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News release

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Reinsurance market continues to recalibrate at mid-year 2023 renewals

Catastrophe bond market is experiencing record highs for issuance and total outstanding notional amount for first half of the year

New York, July 5, 2023 – The broader market trends seen at January 1 continued at mid-year renewals, but with improved timing and concurrence around terms and conditions. While property pricing saw continued risk-adjusted rate increases in many segments, the average change moderated from January 1, according to Guy Carpenter, a leading global risk and reinsurance specialist and a business of Marsh McLennan (NYSE: MMC).

Additional capacity and increased appetite entered the property market at mid-year. However, the increased capacity remained highly disciplined around attachment points, pricing and coverage. The casualty market continues to trend in a cautious direction. Reinsurers are closely monitoring prior-year loss development as well as the moderating underlying rate environment.

Key developments during the mid-year renewals included:

- **Property -** A strong demand for limit persists, but market corrections have rebalanced the supply/demand disparity faced by many regions a year ago. Across the board, pricing is firm with a wide range of risk-adjusted rate changes seen throughout individual layers.

  Global property catastrophe reinsurance risk-adjusted rate increases ranged from +10% to +50%, with loss-impacted clients often seeing higher pricing. In the US, property catastrophe reinsurance risk-adjusted rate increases were on average the highest in 17 years, with loss-free accounts generally up +20% to +50%.

  In many instances, cedents retained more risk rather than accepting unfavorable terms. While lower-layer capacity and aggregates remained highly constrained, new capital raised by existing market participants and growing appetite by other established reinsurers saw overall capacity levels rebound.

  The preliminary year-to-date Guy Carpenter US Property Catastrophe Rate on Line Index, an alternative measure of price change that incorporates the impact of structural adjustments and current views of risk on actual dollars paid, increased 35 percent for January through July renewals.

- **Casualty** - Reinsurance pricing pressure continued across most casualty lines driven by continued prior-year loss development, effects of social and economic inflation, moderating underlying rate changes (in some cases, decreases) and an increase in reinsurer margin requirements. Client differentiation remains critical to renewal outcomes. Sufficient capacity was generally available when the market clearing pricing was set.

- **Cyber** - Quota share remains the prevalent reinsurance structure, often purchased in conjunction with aggregate coverage. Overall, capacity for quota share has become more readily available in the cyber market given improvements in underlying rate and portfolio performance. Aggregate capacity, pricing and terms remained stable at mid-year.

- **Retrocession** - Mid-year renewals saw a continuation of price and coverage trends experienced earlier in the year, with post January 1 oversight leading to a more orderly renewal process and a narrower range of quotes and firm order terms. Capacity was less scarce mid-year, predominantly due to modest reduction in demand stemming from retro pricing dynamics and favorable terms on inwards portfolios.

Catastrophe bonds are experiencing a record first half of the year. Significant developments in the catastrophe bond market included:

- By June 30, 41 different catastrophe bonds were brought to the 144A market for approximately USD 9.2 billion in limit placed, taking the total outstanding notional amount to more than USD 37.8 billion. By comparison, the total limit placed in full year 2022 was USD 9.3 billion and the average limit placed in the first half of the last five years was USD 6.5 billion.

- The majority of bonds in the first half of 2023 were oversubscribed in demand and priced either within or below guidance. On average, spreads for cat bonds decreased by double-digits compared with the fourth quarter of 2022.

Dean Klisura, President & CEO of Guy Carpenter, said, “Price adequacy across lines and supportable structures are expected to continue to drive sufficient capacity levels. For cedents, higher levels of retained risk across the business in 2023 will most likely impact volatility in 2024, necessitating strategic portfolio management.”

“Amid the capacity rebound, a highly viable and revitalized insurance-linked securities market has emerged with a flurry of activity occurring in the first half of 2023. At Guy Carpenter, we are committed to enabling our clients to anticipate and navigate this ever-changing marketplace,” concluded David Priebe, Chairman, Guy Carpenter.

MEDIA NOTE:
Please visit **Guy Carpenter’s Renewal Resource Center** to access charts for the Guy Carpenter Rate on Line Index and Catastrophe Bonds Issued and Outstanding; additional quotes from Guy Carpenter leaders; and other important insights and commentary.

About Guy Carpenter

Guy Carpenter & Company, LLC is a leading global risk and reinsurance specialist with 3,400 professionals in over 60 offices around the world. Guy Carpenter delivers a powerful combination of broking expertise, trusted strategic advisory services and industry-leading analytics to help clients adapt to emerging opportunities and achieve profitable growth. Guy Carpenter is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. The Company's more than 85,000 colleagues advise clients in 130 countries. With annual revenue of over $20 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses including Marsh, Mercer and Oliver Wyman. For more information, visit www.guycarp.com and follow us on LinkedIn and Twitter.