

# MID-YEAR 2024 MARKET INSIGHTS UPDATE

## Guy Carpenter's estimate of additional global property catastrophe limit purchased

### Key Takeaways:

- **Estimated global property catastrophe limit purchased increased USD 35-40 billion through H1 2024, with more than 50% of increased limit originating in North America across a wide range of companies.**
- **Capital from traditional reinsurers, calculated using the Guy Carpenter Reinsurer Composite Index, increased over USD 35 billion by year-end 2023 versus 2022 with retained earnings a significant contributor, providing increased capacity available to fulfill increased demand.**
- **Reinsurer profitability improved going into 2024, incentivizing reinsurers to utilize increased levels of capital in property catastrophe.**
- **Risk-adjusted pricing trended down by mid-year, particularly on middle and upper layers, giving buyers greater ability to increase purchases.**
- **Record H1 for catastrophe bonds as investors sought opportunities to participate in improved market conditions.**
- **Demand is likely to remain somewhat elevated in 2025 provided pricing and capacity remain in balance.**

### Meaningful Additional Catastrophe Limit Purchased in 2024

By the start of 2024, a healthier balance had returned to the global property catastrophe market. Reinsurers' recovering profitability, coupled with additional available capital, created favorable conditions for cedents to evaluate additional property catastrophe limit purchases. Across geographies, demand significantly increased and reinsurers met this growing demand, placing the sector largely in equilibrium.

Reviewing buying activity from January through July 2024, Guy Carpenter estimates approximately USD 35 billion to USD 40 billion of additional limit has been purchased world-wide. This increase generally represents 5% to 10% of catastrophe capacity purchased, including cat bonds, depending on the region.

Additional demand was diversified with a significant portion of cedents buying some level of additional limit. In North America, over 60% of property catastrophe contracts included expanded limit with the top 20% purchasing in excess of USD 100 million of additional limit. The majority of additional capacity was provided by traditional reinsurers while insurance-linked securities (ILS) impact was primarily via catastrophe bonds and in some cases investor support of traditional reinsurers.

### Market Drivers Facilitating Additional Limits Purchased

Heading into 2024, significant sector corrections in pricing and attachment points drove a return to profitability in the property reinsurance sector. Simultaneously, reinsurers had access to increased capital to allocate to placements, and had incentive to do so, creating an environment that was more favorable for cedents to evaluate increasing their levels of property catastrophe reinsurance.

With minimal movement in net limits purchased over the past couple of years during more difficult market conditions, there was material interest in additional limit coming into 2024. Significant inflationary pressure grew underlying valuations and, therefore, cedents' exposures to loss. Greater market stability, and moderating pricing in a number of segments, provided cedents with better ability to budget for additional levels of coverage.

## Outlook for 2025

As the market looks ahead to 2025, Guy Carpenter expects there will be additional factors providing further momentum for increased demand. Key factors affecting buying decisions over the next 12 months include:

- Continued (albeit lesser) increases in property valuations;
- Growth in overall exposure;
- Model version changes; and
- Focus on continued risk mitigation.

### About Guy Carpenter

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