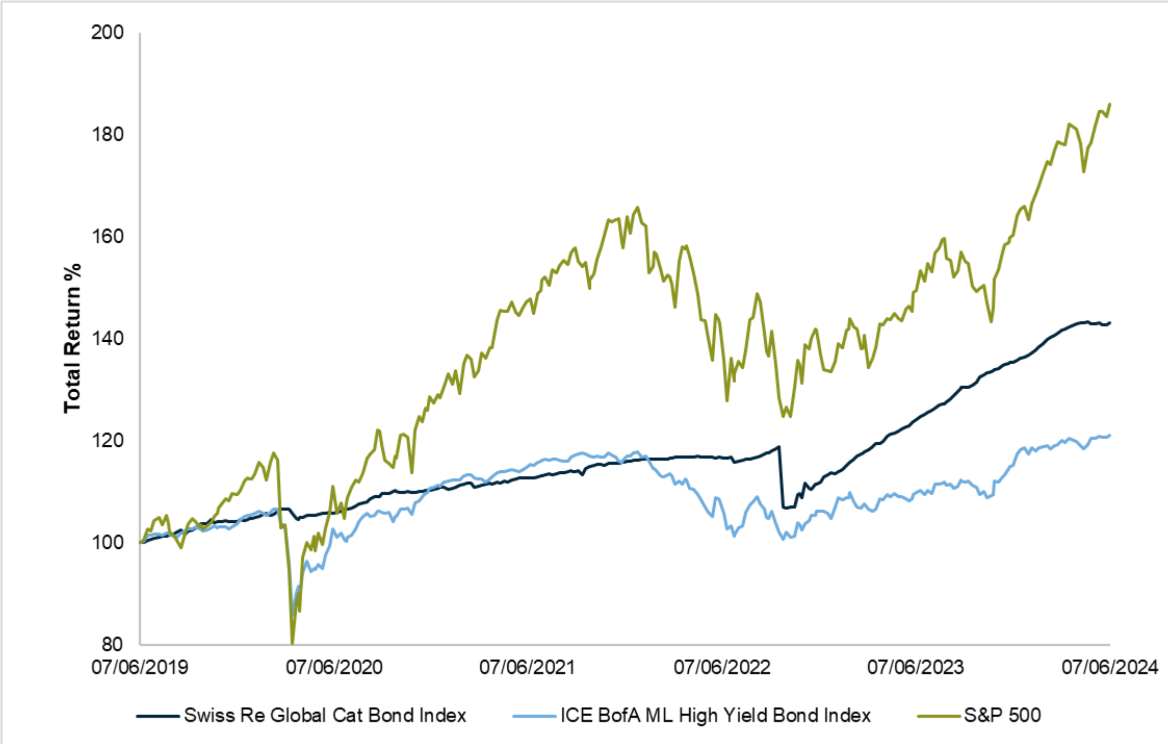
Source: Settled cat bonds in the Gallagher Securities, Inc Transaction Database as of June 12, 2024. Aggregate data exclude agency-placed cat light ILS deals and LAH risks. All issuance amounts reported in or converted to USD on date of issuance.

Table 6: Quarterly Weighted Average Margins for New Issue Cat Bonds on an LTM Basis



Source: Settled cat bonds in the Gallagher Securities Transaction Database as of June 12, 2024. Aggregate data exclude agency-placed cat light ILS deals and LAH risks. LTM = Last 12 months. Aggregate are for primary issuances only and do not reflect secondary trading.

Table 7: Historical Index Return Comparison



Source: BofA Merrill Lynch US High Yield Bond Index, Standard and Poor's 500 Index, and Swiss Re Global Cat Bond Total Return Index

Gallagher Re

Global and Local Reinsurance

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