Gallagher Re

1st View: Differentiation Rewarded

JANUARY 2025

Differentiation Rewarded

January 1 renewal activity saw differentiated outcomes for clients. Reinsurers have been able to refine solutions as a result of more effective use of detailed cedant data, a clearer understanding of strategy, evolving views of risk, and application of external data sources. Renewal outcomes are not one size fits all but specific to class of business, geography, performance, strategy, and scale. With an increasingly complex landscape, reviewing not only *what* happened this renewal, but also the *how* and the *why*, will help inform the direction of travel.

Underpinning reinsurance renewal discussions, the non-life primary insurance market has enjoyed the results of several years of improved pricing in the property, casualty, and specialty areas. That repricing of risk, coupled with an elevated interest rate environment, has put the sector in a healthy financial position (some regionals, impacted by frequency losses, being the exception).

Reinsurers have benefitted even more so, with the uplift in primary market pricing augmented by higher reinsurance prices, tighter terms and conditions, and the major reset in catastrophe attachment points. The latter has helped to shield reinsurers from 2024's elevated natural catastrophe losses, as loss patterns continued to trend to frequency of smaller and mid-sized events.

Globally, reinsurers are on track to produce a combined ratio near or below 90% and a low-teens ROE for 2024. Not only have reinsurers' operating and performance ratios improved but so have aggregate balance sheet metrics, providing some context around how quickly and materially the fortunes of the reinsurance industry have changed. This has fueled reinsurers' confidence to take on more risk, to satisfy their own search for growth.

New rated start-up capital, in the region of USD1 billion for 2025, was modest. ILS supply remained strong, with fund managers raising more capital and additional investors coming into the space, having seen attractive returns in 2023 of circa 20%.

We expect recent results to further stimulate targeted investment in the sector in 2025. This trend is beneficial for sponsors aiming to leverage the catastrophe bond market, as transactions in the fourth quarter have yielded favorable outcomes, with reduced spreads and increased deal sizes. While catastrophe bonds represent a standardized and tradable option to invest in the segment, if the bond rates become further decoupled from traditional rates, investment interest in the collateralized reinsurance segment could increase over time.

As expected, the most attractive growth segments experienced the most pressure in pricing, terms and conditions, and vice versa. The result was an average reduction in risk-adjusted pricing across the board in property catastrophe and specialty (with exceptions for loss impacted programs). Pricing ranges are set out in the report and vary by segment, client, region, and whether loss affected or not. While these ranges represent the general market direction, individual cedant outcomes have continued to reflect specific program characteristics more directly, creating significant deviations.

US casualty was an outlier where, notwithstanding a fifth year of underlying rate improvement, the reinsurance market is divided between those who see opportunity to expand amongst the uncertainty and others who have chosen a more moderate approach.

Complexities by line of business and by territory, provided brokers and reinsurers alike with an opportunity to work in much more detail with buyers on the articulation of their portfolios and underwriting strategies. The result has been an improved alignment with reinsurers allowing them to assess each risk and client relationship on its own merits.

In reviewing pricing movements in this increasingly complex landscape, we'd caution that relative changes do not represent a view on profitability. Exposure adjusted rate change is a calculation of year over year price movement and not rate adequacy, multiples of expected loss or other profitability metrics. These calculations are also dependent on the methodology used and can vary widely on the same data depending on approach.

As an example, new top catastrophe layers that were first bought in high inflation and capacity constrained conditions in 2023 required price-points to attract then scarce capacity. Such pricing anomalies have been smoothed out as inflation expectations moderated and capacity increased resulting in significant percentage reductions year on year, albeit modest in dollars.

Property

The catastrophe market is a closely watched bellwether given its disproportionate contribution to reinsurers' results, relative to actual premium derived. The general trend of reduced risk-adjusted pricing is rational and as expected in the face of abundant capacity and strong results for 2024. Placements continued to stabilize from the more fragmented 2023 market activity and remaining areas of differential terms were largely reversed along with other improvements in applicable territories, such as the return of pre-paid reinstalment provisions and enhanced event clause definitions. Low(er) level occurrence and aggregate protections experienced an increase in the number of reinsurers providing support on both a structured and traditional basis for selected buyers. However, there was no measurable erosion in core program attachment points.

Jump to the Property in detail section.

Specialty

The specialty market which embraces aviation, cyber, marine & energy, mortgage, credit/surety, and political violence & terror, was subject to a range of dynamics. Several years of improved underlying trading conditions and an abundance of capacity seeking growth equal to or even greater than that in the property catastrophe sector shifted the negotiating balance in buyers' favor.
However, there has also been claims activity in the form of the outstanding Baltimore Bridge loss and to a greater extent the pending resolution of aviation leasing coverage litigation. These two losses could materially impact prior year reinsurance program results and overall trading balances, which had a dampening effect on what might have been if pricing, terms, and conditions had been entirely dictated by supply and demand.

The cyber market continues to develop, and one indication of this is the increasing access to alternative forms of capital. This is apparent in the growth of cyber catastrophe bond offerings, having gone from no cyber cat bonds a couple of years ago to six outstanding cyber cat bonds totaling USD785 million from four different sponsors.

Jump to the Specialty in detail section

Casualty

The US casualty market was markedly different to both the global property and specialty segments with capacity more constrained, despite continuing improvement in the underlying market.

For some reinsurers, a more rigid adherence to combined ratio targets as their leading performance metric, given the focus on that metric from the investment community, is limiting their appetite to write casualty business. Variations in treatment of these liabilities globally may present an opportunity for IFRS 17 reporters (where claims are discounted, to the benefit of combined ratios.)

For reinsurers able to focus on the total economic profitability of writing casualty and the collateral impact on the combined ratio, the segment represents an opportunity in a capacity constrained market. For others, a declining market prior to 2020 and the resultant prior year adverse development has called into question some participants' previous profitability assessments. This is especially challenging in long tail classes where the delta between the calendar and accident year results highlights the variance between the forward-and backward-looking view.

Complicating reinsurers' assessment, the performance spreads in the primary market amongst insurers in the same line(s) of business are significant. The impact is a wider range of reinsurer outcomes than other lines of business, which in turn creates more varied risk appetites.

There was adequate support in long tail lines for placements to be completed, albeit the level of required underwriting detail was higher than at any time in the last decade. Capacity was more readily available to those buyers that were able to provide the data, insight, and the supporting evidence to quantify their underwriting, reserving, and claims strategies in the face of a complex lattice of external factors. This was not the year to turn up to the market hoping to anchor to the index. Those buyers that were well-prepared for these technical negotiations had positive outcomes in terms of pricing, capacity, or both. The search for long tail revenue outside of US casualty led to a more competitive market for international casualty business with concerns over US-exposed business embedded in international programs muted compared to last year--in part because of perceived improvements in the US primary market.

Jump to the Casualty in detail section

Capital dynamics

The past two years have seen a tremendous improvement in the financial results of the global reinsurance sector.

As mentioned above, operating performance has been strong with low combined ratios and high ROEs. Driven by this, as well as strong investment returns, the capital position of the reinsurance sector has strengthened considerably. At the half-year 2024, for example, the average Solvency 2 ratio of the European 'Big-4' had increased to 281%, well above their average self-imposed target of 200%, and a steady year-by-year increase from 2020's trough of 215%.

The sentiment of investors who finance reinsurers has also improved considerably, at least for the incumbents. Over the past 12 months reinsurers' shares have been the best-performing part of the European insurance sector, and the US/Bermudians for the most part have also turned in a strong performance.

In this context, it is natural that this renewal season witnessed an appetite for 'well-priced risk' from reinsurers seeking to utilize their increased capital. Based on current conditions, this trend looks to continue in upcoming 2025 renewals.

Conclusion

At this point of the reinsurance market cycle there is an increasing emphasis on the direction that primary markets are taking and what this may mean for the reinsurance market outlook in the next 12 to 24 months. Some trends that have started to emerge in the primary market may give rise to challenges going forward as the search for growth and investor demand for more 'of this good thing' puts pressure on supply/demand dynamics. However, there can be no doubt that recent operating results underscore the significant repricing of risk in all major segments over the past several years.

This was a 1.1 where reinsurance supply generally exceeded demand, buyers sought a measure of relief and sellers provided it. It was also a period in which most key trading relationships remained strong. Negotiations and the resultant outcomes were largely conducted with an increased granularity of data both in terms of quality and amount. This has allowed reinsurers to refine their underwriting approach on a case-by-case basis, to properly differentiate between clients while giving themselves increased confidence that they can still achieve their margin targets. Buyer demand also remained broadly stable which implies that insurers are not looking to retain additional volatility irrespective of whether, from a technical perspective, they could.

Tom Wakefield
CEO, Gallagher Re

Property

Executive Summary

Jump to Commentary by Territory

Global property renewals were largely orderly at 1.1.2025, as clients benefited from the continuation of healthier market dynamics supporting a sufficient supply of capacity. Individual renewal outcomes however were widely varied and reflected the market's increasing refinement of terms to individual account circumstances.

Client development and presentation of bespoke views of risk, leveraging advancing research and underwriting techniques, was critical to market review of portfolios. Increasingly insightful market engagement strategies positioned cedants to clearly articulate their differentiated approach and obtain more optimal reinsurance coverage as a result.

Holistic reinsurer/cedant relationships were also a factor in final renewal outcomes. This dynamic crossed multiple lines of business, where it was applicable.

Property catastrophe

Pricing moderated down on average, while premium trended up on exposure growth. The top end of excess of loss towers experienced the steepest competition as reinsurers remained focused on loss frequency mitigation.

In the US, reinsurers demonstrated a desire to grow with their core clients and select new partners exhibiting specific characteristics fitting going-forward underwriting strategies. The demand from buyers held largely steady, having reached more of a balance between growth, economic inflation, and cost. While there were no meaningful changes to purchasing strategies, some buyers did explore coverages that they were priced out of last year, such as catastrophe aggregate coverage towards the top of programs. In a number of cases, there was a continuation of the trend to consolidate the number of reinsurance partners to those providing the broadest support, while balancing desired levels of diversification.

Loss-free programs typically experienced risk-adjusted single digit decreases on average, compared with single-digit increases in 2024; loss-impacted programs were more dependent on individual account circumstances and experienced a wider range of outcomes but on average renewed with low teens increases, compared with +35% to +40% the year before.

In EMEA, property catastrophe supply remained robust, with an increasing appetite from both existing and new players, reflecting the pricing adequacy within the market, and the fact that the majority of reinsurers were eager to defend their share.

While capacity remained ample, discussions around view of risk were a core feature during the renewal, following recent loss activity. We expect these conversations will continue into 2025.

After the relative shock of the late renewal at 1.1.23, many cedants brought their books to market earlier this year, and a number investigated potential additional limit purchases, with Turkey a particular focus.

Top layers saw intense competition with meaningful risk-adjusted reductions for renewing layers and significant capacity offered for any additional purchases. With little pressure from reinsurers to further increase retentions, there was sufficient supply for bottom layers in EMEA, when terms and conditions were acceptable. Where pricing was deemed unacceptable, this led some clients to explore structured solutions at the lower end of programs.

In Asia Pacific, there has been a significant shift in buyers' favor, with property reinsurance protections moving to a more affordable level, reflecting cedants' own premium and exposure growth.

Compounding the challenge for reinsurers has been the limited demand for additional limit purchases, at a time when they all seek growth in this diversifying region.

As a result, meaningful risk-adjusted rate reductions on loss-free programs materialized, leading to overall reductions in monetary spend. Loss-affected programs have seen modest rate increases.

And in the UK, catastrophe demand continued to shrink amid sustained merger and acquisition activity, which led to greater competition for the remaining cedants' books.

Loss-free programs were completed with risk-adjusted rate reductions of, in some cases, double digits, amid another benign year for catastrophe activity. Retentions were largely static on a monetary basis.

There were notable changes to coverage as Gallagher Re focused on better matching event parameters to coverage provided on flooding hours clauses – from two weeks to three weeks, or 504 hours.

Negotiations for the return of prepaid reinstatements for the top layers of programs, after diminished acceptance at 1.1.2023, were also successful on a case-by-case basis.

Per Risk

Per Risk outcomes are typically highly dependent on individual account characteristics, including loss activity, underwriting approach, lines of business, and portfolio mix.

There were several noticeable trends during the 1.1.2025 renewal, however.

With continued concerns around frequency-driven loss activity, US supply remained constrained despite positive rate movements over the past few years, with only a few reinsurers looking to grow in this segment.

Loss-free programs generally renewed flat to +10%, while loss-impacted renewals averaged increases of +10% to +20% with wide variability.

Across International, meaningful losses experienced in the last five years made legacy reinsurers less enthusiastic, while still supplying capacity, leading to discussions around retentions.

However, with rates at an historic high, a few new entrants in EMEA emerged, allowing cedants to maintain existing structures. This ensured that contractual language was upheld, despite discussions around strike, riot, and civil commotion, and non-damage continent business interruption.

Overall, the magnitude of pressure on pricing did not materialize to the degree expected earlier in the renewals. This, combined with underlying valuation growth in portfolios, generated flat to negative risk-adjusted rate change for loss-free cedants.

In the UK, 2024 was an average year for risk loss – the largest event being water damage to a construction loss. Capacity levels were largely stable, with programs renewing at broadly flat risk-adjusted rates.

Property: Commentary by Territory

Asia Pacific (APAC)

Australia and New Zealand

- Reinsurance capital remained plentiful for property catastrophe programs in Australia and New Zealand and multiple reinsurers looked to increase capacity with chosen buyers to hit their budget targets
- Reinsurers sought to hold the line on any price decreases, but reductions were achieved after a loss-free 2024 in both Australia and New Zealand. Those buyers able to successfully differentiate themselves achieved significant risk-adjusted savings
- Much like the 1.7.2024 renewal, reinsurer quotations were generally closely aligned, with fewer outliers than in recent years
- Reinsurer preference remained for upper and more remote layers and there remained subdued interest in earnings covers in Australia or New Zealand. Many buyers filled gaps lower down their protection towers with structured multi-year layers, or innovative sub-layer solutions
- In some cases, larger and more volatile property and engineering risks were carved out of reinsurance treaties and placed into newly established facultative facilities.

China

- Proportional treaties results were impacted by a large fire loss and Typhoon Yagi loss to various degrees. While overall market commissions were flat, individual companies' terms were dependent on their own performance. Commission levels and loss protection corridors were a key area of negotiation
- Catastrophe excess of loss structures were stable and more formal quotes were obtained at quoting stage. Loss free treaties achieved meaningful risk-adjusted reductions, especially earthquake-only layers. For loss-impacted contracts the increases were narrower than previous years. Placement was smooth with ample capacity
- Risk excess of loss price movement was muted compared to catastrophe excess of loss, with the focus on loss activity towards the market fire loss. Additional premium features were adopted when leaders and buyers took different views on the potential loss amount.

Indonesia

- Reinsurance capacity remained abundant from both domestic and overseas reinsurers
- With no catastrophe losses reported in 2023 and 2024, risk-adjusted rate reductions were observed across loss free accounts
- Proportional capacity increased from local reinsurers as facultative placements were increasingly challenging to secure
- Overseas reinsurers presented a stronger preference for excess of loss capacity but offered proportional support selectively where buyers provided comfort around technical capabilities and the ability to show sufficient portfolio steering capabilities.

Korea

- Most property treaty programs produced improved results in 2023 and 2024, driven largely by a significant reduction in the frequency of large risk and cat losses
- Quoting competition was more intense for the excess of loss placements compared to the pro rata. Reinsurer appetite for event excess of loss was particularly strong
- The whole quoting process was prolonged as initial quotes were some way off buyers' expectations but once FOTs were released the placement ran smoothly
- Buyers achieved favorable adjustments to their proportional programs, including higher minimum commissions within sliding scales, improved Loss Participation Clause trigger points, and decreased reinsured participation percentages
- Market dynamics saw the entry of a few new reinsurers, while existing reinsurers focused on defending their expiring shares.

Malaysia

- There were elements of softening within the property risk and catastrophe excess of loss programs with mid-single digit reductions
- Some small flood event losses on the East Coast did not affect renewals although there was a large coastal flood loss involving car storage in Klang
- This renewal also saw high single digit increases in aggregate exposure and net retained income
- Reinsurers were still reluctant to quote to lead pro rata treaties, but programs were easily completed with some new reinsurers entering this space.

Taiwan

- Pricing movements for loss hit programs were not as aggressive as had been signaled by reinsurers prior to renewal
- Cat capacity continued to be plentiful, resulting in increased competition for business
- There was stronger interest from the market for risk excess of loss and pro rata treaties, compared with the last two years.

Vietnam

- The Vietnamese market continued to rely heavily on proportional treaties for capacity. Excess of loss treaties were mostly small with low attachments points and low limits
- The competitive nature of capacity providers remained due to the historically low natural catastrophe activity and relatively stable and profitable treaty performance
- However, Typhoon Yagi (Sept 2024) hit the property and engineering lines with approximately USD400M of losses, making it the largest natural catastrophe loss in this market
- Due to the way proportional treaties are structured they were less affected compared to excess of loss contracts with many of the treaties projecting a positive balance despite the loss
- Price increases for the loss-hit excess of loss varied. For those with low- to mid-sized losses, pricing remained competitive, but badly loss-hit excess of loss contracts received significant increases in rate
- Commissions for proportional treaties were between 0% and -2%
- More reinsurers were willing to quote this year and following capacity was plentiful.

EMEA

Austria

- Severe loss activity in certain states (Lower Austria, Tyrol) affected the property catastrophe structures of some buyers, while in the per risk segment, the continuing trend of higher fire losses led to pressure on excess of loss layers and pro rata contracts
- Property surplus treaties were under scrutiny and faced deteriorating commission terms
- Those surplus treaties that were able to show profitable results in recent years succeeded in avoiding larger commission reductions
- Catastrophe excess of loss programs with retentions below a return period of 1 in 10 years were under the most pressure
- Catastrophe aggregate and catastrophe stop loss treaties also experienced some challenges.

Central and Eastern Europe

Cat Excess of Loss

- The region was heavily loss impacted, with Storm Boris/September Flooding causing widespread damage, creating a footprint affecting seven countries across CEE. Additionally, the Western Balkans once again saw significant hailstorms

- The underlying growth of buyers' catastrophe excess of loss portfolios, driven mostly by the delayed impact of inflation, has been substantial, leading to increased capacity requirements but also more premium on contracts ceded to reinsurers. Despite the post-loss environment, retentions were not under great pressure (provided a step up had been taken within last two or three years). There were no meaningful changes to contract wordings
- The main focus was on price discovery, where we saw one of the broadest variations in pricing, resembling the 1.1.2023 renewal, as buyers and reinsurers looked to find clearing prices
- Flood was the primary pricing peril for countries that were loss impacted and created some debate as to whether views of this risk should change
- While the region saw a modest influx of new capacity from new entrants, the more significant impact came from existing players eager to deploy additional capacity in what was seen as an attractive market. This ultimately suppressed rate increases
- Additional available capacity and a well-modelled loss allowed for an orderly placement of catastrophe treaties. Buyer size did play a role again and generally larger players were able to secure more favorable terms. Over-placements were minor
- Loss-free renewals were stable in terms of capacity and support, with small variations dependent on buyer-specific portfolios
- Risk excess of loss continued to be a harder marketplace than catastrophe, driven by ongoing loss activity in the region. Retentions were under greater pressure, even those that ran loss-free, as reinsurers attempt to avoid frequency. Cash spends were also up. Some reinsurers demonstrated an increased level of appetite, but it still lagged behind the catastrophe market levels. There were minimal over-placements
- Quota share treaties that ran well renewed largely as expiring, and reinsurers' appetite remained stable. The trend of moving from proportional to excess of loss continued at the 1.1.2025 renewal, with several buyers switching to risk excess of loss structures
- However, reasonably performing surplus treaties that have held firm during recent years were able to renew. Additional capacity was secured, and commissions were stable.

France, Benelux

- Property renewals were orderly this year
- After the 2022 hail losses and Storm Ciaran in 2023, 2024 was a quieter year in terms of natural event losses in Metropolitan France. In the French overseas territories, there were several important events, including the unrest in New Caledonia and Cyclone Chido in Mayotte, which generated widespread damage resulting in a significant humanitarian crisis. Economic losses from the cyclone are expected to be substantial, but the insurance penetration rate is low (around 6% according to France Assureurs) and insured losses are currently estimated to be in the range of EUR650M to EUR 800M. In Luxembourg, a series of thunderstorms occurred at the end of June and touched the bottom layers of cat programs
- During the last two years, buyers have had to increase their catastrophe excess of loss retentions. For 1.1.2025, the majority of the buyers kept their retentions stable
- Additional catastrophe excess of loss capacity was bought this year, and paid reinstatements and adjustable premiums remained the norm
- Some buyers bought reinstatement premium protections and additional bottom catastrophe excess of loss layers (2nd/3rd event cover)
- Following negotiations with CCR about the economic conditions of their protection, some buyers also sought to optimize their flood and earthquake protection under their catastrophe excess of loss or bought specific French overseas covers
- Reinsurers still struggled to support aggregate covers including natural catastrophe cover, but some increased placements were achieved
- Property catastrophe supply was plentiful, thanks to increased appetite from reinsurers. Cat excess of loss programs were over placed.
- Per risk program pricing depended on individual contract performance. There was strong appetite from reinsurers for sustainable structures
- For strikes, riots and civil commotion (SRCC) cover, there was no further discussion on the attachment points but there were talks around systemic risk, with certain reinsurers keen to sublimit the risk. There were also many conversations around the definition of what SRCC covers.

Germany

- The 1.1.2025 renewal was driven by an oversupply of capacity and reinsurers' desire to grow
- Most non-proportional programs remained loss-free in 2024, despite a series of (smaller) cat events during the summer
- Buyers could buy additional limits, mostly at the top of their programs, and achieve risk-adjusted savings
- The excess supply meant even some frequency covers were (re)introduced and fully placed, aggregate excess of loss and stop loss programs were improved on prior years but overall remained unpopular with reinsurers. Intense competition at the top end of programs led to risk-adjusted reductions of around -10%
- Mid-layers saw risk-adjusted reductions around -5% and bottom layers renewed risk-adjusted flat
- In total we saw risk-adjusted reductions for whole programs of between -5% and -1%
- The sizeable June floods only caused losses to a few covers, which then renewed with risk-adjusted increases of +10% to +15%
- Proportional treaties remained flat or saw slight reductions in commissions, due to the frequency of smaller cat events during the summer 2024
- At the end of November/beginning of December we observed an additional softening, driven by signings on larger programs being somewhat bigger than expected by some reinsurers
- Consequently, not all lines could be taken up and some reinsurers could not deploy as much capacity as planned, which fueled this additional late softening
- There was little pressure from reinsurers to increase program retentions, with reinsurers agreeing that the substantial efforts made by buyers over the last two renewals were sufficient.

Italy

- Capacity for property catastrophe was stable, as was the amount of limit purchased, with retention levels generally renewing as expiring, with modest, budget-driven increases in attachment points
- Programs were quoted by reinsurers on a case-by-case basis, influenced by the 2023 severe convective storm (SCS) loss deterioration and following an uneventful 2024 year without any relevant natural catastrophe losses
- A significant influx of new capacity from London and Bermuda, and the desire for an accelerated payback, resulted in a market softening dynamic with overall pricing levels more often flat or down on a risk-adjusted basis at firm order terms
- Buyers with larger loss deteriorations adopted a more defensive approach. Agreeing on a risk-adjusted flat view has been challenging, given the changes to the modelling landscape on SCS
- Timing also played a role as the market softened more rapidly towards the end of the renewals
- Per risk programs remained fairly volatile in performance, with the market continuing to regularly experience losses in excess of EUR10M, and significant losses in frequency layers below that
- As a result, reinsurers' view on pricing was extremely variable depending on historical performance. However, significant flexibility was observed at firm order terms and premium volumes continued to attract capacity
- A state-backed natural catastrophe scheme, which will make it mandatory for corporates registered in Italy to obtain nat cat coverage, had its rollout delayed until 31 March 2025. In general, we saw no ad-hoc cover purchased.

Iberia

- Capacity remained plentiful and demand broadly unchanged, with new and additional capacity committed by reinsurers seeking to expand in the region
- The 2024 DANA rainfall event and resulting floods drove property catastrophe discussions in Spain, with some reinsurers taking a cautious approach and holding for initial loss notifications from cedants, whilst others saw it as a modellable event, mainly covered by the Consorcio de Compensación de Seguros (CCS)
- Although several non-proportional programs were loss-affected, the impacts of this event were limited, in general, either due to the relative size of the loss or contribution of reinstatement costs
- Portugal also experienced a benign year for catastrophes, with limited impact from October's Storm Kirk and September wildfires
- Most standalone event and risk & event excess of loss programs renewed with broadly expiring rates (on premium) and conditions, which translated into single-digit risk-adjusted increases, following the ongoing rate strengthening in the direct insurance property market
- Some standalone loss-affected risk excess of loss programs saw double-digit risk-adjusted increases and discussions on post-loss reinstatement cost management, which included restructuring programs with retention increases and partially pre-paid reinstatements
- Most proportional programs renewed with expiring commissions, with reinsurers benefiting from the primary insurance market rate increases. Slight commission reductions were still seen in loss-affected programs, or as a result of program restructuring.

Middle East & Africa

- Risk and catastrophe capacity were buoyant, compared with last year, particularly for regional retrocession
- There was continued upwards pressure on catastrophe attachment points, particularly in the case of programs affected by the 2024 UAE floods, alongside continued interest in structured alternatives
- Proportional renewals have renewed broadly as expiring with no significant changes to structures, financials, or wordings, other than those hit by the UAE floods. Treaties with flood losses saw a reduction in surplus lines, increased gross retentions, and pressure on the commissions level.

South Africa

- Deductible levels remained relatively stable, and an additional 5% of catastrophe capacity limit was purchased
- We observed a continued return of capacity and conditions were certainly softer, with more competitive pricing outcomes achieved across the market
- Existing leaders were challenged; indeed, leaders changed on some programs. Challenger positions weren't adopted by new entrants but instead were adopted by a few longstanding market participants
- Reinsurer behavior was influenced by improved by primary market conditions
- Commercial policy rates have hardened due to capacity contraction; they are expected to remain level for the foreseeable future
- SME commercial and personal lines rates remain unchanged, although motor rates have increased due to inflationary pressures
- Primary insurers, particularly the larger ones, have instilled much more underwriting discipline – with focus not only on pricing, but also measures such as geocoding and accumulation management, rigorous surveying, increasing deductibles, imposing sub-limits, and/or risk requirements.

Netherlands

- The market stabilized at 1.1.2025, with a more pragmatic pricing approach from reinsurers and room for negotiation. Firm order terms were generally lower than the average original quotations
- Catastrophe programs were loss-free, meaning programs were fully placed risk-adjusted flat, and where possible, a risk-adjusted reduction

- Some per risk programs were loss affected. Risk programs have been under more scrutiny than natural catastrophe programs in general, since the European risk market has not performed well, resulting in an uptick in rates
- Pro rata programs with good results were renewed unchanged, and in some cases with a slight improvement in terms and conditions.

Nordic countries

- The region experienced localized freeze and snow pressure natural catastrophe events, which led to losses for some buyers in 2024. Norway also recorded further deterioration from 2023's Storm Hans. Despite this, the region remained a profitable and attractive diversifying territory for many reinsurers, with most targeting growth
- Following two years of retention growth, there was stability at this renewal, with buyers welcoming the reinsurance markets' interest in the region
- Placements were oversubscribed across the board, with top layers showing meaningful increases in capacity being offered
- Conditions remained unaltered from prior years
- Loss-free programs were able to attract risk-adjusted rate decreases, particularly at the top end of programs, while loss-hit buyers were able to achieve risk-adjusted rate increases within single digits, as the rating adequacy of the last two years meant reinsurers' interest in the region was maintained
- In property per risk, the loss activity seen over the last five years continued in 2024 with some large fire claims
- In the industrial segment, because of the recent large loss frequency, we observed a significant transformation into a co-insurance market and, with this, a re-entry of large international carriers into the Nordic corporate market. Over time, this will lead to a reduction of local treaty limits and less facultative needs for peak risk exposures
- Close attention was put on original underwriting, loss limits, and original lines offered, with reinsurers wanting to understand the accumulations that will occur from changes in the original market
- Reinsurers were therefore keen to look at the region with a fresh outlook and multiple reinsurers sought to grow or enter this region
- Detailed portfolio information and transparency around underwriting strategy was clearly rewarded by reinsurers. Those able to demonstrate loss-free accounts achieved risk-adjusted reductions
- Buyer-specific underwriting meant that retentions were not under pressure and no market-wide approach was adopted with regards to minimum rates on line.

Switzerland

- The renewal market normalized for 1.1.2025, with more than enough capacity being made available by reinsurers, who demonstrated increased appetite for Swiss business
- The (smaller) catastrophe events during the summer did not impact covers in 2024, and we observed an additional softening towards the beginning of December
- Together with the above outlined general state of the market this led to healthy over placements of +10% to +25%, giving buyers room to maneuver on signings
- Consequently, not all lines could be taken up and some reinsurers could not deploy as much capacity as planned which then fueled some additional softening.

Turkey

- Turkey saw a relatively calm renewal following the severe market adjustment at 1.1.2024 on the back of the 2023 Kahramanmaras earthquake. This was despite the increased capacity demands by most buyers, ranging from +30% to +50% of additional limit. We estimate that an additional of EUR3B of capacity was needed by Turkish buyers, including any exposures from global insurers. This puts the overall local catastrophe excess of loss market capacity at circa EUR 11B including the Turkey Catastrophe Insurance Pool

- The trend of moving away from proportional treaties continued this renewal. Some buyers switched either partially or fully to gross excess of loss structures. The move explains part of the EUR3B increased capacity needed this year, with the remainder explained by inflation outpacing the depreciation of Turkish Lira, leading to higher limits in monetary terms
- Despite the trend of moving away from proportional treaties, there are still only a few gross excess of loss structures in the market. Demand for per risk excess of loss deals protecting the retained portfolio and the gross excess of loss deals were mainly met by the reinsurers. However, programs with low priorities and loss-affected bottom layers were more challenging
- The additional capacity required by the market counter-balanced any softening trends, leading to a relatively flat risk-adjusted renewal. Rates included a significant payback element on top of technical adequacy. Several international markets (including from Lloyd's of London) that entered Turkey in the 1.1.2024 renewal continued their support. At the same time, long-standing medium and large size reinsurers increased their participations materially to meet the increased demands of buyers, leading to timely placements
- Parametric products, such as 'cat-in-a-box' featured extensively, as buyers looked to complement traditional reinsurance capacity at different levels of the programs. We saw several reinsurers, both specialist and traditional writers, deploy parametric capacity, albeit still in a limited way. Additionally, to avoid any clash with traditional capacity, buyers were selective when sourcing parametric capacity from traditional writers. As such, we have not yet seen an increasing market competition in this field.

Latin America and Caribbean

- The 2024 hurricane season was notably active for the Latin America and Caribbean region. Seasonal outlooks predicted a very active season in the North Atlantic and below-average in the Pacific and the season largely followed these outlooks - although the North Atlantic was uncharacteristically quiet during the traditional peak months. Overall, the region experienced 12 storms from the North Atlantic basin and two from the Pacific basin, which contributed to total economic losses of more than USD3.5B. The unprecedented losses in Southern Brazil due to heavy rainfall were notable
- The diverse nature of these losses and the unique characteristics of each sub-region make it difficult to draw a single general conclusion on market behavior and trends related to capacity and pricing for the 1.1.2025 renewals. However, certain patterns have emerged during the current renewal period:
    - Capacity for pro rata programs in Latin America was more balanced in terms of deployment. Many reinsurers reserved catastrophe capacity primarily to support the organic growth of existing clients, rather than pursuing significant growth or participations in new programs. Even so, some reinsurers had to reduce their percentage shares to maintain their monetary lines, as programs' limits expanded. The Caribbean experienced a more challenging trend with some reinsurers reducing pro rata capacity leading buyers to increase excess of loss limits to maintain their overall capacity.
    - Capacity deployment was significantly more weighted towards excess of loss programs, resulting in greater pricing variations across the region. In most cases, capacity supply remained ample. Additionally, some reinsurers deployed more capacity on higher layers, reflecting continued shifts in underwriting appetite and strategy. While there was no shortage of capacity in the Latin America and Caribbean market for excess programs, there has been no notable influx of new reinsurers either.
    - Pricing trends were varied and client- and region-specific. In Latin America, on a risk-adjusted basis, loss-free programs generally saw flat rates, with occasional modest reductions in cases where reinsurers were comfortable with existing technical pricing levels. In contrast, loss affected programs experienced rate increases aligned with loss impact to the program. Additionally, reinsurers seized opportunities to offer competing pricing for loss-affected programs, challenging existing leaders and complicating renewals for incumbents. In the case of the Caribbean, the surplus capacity remains modest enabling reinsurers to hold firm and resist rate reduction and, in some cases, continue to push for rate increases.
- In summary, the Latin America and Caribbean reinsurance market continued to grapple with a dynamic landscape shaped by the potential for high-severity events, secondary perils, and the evolving underwriting strategies of reinsurers.

North America

Canada

- 2024 marked a historical year of catastrophe losses in Canada with approximately CAD8B in insured losses mostly emanating from the summer events which included hail in Alberta, flooding in Ontario and Quebec, and wildfires in Jasper, Alberta
- Despite the largest historical year-to-date of catastrophe losses for Canada, the insured losses were not broadly absorbed by all primary insurers. While some experienced losses that outsized their market share, others were well below or completely unscathed. Furthermore, this same phenomenon applied to the reinsurers; as such, reinsurance pricing varied, based on reinsurers' results. Those that experienced larger underwriting deficits quoted more aggressively than those with better results
- The recent catastrophic results created more scrutiny around secondary peril pricing and continuous adjustments to reinsurance retentions, which saw further increases to those programs that hadn't made the necessary changes in prior years in line with their underlying exposure
- In general reinsurance pricing varied broadly across reinsurance programs depending on each buyer's ceded loss ratio results
- Quotes had larger variances but the movement from quotes to firm order terms were much larger than had been experienced in recent years, with some reinsurers coming off their quotes well above the normal average
- Contractual terms and conditions seem to have reached a level of consistency and balance, with minimal negotiations surrounding wording and more focus on price
- Many catastrophe programs were oversubscribed with more capacity available on higher attaching layers and consequently pricing was more aggressive on higher layers with more pressure on the lower end of catastrophe programs
- Catastrophe layers with losses experienced more pressure on price but capacity availability was sufficient at the appropriate pricing levels to meet demand
- Property per risk programs focused on increasing retentions where 'dollar swapping' still exists. Pricing has trended along with exposure growth, and minimal pressure on rate increases was pushed on growing portfolios, unless there were significant losses. There was also increased interest and support from international reinsurers, in addition to domestic reinsurers engaging more, buoyed by ceded margins improving over the last couple of years.

United States – Nationwide

- Reinsurers were generally responsive throughout the placement process with timely feedback, pricing indications, and authorized capacity
- Quoting data indicated most reinsurers were looking to hold the line near risk-adjusted flat pricing. However, in some cases, the quoting process unveiled a wide range of pricing perspectives, with certain reinsurers indicating their ability and interest to maintain/grow market share early in the placement process, while other reinsurers sought to push for higher pricing
- Retentions were largely maintained year on year, and lower layers attracted more capacity as reinsurers were looking to defend their capacity higher up in programs. Mid to upper catastrophe layers experienced the largest risk-adjusted decreases
- Property per risk placement outcomes were more dependent on program experience and strength of reinsurer relationships
- Quota share terms generally improved for buyers as the impact of rate and cost sharing mechanisms have strengthened the health of the underlying business
- As the renewal process played out, despite varying views of pricing in the quoting phase, reinsurers looked to support firm order terms with increased capacity and concurrent terms and conditions to achieve desired signings.

United Kingdom

- Ongoing consolidation amongst UK insurance companies has resulted in a significant reduction in 'standalone' UK property cat and risk placements being purchased in recent years
- As a result, reinsurance supply outstripped demand leading to rate softening and loosening of contractual terms with hours clauses expanding and pre-paid reinstatements available.

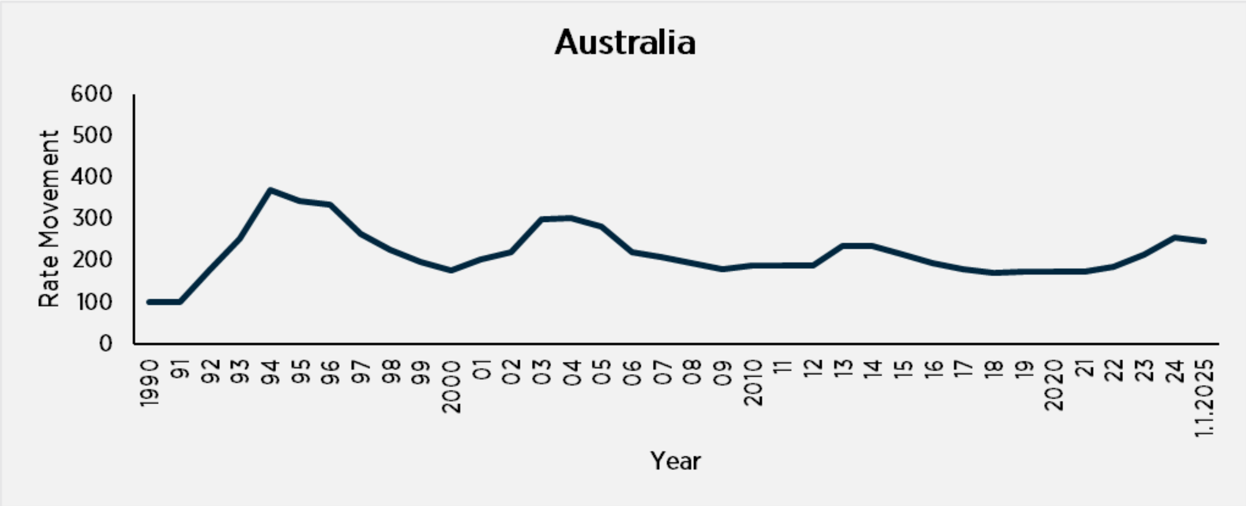
Figure 1: Property Rate Movements

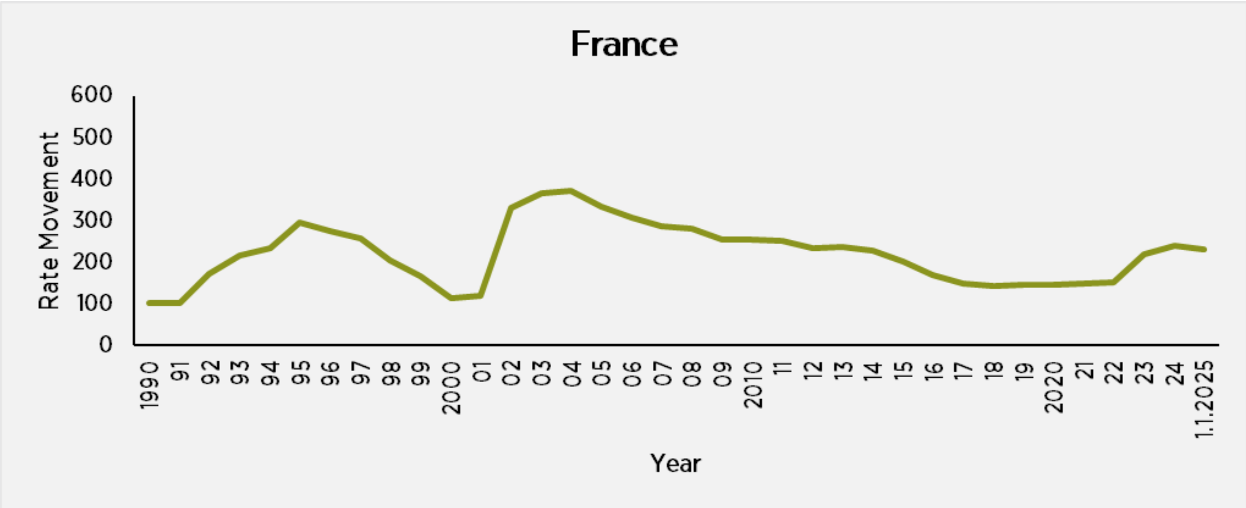
Territory	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
Australia and New Zealand	-1% to +1%	-5% to 0%	+5% to +15%	-7.5% to 0%	N/A
China	-2% to +1%	-10% to -7.5%	+5% to +10%	-20% to -5%	+5% to +20%
Indonesia	0% to +2.5%	-5% to -15%	+5% to +25%	-5% to -15%	N/A
Korea	+5% to +7%	-5% to -15%	N/A	-17% to -25%	N/A
Malaysia	0% to +3%	-10% to 0%	0% to +10%	-10% to +0%	N/A
Taiwan	0% to +3%	-10% to 0%	0% to +10%	-5% to 0%	+5% to +15%
Vietnam	0% to -2%	N/A	N/A	N/A	+5% to +50%
Europe (large programs excl Turkey)	0% to -4%	0% to -10%	0% to +10%	0% to -15%	0% to +10%
Austria	0% to -4%	0% to +2%	+5% to +10%	0% to +2.5%	+10% to +35%
Central and Eastern Europe	0%	0% to +5%	+5% to +20%	-2.5% to +5%	+10% to +20%
France, Benelux	N/A	-5% to 0%	0% to +7.5%	-7.5% to 0%	0% to +5%
Germany	0% to -1.5%	0% to +5%	N/A	-5% to –1%	+10% to +15%
Iberia	0% to -1.5%	0%	+10% to +15%	0% to +2.5%	+3% to +5%
Italy	0%	-3% to +6%	-7% to +3%	-8% to +2%	-7% to +5%
Middle East & Africa	0%	0% to +10%	+15% to +20%	-10% to 0%	+5% to +15%
South Africa	+1% to +2%	0%	+5%	0% to –10%	N/A
Netherlands	0%	-2.5% to +5%	+10% to +20%	-5% to 0%	N/A
Nordic countries	N/A	-10% to 0%	+5% to +25%	-7.5% to 0%	0% to +10%
Switzerland	0% to +1%	0%	N/A	-5% to 0%	N/A
Turkey	0%	0%	+50%	0%	N/A
Latin America and Caribbean	0%	0% to –5%	+10% to +20%	LA: 0% to –7.5% Car: 0% to +10%	N/A
Canada	0%	0% to -5%	0% to +25%	0% to -5%	+10% to +30%
United States - Nationwide	-1% to +1%	0% to +10%	+10% to +20%	-10% to 0%	0% to +15%
United Kingdom	0% to +1%	0%	+5% to +15%	-8% to -10%	N/A

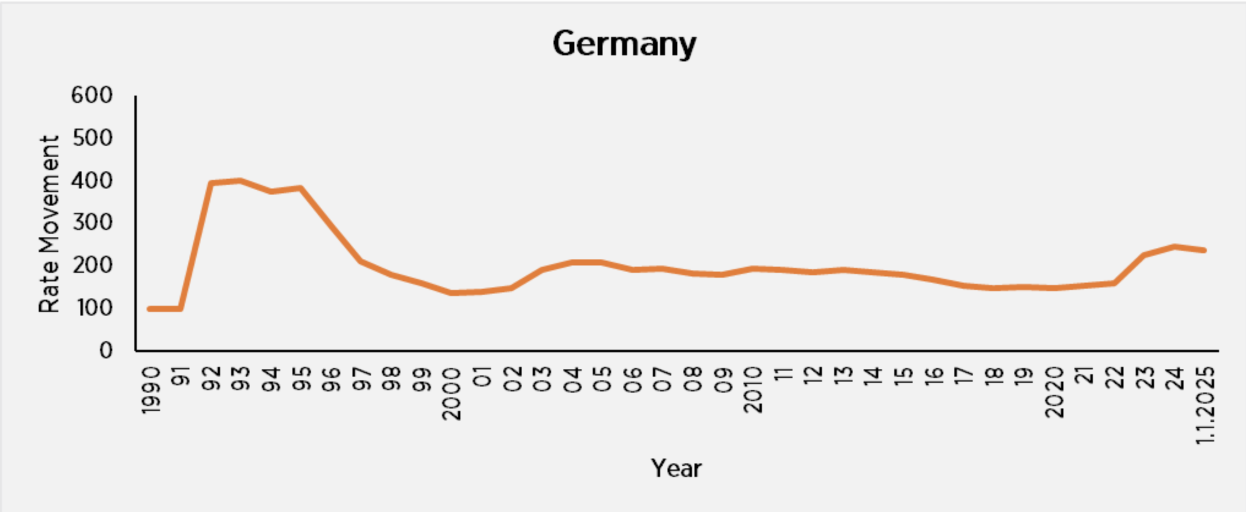
Note: Movements are risk adjusted.
Source: Gallagher Re

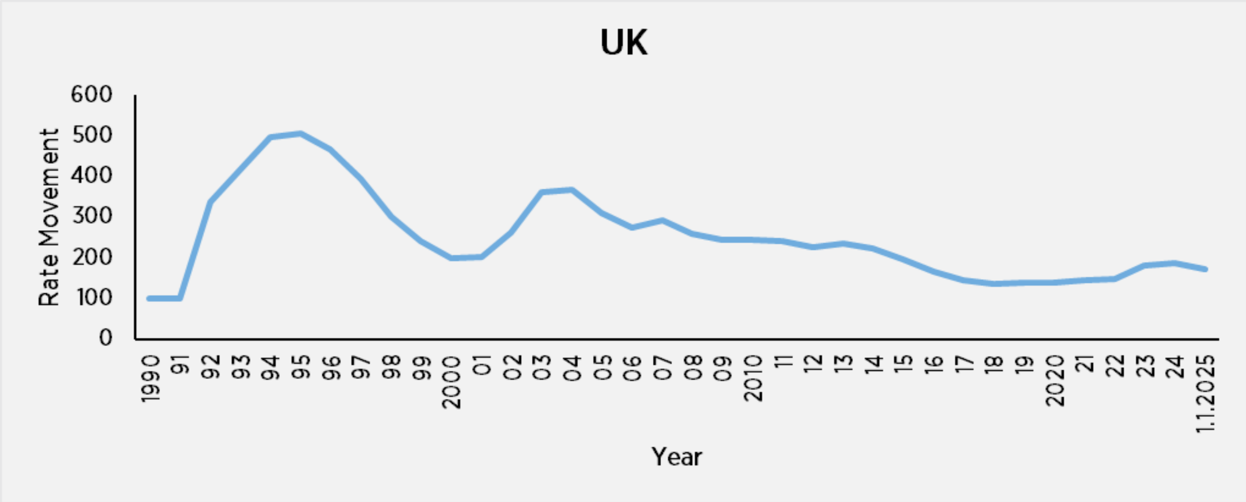
Figure 2: Property Catastrophe Pricing Trends

The following charts display estimated year-over-year property catastrophe rate movements, using 100 in 1990 as a baseline.





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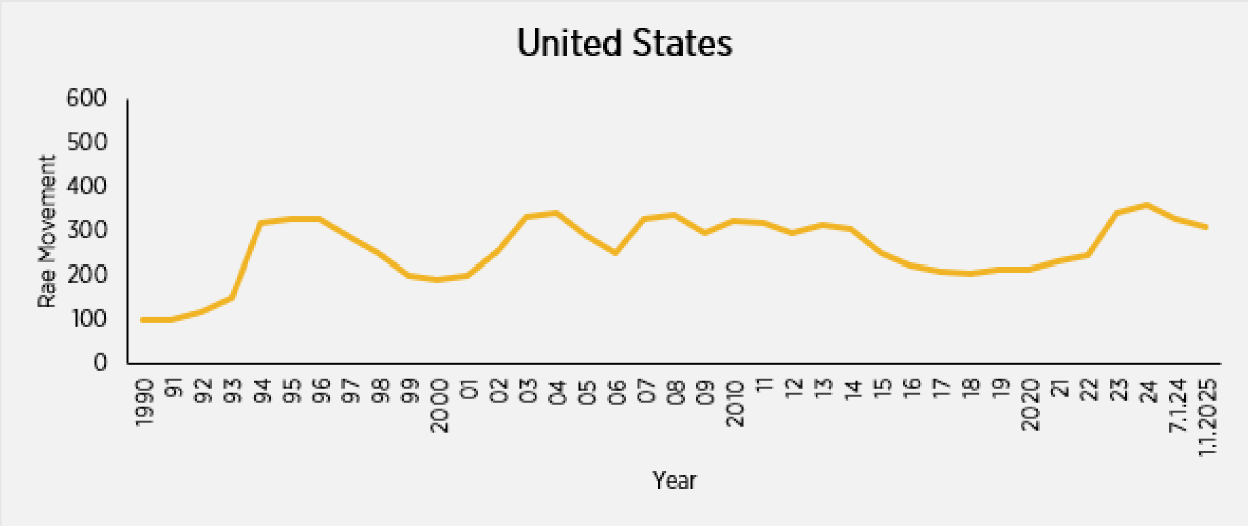
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Casualty

Executive Summary - General Third-Party Liability

Jump to Commentary by Territory

Reinsurers continued to scrutinize the underlying trends and dynamics of the casualty market at the 1.1.2025 renewal, and differentiated cedants that were able to provide evidenced-based arguments that their portfolios were performing better than a tabular assessment might suggest.

Buyers that provided reinsurers with a clear, data-driven analysis of their underwriting and claims strategy, to evidence why the future profitability was better than in the past, achieved most favorable pricing outcomes.

Perhaps more importantly, they also obtained preferred treatment in capacity allocation in a market where some reinsurers were looking to pare back capacity and others were looking to selectively grow.

In the US, underlying profitability and loss trends remained complicated and, for this renewal, there was consternation around the ultimate profitability of the more recent accident years 2021-2023 when current loss reserves are extrapolated to ultimate.

This year, we reached a level of intense underwriting scrutiny not seen for several decades. Reinsurers had a laser focus on loss trends, actions taken by buyers to improve the future profitability of their portfolio from an underwriting, reserving, and claims management perspective, and how they were quantifying that improvement.

Portfolios that demonstrated this with qualitative, and more importantly quantitative, analysis were positively differentiated in the market and secured capacity with more stable pricing outcomes.

For quota share programs, nominal changes in ceding commissions ranged between -1.0% to +1.0%, albeit those changes were predominantly a consequence of a shift in portfolio composition, rather than risk-adjusted movements.

For excess of loss programs, risk-adjusted pricing changes were between -5% and +5%. In some instances, to manage pricing pressures, buyers adopted tweaks to their structures to achieve more stable economics, but overall demand remained broadly stable.

While pricing was a feature of the negotiations, this renewal season was less about pricing and more about capacity – and reinsurers deciding which buyers they wanted to partner with.

Rather than negotiating around the renowned challenges in casualty, Gallagher Re focused on proactively positioning clients with evidence-based insight in order to convert underwriting and claims actions they had taken into tangible performance outcomes. This helped reinsurers build greater confidence in the portfolio's performance, which led them to offer the best possible pricing, and maximize their capacity.

In the International market, the spotlight was focused on direct and indirect US liability exposure, excess auto liability, and coverage related to PFAS (per- and polyfluoroalkyl substances, also known as 'forever chemicals'). Also, while to date, 'social' inflation has been a US phenomenon, some markets expressed concerns about signs of it emerging in the EU.

Similar to US dynamics, reinsurers demanded granular detail and where that was provided, optimal outcomes were achieved, with few exclusions being sought. Books with greater exposure to the US attracted risk-adjusted price scrutiny above the average.

Those buyers that proactively took action to derisk their books (writing lower limits, excluding PFAS, increasing attachment points for excess auto, etc.) were rewarded with rate concessions, albeit many cedants felt greater recognition from reinsurers was required.

Capacity for non-US risk was bolstered by some new market entrants, notably from Bermuda that, looked to participate with smaller lines. In the main, while there were more expressions of interest from new reinsurers, cedants chose to align themselves with incumbents, opting to preserve long term relationships.

As such, non-US renewals that ran loss-free got home with to up -10% risk-adjusted decreases, while impacted accounts were flat to +10%.

FinPro

As reported in prior years, there is a broad range of products within financial lines, with different market cycles and therefore reinsurance outcomes. This year, that can be broadly divided into US public directors' and officers' (D&O), transactional liability, and everything else.

US public D&O has had three negative-rate years, and continued adverse development in older years, offset by early signs of very favorable development in policy years 2021-2023. Modelled loss ratios that extrapolate by trending and developing incurred values to ultimate remain elevated.

As a result, reinsurance conditions remained challenging, although there were signs of an improving rate environment and, more importantly, a favorable delta appeared to be emerging between how the more recent years ought to have been performing and how they are running in reality.

Public D&O is an especially challenging class of business to forecast with wide swings in both frequency and severity born of the underlying complexities and externalities that inherently drive loss activity. Therefore, public D&O-weighted treaty terms were under pressure again this year and coverage restrictions were introduced to minimize reductions to ceding commissions.

As a result of depressed underlying rates and potentially significant losses working their way through the market, many transactional liability reinsurers are reining in capacity, regardless of quota share commission terms, which are also coming down.

The concerns are driven by accumulation management after a series of significant market losses with multiple cedants deploying lines on single towers. The transactional liability market has historically operated with single carriers deploying large limits. This was historically to ensure large(r) limits were available with minimal delay and as close to real time with the underlying transaction negotiations and ultimately deal closure. Brokers could negotiate large blocks of limit making changes to placements as the deal was being negotiated 24 hours a day with a single carrier block of capacity.

As these limits were deployed on larger towers, especially contingent liability towers, the reinsurers became aware of the potential for aggregation and several large recent losses have highlighted those concerns in the contingent liability sub space. These losses have also highlighted the extent to which the transactional market has broadened from its roots in the representations & warranties/warranties & indemnities space to a far broader set of coverages.

For monoline errors and omissions (E&O) and/or private D&O placements, capacity was plentiful, and terms were flat-to-improving, depending on the specifics of the deal. Typically, these lines are embedded in broader treaties including US public D&O and serve to smooth overall treaty terms.

From a capacity perspective, with the exception of transactional liability, the market was stable, and most treaty panels renewed with incumbent markets with small share movements. There were some signs of increased interest at 1.1.2025, with select markets feeling more optimistic about the experience in recent years and looking forward.

For most buyers, the goal was to hold the line on terms and capacity. We also saw increasing interest in excess of loss to supplement quota share purchases.

Casualty: Commentary by Territory

International and Motor

- Overall, reinsurers demonstrated a healthy appetite for casualty and motor reinsurance business, attracting offers from both existing supporters of placements as well as new entrants
- As expected, loss-free renewals outperformed loss-affected accounts, however those buyers that could demonstrate with data and a clear strategy that their underwriting was improving the underlying portfolio, achieved better outcomes than those without the same level of granularity
- Accounts without US exposure received less pressure from reinsurers than those with US risks. This continues to be a key area of concern for reinsurers, and they expect their clients to be de-risking by reducing line deployment, restricting coverage, increasing original attachment points, and focusing on price adequacy. Buyers that could demonstrate such actions achieved more favorable results
- PFAS (per- and polyfluoroalkyl substances) remained a hot topic with some reinsurers trying to tighten treaty cover further but generally new restrictions were avoided where it could be shown that buyers had taken action and were actively managing exposures
- Buyers' interest in understanding and managing the casualty systemic and accumulative or clash risk within their portfolios has grown and we have seen more buyers actively modelling the underlying risk and exploring options for casualty catastrophe and clash protections.

Asia Pacific (APAC)

Australia

- Overall, both domestic and internationally based reinsurers demonstrated a healthy appetite for casualty reinsurance business underwritten in Australia and New Zealand
- As expected, loss-free renewals outperformed loss-affected accounts, however buyers that could demonstrate with data that their underwriting was improving the underlying portfolio, also outperformed those without the same level of granularity
- Discussion on the impacts of inflation persisted. However, as inflation levels approach normalcy, discussions on other hot topics such as PFAS (per- and polyfluoroalkyl substances) and US exposures within the portfolios took over. Instead of widespread application of exclusions or reduction in limits, reinsurers generally undertook a balanced approach to understanding the buyer's approach to these exposures
- Buyers' ongoing interest in understanding and managing the casualty systemic and accumulative risk within their portfolios has grown and we have seen more buyers actively modelling the underlying risk and exploring options for casualty catastrophe protections.

China

- Casualty excess of loss structures were stable with more quoting activities, buyers smoothly achieved their target price.

South Korea

- Appetite remained strong for General Third-Party Liability
- No large loss activity this year thus the overall treaty results remain positive.

EMEA

France, Benelux

- Appetite remained stable for General Liability programs
- Price driven by individual performance
- Reinsurers still cautious on US exposure and PFAS (per- and polyfluoroalkyl substances)
- For PFAS exposures reinsurers were able to push for exclusion for US exposure or other sensitive exposures (e.g., municipalities).

Motor (France)

- After two years with high price increases, we observed more price moderation for 2025. Nevertheless, some buyers increased their retentions significantly to manage their budgets
- For specific segments, reinsurers showed a modest resurgence of interest, but there was still limited appetite for uncapitalized annuity clauses, compared with capitalized annuity clauses.

Motor (Benelux)

- The appetite of reinsurers remained unchanged, and retentions were stable.

Italy - Motor

- Dynamics on long-tail business have been affected by inflation-driven adjustments to the Court of Milan indemnity tables, the point of reference for compensation of non-pecuniary damages in the market together with those published by the Court of Rome
- Accordingly, reserves have been updated over the summer, leading to risk-adjusted views for both Motor and Casualty being revised upwards. However, a growing appetite for non-catastrophe business and capacity flowing into long-tail lines of business resulted, in many cases, in firm order terms reductions, or only modest increases
- Reinsurers generally accepted the view that inflation adjustments had already been factored in in previous years, even in the absence of a formal update from the Court, and, therefore, have shown significant flexibility at renewals
- PFAS (per- and polyfluoroalkyl substances) and US-exposed portfolios have been a growing concern and made wording discussions more problematic.

North America

Canada

- Loss activity has been relatively benign on Canadian casualty business with minimal movement on pricing and in many cases a decline due to competition
- Reinsurance pricing was competitive, with quotes spread out across panel of quoting markets
- There was an increase in appetite to grow on “working” or lower layer casualty business with reinsurers offering more capacity
- Reinsurers were looking to reduce cyber and per-and polyfluoroalkyl Substances (PFAS) exposure across casualty programs
- There was reduced appetite from domestic and London reinsurers for casualty clash layers.

United States – General Third-Party Liability

- Overall capacity for US Casualty remained stable albeit individual reinsurer appetites shifted. Some reinsurers looked to modestly scale back positions while others looked to selectively grow
- Structures remained consistent year over year and carriers sought to maintain placement cessions

- Pricing and individual program appetite was highly dependent on individual carriers' performance trends and dynamics. Those who were able to provide detailed data and evidence-based arguments and analysis of underwriting and claims actions, were able to achieve favorable YoY pricing outcomes, preserve capacity and fortify reinsurer relationships
- Recent re-acceleration in original rates of the underlying business also helped stabilize the reinsurance market, as reinsurers took confidence in carriers' ability to continue to drive pricing adequacy. This was most prominent in Umbrella and Excess Liability portfolios but also in Primary lines.

United States – Healthcare

- Pricing trends increased, as severity continued to be prevalent across all subsegments of US Healthcare
- Capacity remained adequate overall, with select reinsurers moderately flexing their appetite
- Hospital exposures continued to be the most scrutinized subsegment by reinsurers given the larger limit stretches and track record of significant 'nuclear verdicts' – with particular reinsurer attention being paid to sexual abuse and misconduct exposures
- While the state location of loss continues to be a key consideration in evaluating the potential for severity, the spread of 'nuclear verdicts' across many states - even those historically deemed as favorable – contributed to the pricing pressure
- Frequency trend continues to be flat to negative, but severity and frequency of severity trends both continue to rise
- The net result was an overall trend ranging from mid-single digits to low-double digits increases, based on subsegments and loss locations, which tend to be very buyer specific.

United States – Professional Liability

- Quota share terms were under pressure again this year with continued adverse development (PY 2017-2020) and ongoing negative rate, driven by US Public D&O. Modified coverage terms were used to minimize economic changes
- Capacity remained stable with some signs of expanding appetite amid early indications of the underlying market rate conditions improving
- There was increasing interest and exploration of excess of loss to supplement quota share placements, but it remained a small element in overall market
- The Transactional Liability market is evolving with reinsurer concerns around aggregation and underlying pricing, most notably for contingent liability. Capacity reduced and quota share terms were put under pressure.

United States – Workers' Compensation

- While there was continued pressure for increased rates on working layers (single claimant exposed), it was not as intense as it was around mid-year 2023
- Payroll increases played a role in counterbalancing the ongoing decreases in primary rates across all states
- Additionally, the entry of new participants in the market helped ease the pricing pressure on working layers
- Meanwhile, catastrophe capacity remains plentiful, resulting in flat rates on lines year over year.

United Kingdom/Lloyds

Third-Party Liability and Financial Lines

GTPL:

- Concern remains around US bodily injury classes which has resulted in increased due diligence, but capacity grew modestly, and pricing terms were largely stable
- For portfolios with no US exposure, capacity was robust, and reinsurers have been highly competitive on true international business.

Financial Lines:

- The Financial Lines reinsurance market was orderly with sufficient capacity. Despite the continued softening of original rates, primarily in D&O, the degree of reductions have begun to stabilize. Focus remains on US D&O, but overall, reinsurers showed a greater willingness to engage and differentiate cedants compared to 1/1/24
- In Transactional Liability and Contingent Liability specifically, very limited reinsurance capacity remains for Contingent Liability business, following emergence of a number of well publicized active litigations losses.

Figure 3: Casualty Rate Movements

Territory	Pro rata commission	Excess of Loss – no loss emergence % change	Excess of Loss – with loss emergence % change
International and Motor	N/A	-10% to +2.5%	+2.5% to +10%
Australia	0%	+2.5% to -7.5%	+2.5% to +12.5%
China	N/A	-10%	-10% to +2%
South Korea	N/A	0% to +5%	N/A
France, Benelux	N/A	-10% to +10% 0% to +10% (France only)	+5% to +15%
Italy - Motor	0%	-9% to +6%	-11% to +8%
Canada	0%	-5% to -10%	0% to +10%
United States - General Third-Party Liability	-1% to +1%	-5% to +5%	0% to +10%
United States - Healthcare	-1% to 0%	0% to +6%	+5% to +25%
United States – Professional Liability	0% to -1%	N/A	N/A
United States – Workers' Compensation	N/A	-2% to +5%	+10% to +25%
UK and Lloyds - Third-Party Liability and Financial Lines	-1% to 0%	-10% to 0%	-0% to +10%

Note: Movements are risk adjusted.
Source: Gallagher Re

Specialty: Commentary by Line of Business

Aviation

Ample capacity at 1.1.2025 led to a healthy, competitive tension between reinsurers this renewal. Non-proportional capacity was in plentiful supply, with buyers able to apply more pressure on reinsurers to improve the offered terms. Buyers were generally provided with more choices around structure and pricing alternatives. A blended mix of subscription and verticalized pricing was incorporated into some placements. Overall excess of loss pricing softened slightly, driven by increased supply.

Capacity levels for quota share placements were generally unchanged, although portfolio mix, back-year loss deterioration, and commission levels were all subject to close attention from reinsurers.

The trapped aircraft within Russia and the potential quantum of claims remains of concern to all parties, given the overall degree of uncertainty that continues to exist.

In the direct market, capacity levels remained strong, and rates have continued to soften. A combination of increased appetite from existing markets and the arrival of new capacity to the class broadened options for airline operators and buyers. Double-digit rate reductions have been evident, and vertical discounting was prominent as following/new markets looked to secure market share.

Just ahead of the market's key 1.1 inception date, the market learned of the tragic news relating to the Jeju Airline loss, on December 29, 2024. This loss will impact the 2024 underwriting and should further underline the need for airline insurers to change their approach to the pricing of airline business. Whilst it is far too early to make any comment around loss quantum, the resultant claims from this accident will further push the airline underwriting account into a deficit position.

Pricing within the general aviation market has similarly come under increasing pressure as certain markets have sought to further diversify their portfolios.

General levels of overcapacity have also continued to impact the products manufacturing segment, with pricing levels similarly coming under pressure, although perhaps to a slightly lesser extent than has been evident within the airline and general aviation sectors.

In aviation hull war and war third party liability, capacity was again plentiful in the direct market, with rating under severe pressure in the Q4 renewals – rate reductions of approximately -10% were seen, and differentials behind leaders have stretched further. All risk markets entered the segment to provide clients with a broader offering, and the continued expansion of line slips, thereby putting pressure on incumbents.

Reinsurers, meanwhile, have looked to maintain discipline in respect of deploying capacity and rating as of 1.1.2025; most renewals saw modest reductions due to overcapacity. Retention levels and vertical limits remained consistent year-on-year. Absent any material developments, the current environment within the war market is expected to continue throughout 2025.

Finally, the space market saw capacity contract, with several direct and reinsurance markets exiting the class, as the market continued to digest losses from 2023, which now total in excess of USD1.9B. At 1.1.2025, reinsurers generally looked to further trim excess proportional capacity from the market – resulting in approximately a -10% to -15% reduction in theoretical capacity.

Cedants that demonstrated superior results were able to secure loyalty from their (re)insurance panel. Commissions stayed flat. This is expected to create more upward pressure on rates through 2025, where there will likely not be enough available capacity to cover peak insured values of more than USD350M.

Cyber

Cyber renewals at 1.1.2025 saw a strong focus on obtaining the most efficient reinsurance structures, amid extremely healthy levels of capacity from reinsurers and an improved understanding of tail risk from buyers. Increased competition for both quota share, and excess of loss placements led to successful negotiations for improved terms and more effective coverage.

In the proportional market, it was a buyers' market as supply outstripped demand. This was driven by a lack of underlying growth, increased retentions and increasing reinsurer appetite. These factors, coupled with strong performance in recent years, allowed buyers to push for increased ceding commissions across the board and significant risk-adjusted rate decreases.

It was a similar picture in the excess of loss market, with plentiful supply. The increased amount of capacity was further supplemented as reinsurers who have traditionally been more proportionally focused entered this space in a meaningful way.

As portfolios become more balanced, the work carried out during 2024 by buyers and Gallagher Re to create greater confidence around systemic risk bore fruit as buyers' strategies notably changed transitioning from the tail and moving structures to further down the risk curve, which offered greater value. The resulting structures are more efficient in terms of attachment and price and represent bespoke products that are more appropriate for buyers' specific needs.

Another notable change from negotiations last year was the pivot in focus away from cyber war; something which dominated discussions at 1.1.2024. While the market is progressing towards reaching consensus on cyber war, we now have a clearer picture on the direction of travel as well as which underwriters are supporting a broader range of exclusionary language. Most reinsurers showed flexibility in supporting the market as it continues toward closer alignment. Innovation in structure increased throughout 2024—notably with more ILS and ILW coming to the fore—alongside greater variety in traditional structures.

The worldwide IT outages resulting from the faulty CrowdStrike update once again highlighted to the market the loss accumulation potential from software and service supply chain concentrations. However, unlike previous supply-chain events, it brought to attention that non-malicious 'errors' could also produce a widespread impact, despite duration being mitigated by swift incident response. Following this event, Gallagher Re added a 'non-malicious' trigger to the Perils US Cyber Market index, thereby extending the basis of aggregation of the fledgling Cyber ILW utilizing this index. We have also seen greater adoption of Gallagher Re wordings which have always explicitly covered this. Gallagher Re's cyber team also undertook research work in partnership with Beazley and Munich Re in 2024 into the cyber market's resilience to extreme malware events, part of an ongoing program of work aimed at fostering confidence and helping the market to grow.

Engineering & Construction

Although deployed capacity remained relatively static in both the primary insurance and reinsurance markets, appetite for engineering and construction increased, within an enhanced overall appetite for specialty lines. Reinsurers have benefited from a profitable primary insurance market, following a sustained period of rate increases, discipline around terms and conditions (including deductibles), and line size deployment, together with a favorable macro-economic environment.

Following the exit of USD1.34B of primary insurance market capacity in 2018, we estimate USD450-500M has re-entered as of the end of 2024. Nevertheless, it is important to note that the risk appetite and targeted geography of this new capacity was often non-correlating, meaning the new entrants have not had a substantial impact on underwriting competition and discipline.

The global improvement in the inflation environment also resulted in growth in residential and mid-market business, benefiting both primary and reinsurance carriers.

While the Noor Energy solar energy plant loss notification in April 2024 (which fell under the 2018 underwriting year) was substantial, it did not drive a widespread market hardening for 1.1.2025 placements due to the loss being concentrated on a reasonably small number of insurers, rather than a wide market participation. There were no other risk or catastrophe events that had a substantial impact on the reinsurance market.

Reinsurers approached 1.1.2025 renewals with pragmatism. Where buyers could successfully demonstrate that their books had run well, they are pursuing a profit centric strategy, and that their reinsurance structure was sound, they were generally able to negotiate increases in commission.

Reinsurance structures remained largely static: quota share and/or excess of loss structures continued to attract the best deployed capacity from reinsurers, while appetite for surplus structures continued to be more restricted, and reducing.

Life, Accident & Health

The 1.1.2025 renewals for life, accident & health were placed with relative ease this year, amid good results and a broadening appetite from both incumbent and new reinsurers. While new entrants were not driving pricing disruptions, there was increased competition among reinsurers as they sought to write more business.

Risk-adjusted rates fluctuated between 0% to -10% for loss-free. First tier excess of loss programs saw ceding commissions remain flat, depending on the underlying portfolio and historical performance. Downward pressure on rates in the US was tempered by recent loss experience in the medical reinsurance sector, due to rapid advancements in high-cost therapies.

In EMEA, there were more reinsurers willing to enter the structured life space, but some reinsurers elected to leave the traditional reinsurance space after judging the business to be too low margin.

Overall, there was some increase in demand, as insurers looked to mitigate risks associated with pandemics, aging populations, and rising healthcare costs. Demand remained high for excess of loss per head, per event, and extreme mortality covers. There was also continued high activity in mass lapse with new programs implemented and bigger capacity purchased. Additionally, there were reductions in rates on line on retro programs where underlying exposure has been increasing.

Purchasing strategies differed by territory. Reinsurers were once again open to writing sports risks – which had previously been avoided due to high losses – thanks to higher rates and improved loss stability. Some health treaties were terminated early however, driven by reinsurers' push to increase rates to allay their inflation fears, and buyers' reluctance to pass the uplift on to policyholders.

In the US, there was a trend towards more customized reinsurance solutions, with insurers seeking to tailor their coverage to specific needs and risks, rather than relying on traditional, one-size-fits-all products.

Looking ahead, the market remains sensitive to inflationary pressures on medical-exposed business, particularly in Southeast Asia and the US. In the US, rapid increases in high-cost therapies are creating uncertainty in forward looking claim projections (see the Medical Excess section of this report for more detail) but advances in healthcare technology and data analytics will provide opportunities for better risk assessment and management, potentially reducing claims costs and improving underwriting results.

In EMEA, the volatility of spreads over risk-free rates for government bonds continues to cause fluctuations in solvency ratios. As a result, insurers are seeking solutions to stabilize their solvency.

Passive war coverage within country of domicile was a big talking point, leading to increased concerns in the retro market. Tighter event definition clauses (more limited hours and narrower geographic limits) along with limited reinstatements given on passive war events are already evident. Overall, there continues to be a lack of consensus among reinsurers on exclusionary language around war and passive war due to the on-going conflict in Israel-Gaza.

Underwriters in the US will have a watching brief on the Affordable Care Act, which will likely come under scrutiny under the new Trump administration in 2025.

Marine & Energy

In general, we saw an abundance of capacity at 1.1.2025, reflecting the rate adequacy of the marine & energy reinsurance and retro markets. Demand for limit remained largely static, with no new major buyers coming to market. During the 1.1.2025 renewal, some buyers with growing portfolios sought to buy more retrocession to protect their growing exposure base. A number of buyers also sought coverage for energy transition-related risks.

On the supply side, there continued to be a limited number of leaders in both the first-tier reinsurance and retro markets, which tempered rate reductions, though softening was certainly evident given the plentiful supply of follower capacity.

Improved ceding commissions were offered on quota shares, and adjustments to event definitions in strikes, riots, and civil commotion coverage, as buyers sought to secure coverage better aligned to their own underlying exposures.

Reinsurance panels remained stable at 1.1.2025, as buyers sought to maintain relationships with incumbent reinsurers. Buyers were mindful of the potential for loss payments from events in recent months that remain on watching brief. With reference to the Baltimore Bridge event, the market has reached a consensus of a loss quantum of USD1.5B for the 2025 renewal. The impact of the Ukraine/Russian aviation war losses still remains largely unknown following this renewal period.

2024 saw reinsurers' macroeconomic and geopolitical spotlight shift back towards the US, in contrast to 2023 when the chief worries were exposures in Russia, Ukraine, and Belarus; Israel and the Red Sea; and China/Taiwan.

Renewables

The renewable energy market has continued to grow apace, with buyers seeking bespoke solutions for their coverage needs. Given this is a relatively new class of business, and the variety of ways in which buyers have developed their underlying portfolios, reinsurance solutions are far from homogenous.

Some buyers required broader definitions which can be woven in with traditional downstream policies, while for others, renewable business forms part of their overall marine and energy book. A minority of buyers have even expressed a strong interest in non-proportional, standalone solutions, specifically covering renewable power. In Asia Pacific, for example, many buyers sought standalone proportional solutions for renewables, mainly in offshore wind.

The demand was predominantly from China but elsewhere across South Korea, Taiwan, and Southeast Asia, buyers were looking to their broker to develop new treaty solutions for a wide range of original risks; from Battery Energy Storage Systems (BESS) to pumped hydro, to onshore wind, and solar.

In the US, while reinsurers were mindful of the modest margin available on renewable business, there was enough domestic capacity, with little business ceded outside of the US.

While MGAs continued to offer a healthy amount of capacity, traditional energy reinsurers also pivoted their approach, coming off binders and choosing to write the business on their own.

There was a desire from reinsurers to gain greater understanding around where potential clash catastrophe exposures might occur, as well as aggregation concerns around multiple renewable energy farms located in close proximity.

Medical Excess (US)

The US medical excess market enjoyed sufficient capacity for domestic buyers at 1.1.2025, following a year in which several new risk factors emerged.

New entrants have come to the market in recent years, which helped to bolster capacity levels. However, as has been common historically, this largely non-syndicated market saw most placements retained by the incumbent reinsurer. Buyers sought to increase retentions and retain more risk as they grew, to help offset the impact of rate increases. Buyers also continued to seek aggregate protections, but reinsurers' appetite for such products was limited to value-based care for Medicare Value Based Care Programs, given the well-defined nature of such programs.

Quota share reinsurance structures gained additional interest from buyers, given the flexibility and cost of capital that can be achieved.

The impact of first dollar medical trends (+7% to+8% commercial and +4% to +5% Medicare Advantage) in the underlying market fed through to renewals this year, including the anticipated increased use of high-cost drugs and the FDA approval of additional Cell and Gene Therapy treatments. Average renewals ranged from flat to +17% for most buyers with others experiencing higher increases, based on claims experience.

The Center for Medicare and Medicaid Services (CMS) made significant changes as part of the Inflation Reduction Act to Part D coverage as well as the government reinsurance program, in 2024. This increased health plan risk exposure resulted in rising reinsurance rates and an increase in the number of buyers looking to include Part D coverage in 2025.
One of the significant risk factors for 2025 and beyond is the unknown impact of emerging Cell and Gene therapies. Frequency is of concern to the market for cell therapy, while severity is the bigger issue for gene therapies.

At the time of writing, there were 14 approved gene therapies with a cost range of USD240,000 to USD4.25M per therapy. While the relatively high cost of such treatments initially caused concern for the US reinsurance market, the lower-than-expected uptake resulted in the loads and rates improving for coverage, and many reinsurers covering FDA-approved therapies.

In 2025 there are 10+ new therapies in the pipeline expected to be approved and the market anticipates expanded indications of use. This ongoing risk is prompting some buyers to look for alternative structures to provide risk protection.

While this remained an exploratory exercise for most cedants, we were able to help buyers consider – and in some cases execute – an alternative risk transfer for such therapies. Alternative risk transfer (drop down or Cell and Gene Therapy carve out solutions) is still very much an emerging market that needs careful evaluation by buyers.

Reinsurers' use of 'lasering' (where specific individuals with ongoing medical conditions are identified within a group policy and are underwritten with a higher stop loss deductible) continued to be used as a means of risk mitigation.

Non-marine Retrocession

An increased supply of retrocession capacity ahead of January renewals shifted market dynamics in a more favorable direction for buyers.
Demand for retrocession limit at 1.1.2025 was broadly stable, following an increase in purchasing throughout 2024. This was a nuanced dynamic by buyer, as some reduced ultimate net loss (UNL) orders through strengthened balance sheets, from retained earnings, or increased quota share cessions, while others purchased more to support underlying growth and favored UNL limit over industry loss warranties (ILW).

Supply was bolstered as reinsurer growth ambitions combined with strong returns from 2024. This drove increased appetite from incumbent players, and encouraged inflows of capital to both ILS and traditional rated carriers through quota share and sidecars. Earlier fears of the potential trapping of collateralized limit from Hurricane Milton on lower attaching occurrence and aggregate layers quickly diminished, with a limited impact to supply.

This renewal was characterized by a very late renewal process, with a significant amount of limit transacted in the final two weeks of the year. Market conditions softened throughout December, with buyers seeking to differentiate themselves relative to portfolio, historical results, and prior renewal behavior to considerable success across coverage, retention, and price.

Cedants generally prioritized UNL purchases over indexed products, with some ILW limit replaced at both earnings and capital levels. A significant softening in the catastrophe bond market pushed pricing further downwards on tail-exposed excess of loss covers.

Political Violence & Terror

Political Violence & Terror (PVT) reinsurance enjoyed a largely orderly renewal at 1.1.2025, as buyers' and reinsurers' demands broadly aligned on time.

All renewals were successfully completed with rate reductions evident on excess of loss placements, and improvements in commissions on quota shares. The strong desire shown by reinsurance markets to grow their exposure to PVT, following a strong profitability performance in 2024, resulted in capacity for 1.1.2025 being more than sufficient, which allowed for competitive pricing.

Demand also increased, with more carriers seeking reinsurance coverage after the primary market grew with new entrants through 2024 and for 2025 accounting for circa USD500M new capacity.

Early questions around whether composites could attach slightly lower into the PVT specifics were resolved comfortably by the end of December, with reinsurers prepared to acquiesce to buyers' requests on a case-by-case basis where compelling arguments were made by their brokers.

This had a knock-on effect on war, terror, and political violence (WTPV) specifics. Last year, buyers continued to purchase more WTPV-specific layers in response to tightening in composites, but at 1.1.2025, as negotiations on composites eased, WTPV specific limits shrunk. This resulted in more competitive rates being offered by reinsurers.

Event definition was a key topic of conversation once again, with buyers looking for better alignment in hours clauses and larger blast distances. Renewal negotiations largely achieved the desired outcomes. Superior data analytics allowing brokers to present a more granular view of clients' portfolios drove the most effective and efficient reinsurance coverage.

Escalation language, a feature introduced by some markets to limit exposure in the Middle East in 2024, did not make a reappearance this year, reflecting the lack of claims made in the past 12 months. There was continued focus on Israel, Lebanon, and Yemen, however.

The final feature of this year's renewal was the push from buyers to get contracts signed ahead of inception, driven by a desire for contract certainty.

Retrospective

The retrospective market showed signs of stabilization in H2 2024 after the preceding 18 months featured a contraction of counterparties offering cover and an increase in execution risk, amid material prior year adverse development across certain lines and jurisdictions.

Inflationary pressure on loss reserves remained a material concern, and reinsurer price discipline therefore remained high. Bid / ask spreads appeared to be narrowing, aided by cedant reserve strengthening actions and reinsurers becoming more comfortable with prior year development across older years.

The amount of capital available to deploy remained plentiful with larger consolidators continuing to seek strategic transactions. Mid-size and smaller counterparties sought to play to their strengths, offering solutions across a range of classes of business and deal structures.

At the time of publication, two mega deals in 2024 had been confirmed, alone worth close to USD4B. Although completion rates are improving, the total number of deals closed in 2024 is likely to fall below the recent peak years of 2019–2022. Gallagher Re estimates circa 30 deals representing approximately USD6-7B reserve volume being completed in 2024 (subject to the timing of transaction closures at year end).

From a geographic perspective, North America was the most active region in 2024 with the market focusing more on workers' compensation than any other class. UK & Ireland activity picked up in the latter half of 2024, this was driven largely by UK motor and Lloyd's opportunities. Ogden rate certainty (see UK motor section) will increase the likelihood of execution decisions in 2025. Deal flow in continental Europe remained subdued, as a result of cedant capital dampening their motivation to transact. Retrospective interest in the APAC region is increasing as companies continue to explore both capital optimization and M&A opportunities.

Overall, the market continued to demonstrate its flexibility in approach, providing a variety of solutions that offered renewable pricing frameworks, relief for trapped capital and forward-pricing mechanisms.

Trade Credit

Strong reinsurance treaty performance and an increasing amount of capacity led to an orderly renewal in trade credit at 1.1.2025.

There was little change to buyers' behavior regarding structure. Risk-adjusted rates were broadly unchanged, taking account of exposures. Compared with the last two renewals, which saw limits increase driven by inflation, there was limited upwards pressures on reinsurance limits purchased.

Increased appetite from existing reinsurers, alongside interest from new entrants, meant capacity was plentiful. Further improvements in terms and conditions were found, particularly on quota share business where a variety of commission arrangements were agreed.

Underlying results from the primary market continued to trend well, despite the normalizing of corporate insolvencies post COVID-19. The increase in underlying insolvencies has not resulted in material losses in the primary market, which is still trending below long-term averages. This has attracted an increase in the number of insurers which, as a result, has increased competitive pressures.

Political Risk

While 2024 saw some claims development with regards to events in Russia/Ukraine and a number of sovereign defaults, the market as a whole remained profitable.

Buyers that experienced a disproportionate volume of losses were offered higher rates. For those accounts that ran loss-free, rates began to soften amid improvements in terms and conditions.

Reinsurers remained risk aware with this class of business, which meant they were pragmatic when it came to putting down lines. However, there was evidence of new entrants expressing interest at 1.1.2025.

Changes to program structures were largely around excess of loss attachment levels for loss-affected accounts or where the buyer requested a larger limit. Increased limit requests were mainly driven by buyers increasing their maximum risk lines, in order to deploy larger lines on target business and to enable them to contend with their peers in a competitive market.

UK Motor

The timely arrival of the Personal Injury Discount Rate (the Odgen rate) decision for England and Wales (a rate which defines the level of compensation for future financial losses in the form of a lump sum in personal injury cases) in early December 2024 allowed for a relatively straightforward motor renewal for the UK & Ireland.

The increase in the Ogden rate from -0.25% to +0.50% is a positive for primary insurers, and this, alongside sufficient reinsurance capacity, allowed buyers to secure meaningful double-digit excess of loss rate reductions. Reinsurers were pragmatic in their negotiations, buoyed by the reduction in their own large loss reserves, due to the Ogden rate increase.

Ample supply of capacity meant there was sufficient market pressure to achieve competitive pricing on excess of loss programs. Additionally, those primary insurers that are more capital constrained were able to get their quota share treaties placed with relative ease.

Buyers sought value at this renewal, and if reinsurance was not priced attractively enough, they retained more and considered more structured reinsurance solutions at the lower end of programs.

US Surety

There was an orderly renewal for US Surety at 1.1.2025, as buyers and reinsurers reached an equilibrium in a broadly firming market.

While supply and demand dynamics remain stable with adequate capacity, there have been some material changes in reinsurer panels, indicating a lack of consensus on reinsurance terms and overall market outlook. Additional interest from reinsurers in this class of business, from both US and European markets, offset disruptions from incumbents.

Demand was flat, year-on-year, as buyers were comfortable with the amount of limit purchased the year prior. This followed two years of additional vertical limits being bought by some buyers, in line with inflation.

While surety has continued to be profitable overall in 2024, there was an increase in development on prior year losses, particularly in the energy sector and developer surety.

With reinsurers assuming a significant portion of market volatility in recent years, they continued to seek increased retentions, exerting rating pressure on reinstatement premiums and expressed an overall strong desire to obtain sufficient rate for the exposure they assumed.

Successful placements were achieved by buyers that effectively communicated their underwriting strategies, supported by strong portfolio analytics. As a result, reinsurers supported risk-adjusted price reductions for those buyers whose portfolios demonstrated strong portfolio credit quality and whose operations were well-positioned to capitalize on market opportunities. Adverse loss development on programs led to both rate and structural adjustments.

Figure 4: Specialty Rate Movements

Territory	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
Aviation	0%	-2% to -10%	N/A	-5% to 0%	N/A
Cyber	N/A	-15% to -25%	N/A	N/A	N/A
Engineering and Construction	0.4%	-4%	N/A	N/A	N/A
Life, Accident & Health	0%	0% to -10%	N/A	N/A	N/A
Marine & Energy Renewables	Small increase	Double digit reductions	Double digit reductions	N/A	N/A
Medical Excess US	N/A	N/A	N/A	N/A	N/A
UK Motor	N/A	Double-digit reductions	Double-digit reductions	N/A	N/A
Non-Marine Retrocession	N/A	0% to 10%	N/A	-5% to -15%	N/A
Retrospective & Legacy	N/A	N/A	N/A	N/A	N/A
Trade Credit	0% to +1%	0% to -5%	N/A	N/A	N/A
Political Risk	0% to +1%	0% to -5%	+10% to +15%	N/A	N/A
Surety	N/A	0% to 5%*	5% to 25%*	N/A	N/A

Regional Overviews

APAC

Asia Pacific markets were largely spared the high inflation environment seen in Western markets over the last few years, which continued to help drive underlying growth into 2025 in these territories. In the absence of a significant underlying inflationary boost, Asia Pacific markets have had to rely on self-generated growth based on underlying economic activity and GDP. Further stressing the market imbalance, original rates remain relatively low, with strong local competition making it difficult for many companies to obtain often necessary increases in primary rates.

The hard markets of 2023 and 2024 left many Asia Pacific buyers squeezed by rapidly increasing costs of reinsurance far outpacing the underlying growth in their portfolios, leading to an affordability issue in many cases.

Against this background the 1.1.2025 renewals have seen a significant shift in buyers' favor as they have grasped the opportunity to realign the cost of their reinsurance protections to a more affordable level, taking into account their own premium and exposure growth. Compounding the challenge for reinsurers has been the limited demand from primary companies for increased limits at a time when many reinsurers are looking for growth in view of their commitments to increase their Asian portfolios. This has resulted in incumbent leaders striving to maintain their positions by accepting risk-adjusted rate reductions which, together with muted underlying premium growth, have translated into meaningful reductions in monetary spend. Even in the two loss-hit territories renewing at 1.1.2025, Vietnam and Taiwan, post-loss rate increases have been modest and below the expectations reinsurers were seeking prior to the renewal.

These pricing dynamics were seen in the smaller Southeast and North Asia Markets, all of which purchase relatively modest limits by global standards. However, pricing also softened in the much larger Australia and New Zealand markets. The forthcoming April renewals in Japan, which is the largest of all the Asia Pacific markets, will provide a more meaningful test of reinsurers' ability to balance their desire for growth against maintaining the current attractive rating levels.

EMEA

After the difficult renewals of 2023 and 2024, where European buyers had to absorb significant changes in their reinsurance protections both in terms of price and retention, with limited room for negotiation with reinsurers, all of them approached the 1.1.2025 renewal season with a determination to achieve better value. Reinsurers' strong results for the 2023 and 2024 underwriting years, allied with more moderate catastrophe losses in Europe impacting reinsurers in 2024, added to buyers' confidence to push for improvements.

A factor for many European insurance companies is the continued strong underlying growth in their portfolios. Europe has experienced ongoing raised inflation both in terms of labor costs and, to a lesser degree, material costs. The impact of this is still working its way through driving premium growth and providing room for risk-adjusted rate reductions but still allowing reinsurers to achieve flat or slight increases in actual premiums.

Austria and Central and Eastern Europe countries suffered natural catastrophe losses in 2024 but other territories, particularly the large French, German, and Italian markets, were largely loss-free other than the late development in some of the 2023 losses. In Turkey, losses from the 2023 Kahramanmaras Earthquake stabilized.

Against this background, reinsurers were seeking growth in Europe, and in many cases offered more capacity as they sought to achieve their growth mandates. The growth came almost exclusively from incumbent reinsurers, in part empowered with ILS-fueled new sidecar capacity. This allowed the increased property catastrophe limits of approximately EUR2B purchased for Europe and an additional EUR 3B in Turkey to be easily absorbed, as reinsurer appetite for more remote top layers was significant.

Conversely, reinsurer appetite for frequency protections, either on an aggregate or occurrence basis, was still muted, though there were signs of flexibility for a few preferred buyers that were able to secure modest amounts of new traditional aggregate cover. Reinsurance capacity for structured frequency protections remained high and increasingly competitive and buyers demonstrated an increased appetite to purchase such protections in addition to their core programs.

Whilst property catastrophe renewals showed a logical uniformity in pricing, property per risk renewals remained very buyer and country specific. Most markets are continuing to see challenging per risk results and in Nordic markets the difficulty of obtaining reasonable results has resulted in a wholesale change in primary markets. Domestic insurers have reduced their capacities and have allowed non-Scandinavian (London and Europe) underwriters to enter the market. It will be interesting to see whether this approach will be limited to Scandinavia or whether this may spread to other European countries struggling to obtain acceptable margins on their large commercial and industrial accounts.

With an excess of reinsurance capacity, buyers were able to keep their coverage unchanged, though there is an increased concern from reinsurers seeking more information on strikes, riots and civil commotion exposures, heightened by the unexpected New Caledonia losses impacting the French market.

For all casualty business in Europe there was ample capacity driven by strong reinsurer appetite for growth. Reinsurers' main concerns were largely unchanged being PFAS (per- and polyfluoroalkyl substances, also known as 'forever chemicals'), US liability exposure, and excess auto liability. And while, to date, social inflation has been a US phenomenon, some reinsurers expressed concerns about signs of it emerging in the EU.

United States

Reinsurers' desire to write more US business in a healthy rate environment, combined with strong prior year results after hard yards were achieved on retentions and structure over the last two renewal cycles, resulted in a relatively orderly renewal across multiple lines.

In property catastrophe, reinsurers were working off a more stable baseline. Losses from Hurricanes Milton and Helene were not meaningful enough to erode reinsurer returns resulting in an increased appetite for US property catastrophe business at 1.1.2025, which was evidenced with additional capacity to support core clients.

Buyers' demand remained largely stable, having achieved their desired balance between economic inflation, cost, and a desire to grow.

While there were no meaningful changes to purchasing strategies, some buyers did explore coverages, such as share limit catastrophe aggregate coverage towards the top of programs, demonstrating the willingness of reinsurers to be more flexible in their outlook for the right clients.

Loss-free programs generally experienced risk-adjusted single digit decreases on average, compared with single-digit increases in 2024; loss-impacted programs were more dependent on individual account circumstances and experienced a wider range of outcomes but on average renewed with single to low double-digit increases, compared with +10% to +50% the year before.

In the per risk market, concerns around frequency-driven loss activity meant that supply remained constrained at 1.1.2025, in spite of positive rate movements over the past few years, with only a few reinsurers looking to grow in this segment. Loss-free programs generally renewed flat to +10%, while loss-impacted renewals averaged increases of +10% to +20% with wide variability.

In casualty, underlying profitability in loss trends remained complicated, and for this renewal in particular, there was consternation around the profitability of the more recent accident years 2021-2023.

Reinsurers were focused on market trends as well as actions taken by cedants to mitigate their risk. Buyers continued to take significant action on original portfolios to improve the profitability outlook on their own books, both from an underwriting perspective and a claims management perspective.

Where data helped demonstrate the impact of these changes in a clear and positive light, cedants found support from reinsurers looking to grow in capacity with stable pricing.

The broad range of financial lines products can be broadly divided into US public D&O, transactional liability and other. For most cedants, the goal was to hold the line on terms and capacity.

Public D&O-weighted treaty terms were under pressure again this year and, to minimize economic changes, coverage restrictions were introduced. There were early signs of very favorable development in policy years 2021-2023, however.

Many transactional liability reinsurers reined in capacity at 1.1.2025, regardless of quota share commission terms, which were also coming down. This reflected the depressed underlying rates and potential significant losses working their way through the market.

For monoline E&O and or private D&O placements, capacity was plentiful, and terms were flat-to-improving, depending on the specifics of the deal.

Elsewhere, there was an orderly renewal for US surety at 1.1.2025, as buyers and their reinsurers reached an equilibrium in a broadly firming market.

Supply and demand dynamics remained stable with adequate capacity, although reinsurers continued to seek increased retentions, exerted rating pressure on reinstatement premiums and expressed an overall strong desire to obtain sufficient rate for the exposure they assume.

UK

Numerous mergers and acquisitions in the UK insurance market in recent years have resulted in a significant reduction in standalone UK property catastrophe and risk placements being purchased over this period.

This dynamic coupled with a largely benign year for catastrophe and continued interest in the UK from reinsurers has led to reinsurance supply outpacing demand, leading to rate softening and some loosening of contractual terms.

In property catastrophe programs, buyers pushed for an increase to flooding hours clauses – from two weeks to three weeks, or 504 hours, and successfully, on a case-by-case basis, negotiated for the return of prepaid reinstatements for the top layers of programs, after they were pushed out by reinsurers at 1.1.2023.

In the per risk market, after an average year for risk loss, capacity levels were largely stable, with programs renewing at broadly flat risk-adjusted rates.

A potentially more complicated motor renewal was avoided by the timely arrival of the Personal Injury Discount Rate (also known as the Ogden rate) for England and Wales.

The UK's Lord Chancellor Shabana Mahmood announced her intention to increase the personal injury discount rate in line with Scotland and Northern Ireland to +0.5% for both England and Wales in early December, allowing for a relatively straightforward renewal.

Ample supply of capacity meant there was sufficient market pressure to achieve competitive pricing on excess of loss programs. Additionally, those primary carriers who are more capital constrained were able to get their quota share treaties placed with relative ease.

Motor buyers sought value at this renewal, and if reinsurance was not priced attractively enough, they retained more and considered more structured reinsurance solutions at the lower end of programs.

And in the retrospective market, activity picked up in the latter half of 2024 for UK & Ireland, driven largely by motor and Lloyd's opportunities. This momentum is likely to continue in 2025, with the Ogden rate certainty predicted to increase the likelihood of execution next year.

ILS/Alternative Capital

ILS continues to be an integral component of the overall reinsurance purchasing decision for a variety of buyers. Demand from buyers was extremely strong, with a number of sponsors coming to the market in 2024. By year-end 12 new sponsors entered the cat bond market, running just shy of the 15 recorded in 2023.

Hurricanes Milton and Helene did not impact the cat bond or collateralized reinsurance market directly, although they did prompt some investor wariness around the flood peril. However, the 2024 cat activity will not discourage further fundraising in this space.

As such, capital supply remained very strong, with some ILS fund managers raising capital and more investors coming into the space. This was driven by the fact that the cat bond asset class was the highest yielding hedge fund strategy in 2023, returning around 20%. 2024 is set to return nearly as much for investors and will be a record year for issuance in the cat bond market, surpassing 2023's total of USD15.37B in Non-Life Underwritten Rule 144A catastrophe bonds. Based on the pipeline, 2025 will be another strong year of issuance.

Demand for collateralized reinsurance is also returning. In addition, we have witnessed increasing efforts to expand solutions outside of cat bonds and property-related collateralized reinsurance, such as the development of casualty sidecars.

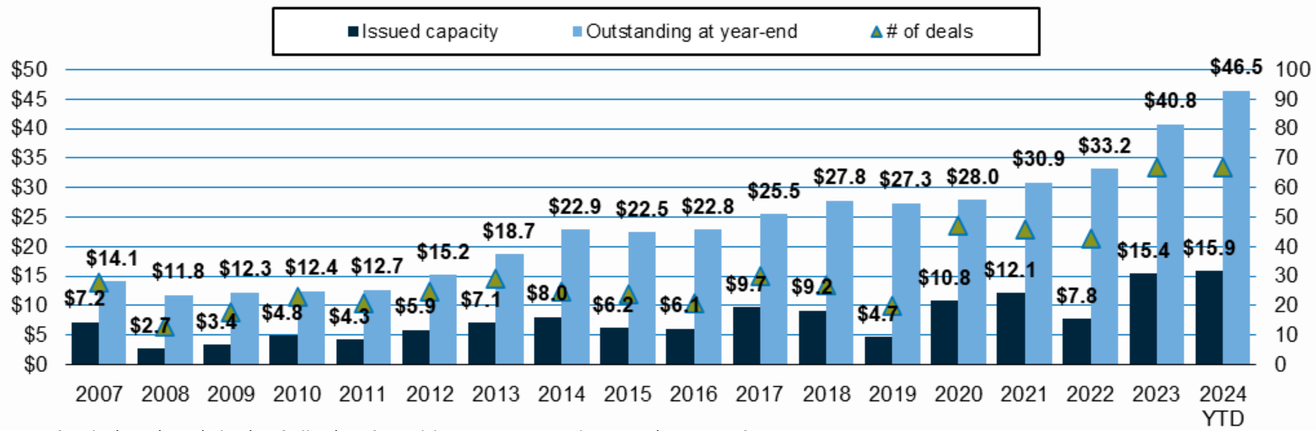
The use of parametric triggers has doubled from three cat bonds in 2023 to six by year-end 2024. We also saw parametric sidecars and collateralized reinsurance transactions using parametric triggers.

Cyber cat bonds continued to be a big growth area for the ILS market. Gallagher Re has been instrumental in building out the cyber-ILS market. As of Q4 2024, Gallagher Securities placed more than 60% of the cyber rule 144A cat bond market. Growing interest from investors is driven in part by the education that Gallagher Re has undertaken to introduce this class of business to the market.

The need to expand investor participation is critical to market development with demand also growing: the market has gone from no cyber cat bonds a couple years ago to six outstanding cyber cat bonds, with USD785M from four different sponsors – with additional sponsors looking to support cyber cat bonds in future.

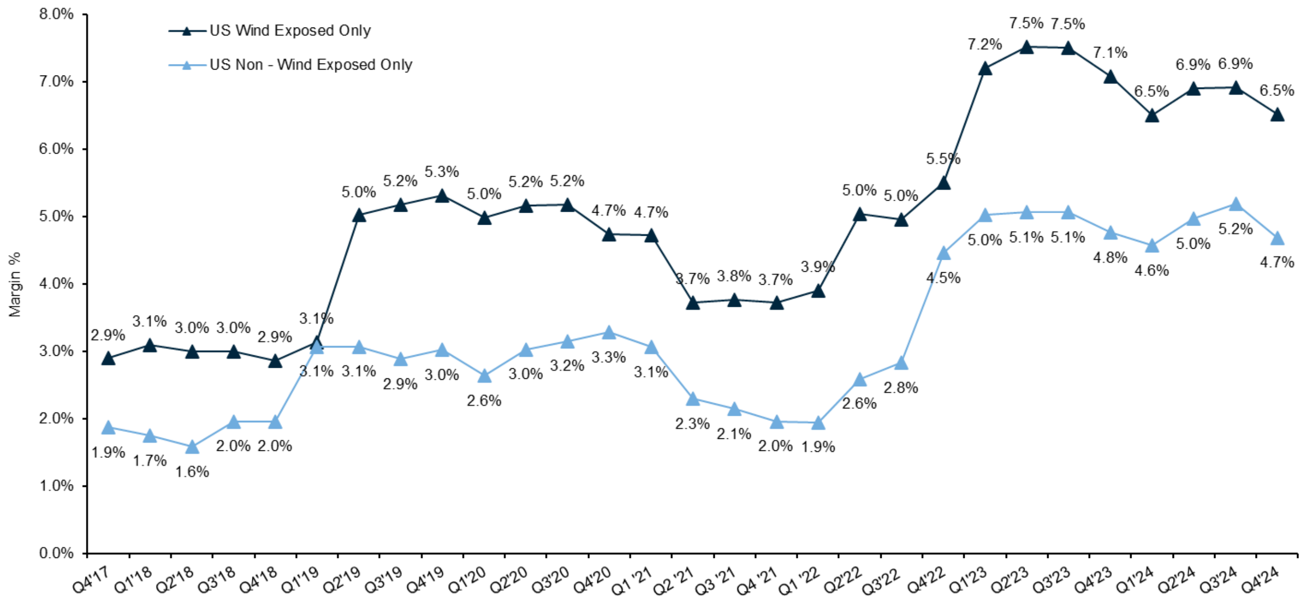
The CrowdStrike cyber event, whilst it was large in scale and well-publicized, does not appear to have caused losses to any of the outstanding cyber cat bonds. Investors have been cautious about the impact of large and/or systemic cyber events, and how they might compare to modelled outcomes. As such, the experience of this event has been helpful, and the lack of severe outcomes will likely aid the growth of this market.

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



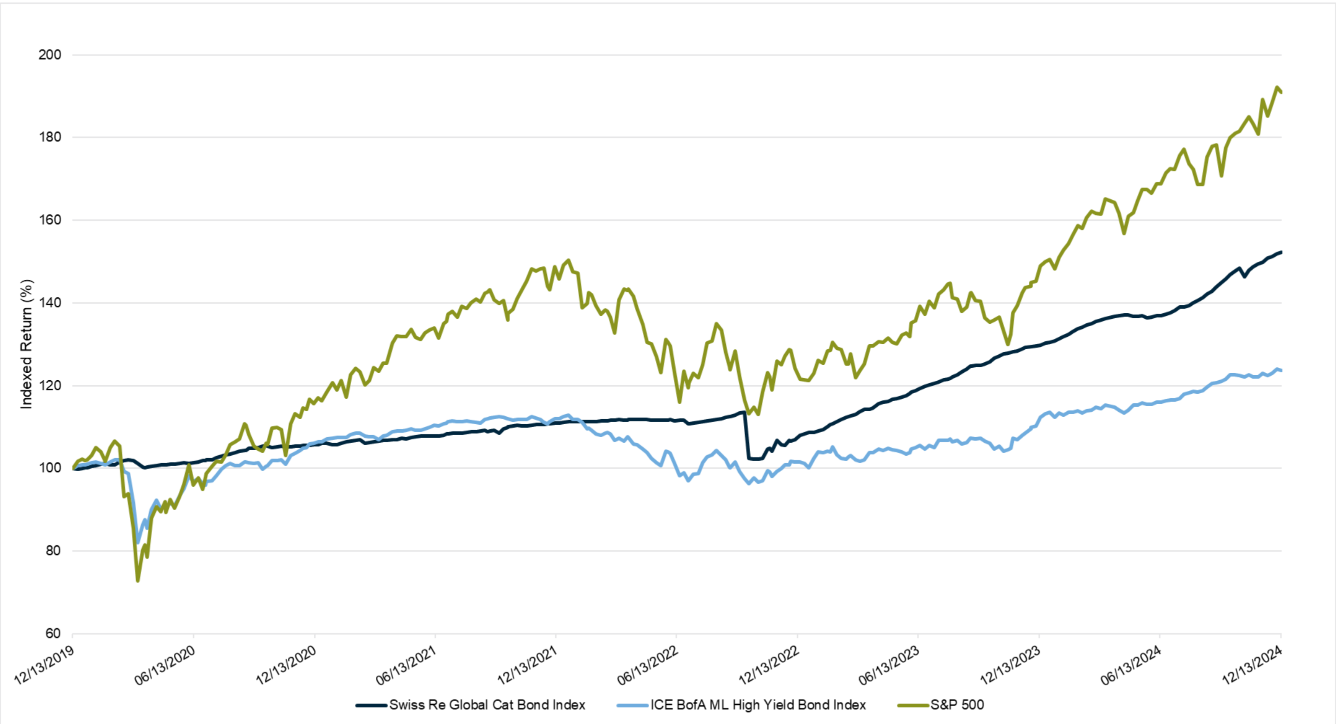
Source: Settled cat bonds in the Gallagher Securities, Inc Transaction Database as of December 20, 2024. Aggregate data exclude agency-placed cat light ILS deals and LAH risks. All issuance amounts reported in or converted to USD on date of issuance.

Figure 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 December 20, 2024. Aggregate data exclude agency-placed cat light ILS deals and LAH risks. LTM = Last 12 months. Aggregate is for primary issuances only and does not reflect secondary trading.

Figure 7: Historical Relative Returns



Source: Settled cat bonds in the Gallagher Securities, Inc Transaction Database as of December 20, 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.

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