The Reinsurance Market

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What is Reinsurance?

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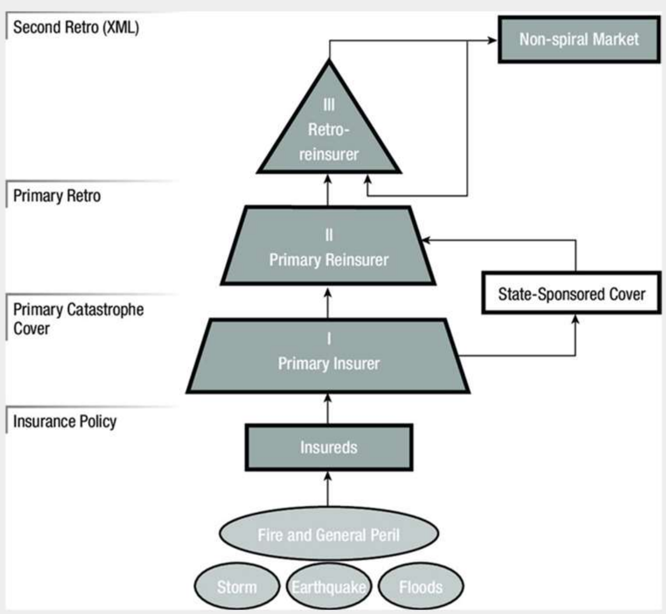
Who's Involved?

- Broker/Intermediary
- Cedent
- Retrocession or Retro
- Reinsurer
- Retrocedent

3

How it works



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Types of Reinsurance

- Treaty Reinsurance
- Proportional Reinsurance
- Non-Proportional Reinsurance
- Facultative Reinsurance

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Treaty Reinsurance

- Applies to the ceding company book of business of a specific type of business
- A carrier may have one treaty for Casualty Auto and a different treaty with different or the same reinsurers to cover their Property portfolio.

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Proportional Reinsurance

- Also called ProRata where a reinsurer takes a proportional amount of risk.
- Quota Share is a Proportional Reinsurance agreement where the percent ceded is consistent from policy to policy.
- EXAMPLE: A carrier may cede 25% of their exposure in a Quota Share agreement. In this case you are also ceding 25% of your premium to the Reinsurer. Quota Share agreements traditionally participate in everyday claims such a pipe burst, small weather events, fire etc…

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Non-Proportional Reinsurance

- Also called excess of loss or XOL
- A reinsurance agreement where reinsurers agree to indemnify the ceding company for losses up to a specific limit above a specific retention
- The XOL or CAT tower that we hear getting tossed around after a hurricane.
- Demotech Inc. requires homeowners' carriers to purchase Excess of loss coverage up to a 130-year event.

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Image: Burj Khalifa in Dubai, United Arab Emirates. Built in 2010 and known as the world's tallest building at a height of 2,722 ft (just over half a mile)

Facultative Reinsurance

- Typically purchased by ceding company for an individual risk
- An example of this would be a small insurer attempting to cover an individual building with a TIV of $5 million. The primary carrier would seek Facultative Reinsurance to assist in covering the large property.

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Reinsurance preparations for a 6/1 renewal:

- Starting in Jan. carrier provides projections for risk count, total insured value, geographic makeup of book (inforce) at 9/30.
- Projections are then modeled through modeling agency (AIR/RMS/KCC)
- The model will predict the level of reinsurance coverage needed to support the losses at various return times.
- Each carrier's view of risk will dictate how much reinsurance coverage will be purchased.
- At that point, it is the carrier's responsibility to manage their portfolio to align with their projections.
- Unprecedented market conditions have made this challenging for the Louisiana market.

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Reinsurer Engagement:

- In person meetings with broker and reinsurers kicks of in the month of April for June renewals.
- Data from modeling and exposure is presented.
- Relationship based business.
- Millions of dollars are passing hands without any attorney involvement.
- Key players London, Bermuda, US, and Germany
- These reinsurers do not have a short memory either, if you are not intimate with your book and it is discovered that your book was not what was presented, it will impact your future opportunities for capacity.

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Accurate Data is the most important piece in our reinsurance placement!!!

If the risk information is not accurate, then it is impossible to rely on the models to provide accurate predictions.
It starts with the agent.

We cannot overstate the value of knowing our level of risk on each individual policy.

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The Models

- Insurance Carriers typically use a combination of several Catastrophe Modeling agencies.
- The most common names in property cat modeling in our area are RMS and VERISK/AIR
- Models are not typically exact which is why carriers take a blend of at least both RMS and AIR.
- The models are a tools we use to assess the potential maximum loss caused by a catastrophic event.

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What are some identifiers that affect the models?

- TIV (Total Insured Value)
- Building Attributes
- Concentration of Risk
- Deductibles
- Location of Risk

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Total Insured Value (TIV)

- Total insured value is the SUM of coverages A, B, C, and D
- Insuring a risk at 100% of the replacement cost is the key to an accurate TIV
- Reliable modeling starts with the input from the agent. When a replacement cost calculation is completed, that contribution makes up the TIV. Deviating from the features that are real, such as manipulating an RCE is a mortal sin in our business.
- Inflation Guard will never keep up if your starting point is not insuring to 100%
- An underinsured book of business will have a significant effect on the modeling results, possibly misrepresenting the true exposure.

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Building Attributes

Date of Construction is one of the most important attributes. The model assumes the building code in place during the year the home was built.

For example, a risk built in 2000 accidently gets coded as 2008 in the New Orleans Area. The model assumes the home was built with 2008 building codes providing more resilient construction against hurricanes. The expected loss for 2000 built home is greater than a 2008 built home. The model tells you to buy more reinsurance for the older home.

Construction Type

Roof Shape/Condition

Number of stories

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Concentration of Risk

- The spread of risk refers to whether the risks assumed by the company are spread out or are they concentrated in one area
- Accumulating too much exposure in any one location or geographic region will drive the model loss up drastically. Orleans, Jefferson, and St Tammany are most susceptible to over concentration in Louisiana.
- A display of conservative management would be when a carrier ceases writing new business in certain zip codes or a geographic region to prevent overconcentration.

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CATASTROPHE MODELLING: A STEP-BY-STEP EXAMPLE

The basic framework for modelling perils is similar. This example illustrates the steps a user would take to arrive at an estimation of modelled losses from hurricane risk to a given location.

1. User enters location data and building characteristics into model
2. Model geocodes location to its geographic coordinates, identifying location's distance to coast
3. Stochastic event module defines event set for specified location and storm type
4. Hazard module generates event information including wind speed and storm surge to determine hazard intensity
5. Vulnerability module retrieves hazard intensity and generates average damage (ie, mean damage ratio) and associated uncertainty factoring in building characteristics (eg, roof type, construction type)
6. Based on the estimated mean damage ratio and uncertainty, financial module calculates losses based on building values and insurance policy terms
7. Financial loss is quantified for specified coverage(s) and line(s) of business based on the mean damage ratio and its variation.

Cat Modeling Step by Step Sample

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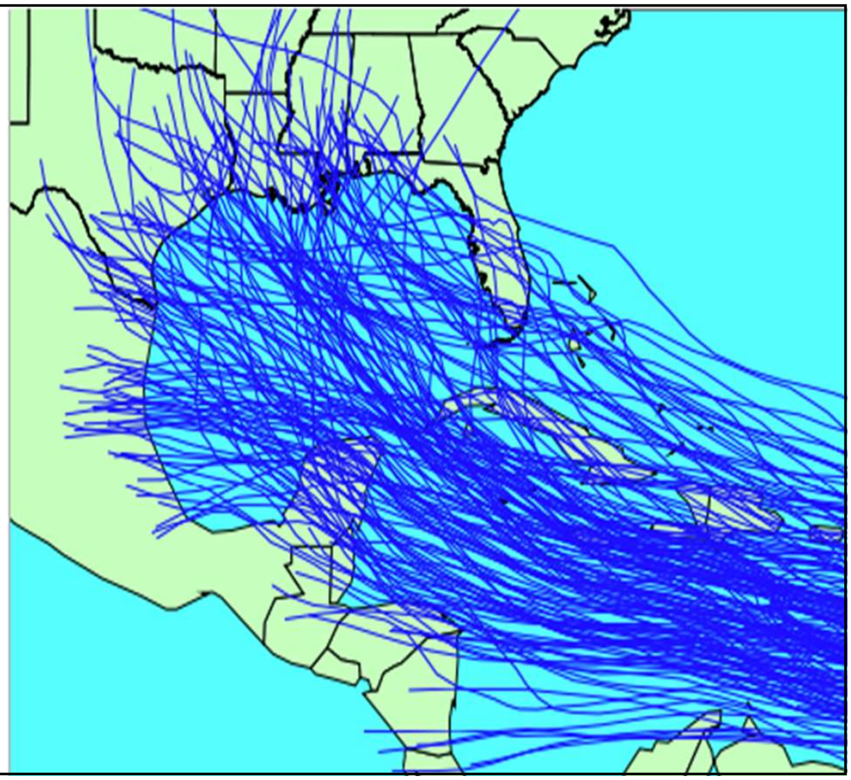
Sample of 150 Simulated Hurricane Tracks



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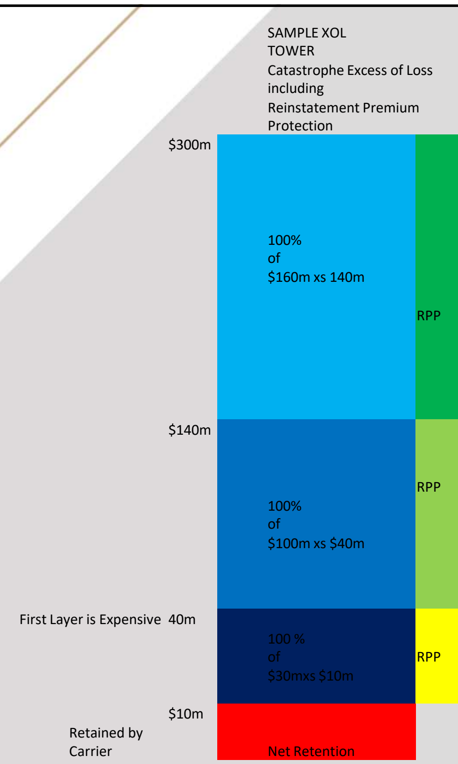
Sample XOL Cat Tower



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Drivers of Limited Capacity-Looking Back

- London- premium is a primary component of capacity. London syndicates are each given a premium cap. Increasing premiums are bringing the London reinsurers to their projected cap without taking any additional exposures in some cases.
- Currency Exchange. The U.S. dollar has strengthened against the UK currency.
- Some Reinsurers are leaving the property cat market.
- Climate Change- you can no longer attend a meeting with a reinsurer that talks about increased frequency and severity of cat events. The models take this data and increase.
- Trapped Capacity in the Retro Market and after 6 consecutive loss years in this space, there is less interest in participating.
- The national writers are purchasing more reinsurance than ever.

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Post Disaster Man-Made Challenges (Louisiana)

- ~~Liberalization of the Bad Faith Penalty - post Katrina, the Louisiana legislature pass legislation to increase the bad faith penalties for property claims. The penalty is 50% of the amount to the insured and 33% to the attorney.~~

- Contractor Fraud (ROOFERS) – Primarily, out of state predatory contractors some unlicensed preying on the uneducated and the elderly. Example – Insured files claim for damaged roof and the carrier pays for the roof. Everyone is satisfied and moving along. Contractor, possibly an out of state restoration company knocks on the door and offers a free air quality test. The contractor has no proof that the hurricane caused poor air quality and still guts the entire home to the studs without contacting the carrier. This 25k roof claim is now a 125k claim.
- 3yr rule was a topic of every reinsurance conversation.

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- ~~Misuse of the Assignment of Benefits – Contactor , Roofer, Restoration, Public Adjuster knocks on the door post disaster and has the insured sign an ASSIGNMENT OF BENEFITS including the right to hire an attorney for the insured. Contractor leaves the insureds home and refers to an attorney without the insured's knowledge. Carrier receives letter of rep letter and hires counsel to handle claim~~

Louisiana Man-Made Continued

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Underwriting Rigor In the market today

1. Discipline in TIV
2. Increased Deductibles
3. Increased Premium
4. Limited Water/ ACV

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The current state of our reinsurance market.

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Overview

- Severe Convective Storm (SCS) coverage is no longer a secondary peril and is a major driver of retained loss and financial impact in the US.
- While capacity has returned, it is still with a watchful eye on price, data quality, and risk management (higher retentions, less SCS exposure, confidence in underwriting).
- Social inflation (i.e., Litigation) and the legal environment of states is now a major focus. Claims impact is being felt much more broadly across the US than historically given the ability to leverage technology for a broader reach.
- Pricing has flattened and reduced for those not experiencing loss, while loss impacted and SCS driver carriers continue to feel impacts.

There is a strong eye from the market on financial viability and credit risk given the last 3 years of impacts and the pressure on carrier's surplus through retention levels, reinsurance costs, and losses.

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Overview

* For property, while capacity outside of frequency-exposed layers and more heavily loss-impacted segments showed meaningful bounce-back, capacity providers are still particular about pricing and structure adequacy. The average pricing trend has marginally improved for buyers.

* With the robust amount of increased buying activity through the spring and a very active hurricane season forecast, reinsurers and investors have taken a more cautious approach to deploying capacity in recent weeks. This is particularly notable in the catastrophe bond, retro and Reinstatement Premium Protection (RPP) sectors, where insurance-linked securities (ILS) capital is a greater factor.

* Florida carriers continue to see benefits from the legal reforms, creating a more positive outlook for the Florida market, including reinsurers' ability to quantify risk in the state. Despite increasing market caution, we were able to comfortably place all our Florida renewals at an average modest decrease in pricing.

* Casualty is experiencing increased pressure on pro rata ceding commissions as well as excess of loss pricing. While negotiations are nuanced and bespoke, capacity is sufficient once market-clearing terms are met. In cases where firm orders deviate from quoted terms, most reinsurers are ultimately offering limited support.

* In the 144A Catastrophe Bond Market, recent outcomes have tightened from the dip in pricing and robust capacity available earlier this spring as foundational investors are locking in gains in view of forecasts of an active storm season. That said, pricing is in line with traditional reinsurance levels in many instances, and the first half of 2024 will set a record for largest issuance level in the first half of a year.

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Key Spring 2024 Renewal Findings

While dynamic market conditions persist the reinsurance sector is well-positioned to grow and innovate. Increasing reinsurer appetite, particularly in the property catastrophe sector, enabled a return to greater consistency in pricing, terms and conditions.

Capacity remains adequate, even where demand is elevated, as the projected average reinsurer return on equity in 2023 exceeded

20%

Favorable reinsurance results and shifting economic factors are providing tailwinds.

Differing from past years following a major market correction, **capital growth was driven by existing reinsurers** with no start-up class of 2023. Guy Carpenter (GC) and AM Best's 2023 estimate of traditional capital is USD 461B and alternative USD 100B.

Traditional capital*
12%

Alternative capital*
3.7%

A Strengthening Market

GC Global Property Catastrophe Rate-on-Line (ROL) Index increased by an estimated 5.4% year-on-year on Jan. 1.

The key to driving casualty renewal capacity was differentiating client portfolios and ensuring actuarial assumptions reflected go-forward portfolio strategies.

The cat bond market posted a record-setting Q1 with approximately USD 4B of issuance, after reaching an all time high in 2023.

USD 4B Q1

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Reinsurance Environment Macro Influences

Drivers of Confidence

- Healthy reinsurer returns on equity
- Adequate to ample capacity
- Verifiable market corrections
- Sustained underwriting rigor
- Modified product offerings

A Strengthening Market

Drivers of Uncertainty

- Geopolitical volatility
- Continued economic and social inflation
- Macroeconomic uncertainty
- Global catastrophe loss activity
- Climate change concerns

The reinsurance market continues to stabilize vs. 2023. There is a more commercial approach to trading partnerships, albeit with continued underwriting rigor.

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April 1 Japan Renewals Review

Headlines

- On the plus side the main catastrophe purchases were less complicated for buyers than had been the case at any renewal since the losses of the 2018 typhoon season. Rates for main Cat XL were reduced, at least on a risk-adjusted basis, and capacity was abundant in all areas including the low end.
- Earthquake proportional treaties remained popular, and the effects of the January earthquake off the Noto peninsular were not significant
- Per risk excess of loss covers were still tricky to negotiate, and there was more limited capacity for engineering and liability placements

Timing, T&Cs, and Negotiations

- Timing was like most standard years
- After the price rises of previous years final pricing was generally moderated as compared to average quotes
- Cedents were generally focused on unifying terms as far as the market would permit, with material progress in this direction

Property

- **Capacity** was more available in most property lines than had been the case at the 2023 renewal
- **Property Domestic Catastrophe XL –** Price movements were in the range of -7.5% to flat. Certain buyers continued the trend of recent years to increase retention to manage budgetary pressures
- **Property Per Risk –** Rates generally moved upwards, though the absence of any loss increases, and for some treaties the downwards revision of the Toyota Motors South Africa loss meant that these movements were not as large as those seen in the prior year

Casualty and Non-Property

- **General Liability** remained a very challenging market for buyers. Pricing varies by buyer and remains very driven by individual circumstances.
- **Engineering** capacity was tight, and contracts were difficult to place. Many reinsurers had shifting risk appetite and cedents had to agree to multiple changes to structures, terms, and conditions.
- **Credit and Bond** remains popular with reinsurers and capacity was ample. Cedents were able to use shares in these treaties as incentives to reinsurers that offered support in other, harder-to-place lines.

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Spring 2024 Global Property Overview

While capacity outside of frequency-exposed layers and more heavily loss-impacted segments continues to show meaningful bounce-back, capacity providers are still particular about pricing and structure adequacy. Average pricing trend has marginally improved for buyers.

An Uncertain Macroeconomic and Large Loss Renewal Backdrop

Continued demonstration of ongoing portfolio and underwriting adjustments are critical to success.

Reinsurers Increasing Their Appetite

Overall, property capacity is adequate, where pricing and terms meet underwriting requirements.

Excess capacity increased at April 1 vs. Jan 1 but dampened at June 1 primarily for ILS driven placements. Property risk remains challenging and cedent dependent.

Material Concurrency Improvements Among Placements

Earlier preparation and application of strides made since 2023 are facilitating smoother renewal negotiations on coverage terms.

No Signs of Significant Market Constraint Outside of Frequency Exposed Layers

Catastrophe demand continues to increase, as some buyers are better positioned to assess the purchase of new limit. Capacity has been available to meet the increase in demand.

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June 1, 2024 – Florida Market

Improving Reinsurance Conditions Amidst Positive Legal Reform Trends

- Core placements generally completed early and with little difficulty once terms were agreed.
- Florida carriers continue to see benefits from the legal reforms, creating a more positive outlook for the Florida market, including reinsurers' ability to quantify risk in the state.
- Adequate capacity to cover increased demand stemming from Citizens takeout activity, organic growth, and model changes that increased the amount of reinsurance need.
- Vast majority of traditional reinsurers modestly increased capacity year-over-year, including a couple that have cautiously re-entered the segment.
- Existing reinsurance partnerships largely remained in place, and reinsurers were more willing to consider writing new business.
- Capacity continued to be more abundant for upper layers, and there was also a slight increase in reinsurer ability to support layers below the FHCF.
- RPP capacity was more constrained than capacity on the traditional core placements. These placements generally finalize later in the process and were impacted by modest tightening in the ILS sector.
- Pricing on core placements on average reduced but remained at historically high levels.

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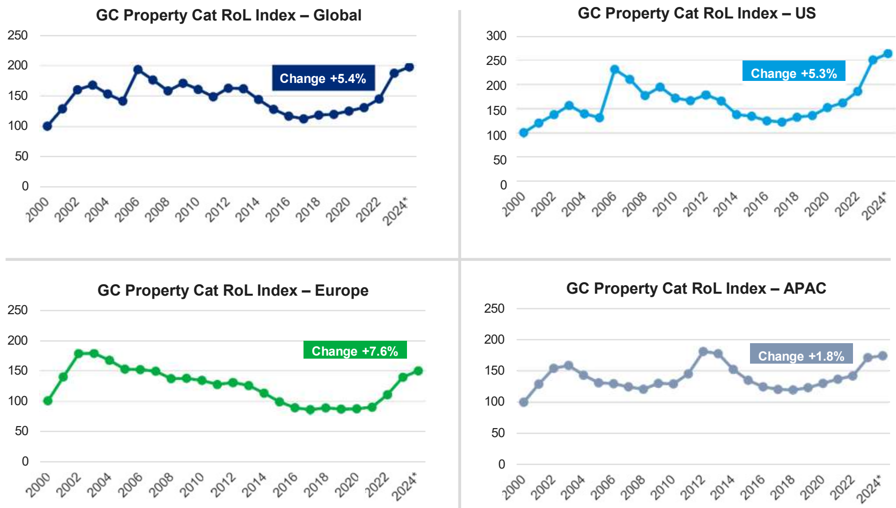
Property Cat Rate Increases Moderate



Source: Guy Carpenter
Note: *Preliminary January analysis, subject to updates; 1. The Guy Carpenter ROL Index is a measure of the change in dollars paid for coverage year-on-year on consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risks and changes in buying habits, as well as changes in market conditions.

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ROL movement on January 1, 2024, driven by:

- Loss-impacted programs
- Continued pricing adjustments
- Inflationary impacts
- Structure adjustments and ongoing retention trends on lower attaching layers

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Property Retrocession Overview

The growing supply of capacity has continued since January 1, and as a result, pricing has continued to adjust to reflect this, particularly at the middle and top end of programs where risk-adjusted reductions have been more pronounced.

As confidence grows, mid-year buyers are expected to push for improvements in terms and conditions and to look to generate competition on placements by exploring a range of products and markets.

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- The market is expected to continue to soften relative to 2023 in the mid-year retro renewals, as supply remains adequate.
- Clients are also looking for flexibility from reinsurers regarding contract terms and conditions, looking to align wordings more consistently following the verticalization experienced in 2023.
- Coverage has begun to broaden from the very narrow terms available in 2023, with a limited degree of Worldwide becoming available and a growing number of markets now willing to cover defined non-modeled perils where justified.
- The lower ends of programs continue to remain more challenging, with more limited supply. As a result, pricing at this level is exhibiting fewer risk-adjusted reductions.

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Looking Forward

Outlook for 2024 Mid-Year Renewals and Beyond

Factors that could put upwards pressure on pricing "headwinds"

- An unexpected surge in inflation, a restriction in retro supply or a major global event, alongside other macros events could push prices higher due to increased pressure on returns or risk appetites.

Factors that could lead to a stable market

- Rates are currently deemed as generally 'adequate' and without any major loss activity reinsurers should be willing to hold their positions and follow the pricing pattern of the Jan 1 renewals.
- Above average loss activity in 2024, combined with a redeployment of capital or a material increase in capital returned to shareholders could stabilize rates.

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Factors that could put downwards pressure on pricing "tailwinds"

- High RoEs leading to more pressure to grow, which will subsequently increase market supply and put downwards pressure on pricing.
- New capital either through capital injections or new markets entrants either attracted by high RoEs or motivated by lower bond yields.

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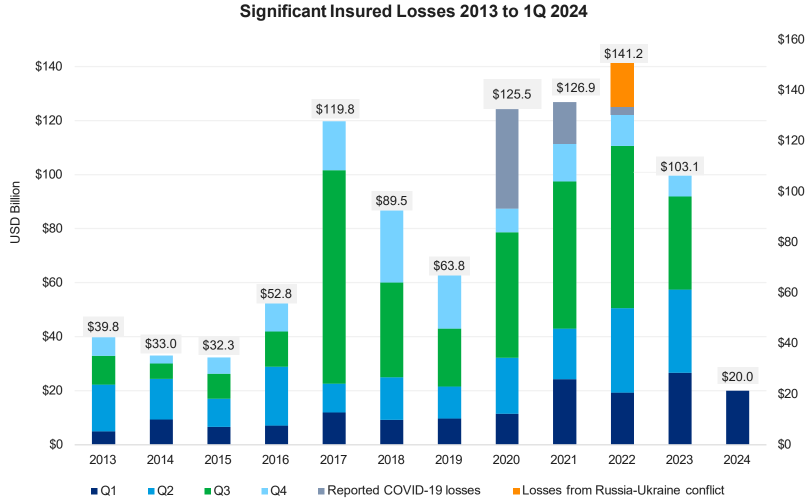
Global Large Loss Activity

Severe Convective Storm Frequency Continues in 2024

Significant Insured Losses 2013 to 1Q 2024



- The **2023** total insured industry large losses, an aggregation of events more than USD 100 million of insured loss, currently exceeds **USD 103B**. Loss drivers include the Turkey earthquake, global wind/hail events, the Hawaii wildfire, New Zealand floods and cyclone and Hurricane Otis.
- **Q1 2024** losses are currently estimated at **USD 20B** but more recent event estimates remain outstanding. Following the 2023 loss pattern, activity in Q1 was above average primarily driven by US SCS activity, which is over 50% of the total loss.
- Insured loss estimates for recent events are expected to increase as more information becomes available.

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Source: PCS, PERILS, Verisk, ICA, GC. Losses from Russia and Ukraine conflict are estimated by S&P Global. The 2023 and Q1 2024 significant insured loss estimate is updated as of 05/09/2024. *Significant Insured Losses (Est. losses> $100M) – Not adjusted for inflation.

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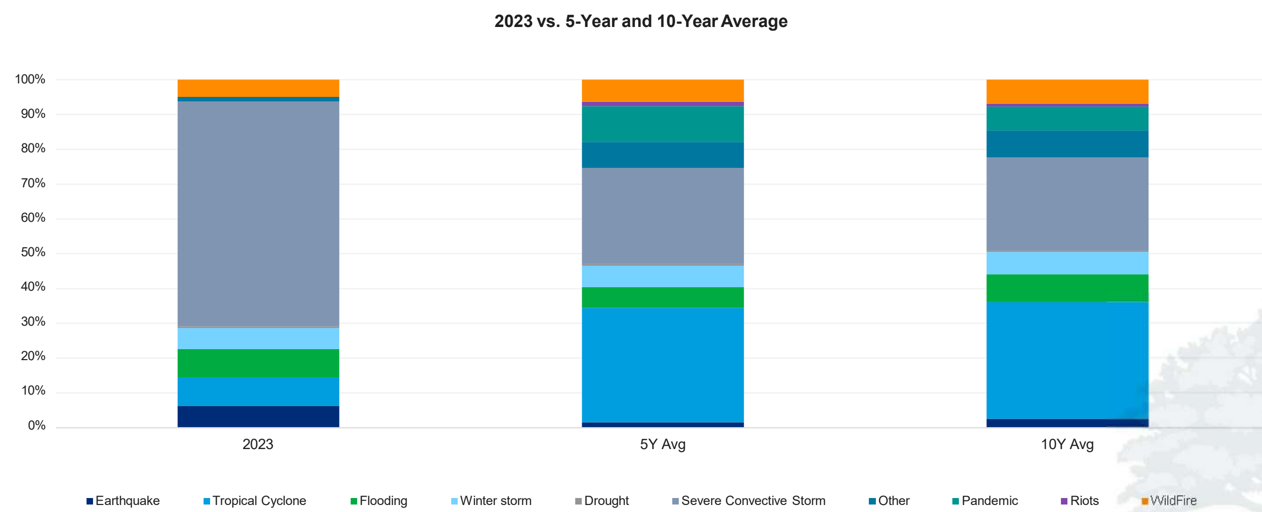
Large Loss Activity by Peril*



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Hot off the Press - SCS

Progressive renews agg XoL reinsurance with lower retentions, upsizes shared hurricane limit

4th March 2024 - Author: Luke Gallin

Property and auto-focused insurance group, Progressive, renewed its aggregate excess of loss (XoL) reinsurance program for its property business at the January renewals with a lower retention for both layers, and has also renewed and upsized its hurricane coverage for the 2024 wind season.

The new aggregate XoL reinsurance arrangement entered into by the firm in January 2024 has multiple layers which provide total protection of $185 million for catastrophe event losses and allocated loss adjustment expenses (ALAE).

For 2024, the first retention layer threshold ranges from $450 million to $475 million and provides coverage of $85 million. This is different than the prior year, when the program's first retention layer threshold ranged from $500 million to $575 million, providing coverage up to $100 million.

In line with last year, for 2024, the first layer of reinsurance does not provide coverage for named tropical storms or hurricanes. In 2023, Progressive exceeded the first layer annual retention threshold by $17.9 million.

Progressive renews agg XoL reinsurance with lower retentions, upsizes shared hurricane limit - Reinsurance News

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The second retention layer threshold has fallen from $600 million in 2023 to $525 million for 2024, and provides $100 million of coverage, compared with $85 million last year. The second layer includes coverage for named tropical storms or hurricanes, and also includes a secondary coverage part with a retention threshold of $425 million that shares the same $100 million limit.

So, while the amount of limit secured by Progressive for its aggregate XoL renewal is unchanged year-over-year, for 2024 the reinsurance protection for both layers attach lower for the company.

Progressive has also already renewed a shared limit hurricane coverage for June through December 2024 at a larger size than the prior year. Last year, this agreement provided $125 million of coverage for named storms and, during the year, the firm ceded no losses under this coverage. For 2024, this has been renewed for $175 million of reinsurance coverage, so up $50 million year-over-year.

The insurer also has an occurrence XoL reinsurance program, under which it is responsible for the first $200 million of losses and ALAE for the first event. As at December 31st, 2023, coverage limits in place, net of retention, are $2.4 billion for a first event in Florida, and $2 billion for second event outside of the state.

During the course of 2023, Progressive confirms that no losses were ceded under its occurrence XoL arrangement related to storms in the year. In February 2024, the catastrophe bond Bonanza Re Ltd. (Series 2020-1) matured, which reduces the firm's maximum coverage limits by $200 million, irrespective of the location of the first event.

Finally, the company also has a reinsurance program in place for its commercial lines business, designed to help manage certain exposures in commercial auto, TNC, BOP, and workers' compensation products. For TNC, and certain workers' compensation and BOP product coverages, the business leverages quota share reinsurance agreements, under which it cedes a portion of premiums, losses, and, in most cases LAE.

As part of the commercial lines reinsurance program, Progressive also has XoL reinsurance agreements for higher-limit commercial auto liability, and certain BOP and workers' compensation product coverages, which reinsure a portion of loss above a retention threshold.

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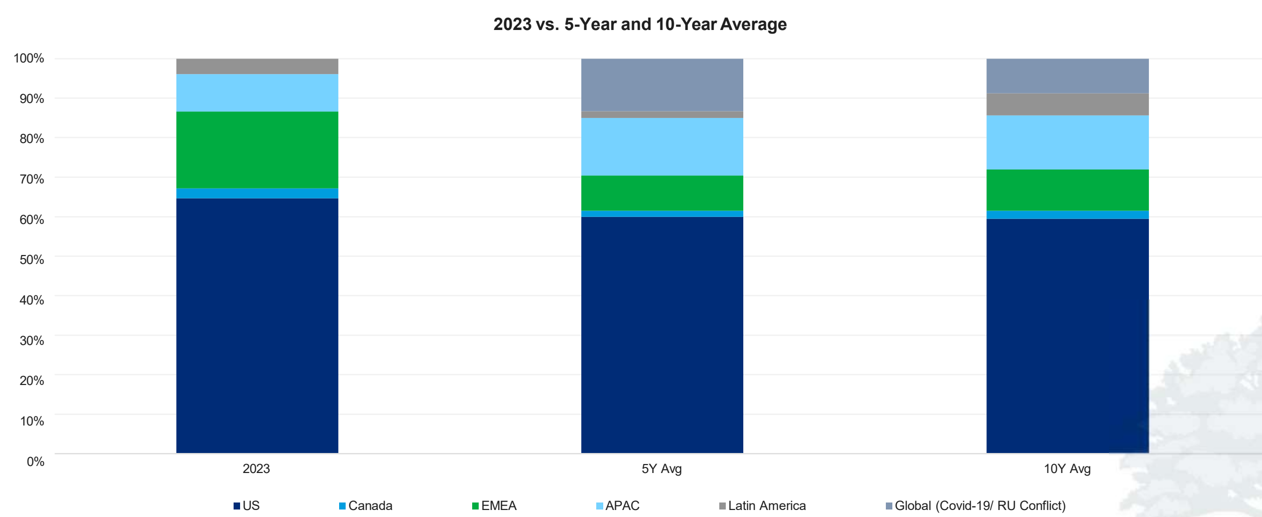
Large Loss Activity by Geographic Region*



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.*Significant Insured Losses (Est. losses> $100M) – Not adjusted for inflation ; Source: PCS, PERILS, Verisk, ICA, GC; Losses from Russia and Ukraine conflict are estimated by S&P Global, 2023 significant insured loss estimate is updated as of 05/09/2024.

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2024 Atlantic Hurricane Season Outlook

- Seasonal outlooks are notably above average influenced by well-above average sea-surface temperatures and expected La Niña conditions
- The landfall to basin ratio for the Continental United States shows great volatility from year to year with a range from 0 to 86 percent. While years with elevated activity present increased US landfalls, this is not directly proportional to basin activity and has significant variation from region to region.

Seasonal Outlooks for the 2024 North Atlantic Hurricane With Observed Averages

	CSU (April 4)	TSR (April 8)	TWC (April 17)	1950-2023 Average	1995-2023 Average
Named Storms	23	23	24	12	16
Hurricanes	11	11	11	6	8
Major Hurricanes	5	5	6	3	4

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Sources: Colorado State University (CSU), Tropical Storm Risk (TSR), The Weather Channel (TWC)

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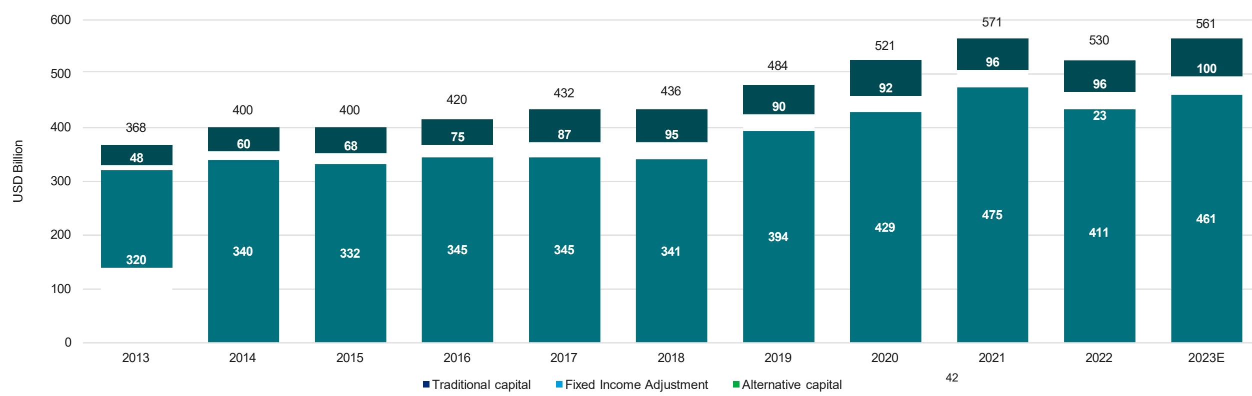
Dedicated Capital

Bounced Back in 2023 Due to Strong Underwriting and Investment Earnings and the Absence of Significant Mark-to-Market Investment Losses



- Overall dedicated reinsurance capital in 2023 increased by 10% from the initial year-end 2022 level (prior to 2022 fixed income adjustment that occurred in 2023)
- Traditional capital increased 12% from the initial year-end 2022 level, and alternative capital increased 3.7% to USD 100B net

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Source: Guy Carpenter, AM Best

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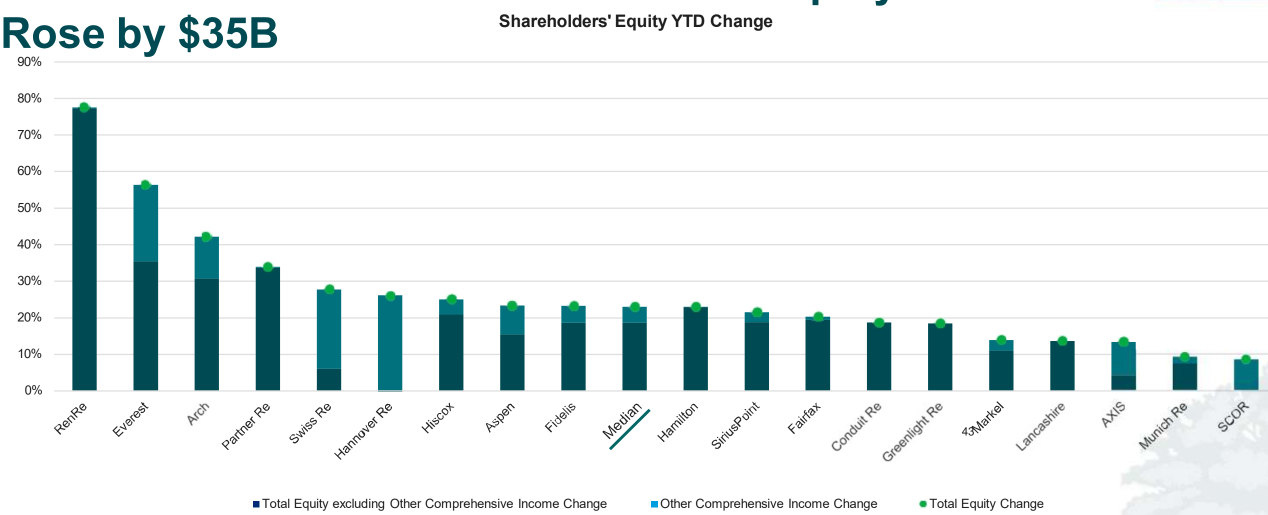
Incumbent Reinsurers' Shareholders' Equity Rose by $35B



While new reinsurer start-ups have not materialized, existing reinsurers have increased capital materially and are seeking deployment opportunities that match their view of risk.

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Source: Guy Carpenter, S&P Global

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View on Markets – New Capital

Period	Key Development	New Capital
Post 2005	Hurricanes Katrina, Rita and Wilma	**>USD 20B**
2013–2018	Post-financial crisis and environment of low interest rates (US Treasury 10-year yield ~2%)	Doubling of alternative reinsurance capital **>USD 45B** as investors search out higher uncorrelated returns
2023–Present	Reinsurance hard market and environment of higher interest rates (2023E RoE ~20%)	Projected incumbents'[1] retained earnings 2023–2025 **>USD50B** New capital raised by incumbents in 2023 **~USD 4B**

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Source: Guy Carpenter, AM Best; 1. GC Reinsurance Composite, GC estimates

New Capital Trends 2023–2024

- Investors are eschewing traditional new reinsurance start-ups due to factors that include fatigue, agency costs, and relative attractiveness of other investments (e.g., US Treasury 10-year yield ~4%)
- Investors can gain more direct access to underwriting reinsurance risk than ever through cat bonds (now including cyber), sidecars, and structured solutions (including life)
- Higher market liquidity in these classes has also enabled better price discovery, further reinforcing the liquidity and investment proposition of alternative reinsurance capital

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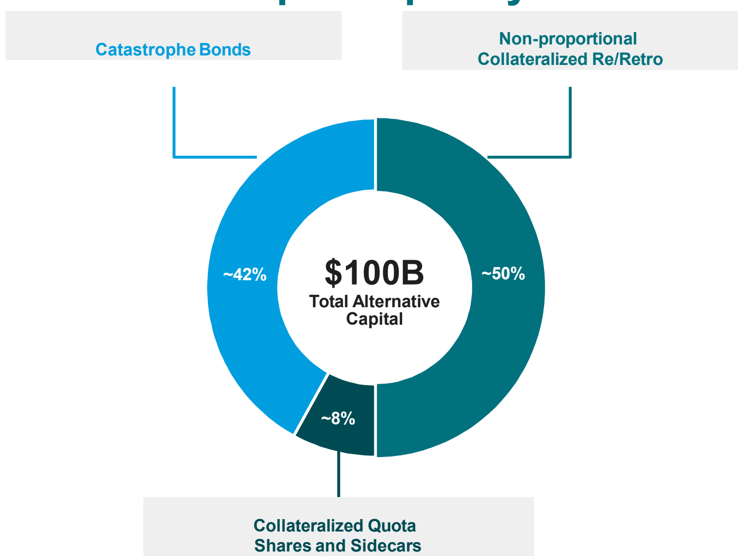
Alternative Capital Split by Product



Alternative capital remains available in the more liquid product form (e.g., catastrophe bonds).

ILS capital providers continue to closely monitor the financial markets and the wind season as they decide on further allocations to specific strategies.

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Source: AM Best and Guy Carpenter

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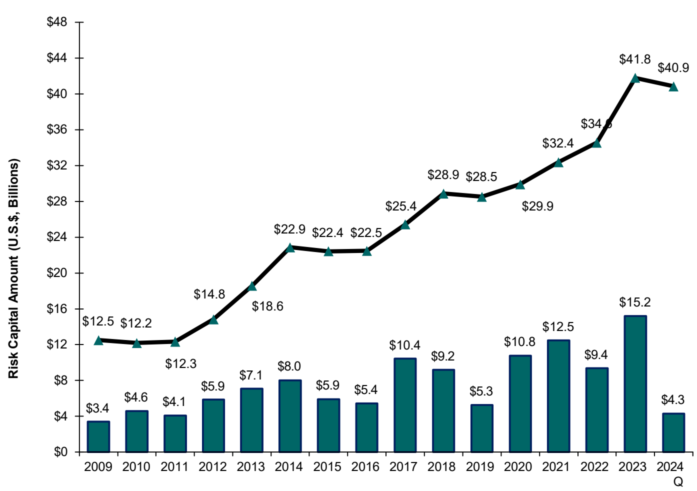
State of the 144A Catastrophe Bond Market



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Note: 2024 Q1 includes those cat bonds which closed between January 1, 2024 and March 31, 2024.
Source: GC Securities, as of May 16, 2024.

- There was a strong start to the cat bond market in Q1 of 2024. Approximately **USD 4B of limit was placed through 17 property cat bonds and 1 health cat bond**. This was a record Q1 for the market and followed record issuance in 2023 when approximately USD 15.2B of limit was placed through 69 cat bonds. Pricing was competitive as investors had ample capacity to deploy and found both the risk spreads and collateral yield to be attractive.
- The momentum has persisted into Q2. **Approximately USD 5.9B in limit has already been placed as of May 16, 2024, in 2024 Q2** (which includes those bonds which have priced, but not yet settled) and an additional **5 cat bond transactions are currently in the market** for an initial total size of **more than USD 450M**. The remaining pipeline for 2024 is strong.
- However, the market is starting to face some headwinds as most of the capacity has now already been deployed and foundational investors are locking in gains in view of forecasts of an active storm season. Pricing had to be widened out on some recent transactions (some of which was to correct pricing overexuberance from Q1) to clear the announced size and any upsizing has been modest.
- Beyond Q2, a heavy maturity schedule through year-end should drive activity although **availability of capital will depend upon the results of the 2024 wind season.**

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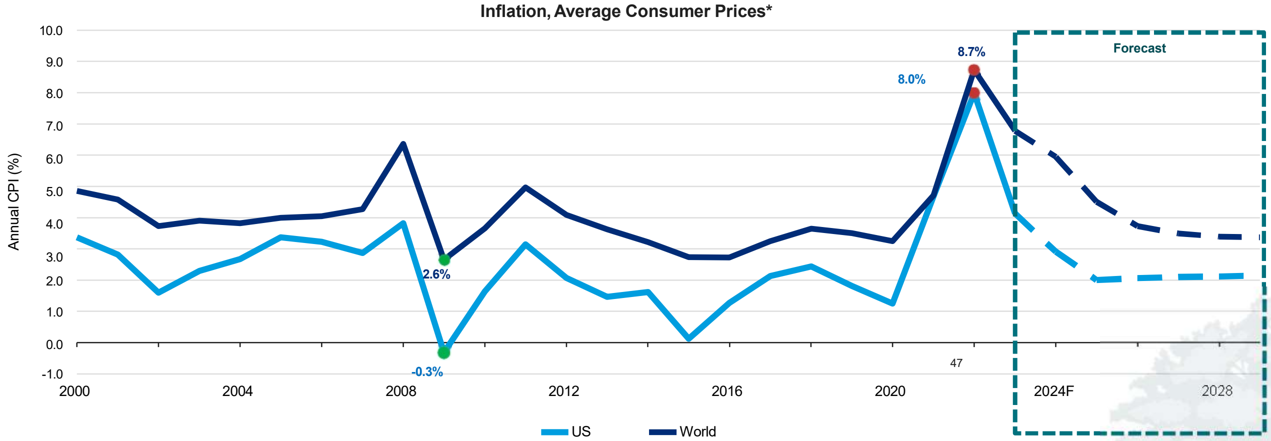
Global Inflation

Growth Holding Steady As Inflation Returns to Target

Inflation, Average Consumer Prices*



"Economic activity is showing surprising resilience with inflation returning to target. Despite significant central bank hikes aimed at restoring price stability, the global economy grew steadily, supported by favorable supply developments." - IMF

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Source: *Data World: World Bank (1990-1999) and IMF (2000-2029); IMF report released in April 2024, World Bank data from Nov 2023 report; Note: Average for inflation is calculated based on the compound annual rate of change.

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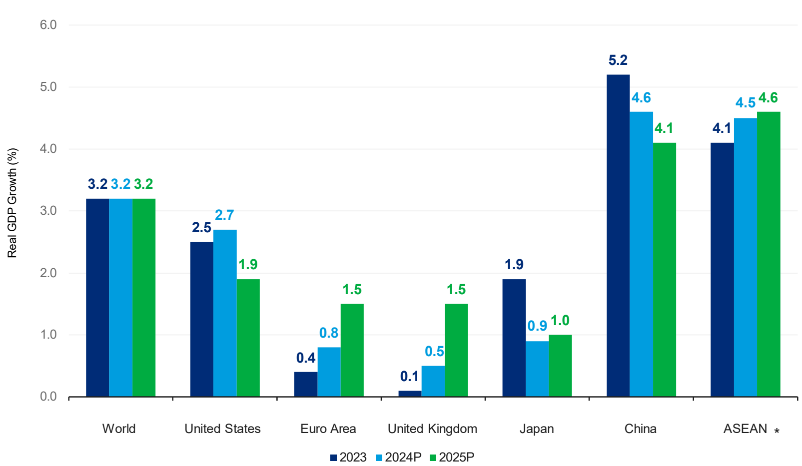
Global Economic Outlook

Global Economy Remains Resilient Despite Uneven Growth

Short-term GDP Growth Forecasts[1]



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Source: 1. IMF's WEO (World Economic Outlook) April 2024; Note: GDP values for 2024 and 2025 are projections from the IMF; *ASEAN = Indonesia, Malaysia, Philippines, Singapore and Thailand.

Global Economic Outlook April 2024

- The global economy remains resilient, with steady growth and returning inflation. Most indicators point to a soft landing.
- Growth for 2024 and 2025 will be around 3.2 percent. Global inflation is expected to decrease from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025.
- Advanced economies are reaching their inflation targets sooner than emerging market and developing economies.
- Financial conditions improved, equity valuations rose, capital flows to most emerging market economies (excluding China) were strong, and some low-income countries and frontier economies regained market access.
- Risks to the global outlook are balanced. Price spikes from geopolitical tensions and persistent core inflation could raise interest rate expectations and reduce asset prices.

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Top Risk Concerns by Time Period

Near-Term (2 Years)

Rank	Risk
1	Misinformation and Disinformation
2	Extreme Weather Events
3	Societal Polarization
4	Cyber Insecurity
5	Interstate Armed Conflict
6	Inequality or Lack of Economic Opportunity
7	Inflation
8	Involuntary Migration
9	Economic Downturn
10	Pollution (Air, Soil, Water)

Longer-Term (10 Year)

Rank	Risk
1	Extreme Weather Events
2	Critical Change to Earth Systems
3	Biodiversity Loss and Ecosystem collapse
4	Natural Resource Shortages
5	Misinformation and Disinformation
6	Adverse Outcomes of AI Technologies
7	Involuntary Migration
8	Cyber Insecurity
9	Societal Polarization
10	Pollution (Air, Soil, Water)

Economic Environmental Geopolitical Societal Technological

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Source: World Economic Forum; MMC analysis; Note: World Economic Forum (WEF) Global Risk Perception Survey 2024.
2024 19th Edition Global Risks Report

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Top Risk Concerns for Business Leaders by Region

	1	2	3	4	5
North America	Economic Downturn	Infectious Diseases / Inflation	Extreme Weather Events	Energy Supply Shortage	Labor and/or Talent Shortage
Latin America and the Caribbean	Economic Downturn	Erosion of Social Cohesion and Wellbeing	Inflation	Public Debt	Inequality (Wealth, Income)
Europe	Economic Downturn	Labor and/or Talent Shortage	Inflation	Energy Supply Shortage	Erosion of Social Cohesion and Wellbeing
Middle East and North Africa	Economic Downturn	Inflation	Unemployment	Infectious Diseases	Labor and/or Talent Shortage
Sub-Saharan Africa	Economic Downturn	Unemployment	Inflation	Energy Supply Shortage	Inequality (Wealth, Income)
Central Asia	Economic Downturn	Inflation	Interstate Armed Conflict	Energy Supply Shortage	Involuntary Migration / Labor and/or Talent Shortage
East Asia	Economic Downturn	Labor and/or Talent Shortage	Inflation	Infectious Diseases	Geoeconomic Confrontation
South Asia	Economic Downturn	Inflation	Inequality (Wealth, Income) / Labor and/or Talent Shortage	Unemployment	Extreme Weather Events
South-East Asia	Economic Downturn	Inflation	Labor and/or Talent Shortage	Infectious Diseases	Energy Supply Shortage
Oceania	Economic Downturn	Inflation	Extreme Weather Events	Energy Supply Shortage	Household Debt

Economic Environmental Geopolitical Societal Technological

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Source: World Economic Forum; MMC analysis; Note: World Economic Forum (WEF) Global Risk Perception Survey 2024.

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Questions?

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