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2024 GUY CARPENTER MID-YEAR RENEWAL INSIGHTS

- **Transitioning reinsurance market meeting demand in a dynamic trading environment at mid-year 2024 renewals.**
- **While placements were completed with adequate capacity, individual risk factors heavily influenced outcomes.**

The mid-year renewals occurred against a continued increase in reinsurer appetite as overall reinsurance capacity grew. This uptick in capacity occurred against a backdrop of strong capital growth and robust reinsurer returns. In 2023, reinsurers in the Guy Carpenter Index added approximately USD 35 billion to traditional shareholders' equity capital. However, in the weeks prior to June renewals and into July, there was a notable shift in insurance-linked securities (ILS) supported offerings, creating somewhat tighter conditions than earlier in the spring.

Key developments during the mid-year renewals included:

Property

- The majority of property placements were completed early to on time. Easing prices seen throughout the first half of 2024 continued, but ILS-supported transactions have been slightly challenged in recent weeks amid somewhat lower than expected mid-year raises influenced by the elevated North Atlantic hurricane outlook and a desire to realize fund gains. Risk programs were under scrutiny as reinsurers continued to have concerns about the frequency and severity of large risk losses.
- The general dynamic of more capacity being available for upper layers and constrained appetite for lower layers has been modestly tempered by a slight increase in reinsurers moving lower into programs to secure shares higher in a program. The material increases in demand for catastrophe reinsurance have easily been met by growing market appetite.
- Overall, renewals did not experience major restructuring, and in some instances, improved terms were achieved. Many markets were focused on maintaining adequate pricing but were willing to shift from more constrained subjectivity requirements.
- Global property catastrophe reinsurance risk-adjusted rates at mid-year were generally flat to mid- to high-single digits. In some cases, upper layers were risk-adjusted down 10% or more for non-loss impacted accounts. Pricing movement was heavily dependent on account specific factors including portfolio composition and historical pricing movement. Pressure remained on attachments, and volatility solutions continued to be sought.
- The preliminary mid-year Guy Carpenter US Property Catastrophe Rate on Line (ROL) Index, an alternative measure of price change that incorporates the impact of structural adjustments and current views of risk on actual dollars paid, is near flat year-on-year.

Casualty

- Renewal outcomes for casualty business reflected variation across sublines as well as reinsurance type. General liability and excess/umbrella placements that are US exposed experienced continued pressure for increases in excess of loss pricing of +1% to +5% for better performing programs and +2.5% to +10% for those that were loss impacted. On quota share, downward pressure on ceding commissions featured in the quoting process, however, as underlying casualty rates remained strong and above expectations, post-January 1 renewal outcomes stabilized to flat to -1 point.

- For financial lines, downward pressure on ceding commissions continued with an average decrease of 0.5 to 1.5 points. The key driving factors remain public directors and officers (D&O) portfolio concentration in the reinsurance structure, underlying rate environment and continued prior year development. There was increased reinsurer scrutiny on transactional risk coverages, with respect to pricing and capacity for both stand-alone transactional liability treaties and when a part of a blended financial lines treaty.
- Overall, placement results for casualty programs continued to be dependent on highly technical, data-driven insights, including quantifying mitigation of prior year developments in many areas of going-forward portfolios as well as addressing portfolio rate changes relative to loss trends.
- Reinsurers maintained their focus on the vulnerability of a given portfolio to economic and social inflation. Demonstrating reduced volatility through controlled and limited capacity deployment was a key differentiator and impacted ultimate terms and conditions.
- Turnover in reinsurer panels was also evident across casualty placements, with clients continuing to consider broader reinsurer trading relationships in line signings.

Cyber

- The supply of cyber reinsurance capacity remained strong at mid-year renewals, allowing buyers to improve terms across all structures.
- On quota share, ceding commissions increased 1.5 to 2 points and loss ratio caps pushed upward.
- On aggregate excess of loss, there was restructuring movement to either reduced attachment points with improved ROLs or attaching further out with much lower ROLs.
- Mid-year renewals saw ongoing interest in alternative structures including event-based covers, continuing a trend observed at January 1.

Retrocession

- A more modest amount of retrocessional capacity is placed at mid-year, with the majority of buying activity occurring in January through to April. Through Q1, most buyers looked to secure similar limits to 2023, whereas mid-year purchasing saw demand increasing in Q2 from existing buyers along with historical buyers returning to the retrocessional market. Drivers of this increase included improved purchasing dynamics relative to 2023, underlying portfolio growth and active North Atlantic wind season forecasts.
- The majority of sellers (both rated and ILS) had appetite to grow their portfolios in 2024, with this intention continuing through Q2. The competitive pressure from increased supply seen in Q1 continued and this resulted in quote ranges narrowing. Early expectations were that mid-year pricing would reduce beyond Q1, however, the uptick in demand in late April through to June caused similar pricing levels to hold.

Catastrophe Bonds

Catastrophe bonds are once again experiencing a record first half of the year, with Q2 being the most active quarter recorded. By June 24, 47 different catastrophe bonds had been brought to the 144A market for approximately USD 11.9 billion in limit placed, taking the total outstanding notional amount to more than USD 44.6 billion. Pricing has been dynamic with a significant drop from December levels earlier in the spring, then experiencing increases as ILS capacity tightened.

Pricing is now slightly above December levels but largely in line with other catastrophe products. For the remainder of 2024, a heavy maturity schedule of 144A catastrophe bonds should drive continued increased issuance activity, although availability of capital will depend upon the results of the 2024 wind season.

Catastrophe Events

The total insured industry losses for the first half of 2024 currently aggregate to nearly USD 50 billion, which is 8% above the 5-year inflation-adjusted average for the first half. Similar to last year, US severe convective storms are the primary driver of losses for the first half of the year, accounting for over 64% of the total losses. This preliminary loss estimate is expected to increase as more information becomes available.

About Guy Carpenter

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