



September 2024



Reinsurance Market Report

Results for half-year 2024

Key findings

Welcome to the Gallagher Re half year 2024 Reinsurance Market Report, which tracks the capital and profitability of the global reinsurance industry.

Global reinsurers delivered another strong set of results in the first half of 2024 with an ongoing improvement in underwriting profitability, exceptional ROEs and a continued building of capital. Underlying¹ profitability continued to excel due to a lower underlying combined ratio and higher recurring investment income. The reinsurance industry's underlying ROE improved again markedly, and remained well above the industry's cost of capital. As a result, the industry is in a strong place and has ample buffers to absorb any potential headwinds, whether this is coming from a potentially active hurricane season, lower interest rates or other volatility.

Global reinsurance dedicated capital totalled USD766 billion at half year 2024, an increase of 5.4% versus the restated full year 2023 base.² This growth was mainly driven by INDEX³ companies with non-life alternative capital also increasing. Total capital inflow remained modest at USD2B.

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

- INDEX capital increased by USD33B (5.6%) to USD627B due to strong net income, partially offset by unrealized investment depreciation, both of which were significantly influenced by National Indemnity. Excluding National Indemnity's realized investment gains and unrealized investment depreciation, INDEX capital increased by 2%.
- The increase in capital was also supported by a continuation in the trend of improving underwriting performance and a higher investment yield.
- The global reinsurance industry's capital position also remains robust on an economic basis, the measure which Gallagher Re views as more relevant for management teams' decision making. For the four top European reinsurers, average solvency (or SST⁴ coverage in the case of Swiss Re) improved to 281% (2022 FY: 274%). In most cases, solvency is comfortably above management target levels.

Global reinsurance
dedicated capital totalled

USD766 Billion

at half-year 2024

“

Global reinsurers delivered strong results in the first half of 2024 with further improvement in underwriting profitability, exceptional ROEs and a continued building of capital.

Earnings resilience has further increased through a higher underlying ROE which provides reinsurers with additional buffer to absorb headwinds.

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The underlying combined ratio continued to improve, driven by a better attritional loss ratio and a lower load for normalized natural catastrophes.

Underlying combined ratio improved from

96.1% to 93.6%

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

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

- Revenue⁵ growth remained strong in 2024 HY at 9.0%, similar to the 2023 HY growth rate. Growth was driven primarily by rate increases rather than volume growth. Volume growth was limited due to shifts in business mix and rising attachment points.
- The reported combined ratio reduced to 84.5%, (2023 HY: 87.0%, restated for Swiss Re's transition to IFRS 17 and Fairfax's constituent change⁶), a record level since the Reinsurance Market Report started in 2014. This was despite a reduction in reserve releases of 0.7 percentage points (ppts) and a higher expense ratio (+0.6ppts). This was mainly driven by a lower attritional loss ratio (from 68.8% to 66.5%), indicating rate earn-through and reduced reserve prudence building by some, and a lower charge for natural catastrophe losses (from 6.8% to 5.6%).
- 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 USD61B⁷ in 2024 HY. SUBSET companies have carried a reduced proportion of these losses, from 7.7% in 2023 HY, to 5.8% in 2024 HY⁸. This reflects higher attachment points and the nature of 2024 HY natural catastrophe losses, which were dominated by so-called “secondary” perils rather than by landfalling US hurricanes.
- On an underlying basis, the combined ratio continued to improve, from 96.1% to 93.6%, also a record level since the beginning of our time series. This was driven by the better attritional loss ratio and a lower load for normalized natural catastrophes.
- The reported ROE stabilized at an exceptionally strong level of 19.6% at 2024HY. The underlying ROE continued to increase, up 2ppts to 15.5%, driven by improved underlying underwriting margins and higher running investment income. The industry earned a 7% margin over the cost of capital on an underlying ROE basis, with the underlying ROE at almost 2x the cost of capital. This is the third year in a row that the industry has earned an underlying ROE above the cost of capital.

- As a result of the strong profit improvement over the past 2-3 years, the industry has now fully recouped for weaker profit years (2017-2020) and on a cumulative basis for 2017-2024HY the SUBSET generated a ROE that is approximately 110% of the cost of capital.
- As a result of the strong increase in the running investment yield over the past two years, the running yield is now increasingly in line with new money yield. However, despite the recent decline in interest rates, there still seems to be some modest upward pressure on running yields. We estimate underlying ROEs could improve by a further 1-1.5ppts as a result of higher running yields over time based on current new money yields. This would imply, other things equal, that underlying ROEs could increase to around 17%.
- All of this puts the industry in a strong position to absorb any potential earnings volatility. If interest rates continue to decline this could over time lead to a reduction in running yields again. However, long-term interest rates would need to decline by more than 2ppts from current levels for the underlying ROE over time to reduce to levels in line with the WACC,⁹ all else being equal.
- It has been predicted^{10,11} that the 2024 hurricane season may be hyperactive. We estimate that even in a scenario where reinsurers' H2 natural catastrophe losses were very significantly higher than average normalized levels, the SUBSET should be well positioned to still deliver a ROE above the WACC on a full year basis.

“

The industry earned a 7% margin over the cost of capital on an underlying ROE basis at 2024 HY, with the underlying ROE at almost 2x the cost of capital.

Reinsurers have now fully recouped for weaker profit years (2017-2020) and on a cumulative basis for 2017-2024 HY the SUBSET generated a ROE above the cost of capital.

The underlying ROE continued to increase, from

13.6% to 15.5%
in 2024 HY

¹The underlying combined ratio basis replaces actual natural catastrophe and COVID-19 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.

²We have re-stated year-end 2023 capital from USD729B to USD726B due to late filers and re-stated capital for IFRS 17 reporters.

³The 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.

⁴The Swiss Solvency Test (SST) is the regulatory standard for insurers and reinsurers domiciled in Switzerland, recognized by the European Union as equivalent to Solvency 2.

⁵We have used net insurance service revenue for IFRS 17 reporters and net earned premiums for US GAAP reporters.

⁶Fairfax has been updated from Group figures in 2023 HY to the sum of Brit, Odyssey and Allied World's figures for 2024 HY. Fairfax's Group combined ratio includes the effect of discounting, while the combined ratio for Brit, Odyssey and Allied World does not.

⁷From [Gallagher Re's Natural Catastrophe and Climate Report: H1 2024](#)

⁸Based on Gallagher Re's originally estimated global insured loss in H1 2023 from [Gallagher Re's Natural Catastrophe and Climate Report: H1 2023](#)

⁹Weighted average cost of capital

¹⁰From [Gallagher Re's Natural Catastrophe and Climate Report: H1 2024](#)

¹¹Forecast of Atlantic seasonal hurricane activity and landfall strike probability for 2024

Table of Contents

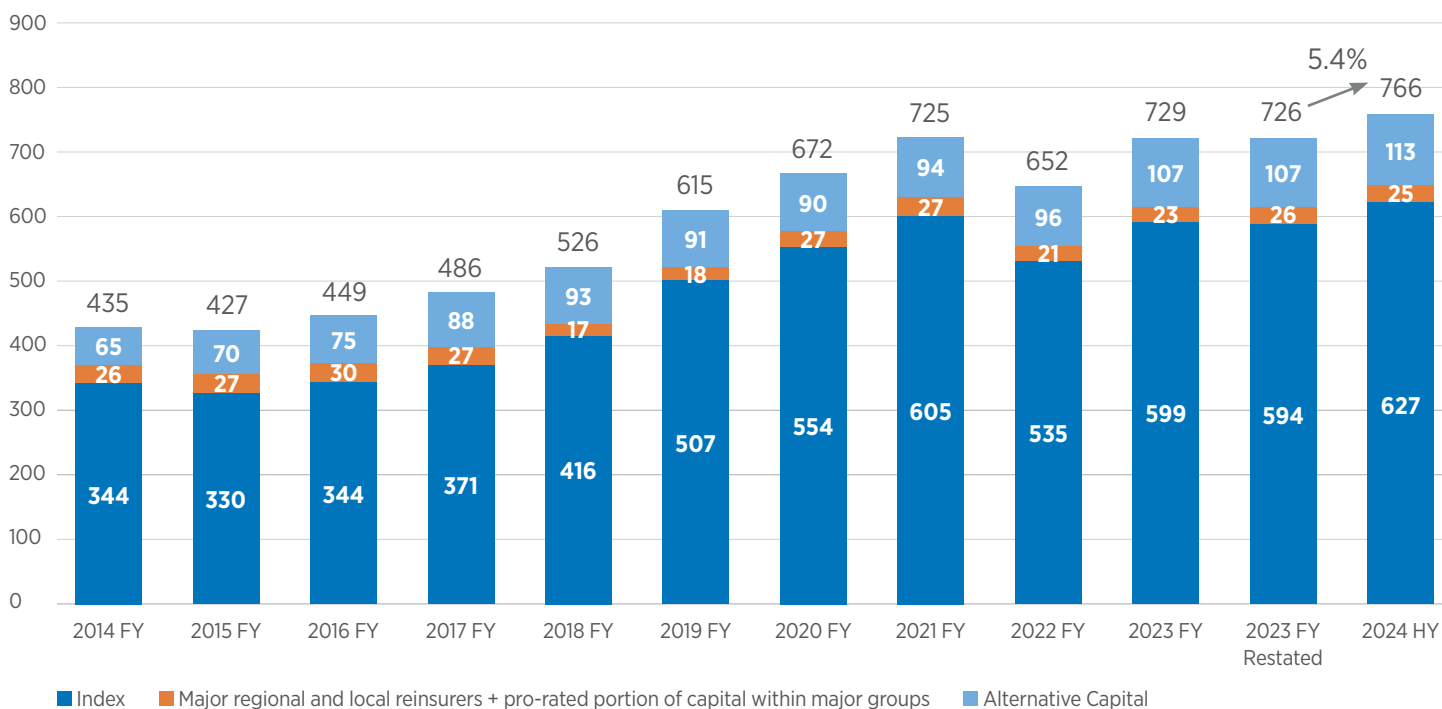
At a glance	6
Capital	6
Underlying ROE for the SUBSET	7
Combined ratio for the SUBSET	8
Expenses for the SUBSET	9
Investment yield for the SUBSET	9
Capital	10
Total reinsurance dedicated capital	10
INDEX capital	12
Return of capital	14
Return on equity	16
Underwriting performance	21
Premium volumes	21
Combined ratios	23
Prior-year loss development	26
Natural catastrophe losses	28
Expense ratios	30
Investment performance	31
Appendix 1	33
Methodology	33
Appendix 2	34
2024 HY results detail for INDEX	34

At a glance

CAPITAL

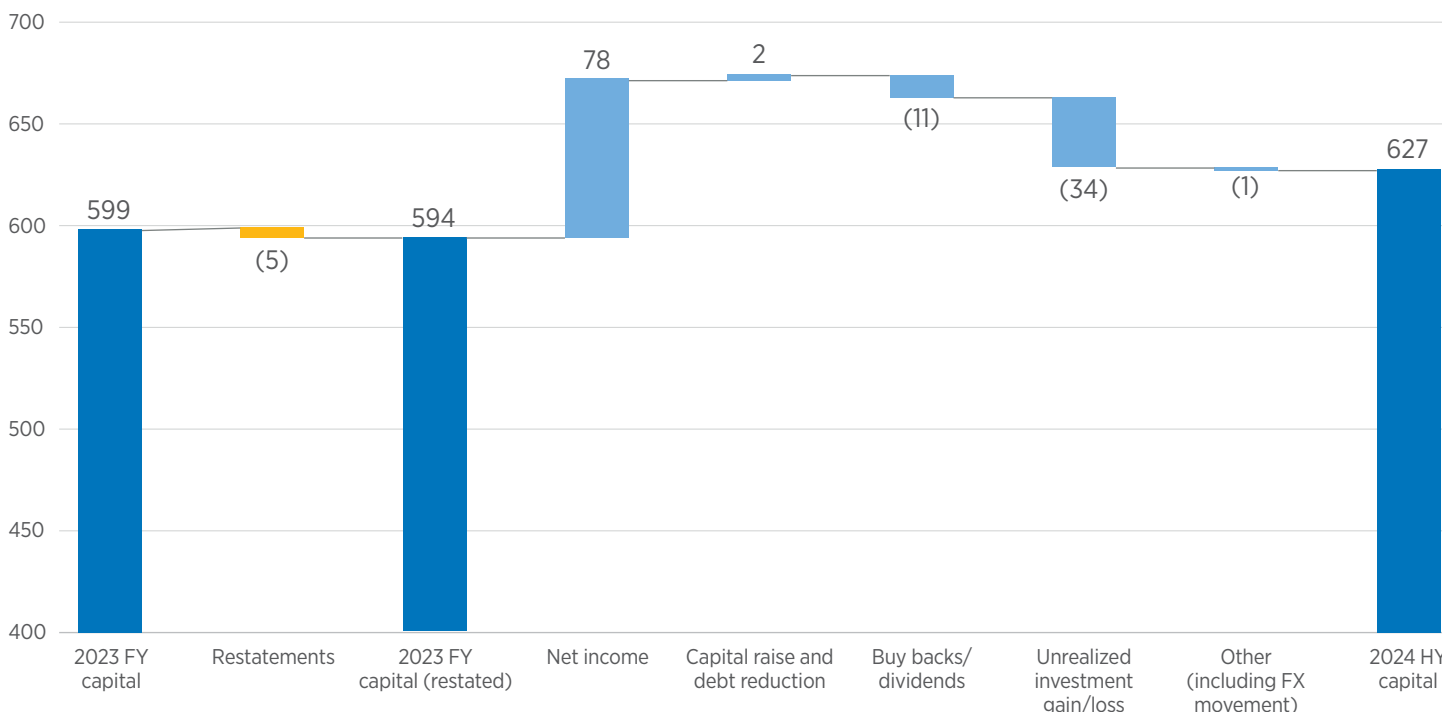
Reinsurance dedicated capital increases further from the previous highpoint of 2023 FY

Total reinsurance dedicated capital (USD billion)^{12, 13}



INDEX capital up due to strong net income

Capital analysis for the INDEX (USD billion)



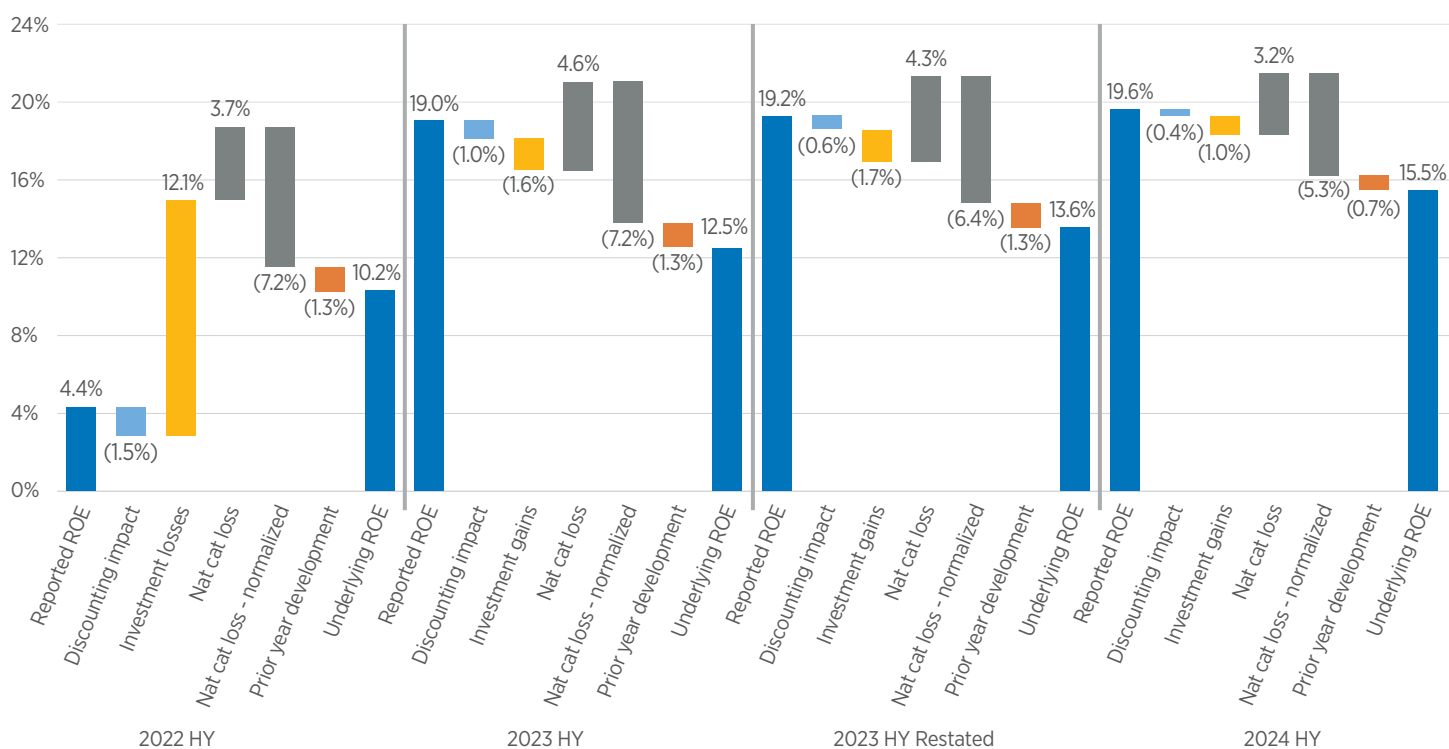
¹²We have re-stated year-end 2023 INDEX capital from USD599B to USD594B due to late filers and re-stated capital for IFRS 17 reporters.

¹³Alternative capital excludes life, accident and health (LAH) ILS AuM and mortgage ILS AuM.

UNDERLYING ROE FOR THE SUBSET

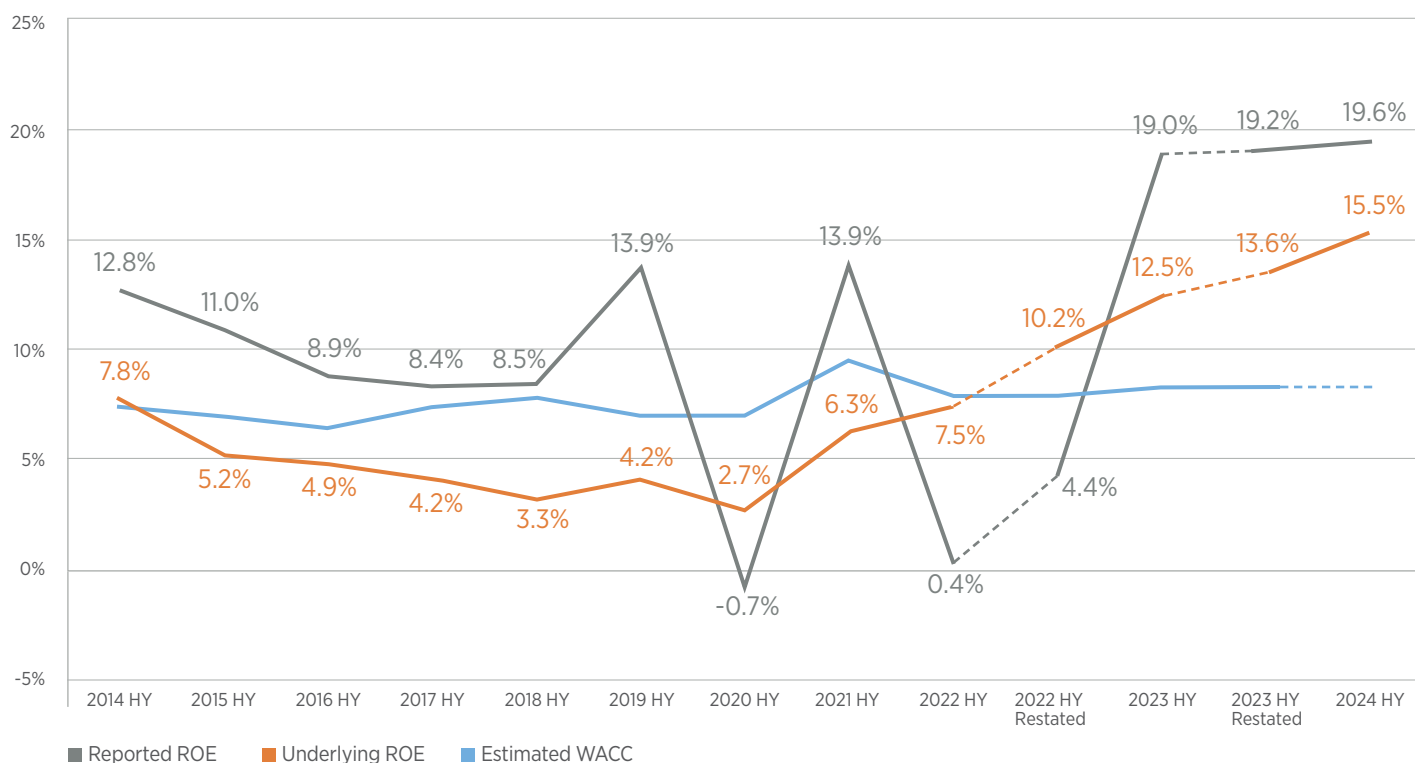
Significant improvement in both headline and underlying ROE

ROE analysis for the SUBSET¹⁴



Underlying ROE now at a meaningful margin above the WACC

ROE for the SUBSET^{8, 15}



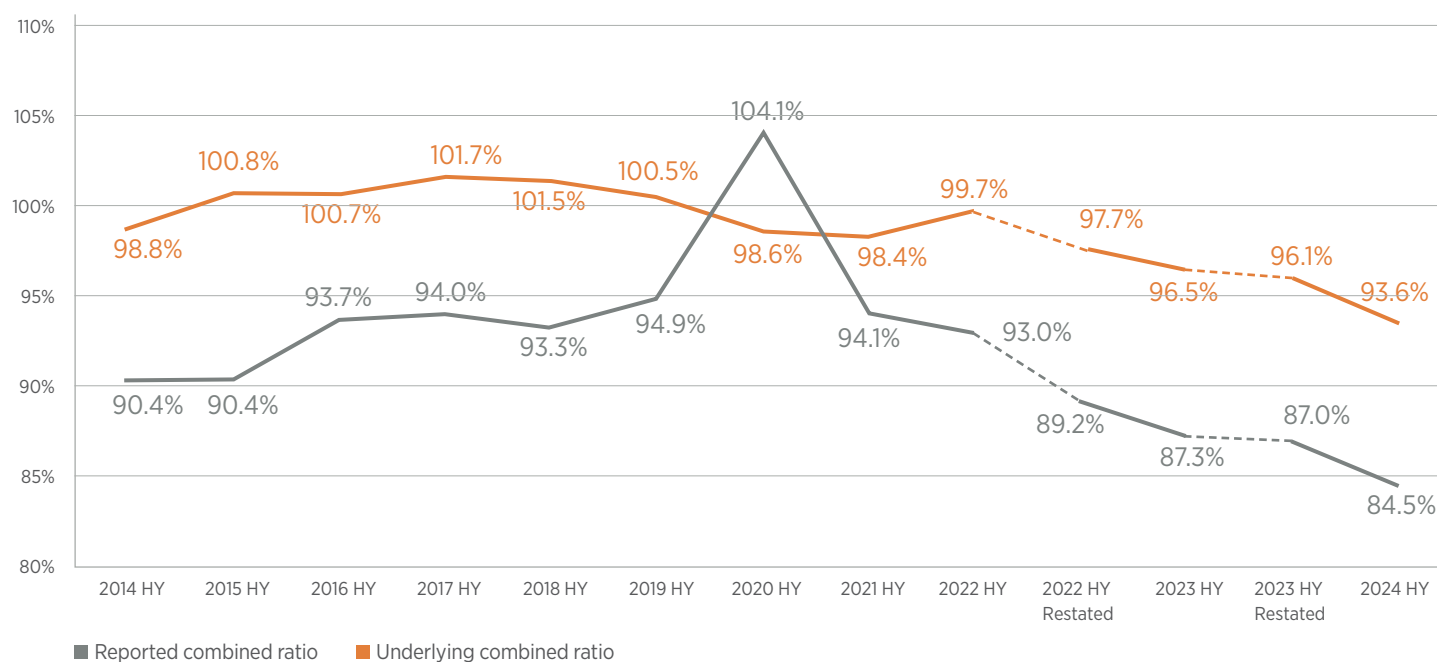
¹⁴ PYD for 2023 HY estimated for Swiss Re and SCOR and 2024 HY is estimated for SCOR; Expense ratio for 2023 HY estimated for Hannover Re and Swiss Re and 2024 HY for Hannover Re; Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS17).

¹⁵ S&P estimated WACC figures with the exception of 2024 HY which is an estimate based on S&P's most recently published figure, which is 2023 HY. Underlying ROE excludes investment gains/losses for 2018 HY onward.

COMBINED RATIO FOR THE SUBSET

Reported and underlying combined ratios at record levels in 2024 HY

Reported and underlying combined ratio for the SUBSET¹¹



Reported combined ratio drop driven by improved natural catastrophe load and attritional loss ratio

Combined ratio detail for the SUBSET^{16, 17}

SUBSET	2014 HY	2015 HY	2016 HY	2017 HY	2018 HY	2019 HY	2020 HY	2021 HY	2022 HY	2022 HY (Restated)	2023 HY	2023 HY (Restated)	2024HY
Reported combined ratio	90.4%	90.4%	93.7%	94.0%	93.3%	94.9%	104.1%	94.1%	93.0%	89.2%	87.3%	87.0%	84.5%
Add discounting impact (IFRS 17)										2.1%	4.0%	4.1%	4.4%
Remove prior year development	4.5%	5.2%	5.2%	3.6%	3.0%	1.2%	0.7%	1.3%	1.6%	1.8%	1.7%	1.9%	1.2%
Accident year combined ratio	94.9%	95.6%	98.9%	97.6%	96.3%	96.0%	104.8%	95.4%	94.7%	93.0%	93.0%	93.0%	90.0%
Strip out nat cat loss	-2.5%	-1.2%	-4.6%	-2.3%	-1.2%	-2.6%	-3.3%	-5.6%	-5.0%	-5.3%	-6.4%	-6.8%	-5.6%
Strip out COVID loss							-11.1%	-0.4%	-0.1%	-0.1%	0.0%	0.0%	0.0%
Ex-nat cat accident year CR	92.4%	94.4%	94.3%	95.3%	95.1%	93.4%	90.4%	89.4%	89.6%	87.6%	86.6%	86.2%	84.5%
Add in normalized nat cat loss	6.4%	6.4%	6.4%	6.4%	6.4%	7.1%	8.2%	9.0%	10.1%	10.1%	9.9%	9.9%	9.1%
Underlying combined ratio	98.8%	100.8%	100.7%	101.7%	101.5%	100.5%	98.6%	98.4%	99.7%	97.7%	96.5%	96.1%	93.6%
Expense ratio					33.1%	32.2%	30.8%	29.6%	29.4%	20.6%	19.9%	17.4%	18.0%
Ex-nat cat accident year loss ratio					62.0%	61.2%	59.6%	59.8%	60.2%	67.0%	66.7%	68.8%	66.5%
Ex-nat cat accident year combined ratio					95.1%	93.4%	90.4%	89.4%	89.6%	87.6%	86.6%	86.2%	84.5%

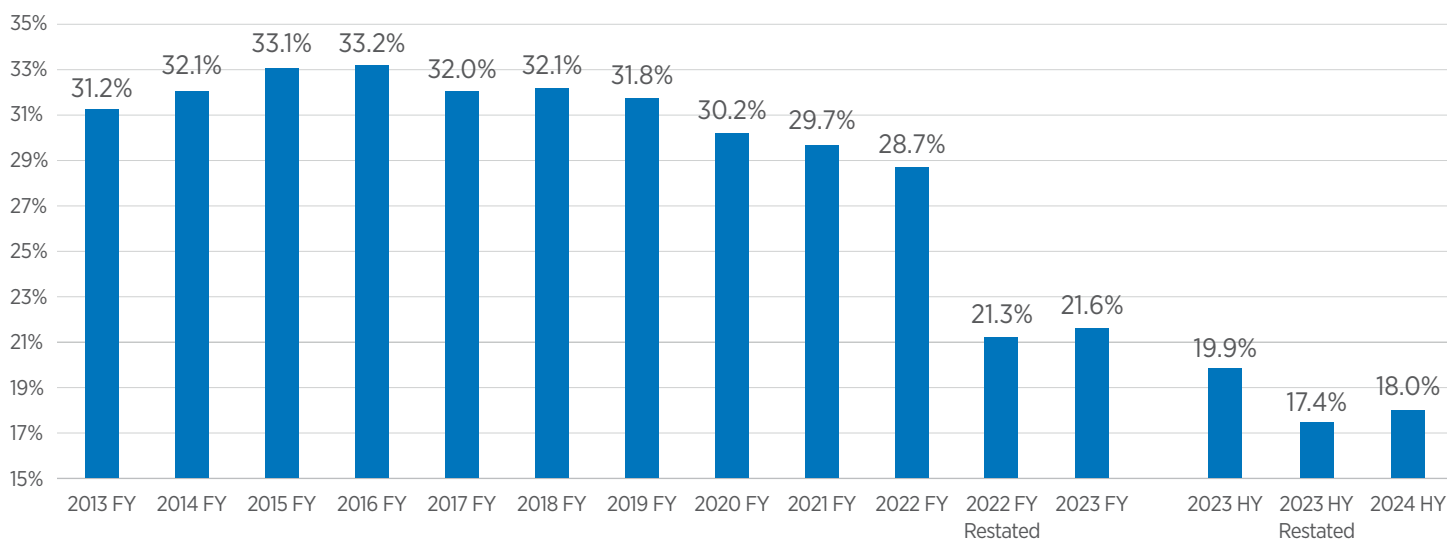
¹⁶SCOR PYD estimated for 2023 HY and 2024 HY. Swiss Re PYD estimated for 2023 HY. Hannover Re expense ratio estimated for 2023 HY and 2024 HY. Swiss Re expense ratio estimated for 2023 HY. Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS17).

¹⁷The 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).

EXPENSES FOR THE SUBSET

Expense growth continued to outpace revenue growth

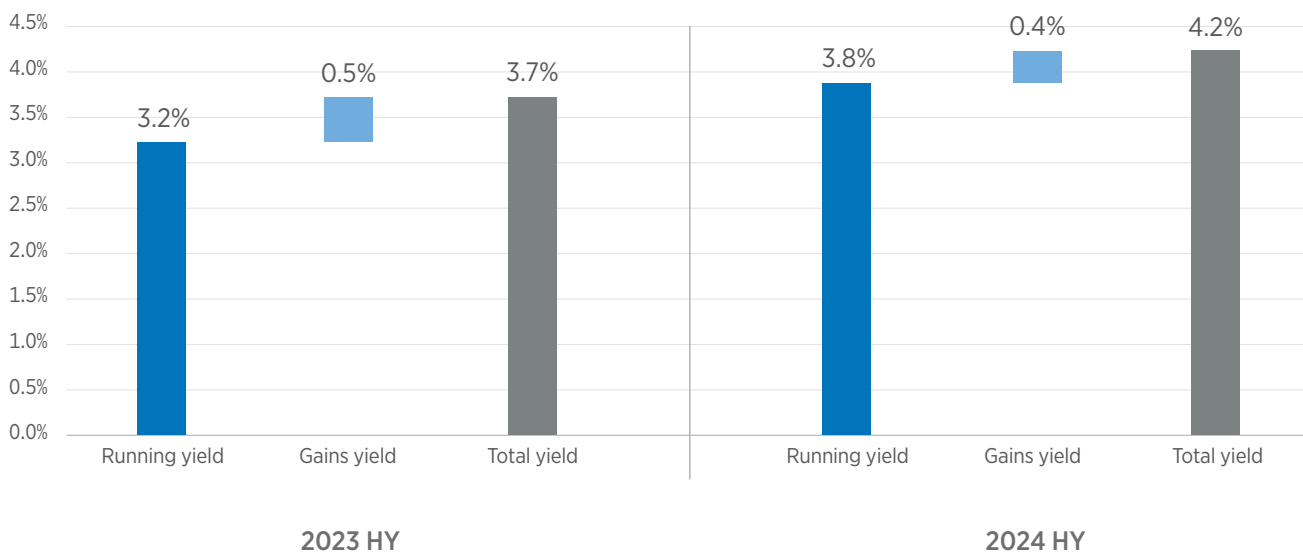
Weighted average expense ratio for the SUBSET^{18, 19, 20}



INVESTMENT YIELD FOR THE SUBSET

Investment income increased due to an improved running yield

Investment yield for the SUBSET²¹



¹⁸The revised methodology we introduced with our half-year 2019 report produced a discontinuity in our time series of SUBSET expense ratios. Several of the companies removed from our constituent list, particularly Lloyd's companies, have high expense ratios. Therefore, our 'revised methodology' expense ratios for 2017 and 2018 are approximately one percentage point lower than the ratios we originally reported.

¹⁹Expense ratio for 2023 HY estimated for Swiss Re and Hannover Re and 2024 HY for Hannover Re.

²⁰See page 30 for further details.

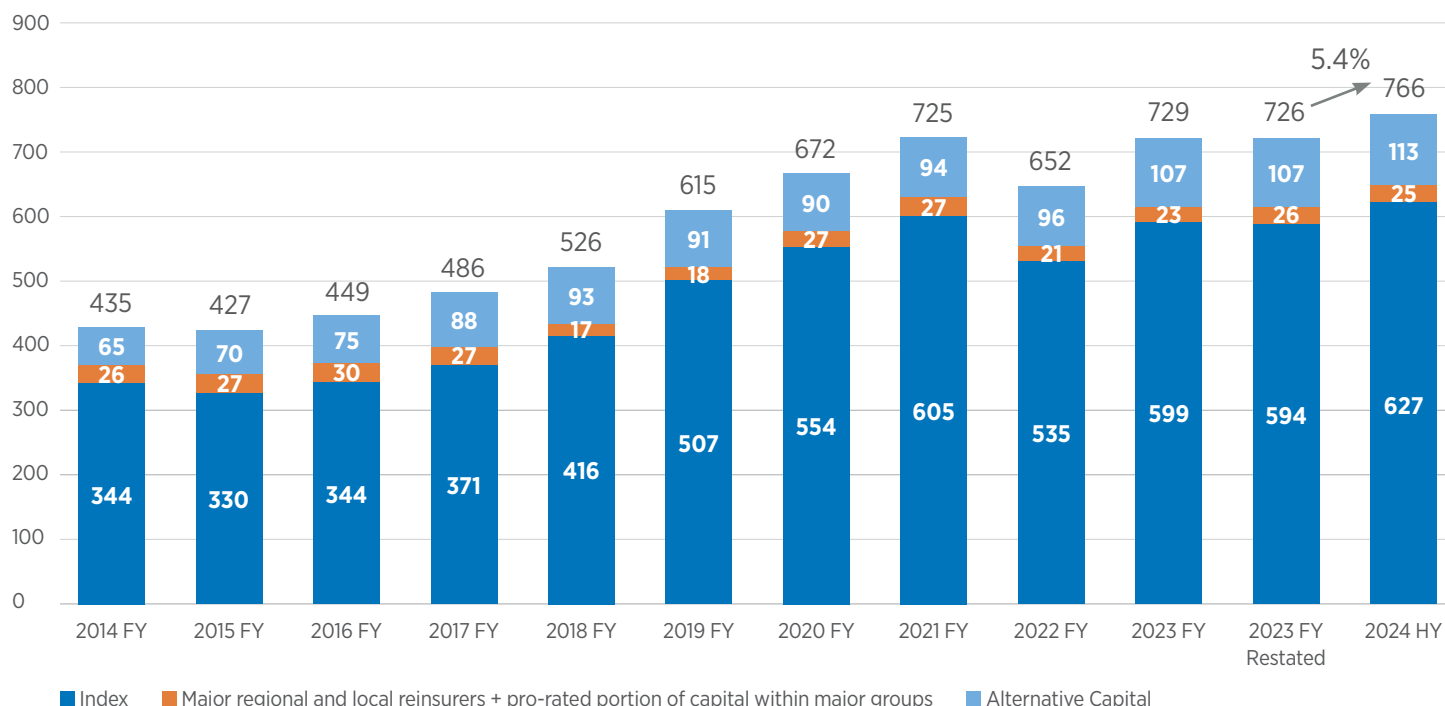
²¹Running yield captures items such as bond coupons, equity dividends and interest income.

Capital

TOTAL REINSURANCE DEDICATED CAPITAL

Reinsurance dedicated capital increases further from the previous highpoint of 2023 FY

Chart 1: Total reinsurance dedicated capital (USD billion)²²



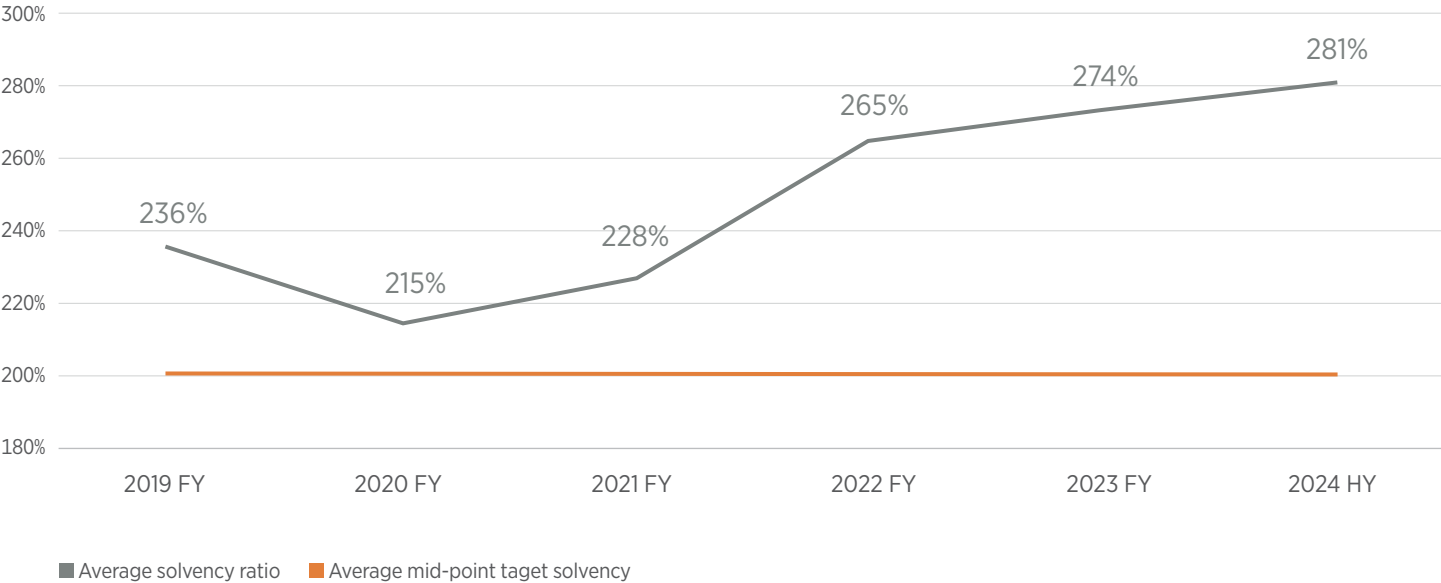
- Global reinsurance capital increased by 5.4% in the first six months of 2024 to USD766B. Capital growth since 2020 FY (+14%) has been outpaced by premium growth (+21%) due to higher underlying demand and inflationary pressures.
- Capital for the INDEX companies, which contribute 82% of total reinsurance dedicated capital, was up 5.6% to USD627B.
- Non-life alternative capital increased by USD6B, or 5.6%, to USD113B, with drivers including increased earnings and capital inflows. Much of the growth came in catastrophe bond mandates.
- 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 281% (2023 FY: 274%), which in most cases is above management target levels.²³

²²Alternative capital excludes life, accident and health (LAH) ILS AuM and mortgage ILS AuM.

²³Rising 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 comfortably above target levels for most European reinsurers

Chart 2: European solvency ratios²⁴

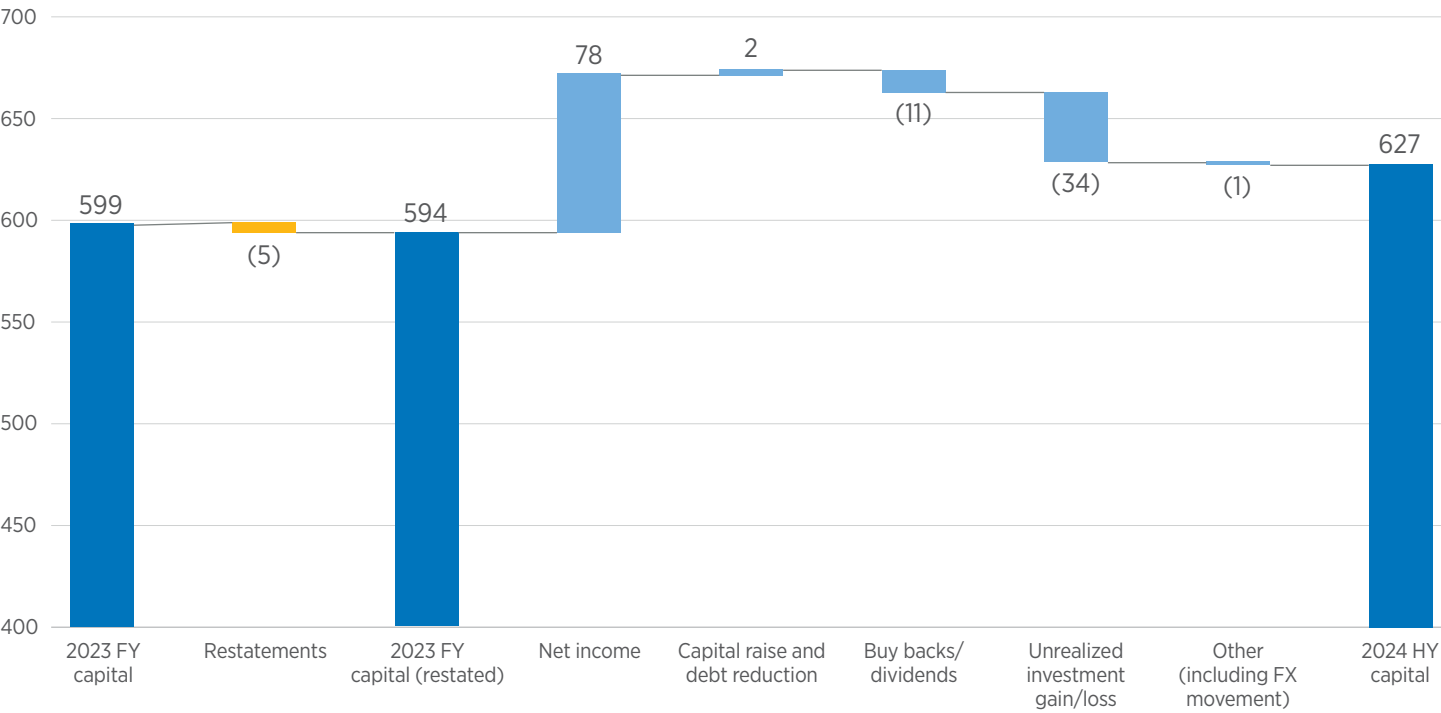


²⁴Reflects Hannover Re, Munich Re, SCOR and Swiss Re. Swiss Re based on SST, all others based on solvency 2. Swiss Re 2024 HY figure is an estimate based on management's guidance that the SST coverage remains above 300%.

INDEX CAPITAL

INDEX capital up due to strong net income

Chart 3: Capital analysis for the INDEX (USD billion)²⁵

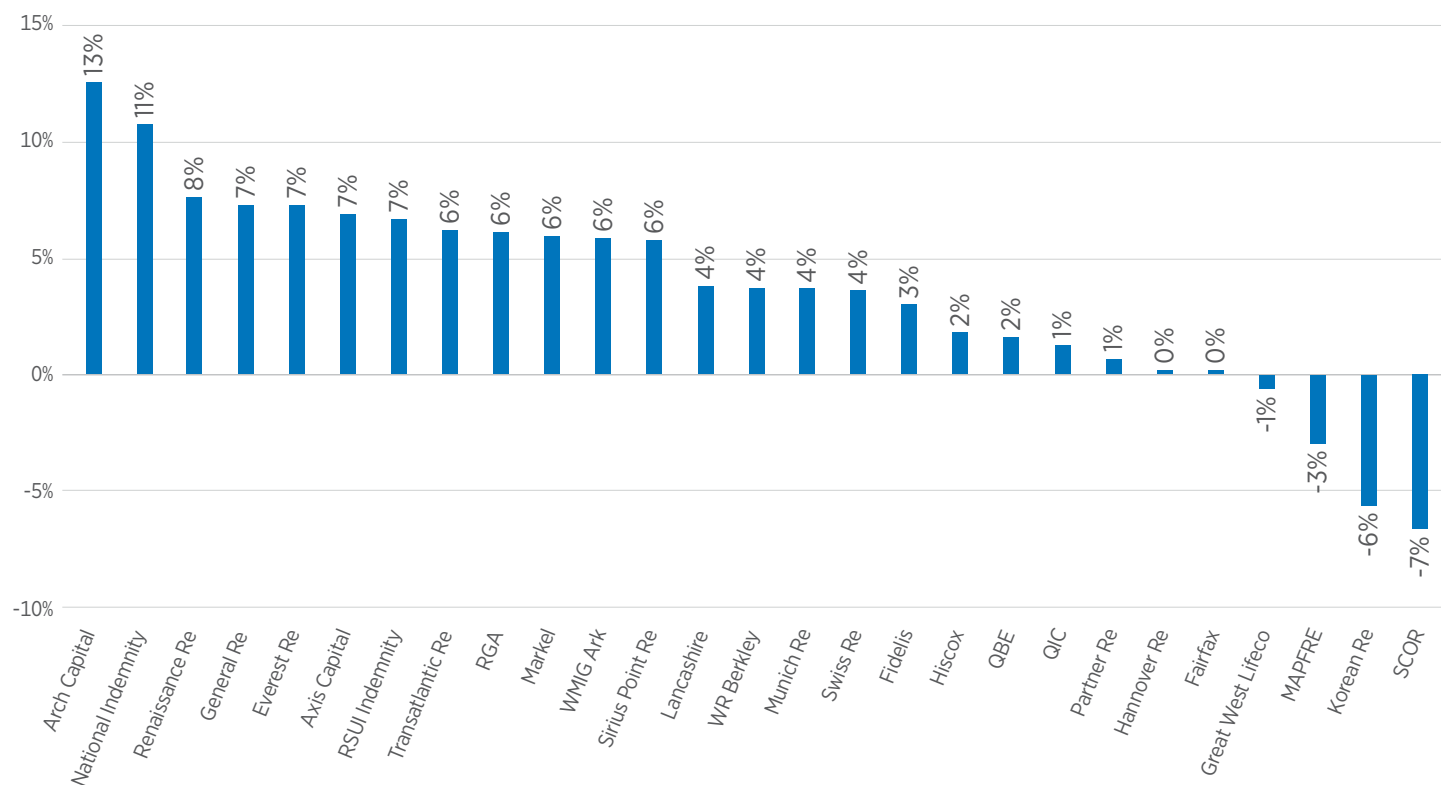


- INDEX capital rose by USD33B to USD627B due to strong net income of USD78B, partially offset by USD34B of unrealized investment depreciation, which was almost entirely attributable to National Indemnity.
- Net income of USD78B was up from USD22B at 2023 HY driven by National Indemnity’s USD51B of realized investment gains (2023 HY: USD0.7B). The increase in net income was also supported by higher underwriting and investment profitability, the latter benefiting from a 0.6ppt rise in the running yield and a positive gains yield.
- INDEX companies returned 14% of their net income through buy-backs and dividends which together totalled USD11B.
- We continue to see a lack of new entrants despite continued favorable market conditions. The net balance of capital raises versus debt reduction accounted for only USD2B. However, as per Chart 1, non-life alternative capital continued to grow, by 5.6%.

²⁵We have re-stated year-end 2023 capital from USD599B to USD594B due to late filers and re-stated capital for IFRS 17 reporters.

Capital rises for the majority of INDEX companies

Chart 4: Movement in capital at 2024 HY for the INDEX constituents²⁶



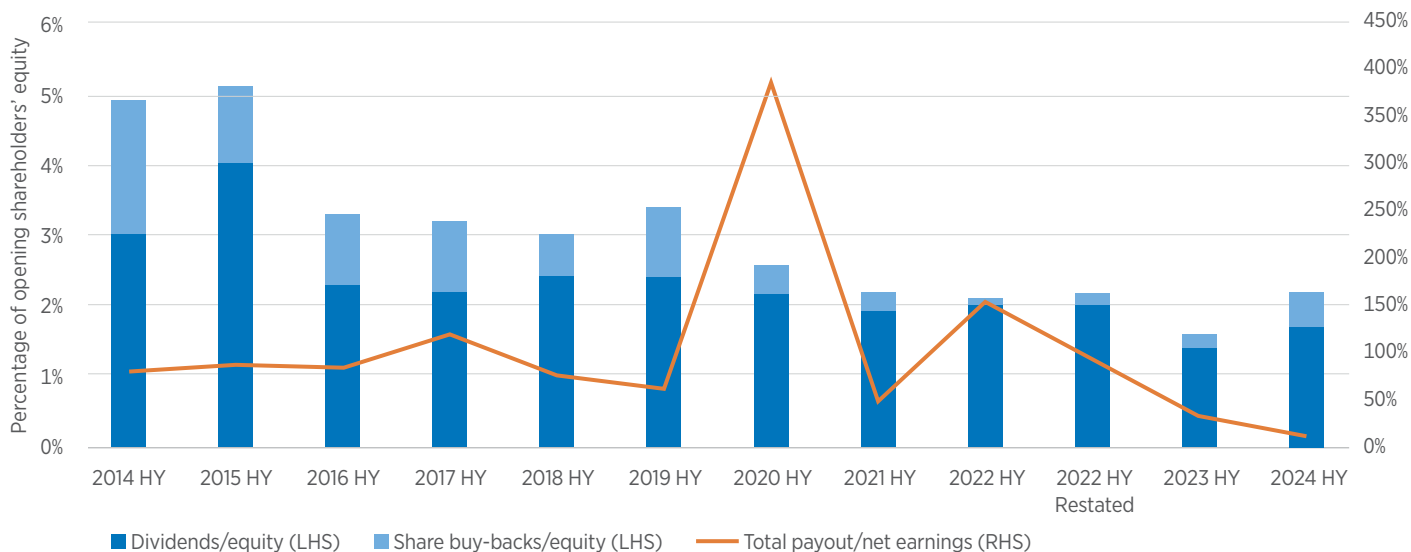
- Most INDEX companies reported higher capital bases, driven mainly by continued strong net income.
- Arch Capital's 13% rise in capital was driven by net income of USD2.3B, supported by strong underwriting and investment profitability.
- National Indemnity's capital increased by 11%, 8ppts of which was due to appreciation in the value of its investment portfolio.
- SCOR's capital decreased by 7% due to a retained loss driven by reserve strengthening for its L&H business. SCOR's P&C Re business remained profitable with a combined ratio of 87%.

²⁶Excludes companies who have not yet reported 2024 HY.

RETURN OF CAPITAL

Return of capital as a percentage of shareholders' equity increases

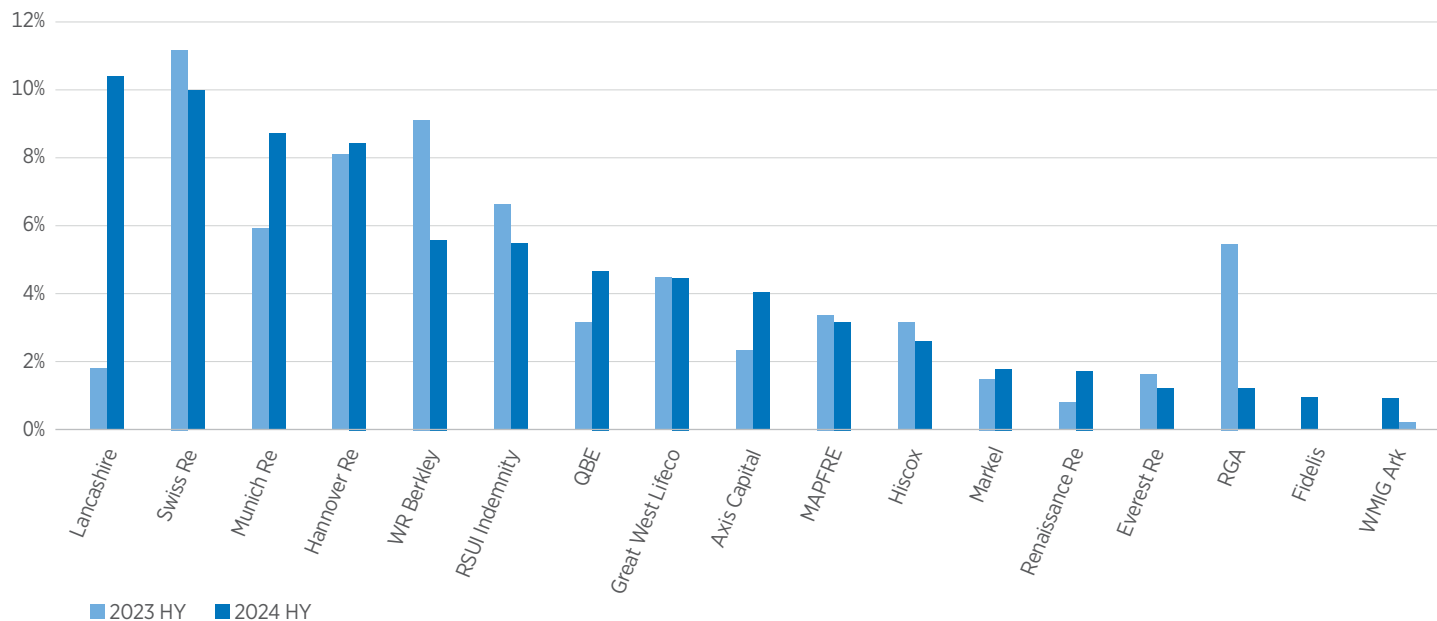
Chart 5: Return of capital (as a percentage of opening shareholders' equity) and payout ratio for the INDEX



- Total capital return (dividends plus buy-backs) as a percentage of shareholders' equity increased to 2.2% (2023 HY: 1.6%).
- As is generally the case at half-year, capital return was mainly through dividends, which comprised 77% of the total. The top four European reinsurers contributed almost two thirds of these dividends (2023 HY: 66%).
- Despite a 41% increase in total capital returned, the payout ratio as a percentage of net earnings reduced to 13% (2023 HY: 34%) due to significantly higher net earnings driven by an increase in realized investment gains by National Indemnity to USD51B (2023 HY: USD0.7B). This ratio is typically more volatile than capital return as a percentage of shareholders' equity because capital levels are usually more stable than earnings. Trends in capital payout as a percentage of shareholders' equity should therefore be more informative.

Capital return increases for almost half of INDEX companies

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

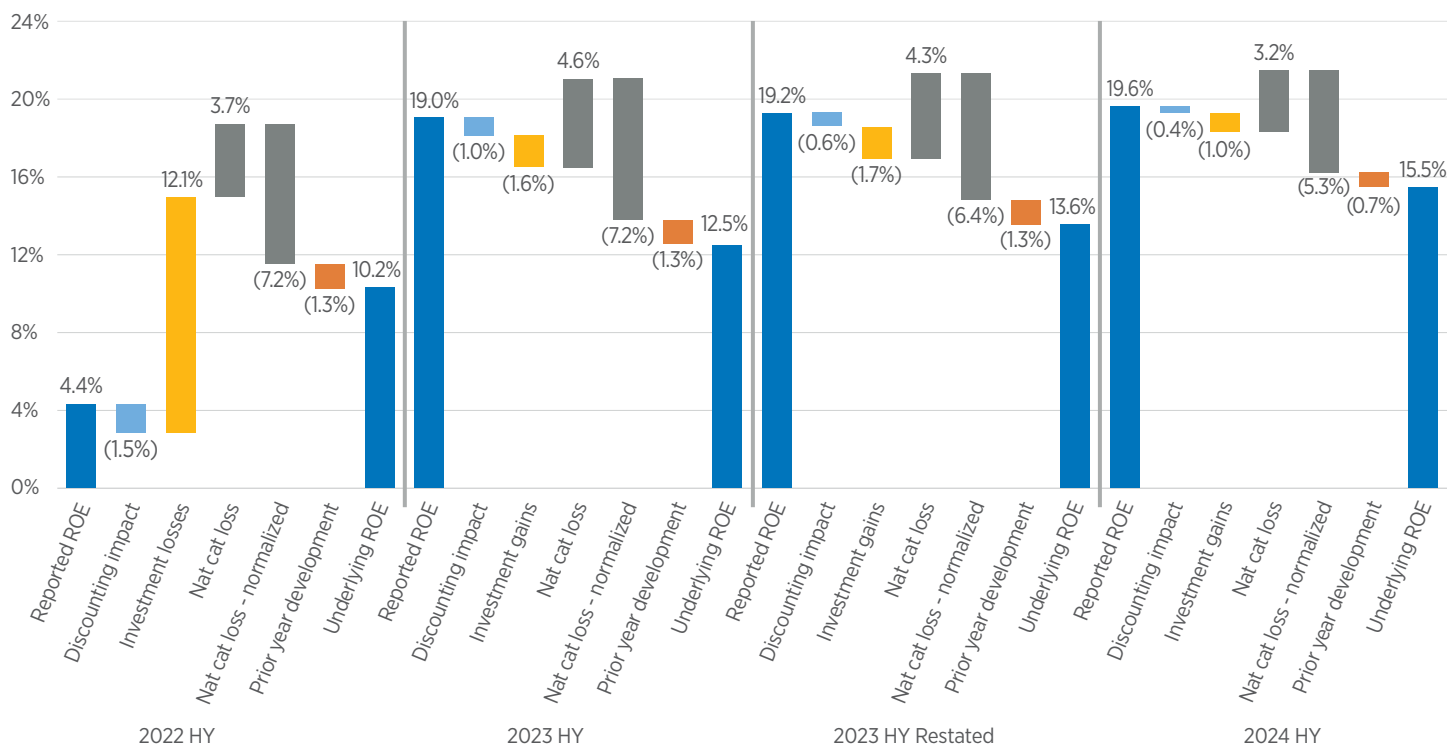


- Of those INDEX constituents which returned capital, about half reported a higher ratio of capital return as a percentage of opening shareholders' equity at 2024 HY.
- Lancashire's capital return ratio increased to 10.3% (2023 HY: 1.8%) due to substantial growth in capital returned (thanks to a special dividend) outpacing growth in shareholders' equity.
- Swiss Re's capital return ratio decreased as the increase in capital returned was outpaced by shareholders' equity growth.
- The driver of the increased capital return ratios for Hannover Re and Munich Re was growth in capital returned.

RETURN ON EQUITY

Underlying ROE continues to build, headline ROE settling at exceptional levels

Chart 7: ROE analysis for the SUBSET²⁷



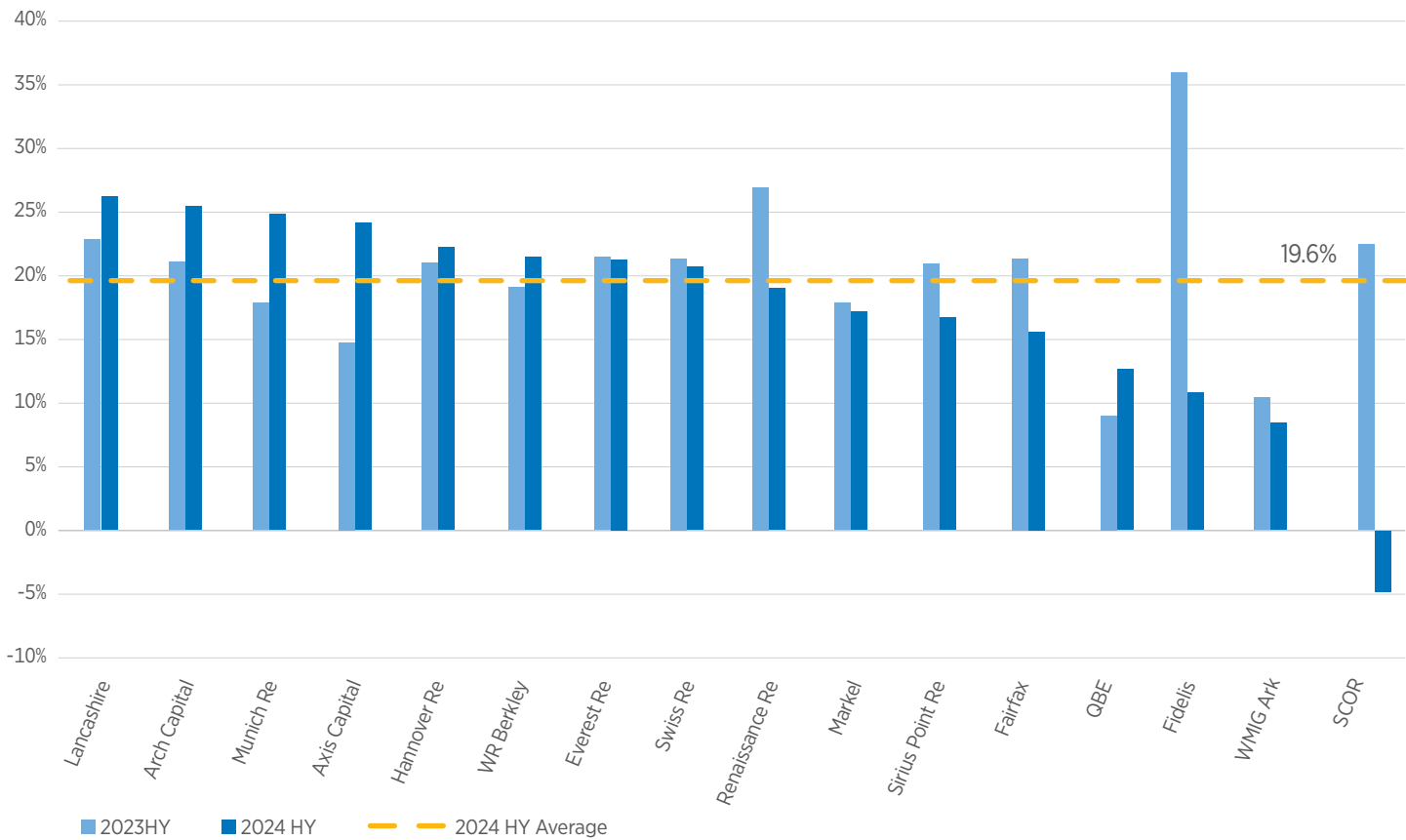
- The reported ROE for the SUBSET companies marginally increased to 19.6% (2023 HY: 19.2%), stabilizing at the exceptional levels of profitability reported in 2023.
- In calculating the underlying ROE we strip out investment gains/losses,²⁸ the impact from prior year developments, and we normalize for natural catastrophe losses. Adjusting for these factors, we calculate an underlying ROE of 15.5%, a continued material improvement over 2023 HY (13.6%). The underlying ROE has now improved by 5.3ppts cumulative over the past two years, driven by both improved underlying underwriting results and higher running investment yields.
- In addition to the improved underlying underwriting performance, the headline ROE in 2024 continues to benefit from natural catastrophe losses being below normalized levels for the reinsurers. This provided a 2.1ppts tailwind to the headline ROE in both 2024 HY and 2023 HY.

²⁷SCOR PYD estimated for 2023 HY and 2024 HY. Swiss Re PYD estimated for 2023 HY. Hannover Re expense ratio estimated for 2023 HY and 2024 HY. Swiss Re expense ratio estimated for 2023 HY. Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS17).

²⁸We 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.

Attractive returns reported by most SUBSET companies

Chart 8: Reported ROE for the SUBSET constituents²⁹



- Although the ROE for the SUBSET overall was relatively stable, on an individual company basis there is more volatility. However, with the exception of SCOR, WMIG Ark, Fidelis and QBE, all companies (75% of the SUBSET) delivered a ROE of at least 15%.

²⁹ROEs 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.

Underwriting margin drives the uplift in underlying ROE

Chart 9: ROE components for the SUBSET³⁰

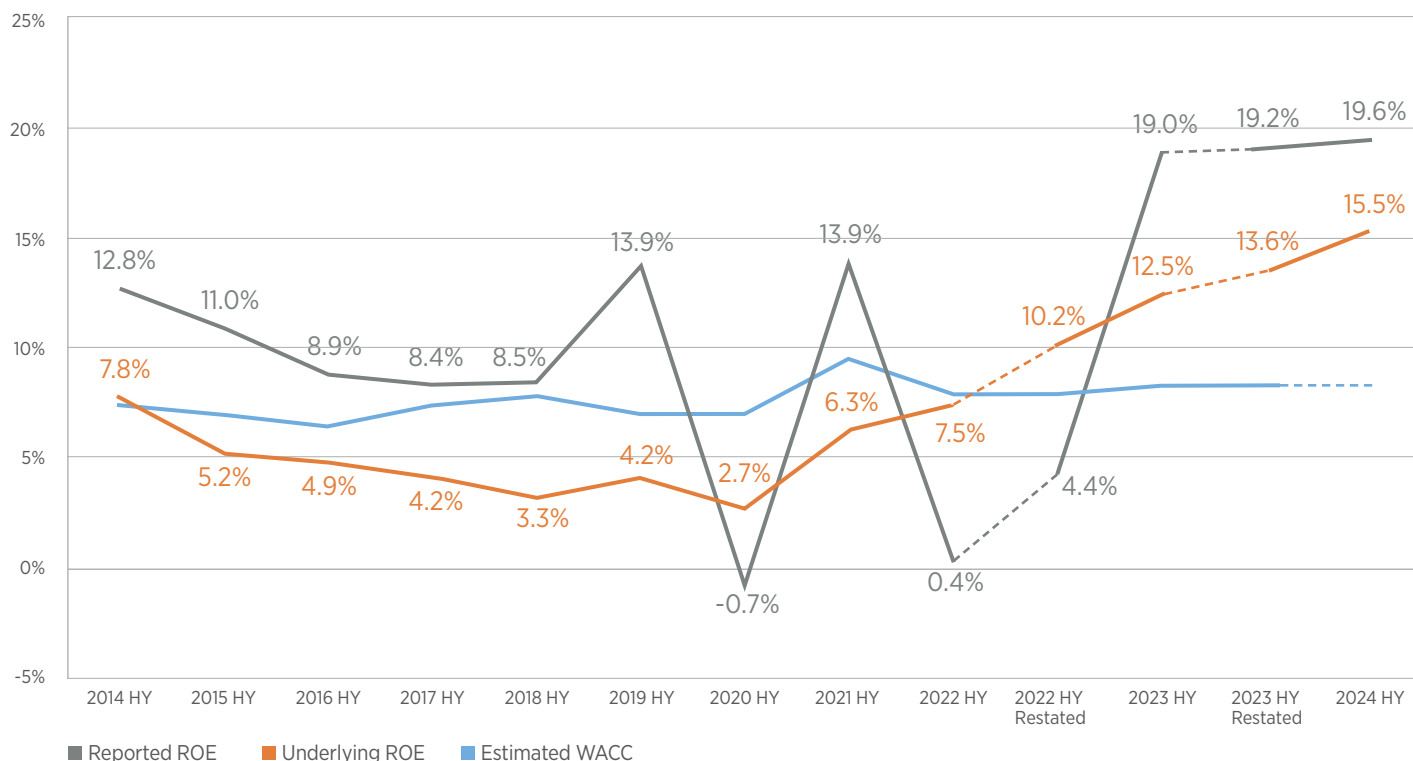
	2022 HY	2023 HY	2023 HY Restated	2024 HY
Reported ROE	4.4%	19.0%	19.2%	19.6%
Remove impact of discounting	-1.5%	-1.0%	-0.6%	-0.4%
Remove nat cats	3.7%	4.6%	4.3%	3.2%
Add in normalized nat cats	-7.2%	-7.2%	-6.4%	-5.3%
Remove prior year development	-1.3%	-1.3%	-1.3%	-0.7%
Strip out investment gains/losses	12.1%	-1.6%	-1.7%	-1.0%
Underlying ROE	10.2%	12.5%	13.6%	15.5%
Composition of underlying ROE				
Underlying underwriting margin	1.6%	2.7%	2.7%	3.9%
Running investment income	7.1%	10.6%	10.5%	11.3%
Other income / expenses	1.5%	-0.7%	0.4%	0.3%
Underlying ROE	10.2%	12.5%	13.6%	15.5%

- Looking at the components of the underlying ROE, the improvement in underlying underwriting income and running investment income are key factors behind the increasing underlying ROE.
- The increase in the underlying underwriting margin is driven by the meaningful improvement in underlying combined ratio. The underlying underwriting margin increased from 2.7% a year ago to 3.9%.
- The increase in interest rates has materially increased the running investment income and as a result the investment margin contribution increased to 11.3%, from 10.5%.
- 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 increase in underlying ROE is making earnings considerably more resilient and provides an increasing cushion to absorb any potential earnings volatility coming from natural catastrophe losses, for example, or financial market volatility.

³⁰SCOR PYD estimated for 2023 HY and 2024 HY. Swiss Re PYD estimated for 2023 HY. Hannover Re expense ratio estimated for 2023 HY and 2024 HY. Swiss Re expense ratio estimated for 2023 HY. Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS17).

Underlying ROE continues to sharply increase and is now more than 7ppts above the WACC

Chart 10: ROE time series for the SUBSET^{31, 32}



- After years of weak returns and high volatility, reported ROEs have settled at exceptionally attractive levels (19% or more) over the past two years. At the same time the underlying ROE increased almost 13ppts from the trough in 2020 to reach 15.5% in 2024 HY aided by both better underlying underwriting results and a stronger running investment income.
- This marks 2024 (HY) as the third year in a row when reinsurers are on track to deliver an underlying ROE that surpasses their weighted average cost of capital (WACC). For 2024 HY the underlying ROE stood at almost 2x the cost of capital, delivering a 7ppts margin over the WACC. This follows a period of at least nine consecutive years where the industry struggled to deliver appropriate returns. Strictly speaking, ROEs should be compared to cost of equity, which will be somewhat above WACC. Nevertheless, improved underlying operating results and higher interest rates are enabling reinsurers to generate underlying returns that create shareholder value.
- As discussed in the previous edition of the Reinsurance Market Report 2023³³, as a result of the significant improvement in profitability over the past two years the industry has fully recouped for weaker profit years (2017-2020). On a cumulative basis, the SUBSET has generated a reported ROE above the WACC for the 2017-2024 HY period. Including the strong 2024 HY results, we estimate the SUBSET earned a 0.8ppts margin above the WACC, equalling 11% of the WACC, on average for the 2017-2024 HY period.

³¹S&P estimated WACC figures with the exception of 2024 HY which is an estimate based on S&P's most recently published figure, which is 2023 HY. Underlying ROE excludes investment gains/losses for 2018 HY onward.

³²SCOR PYD estimated for 2023 HY and 2024 HY. Swiss Re PYD estimated for 2023 HY. Hannover Re expense ratio estimated for 2023 HY and 2024 HY. Swiss Re expense ratio estimated for 2023 HY. Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS 17).

³³From Gallagher Re's Reinsurance Market Report 2023

- The increasing investment margin has been an important support of the improved underlying ROE, in addition to improved underlying underwriting margins, as discussed earlier. The running yield improved a further 0.6ppts in 2024 HY, reaching 3.8%. The running yield almost doubled over the past two years (from 2.2%) and running yields (3.8%) are starting to align with new money yields (4.25-4.75%). Although most of the improvement in running yield has therefore been earned, there seems to be some further room for earn through based on current interest rate and corporate spread levels despite the recent notable decline in interest rates. An incremental 0.5ppt improvement in the running yield would benefit the underlying ROE by an estimated 1.4% and imply underlying ROEs settling around 17%, all else being equal.
- If interest rates continue to decline this could over time lead to a reduction in running yields again. However, long-term interest rates would need to decline by more than 2ppts from current levels for the underlying ROE over time to reduce to levels in line with the WACC, all else being equal. With the underlying ROE substantially ahead of the WACC, the industry has ample cushion to absorb any potential headwinds, whether that is driven by interest rates / financial markets or natural catastrophe losses.

Interest rate sensitivity on underlying ROE

Underlying ROE	15.5%
WACC	8.4%
Gap	7.1%
Impact on ROE from a 50bps move in interest rate	1.4%
Interest rate move required for underlying ROE to reach WACC	2.5%

- It has been predicted^{34,35} that the 2024 hurricane season may be hyperactive. The starting point for the reinsurers is one of resilience, with strong underlying profitability and natural catastrophe losses below historic average levels in 2024 HY. We estimate that even in a scenario where reinsurers’ H2 natural catastrophe losses were very significantly higher than average normalized levels, the SUBSET should be well positioned to still deliver a ROE above the WACC on a full year basis.

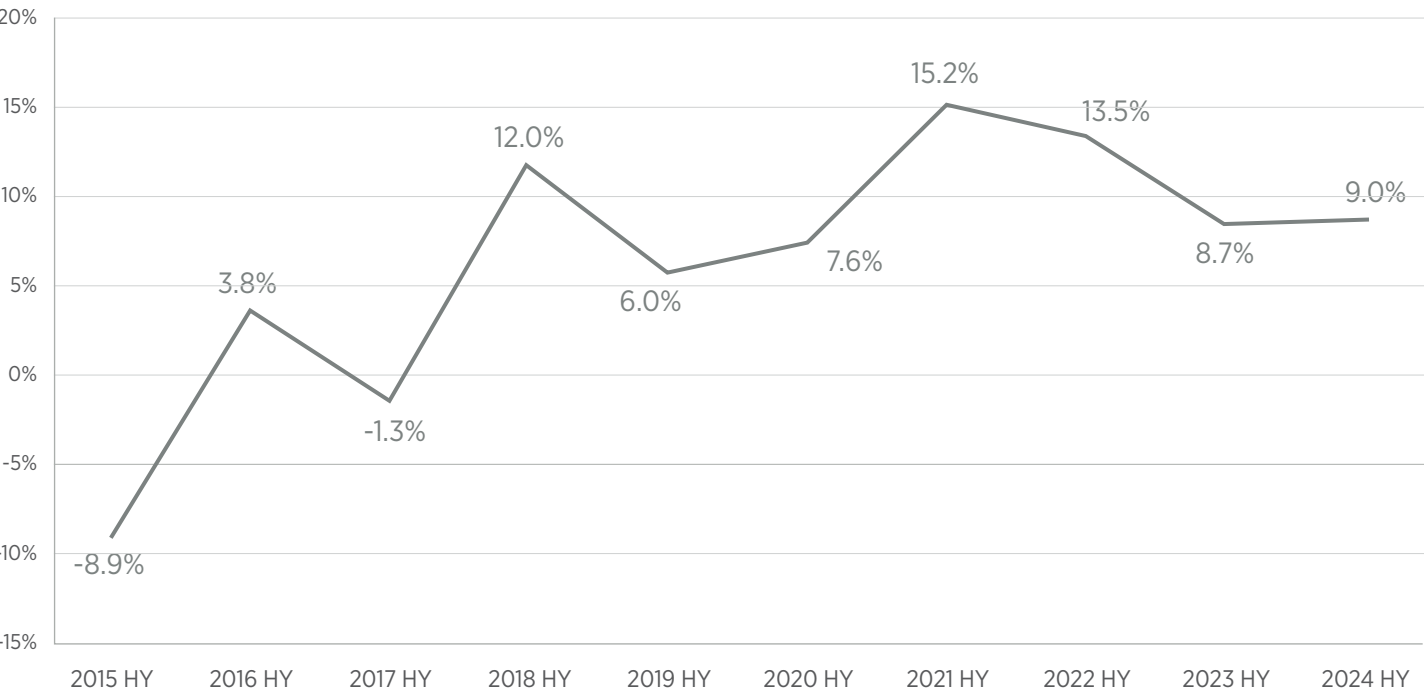
³⁴From Gallagher Re’s Natural Catastrophe and Climate Report: H1 2024
³⁵Forecast of Atlantic seasonal hurricane activity and landfall strike probability for 2024

Underwriting performance

PREMIUM VOLUMES

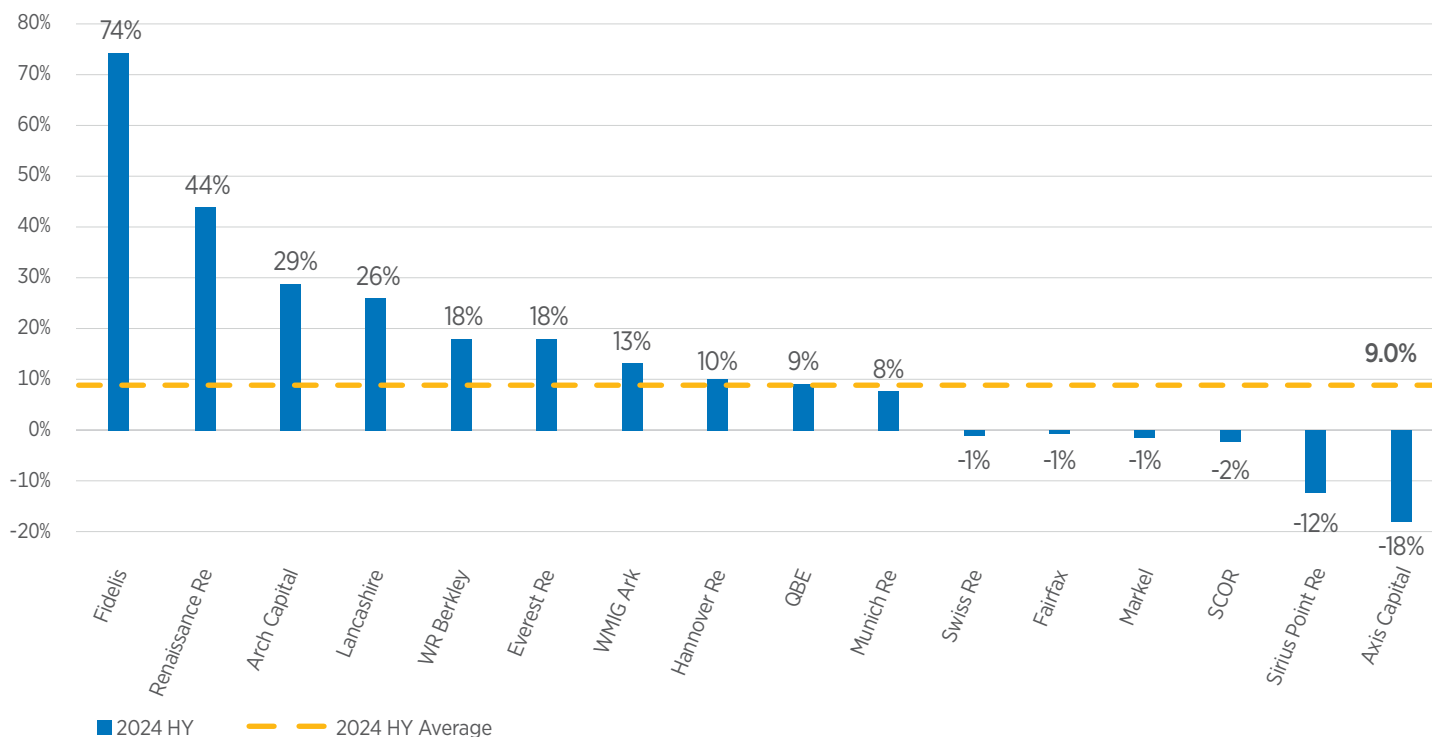
Revenue growth continues at a similar rate to 2023 HY

Chart 13: Revenue growth over time of SUBSET constituents (USD basis)³⁶



Most companies experienced revenue growth driven by rate increases rather than an increase in volumes

Chart 14: 2024 HY change in relevant net revenues³⁶ (USD basis) for the SUBSET constituents



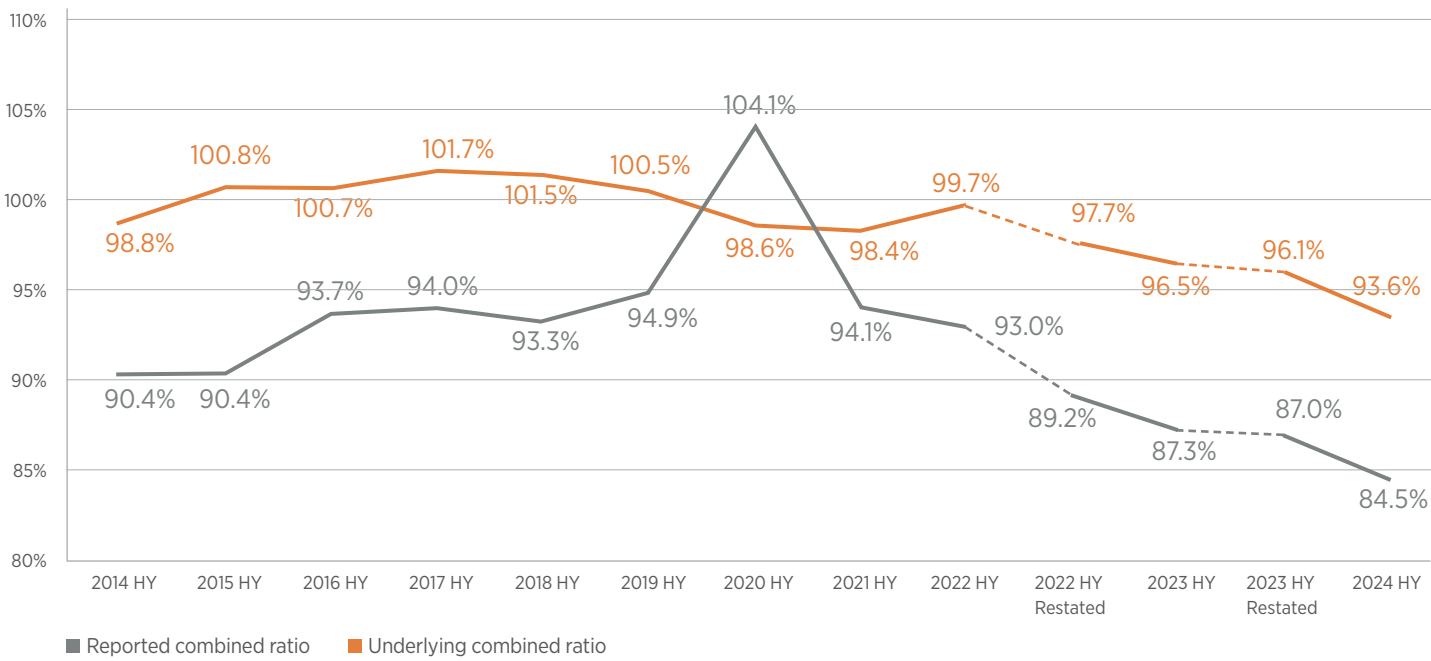
- 2024 HY revenue growth remained strong at 9.0%, a slight uptick compared to 8.7% in 2023 HY. Growth was driven by rate increases for property and casualty reinsurance and commercial insurance business, which continued into 2024. Volume growth remained muted as a result of increasing attachment points and portfolio management actions.
- Half of companies reported double-digit revenue growth; the most significant rises were due to targeted expansion in the hard market. Renaissance Re's 44% growth was driven by the renewal of premiums gained from the acquisition of Validus Re from AIG.
- Around one third of companies reported revenue decreases in 2024 HY. Axis Capital's premium reduction reflected an increase in premiums ceded to its strategic capital partners; on a gross basis premiums grew by 9%. Sirius Point Re's revenue decline is due to its decisions to reduce its US casualty exposure.
- Whilst SCOR also reduced its US casualty exposure, its revenue decline is driven by FX movements between 2023 HY and 2024 HY. On a constant currency basis SCOR's revenues remained broadly flat as revenue growth in other lines offset the reduction in US casualty revenues.

³⁶Net earned premiums (for companies that report on a US GAAP basis), or net insurance service revenues (for companies that report on an IFRS17 basis), relate to the reinsurance segment if disclosure is available, or otherwise to the consolidated group. Appendix 1 explains in more detail.

COMBINED RATIOS

Reported and underlying combined ratios at record levels in 2024 HY

Chart 15: Reported and underlying combined ratio time series for the SUBSET³⁷



³⁷SCOR PYD estimated for 2023 HY and 2024 HY. Swiss Re PYD estimated for 2023 HY. Hannover Re expense ratio estimated for 2023 HY and 2024 HY. Swiss Re expense ratio estimated for 2023 HY. Natural catastrophe losses for 2023 HY estimated for Swiss Re (IFRS 17).

Reported combined ratio drop driven by improved natural catastrophe load and attritional loss ratio

Chart 16: Combined ratio detail for the SUBSET^{37, 38}

SUBSET	2014 HY	2015 HY	2016 HY	2017 HY	2018 HY	2019 HY	2020 HY	2021 HY	2022 HY	2022 HY (Restated)	2023HY	2023 HY (Restated)	2024 HY
Reported combined ratio	90.4%	90.4%	93.7%	94.0%	93.3%	94.9%	104.1%	94.1%	93.0%	89.2%	87.3%	87.0%	84.5%
Add discounting impact (IFRS 17)										2.1%	4.0%	4.1%	4.4%
Remove prior year development	4.5%	5.2%	5.2%	3.6%	3.0%	1.2%	0.7%	1.3%	1.6%	1.8%	1.7%	1.9%	1.2%
Accident year combined ratio	94.9%	95.6%	98.9%	97.6%	96.3%	96.0%	104.8%	95.4%	94.7%	93.0%	93.0%	93.0%	90.0%
Strip out nat cat loss	-2.5%	-1.2%	-4.6%	-2.3%	-1.2%	-2.6%	-3.3%	-5.6%	-5.0%	-5.3%	-6.4%	-6.8%	-5.6%
Strip out COVID loss							-11.1%	-0.4%	-0.1%	-0.1%	0.0%	0.0%	0.0%
Ex-nat cat accident year CR	92.4%	94.4%	94.3%	95.3%	95.1%	93.4%	90.4%	89.4%	89.6%	87.6%	86.6%	86.2%	84.5%
Add in normalized nat cat loss	6.4%	6.4%	6.4%	6.4%	6.4%	7.1%	8.2%	9.0%	10.1%	10.1%	9.9%	9.9%	9.1%
Underlying combined ratio	98.8%	100.8%	100.7%	101.7%	101.5%	100.5%	98.6%	98.4%	99.7%	97.7%	96.5%	96.1%	93.6%
Expense ratio					33.1%	32.2%	30.8%	29.6%	29.4%	20.6%	19.9%	17.4%	18.0%
Ex-nat cat accident year loss ratio					62.0%	61.2%	59.6%	59.8%	60.2%	67.0%	66.7%	68.8%	66.5%
Ex-nat cat accident year CR					95.1%	93.4%	90.4%	89.4%	89.6%	87.6%	86.6%	86.2%	84.5%

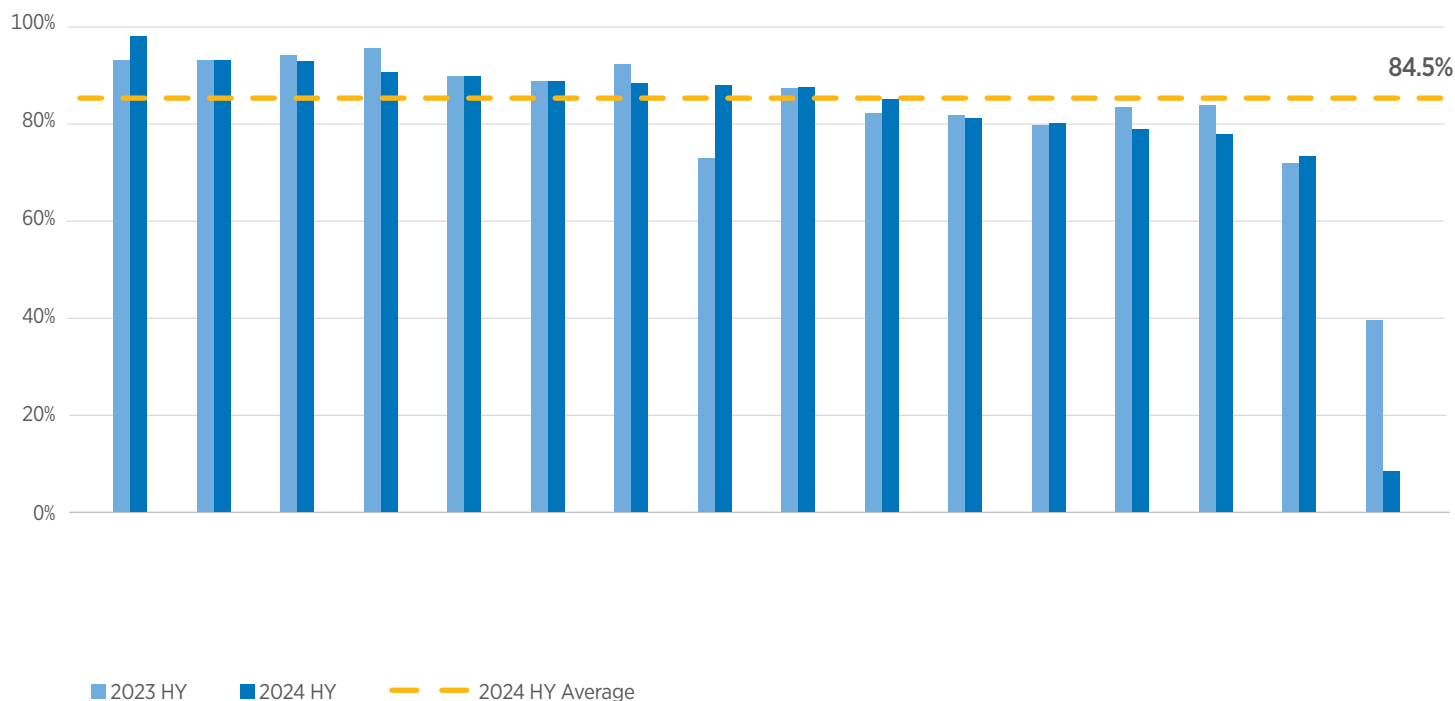
- The reported combined ratio improved significantly at 2022 HY on transition to IFRS 17, dropping from 93.0% originally reported, to 89.2%. This is mainly driven by the introduction of discounting and ceding commissions being deducted from revenues, rather than being reflected in expenses for IFRS 17 reporters.
- From this basis, the reported combined ratio continued to decline in 2023 HY to 87.3% mainly thanks to a higher discounting benefit. Adjusting for Swiss Re, which started reporting under IFRS 17 at the beginning of 2024, and Fairfax's constituent change,³⁹ the reported combined ratio improved further to 87.0% at 2023 HY accentuating the discounting benefit and the reduction in the expense ratio.
- In 2024 HY, the reported combined ratio fell 2.5ppts from this restated basis to 84.5%, for the first time dropping below the 85% mark, despite a reduction in reserve releases (from 1.9ppts to 1.2ppts) and a higher expense ratio, thanks to a lower load for natural catastrophe losses (-1.2ppts) and a better ex-nat cat accident year loss ratio (-2.3ppts). The decline in ex-nat cat accident year loss ratio is driven by a combination of earn through of rate increases and less prudence building by, for example, Hannover Re and Munich Re. The favorable impact from discounting increased slightly (+0.3ppts).
- The normalized natural catastrophe load reduced from 9.9% to 9.1%, as the relatively natural catastrophe light 2023 FY replaced the heavier 2018 FY in our calculation.
- Together, these factors have contributed to the solid 2.5ppts improvement in the underlying combined ratio to 93.6%, which also proved to be the strongest level achieved since the Reinsurance Market Report started in 2014.

³⁸The 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).

³⁹Fairfax has been updated from Group figures in 2023 HY to the sum of Brit, Odyssey and Allied World's figures for 2024 HY. Fairfax's Group combined ratio includes the effect of discounting, while the combined ratio for Brit, Odyssey and Allied World does not.

Most companies reported lower combined ratios in 2024 HY

Chart 17: Reported combined ratios for the SUBSET constituents



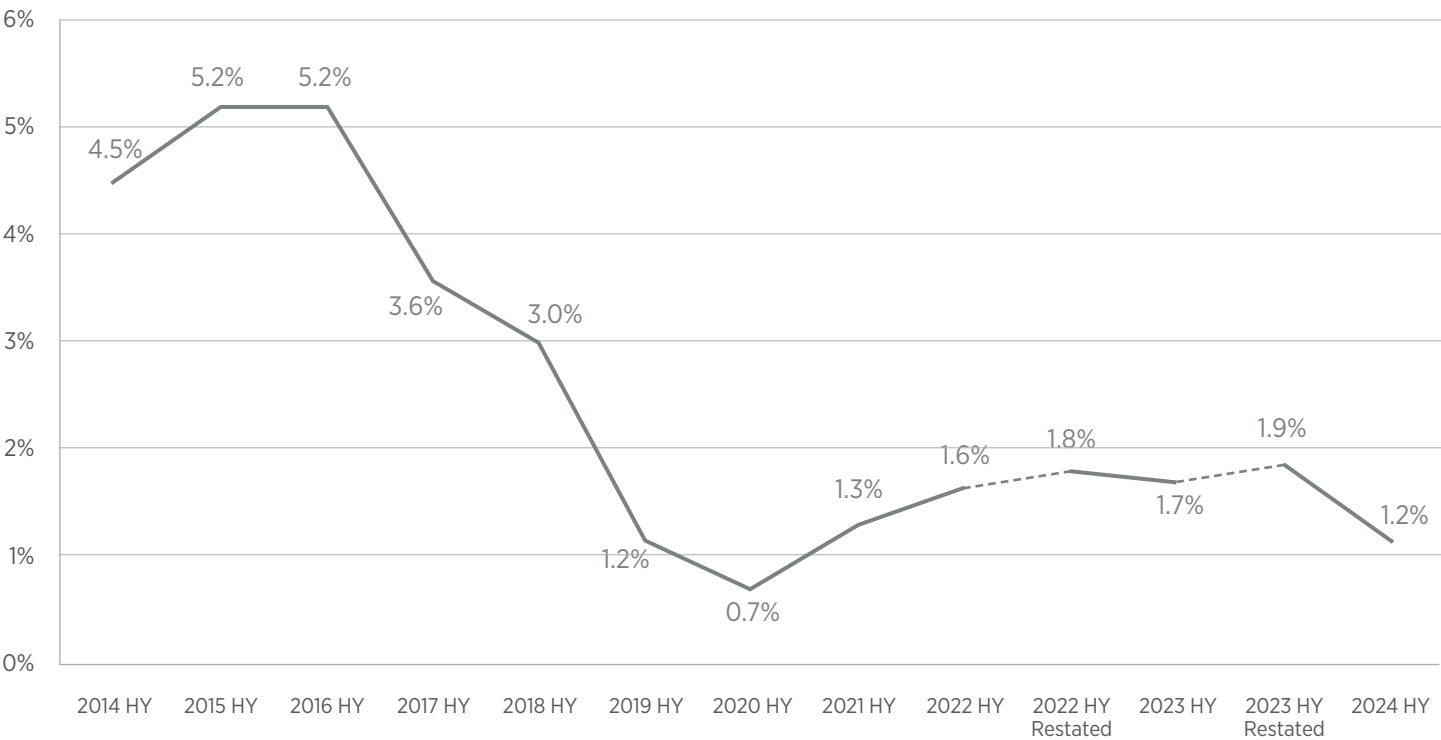
- Once again in this half year, all SUBSET companies reported a sub-100% combined ratio. There is however no widespread trend, with half the SUBSET companies reporting an improvement in the combined ratio while the other half reported a deterioration.
- The bulk of the aggregate combined ratio reduction for the SUBSET is caused by Munich Re, whose combined ratio declined 6.0ppts to 77.5% from rate earn through and lower reserve building. QBE and Arch also reported a material drop in their combined ratios (4.9ppts and 4.7ppts respectively). For QBE, this was driven by lower natural catastrophe claims and reserve releases, while Arch benefitted from rate earn through, a lower expense ratio and a change in the business mix. Fidelis reported a significant improvement to its reinsurance “underwriting ratio,”⁴⁰ from 39.3% in 2023 HY to 8.5% in 2024 HY thanks to improvements in the attritional and catastrophe and large loss ratios. Fidelis’s ratio was low in both 2023 HY and 2024 HY, helped by considerable (30ppts+) reserve releases.
- Sirius Point Re, Markel and Swiss Re were the only companies reporting meaningful (2ppts+) combined ratio deteriorations. For Sirius Point Re, this was particularly significant (c. 15ppts), driven by reduced PYD, but the company remains strongly profitable (87.2% combined ratio in 2024 HY). For Swiss Re this is driven by continued efforts to increase reserve resilience (PYD 2024 HY 9.3ppts).

⁴⁰For Fidelis, we use the reported “underwriting ratio” in the analysis presented here. This ratio excludes central costs, including the Fidelis Partnership commission (15.3% of group net earned premium in 2024 HY) and general & administrative expenses (4.9% of group net earned premium in 2024 HY)

PRIOR-YEAR LOSS DEVELOPMENT

The benefit from reserve releases reduced in 2024 HY

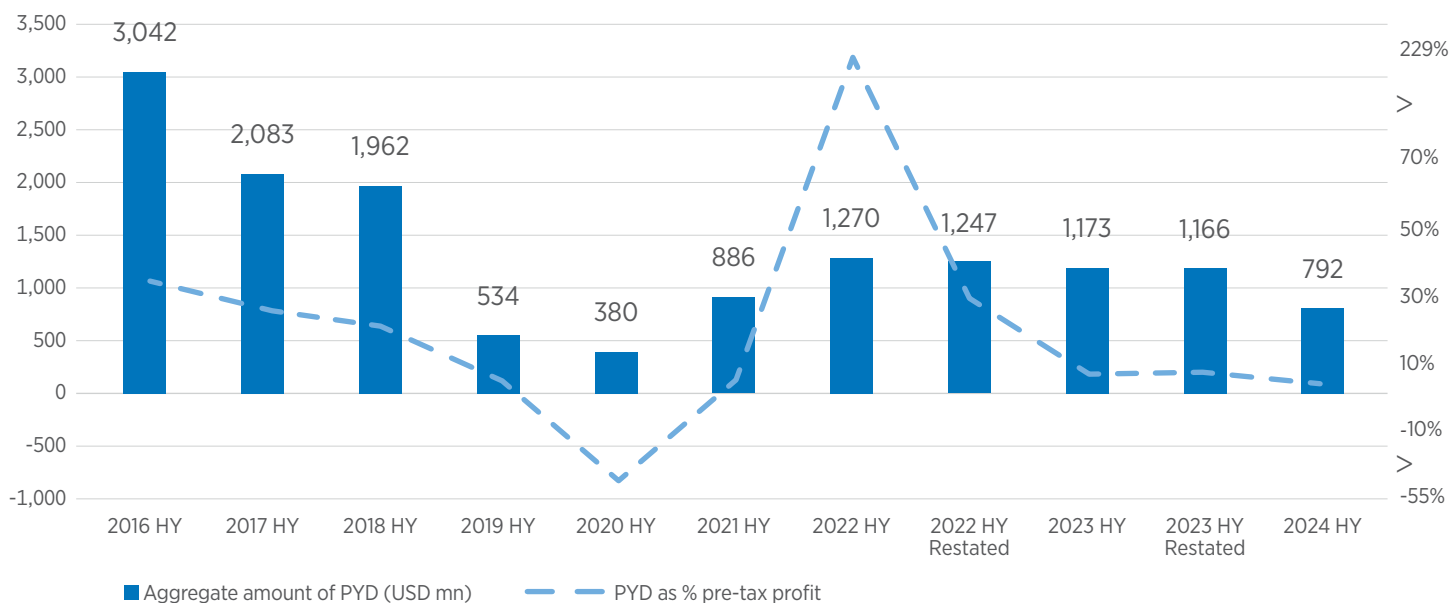
Chart 18: Prior year development impact on combined ratio for the SUBSET^{41, 42}



⁴¹Positive number indicates a favorable prior year impact.
⁴²2023 HY PYD estimated for Swiss Re. PYD for 2023 HY and 2024 HY estimated for SCOR.

Reducing profit contribution from prior-year reserve releases

Chart 19: Prior year development for the SUBSET (positive number = benefit)

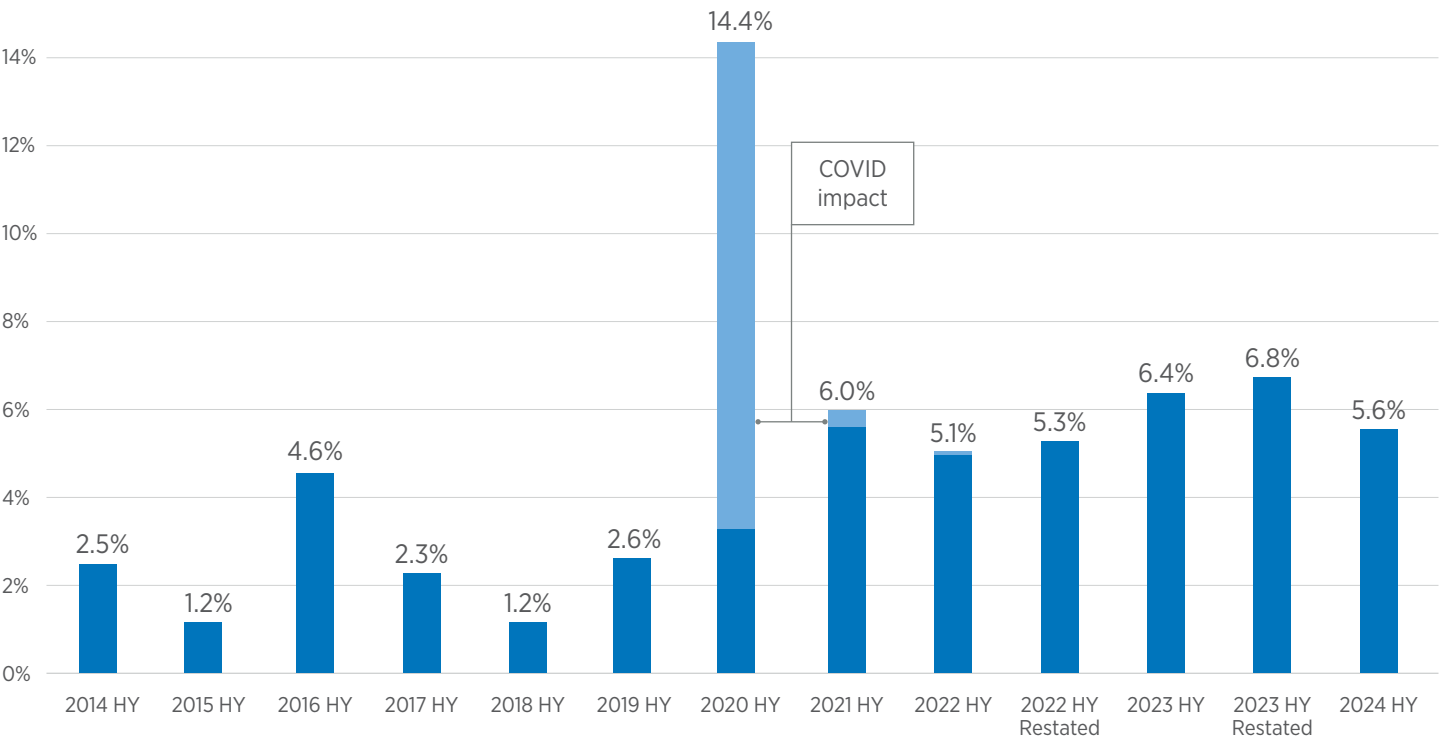


- In 2024 HY, reserve releases benefited companies' combined ratio by 1.2% on average. This represents a significant decrease vs 2023 HY (-0.7ppts).
- While the majority of SUBSET companies reported increasing levels of reserve releases in 2024 HY, the reduction in the aggregate level is almost entirely driven by material reserve additions from Swiss Re and SCOR (USD1B combined), reflecting additional buffer building, but also in the case of Swiss Re, some casualty case reserve strengthening.
- As a result of the reserve building efforts by SCOR and Swiss Re, reserve releases reduced c. 32% for the SUBSET in monetary terms overall, thereby reducing the contribution to pre-tax earnings from favorable prior year reserve development from 7% to 4%.

NATURAL CATASTROPHE LOSSES

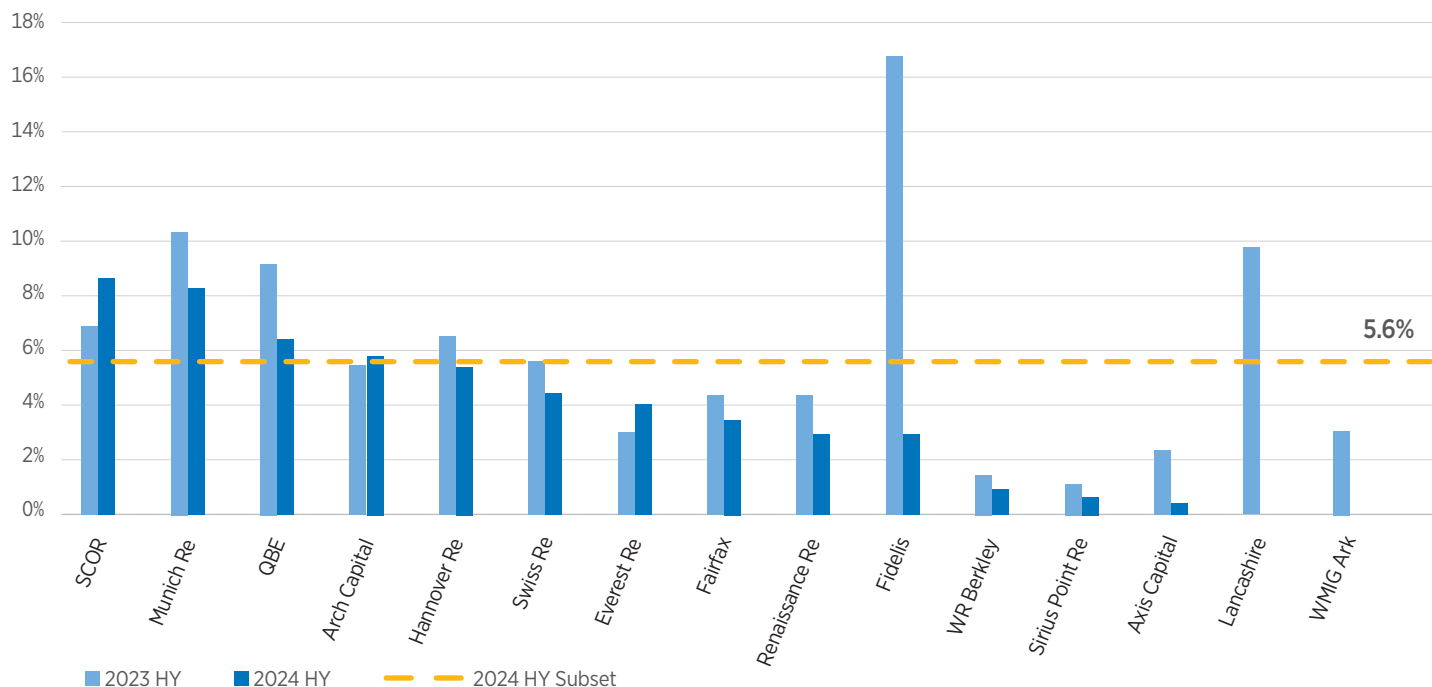
The effect of natural catastrophes on the combined ratio reduced significantly in 2024 HY

Chart 20: Natural catastrophe impact on combined ratio for SUBSET



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

Chart 21: Natural catastrophe impact on combined ratio for the SUBSET constituents^{43,44,45}



- The natural catastrophe ratio stood at 5.6% in 2024 HY, down from 6.8% in 2023 HY. This is considerably less than the annual normalized catastrophe loss of 9.1%, partly explained by seasonality (the majority of global natural catastrophe losses typically occur in the second half of the year.) It is worth noting that some of the 2024 HY experience also includes some creep from H2 2023 Italian hail losses.
- The majority of SUBSET companies (12 of the 16 constituents) reported improvements in their natural catastrophe loss ratio. Companies that saw a deterioration in their natural catastrophe loss ratio (i.e. SCOR, Everest, Arch) generally experienced several mid-sized events rather than a small number of larger catastrophes.
- Gallagher Re estimates that insured losses from all natural perils stood at USD61B in 2024 HY,⁴⁶ increasing from USD52B as originally reported,⁴⁷ and 25% above the decadal average, the majority of which was driven by US severe convective storm activity (61%). It is important to note that this is an initial estimate which is expected to show continued loss progression development through the remainder of the year. To illustrate this point, Gallagher Re's final estimate for 2023 HY insured losses crept up 46% to USD76B.
- Over the last two years, SUBSET companies have carried a reduced proportion of these losses, from 7.8% in 2023 HY,⁴⁸ to 5.8% in 2024 HY. This trend reflects higher attachment points but also the nature of 2024 HY natural catastrophe losses, dominated by so-called "secondary" perils rather than by landfalling US hurricanes.

⁴³In 2024 HY, Lancashire stated that there were "no natural catastrophe losses of any significance", while for 2023 HY man-made losses were clubbed with natural catastrophe losses.

⁴⁴Fidelis's natural catastrophe loss ratio presented on this chart refers to the "catastrophe and large losses" ratio as reported by the company and as such, may include man-made losses; Natural catastrophe losses for 2023 HY estimated for Swiss Re.

⁴⁵For Swiss Re, the 2023 HY natural catastrophe load, restated for IFRS 17 is estimated. The 2024 HY natural catastrophe load is based on management commentary in the 2024 H1 earnings call, and includes USD300M of additional IBNR relating to current year events that the company booked in Q2.

⁴⁶Gallagher Re's Natural Catastrophe and Climate Report: H1 2024.

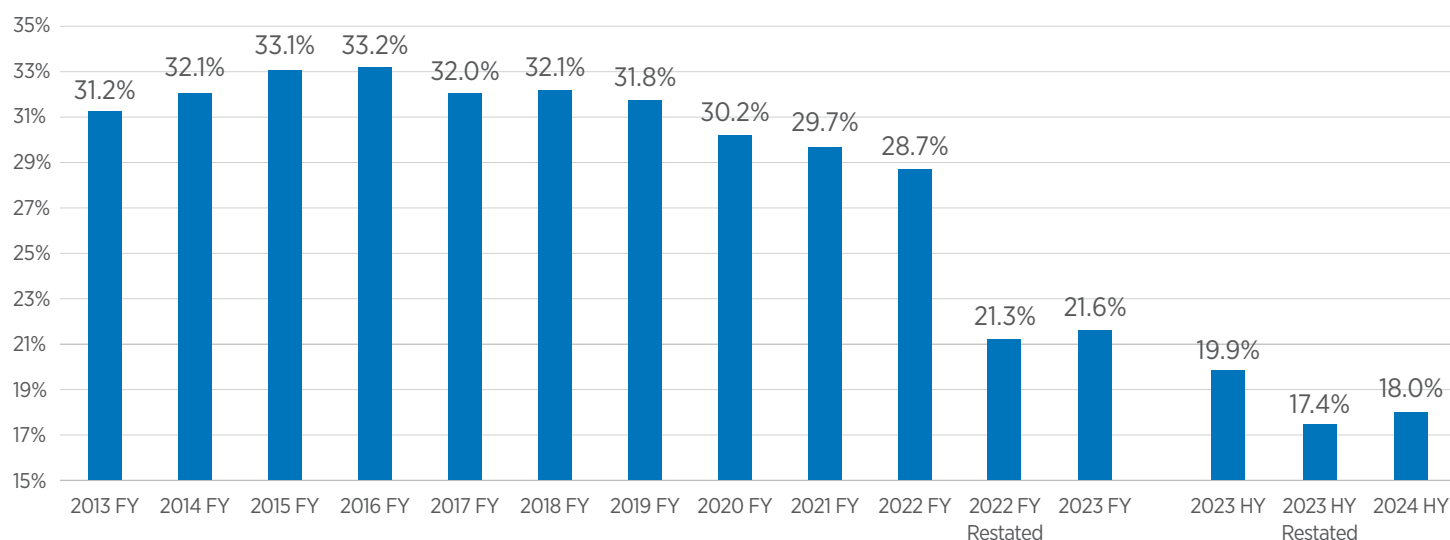
⁴⁷Gallagher Re's Natural Catastrophe and Climate Report: H1 2023.

⁴⁸Based on Gallagher Re's originally estimated global insured loss in H1 2023.

EXPENSE RATIOS

Expense growth continued to outpace revenue growth

Chart 22: Weighted average expense ratio for the SUBSET^{49, 50}



- The introduction of IFRS 17 has led to a material reduction in the expense ratio, as fixed ceding commissions are deducted from revenues rather than being recognized as expenses. Restating the 2023 HY expense ratio for Swiss Re, which started reporting under IFRS 17 at the beginning of 2024, and constituent changes relating to Fairfax,⁵¹ the reported expense ratio fell from 19.9% to 17.4%.
- From this new basis, the expense ratio rose by 0.6ppts to 18.0% as growth in the expense base of 12.8% outpaced the 9.0% growth in revenues. Inflation continues to be a driver of the increase in the expense base of the SUBSET.
- Looking at individual firms, Munich Re's expenses increased due to an uplift in performance-related compensation. Sirius Point Re's expenses grew due to a change in business mix and Renaissance Re's acquisition of Validus Re generated an uptick in its acquisition expenses.

⁴⁹The revised methodology we introduced with our half-year 2019 report produced a discontinuity in our time series of SUBSET expense ratios. Several of the companies removed from our constituent list, particularly Lloyd's companies, have high expense ratios. Therefore, our 'revised methodology' expense ratios for 2017 and 2018 are approximately one percentage point lower than the ratios we originally reported.

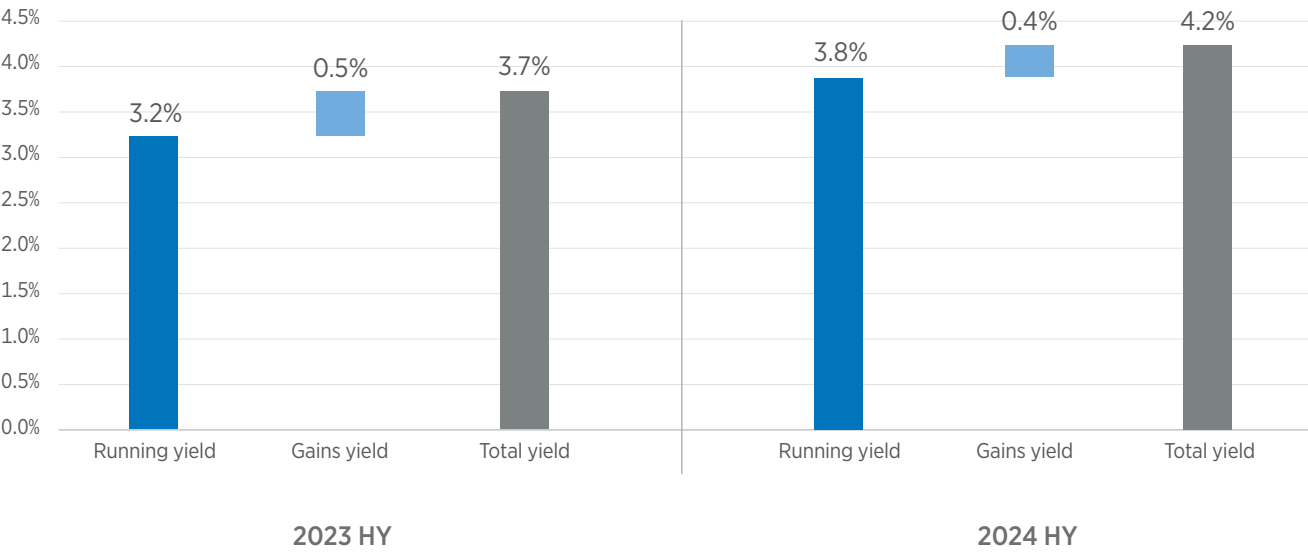
⁵⁰Expense ratio for 2023 HY estimated for Hannover Re and Swiss Re and 2024 HY for Hannover Re.

⁵¹Fairfax has been updated from Group figures in 2023 HY to the sum of Brit, Odyssey and Allied World's figures for 2024 HY. Fairfax's group combined ratio includes the effect of discounting, while the combined ratio for Brit, Odyssey and Allied World does not.

INVESTMENT PERFORMANCE

Investment income increased due to an improved running yield

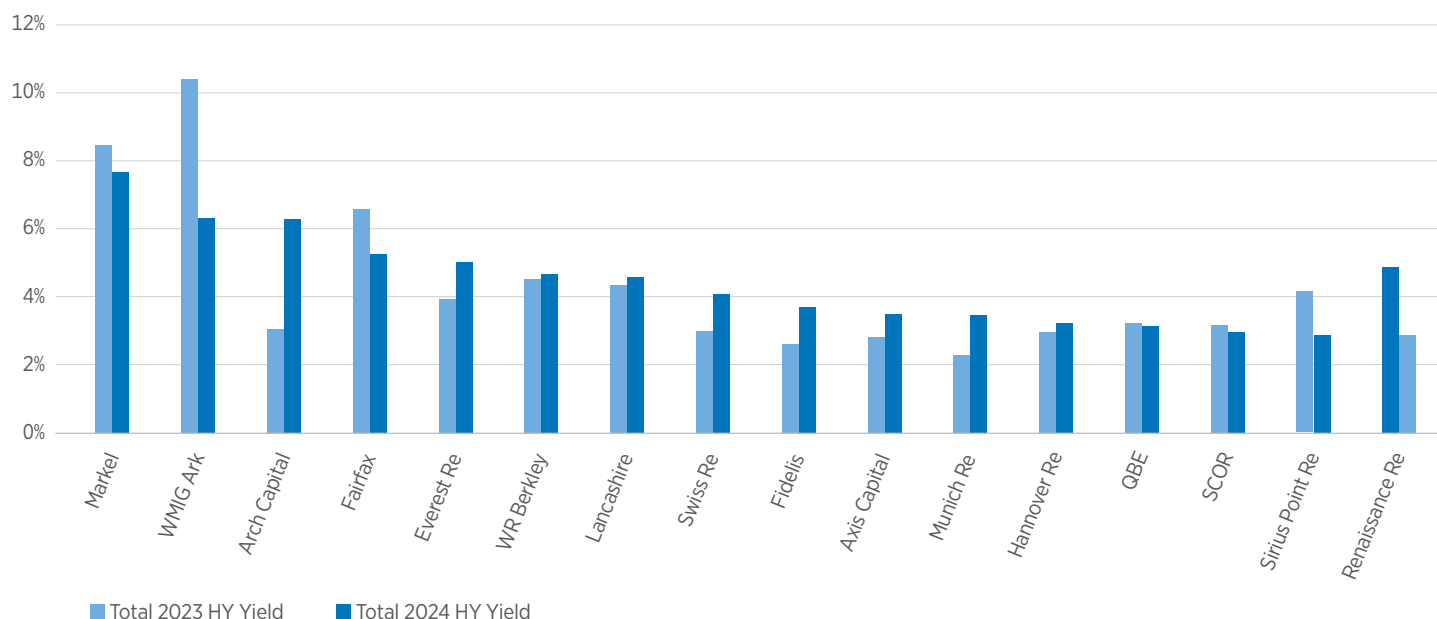
Chart 23: Investment yield for the SUBSET⁵²



⁵²Running yield captures items such as bond coupons, equity dividends and interest income

Half the constituents experienced an increasing investment yield

Chart 24: Investment yield for the SUBSET constituents



- The rise in the running yield to +3.8% (2023 HY: +3.2%), offset by a slight reduction in the gains yield to +0.4% (2023 HY: +0.5%), led to an increase in the total investment yield to +4.2% (2023 HY: +3.7%), which in turn contributed to the uptick in the reported ROE.
- Higher reinvestment rates generated the improvement in the running yield to +3.8% as it starts to align with the new money yields (4.25-4.75%). As stated previously, most of the improvement in running yield has therefore been earned, however based on current interest rate and corporate spread levels, there seems to be room for further uplift despite the recent decline in interest rates. If interest rates were to continue to decline, this could then generate a reduction in the running yield.
- The slight decrease in the gains yield to +0.4% (2023 HY: +0.5%) was driven by the slight decline in interest rates affecting the bond markets and the benign experience of the equity markets in 2024 HY. There was no discernible trend in the gains yield of the SUBSET companies, with half experiencing an increase whilst the other half experienced a decrease.

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 7, 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 2023 FY capital position for late filers. The impact is the USD 5B 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

2024 HY results detail for INDEX

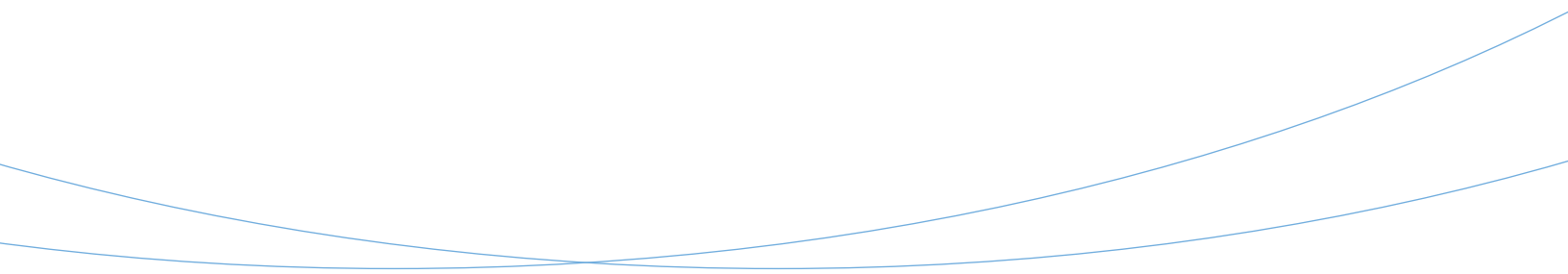
Group 2024 HY results table (USD millions)																	
Consolidated data unless otherwise stated	Notes	Total capital				Net written premium				Net income				Combined ratio			
		2022 FY	2023 FY	2024 HY	Δ 6mth	2022 HY	2023 HY	2024 HY	Δ HY/HY	2022 HY	2023 HY	2024 HY	Δ HY/HY	2022 HY	2023 HY	2024 HY	Δ HY/HY pts
Arch Capital	(1)	12,910	18,353	20,665	12.6%	5,319	6,852	7,866	14.8%	580	1,366	2,369	73.4%	86.0%	83.1%	78.4%	-4.7
Ascot	(2)	1,419	1,869	1,869													
Aspen	(2)	2,358	2,909	2,909													
AXA XL	(2)	11,764	12,651	12,651													
Axis Capital	(1)	5,061	5,685	6,081	7.0%	3,130	3,055	3,296	7.9%	169	316	592	87.6%	94.2%	92.4%	92.5%	0.1
CCR, France	(2)	3,507	3,627	3,516													
China Re	(2)	14,136	14,410	14,061													
Convex	(2)	2,063	2,619	2,619													
Deutsche Re	(2)	470	499	484													
DEVK Re	(2)	2,616	2,839	2,752													
Everest Re	(1)	8,659	13,420	14,400	7.3%	5,833	7,003	7,984	14.0%	420	1,035	1,457	40.8%	91.6%	88.2%	88.1%	-0.1
Fairfax	(9)	23,019	27,701	27,713	0.0%	9,738	7,301	7,480	2.5%	557	1,984	1,692	-14.7%	84.8%	93.4%	92.3%	-1.1
Fidelis	(1)	2,046	2,631	2,712	3.0%		1,275	1,448	13.6%		177	135	-24.0%		39.3%	8.5%	-30.8
General Re	(6)	12,739	14,469	15,528	7.3%	964	1,259	1,467	16.5%	333	239	714					
GIC India	(3)	8,152	10,295	10,280													
Great West Lifeco		21,350	22,679	22,555	-0.5%					1,696	811	1,447					
Hamilton Re	(2)	1,580	1,918	1,918													
Hannover Re	(1)(5)	14,623	15,751	15,784	0.2%	11,792	11,591	12,171	5.0%	890	1,037	1,255	21.0%	94.4%	91.7%	87.8%	-3.9
Hiscox		3,008	3,647	3,715	1.9%	1,458	1,524	1,582	3.8%			259					
Korean Re		2,305	2,545	2,403	-5.6%		2,220	2,202	-0.8%		207	115					
Lancashire	(5)	1,772	1,955	2,028	3.8%	396	508	640	26.0%	31	159	201	26.1%	72.6%	71.4%	73.0%	1.6
MAPFRE	(5)	11,218	12,473	12,106	-2.9%	9,809	10,619	11,353	6.9%	335	324	534					
Markel	(1)	13,128	15,056	15,949	5.9%	4,265	4,425	4,511	1.9%	-987	1,166	1,275	9.3%	97.0%	92.5%	97.4%	4.9
Munich Re	(1)(5)	34,191	38,117	39,546	3.7%	28,757	30,024	31,587	5.2%	3,341	2,624	4,069	55.1%	74.5%	83.5%	77.5%	-6.0
National Indemnity	(6)	207,276	225,583	249,916	10.8%	17,401	31,296	16,908	-46.0%	3,245	4,886	55,818					
Pacific LifeCorp	(2)	7,911	10,816	10,816													
Partner Re		6,845	8,981	9,046	0.7%	4,254	4,540	4,520	-0.5%	-1,146	783	353					
Peak Re	(2)	1,122	1,282	1,282													
PICC Re	(2)	587	571	557													
QBE	(5)	11,595	12,751	12,959	1.6%	7,264	7,643	8,340	9.1%	48	400	636	59.0%	94.9%	95.0%	90.1%	-4.9
QIC		2,229	2,408	2,440	1.3%	1,277	1,418	1,186	-16.3%	108	89	98					
R&V Versicherung	(2)	2,562	2,650	2,569													
Renaissance Re		5,325	9,455	10,179	7.7%	4,029	4,460	6,038	35.4%	-719	755	860	NM	82.4%	79.2%	79.5%	0.3
RGA	(4)	5,654	10,590	11,244	6.2%	6,385	6,722	9,296	38.3%	135	457	413					
RSUI Indemnity	(6)(10)	1,510	1,824	1,947	6.7%		-1,016	512			225	199					
SCOR	(1)(5)	7,466	8,109	7,576	-6.6%	7,097	7,033	7,057	0.3%	-300	542	-121	-122.3%	105.7%	86.9%	87.0%	0.1
Sirius Point Re	(1)	2,083	2,799	2,960	5.8%	1,337	1,462	1,283	-12.2%	-278	205	201	-2.0%	99.6%	72.5%	87.2%	14.7
Swiss Re	(1)	25,046	28,008	29,033	3.7%	24,582	20,073	20,750	3.4%	157	1,788	2,088	16.8%	98.5%	81.8%	84.5%	2.7
Toa Re	(3)	1,489	2,055	1,801													
Transatlantic Re	(6)(10)	3,875	4,717	5,010	6.2%		-3,452	1,447			534	265					
WMIG Ark	(1)	4,119	4,747	5,027	5.9%	841	1,096	1,101	0.4%	-136	199	182	-8.7%	93.1%	89.3%	89.2%	-0.1
WR Berkley	(1)	7,777	8,478	8,797	3.8%	4,999	5,386	5,978	11.0%	770	650	814	25.2%	88.6%	81.3%	80.7%	-0.6
Index aggregate	(7)(8)	518,564	593,940	627,399	5.6%	160,925	174,317	178,002	2.1%	9,248	22,961	77,918					
Subset aggregate	(7)(8)	178,820	213,015	221,408	3.9%	119,378	119,187	127,530	7.0%	4,542	14,405	17,705	22.9%	89.1%	87.0%	84.5%	-2.4

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 shown for 2024 HY is based on 2023 FY disclosure.
3. Companies which have a March 31 financial year-end. Data for the year ended March 31 2024 is included in the column headed 2023 FY (and similar for prior years), and 2024 HY data is also based on year-end March 31 2024 disclosure.
4. Figures for net premiums are net earned premiums, not net written premiums.
5. 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 2024 HY 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 2024 HY and 2023 HY, 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.

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Connect with us

James Vickers

Chairman
Gallagher Re (International)
james_vickers@gallagherre.com
+44 20 3692 7146

Michael van Wegen

Head of Client & Market Insights International,
Gallagher Re Global Strategic Advisory
michael_vanwegen@gallagherre.com
+44 20 7877 6136

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