

2015 Reinsurance Market Analytical Briefing

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Discussion Outline



Global Economic Conditions and Demographic Trends

The Merger and Acquisition Phase

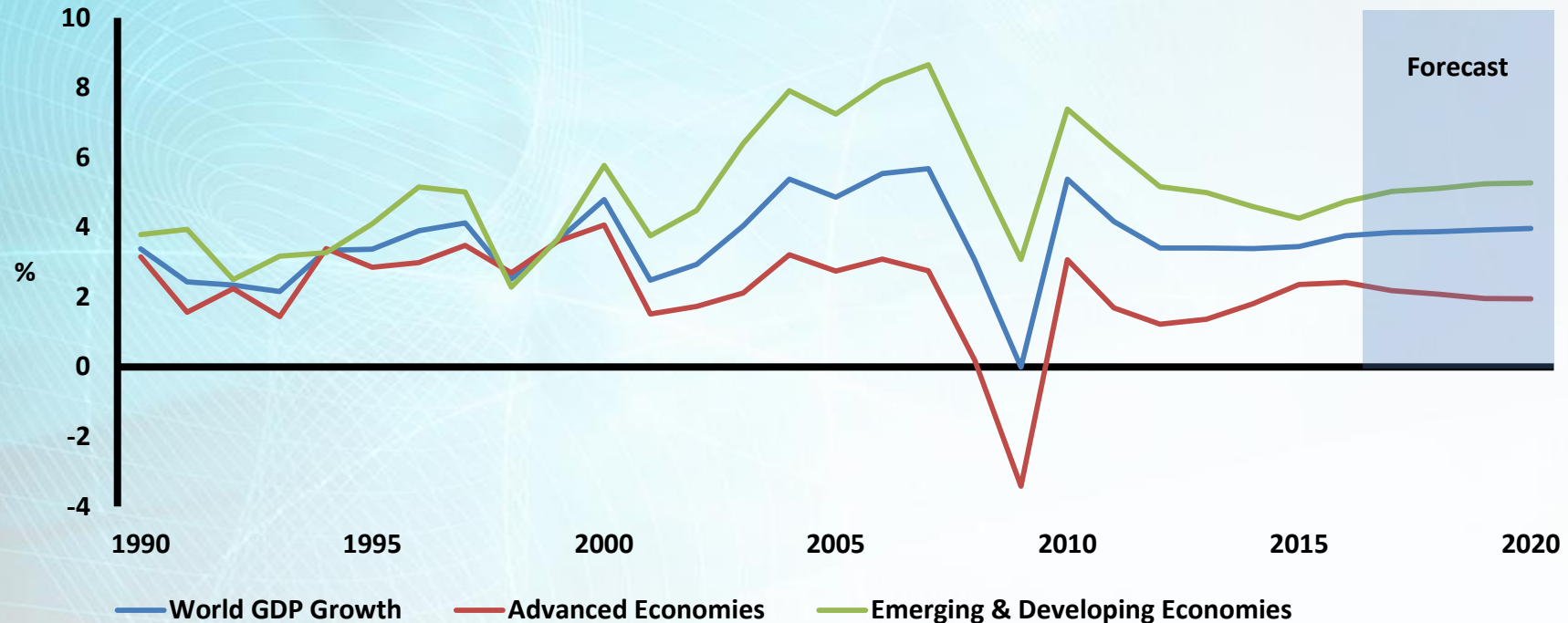
Challenges and Impact of Alternative Capital

Global Reinsurance Results and Trends

Reinsurance Rating Outlook

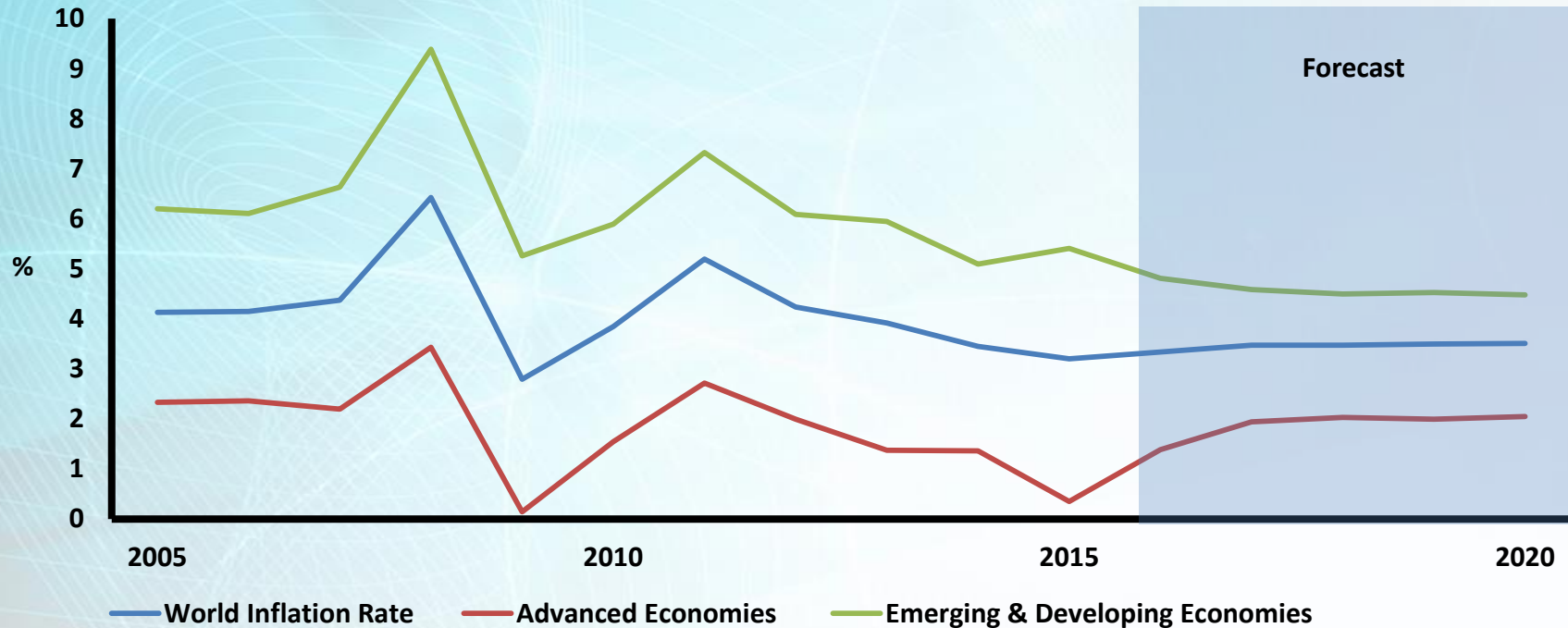
Global Economic Conditions and Demographic Trends

Global GDP Growth



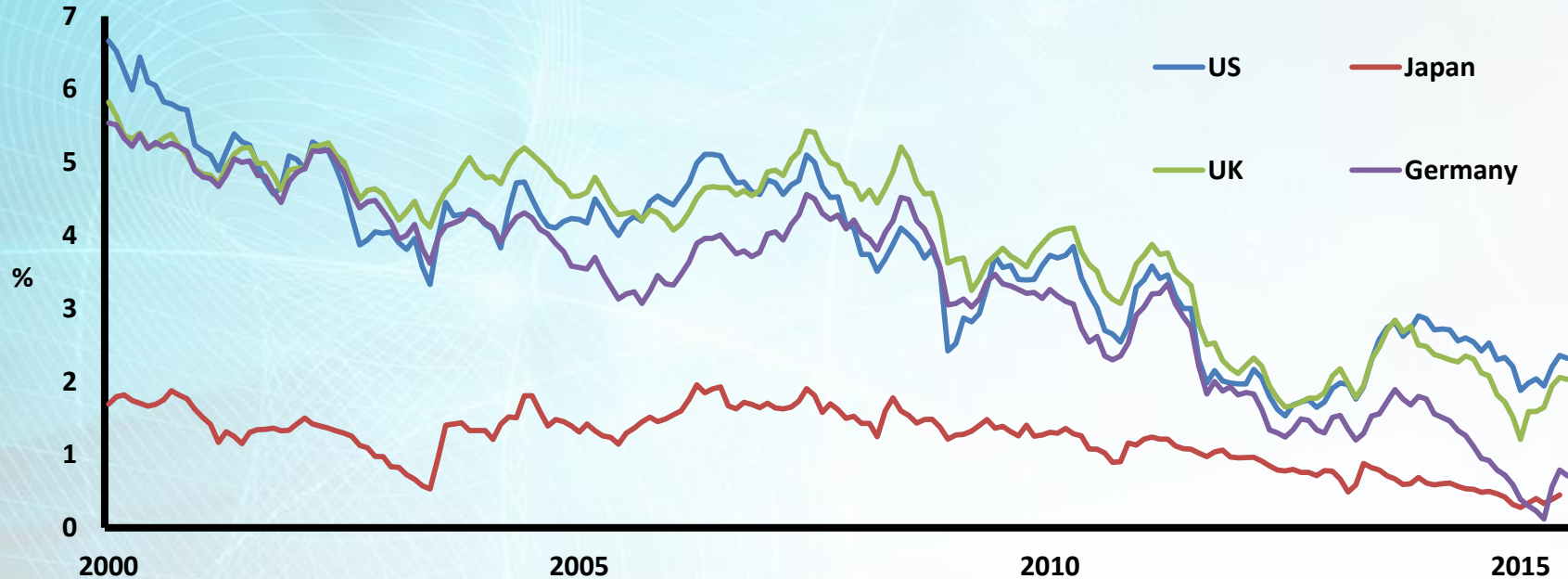
Source: International Monetary Fund

Global Inflation Rates



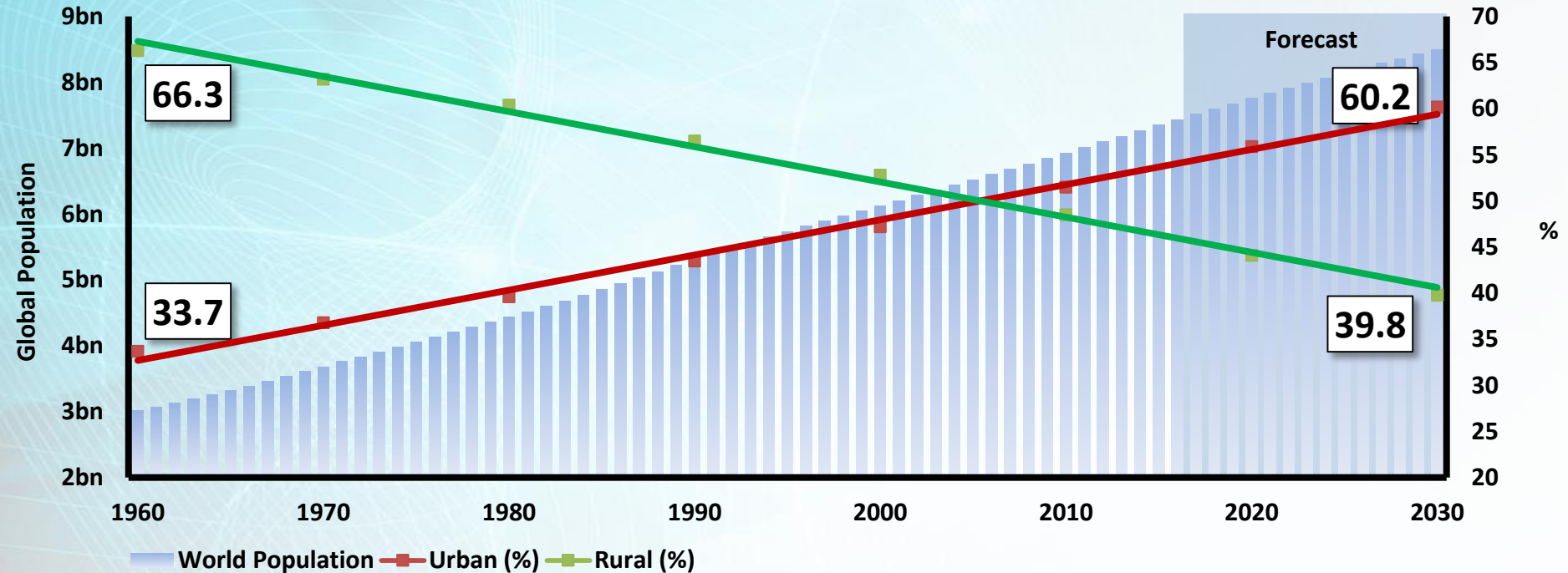
Source: International Monetary Fund

Interest Rate Environment



Source: OECD, Bank of Japan and Federal Reserve

Urbanisation Trends



Source: The United Nations Population Division

Current Population Centres

10 Most Populous Cities in the World



Source: United Nations

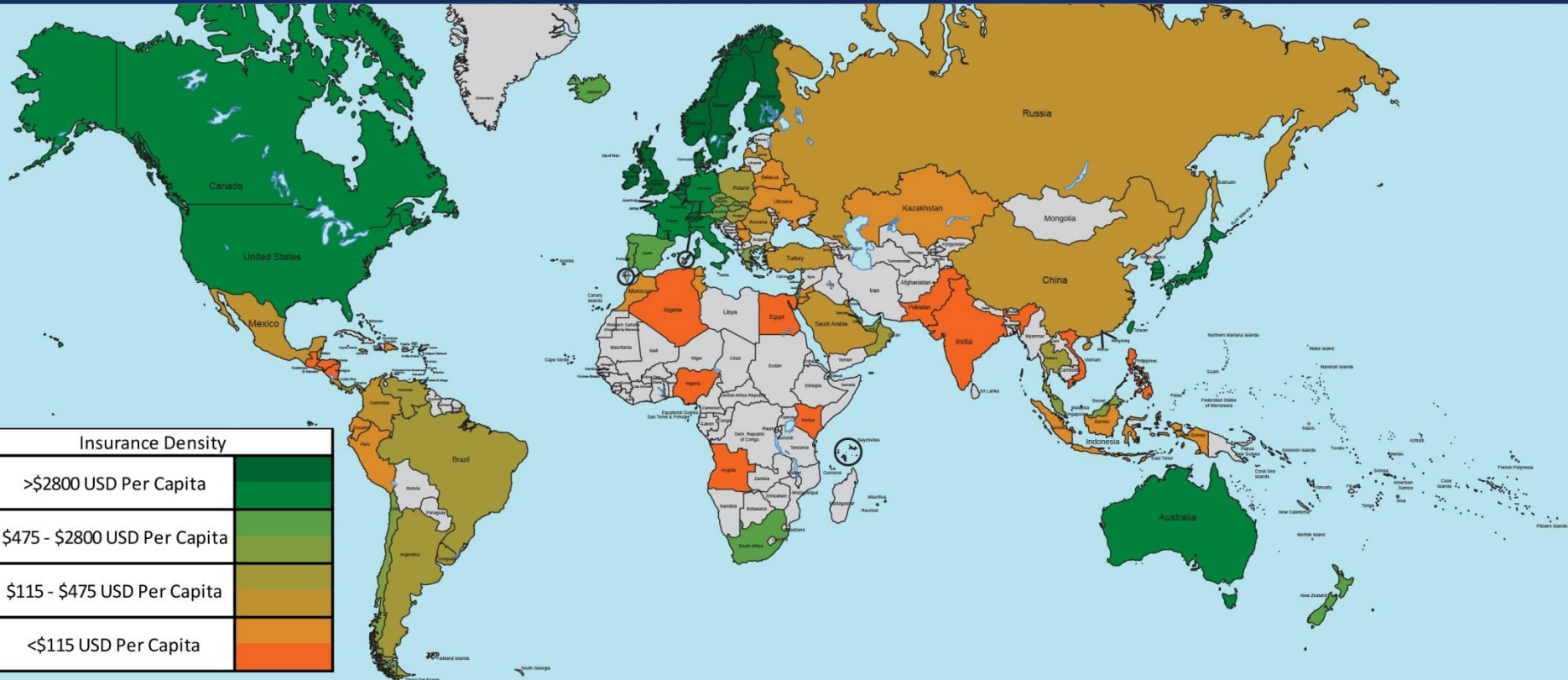
Future Population Centres

Change in Population from 2010-2025 Top 20 Cities



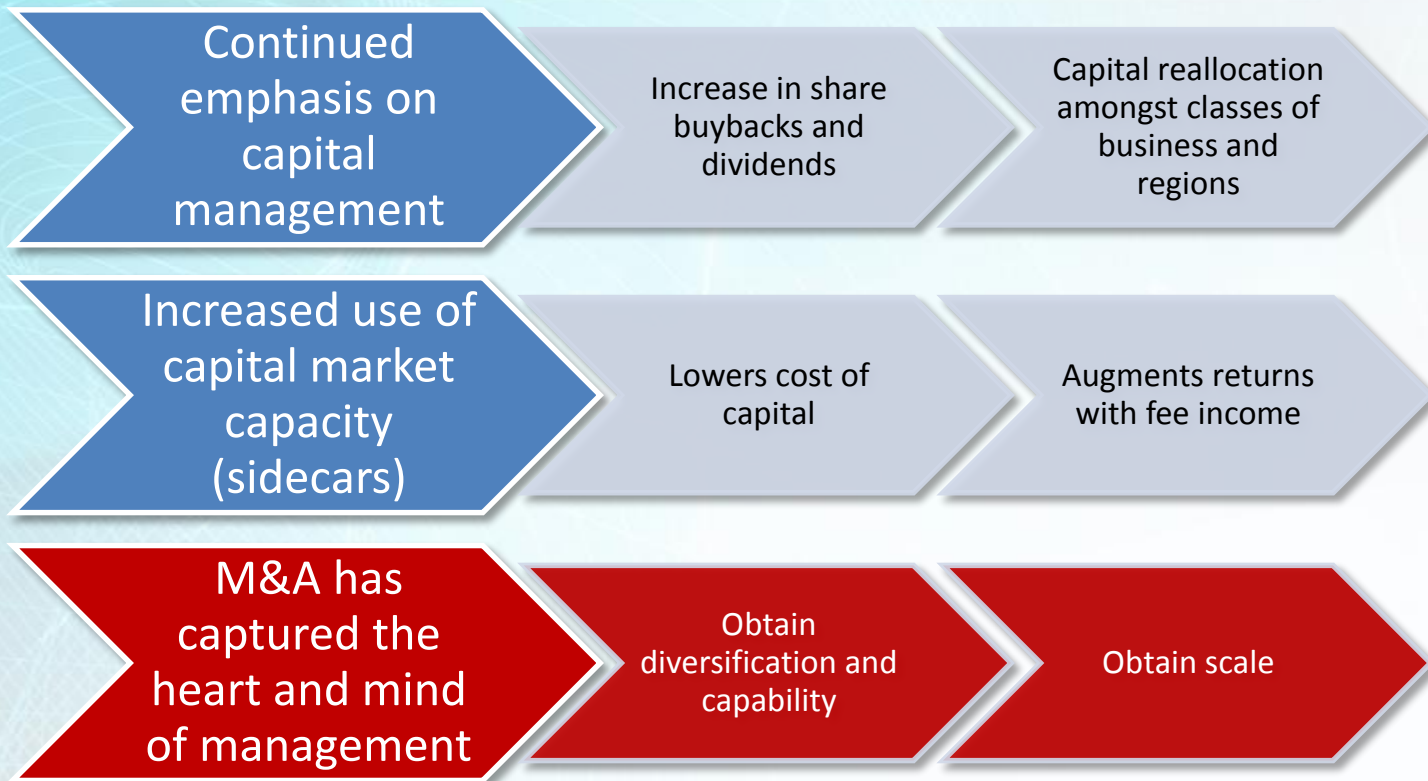
Source: McKinsey Citiscope

Global Insurance Density



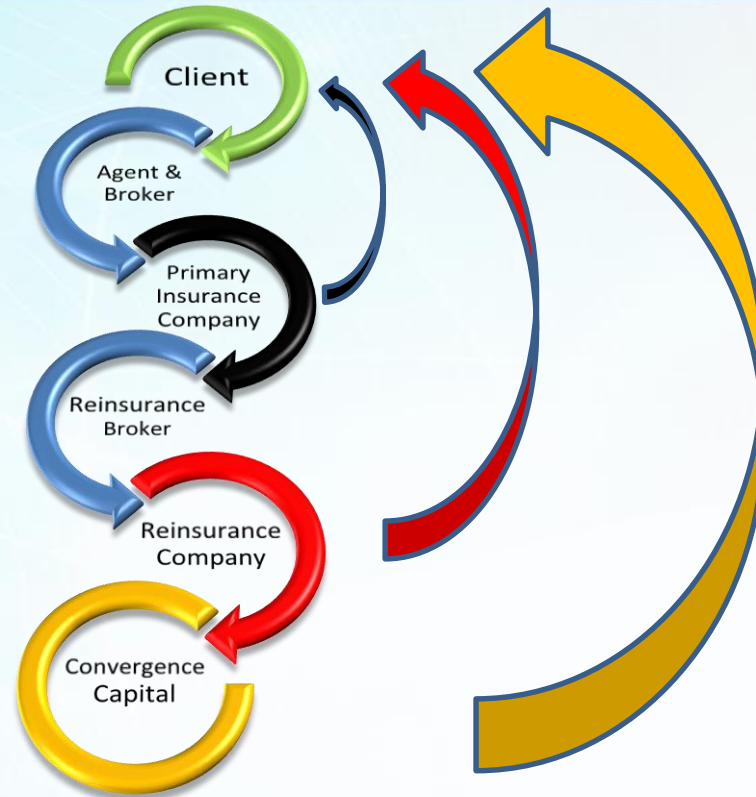
The Merger and Acquisition Phase

Tools and Strategies

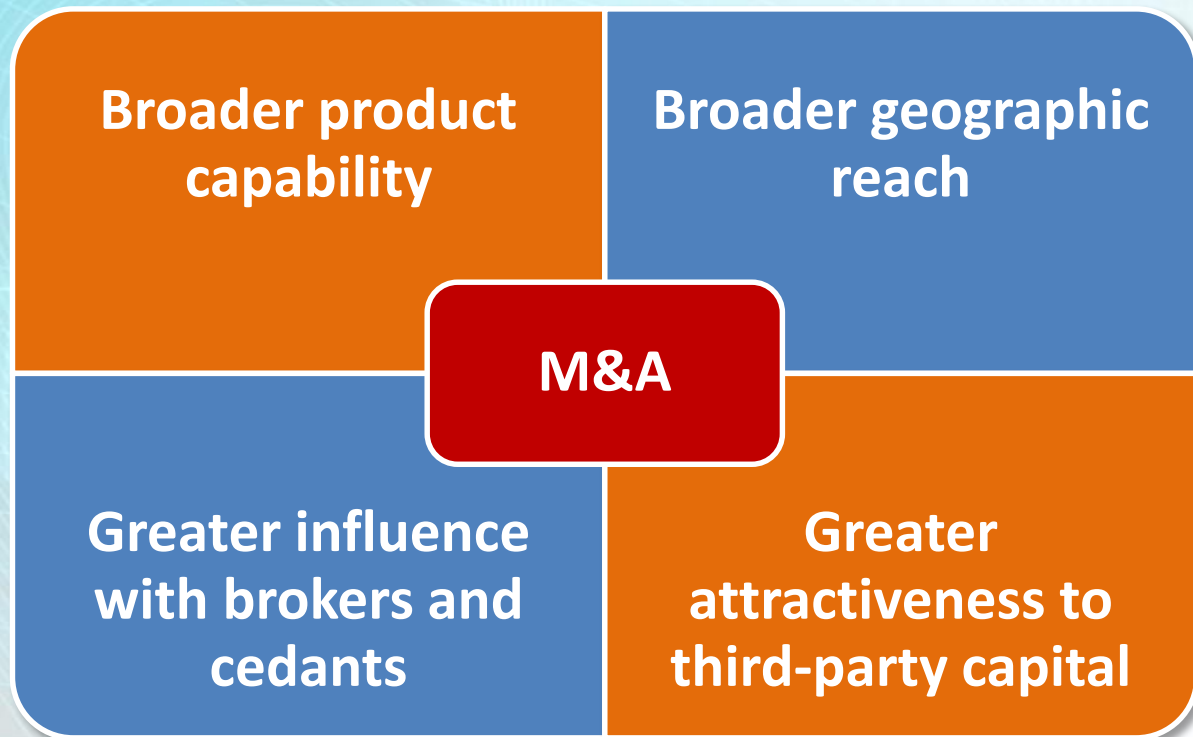


The Drive for Efficiency

The market will continue to become more efficient as all players strive to become closer to the client



The Base Case for M&A



Most M&A deals in the current reinsurance market are focused on one, if not all, of these four categories

Reinsurers Price-to-Book Value excluding AOCI as of March 2015



The increase in valuations helps when buying from a “currency” perspective

Alternatively, companies typically don’t want to sell below book value

Note: AOCI is defined as Accumulated Other Comprehensive Income
Source: A.M. Best data and research, Bloomberg, company reports

Increase in M&A Deals



Date Announced	Acquirer	Location	Acquiree	Location	Price (USD million)	Price to Book Value
23-Jun-14	Validus	Bermuda	Western World Insurance USA		690	1.33x
22-Aug-14	Allied World	Bermuda	Hong Kong operation of RSA	Hong Kong	215	NA
24-Nov-14	RenRe	Bermuda	Platinum Underwriters	Bermuda	1,900	1.12x ¹
09-Jan-15	XL Group	Ireland	Catlin Group Limited	Bermuda	4,100	1.27x ¹
17-Feb-15	Fairfax	Canada	Brit	London	1,880	1.73x
31-Mar-15	Endurance	Bermuda	Montpelier Re	Bermuda	1,830	1.21x
03-May-15	Fosun International Ltd	China	Ironshore	Bermuda	2,304	1.2x
01-Jul-15	ACE	Switzerland	Chubb	US	28,300	1.83x
27-Jul-15	CM International Holding PTE Ltd	China	Sirius International Insurance Group, Ltd	Bermuda	2,235	NA
03-Aug-15	EXOR	Italy	PartnerRe	Bermuda	6,900	1.19x
08-Sep-15	Mitsui Sumitomo	Japan	Amlin	London	5,334	2.4x

Notes:

¹ Book Value = Assets - intangibles - liabilities

Source: A.M. Best data and research, Bloomberg and company reports

Challenges and Impact of Alternative Capital

Alternative Capital



Alternative capital is driving a great deal of structural change in the market.

However, do not lose sight of the fact that the market continues to be heavily influenced by the global reinsurance leaders

Top 50 Global Reinsurers

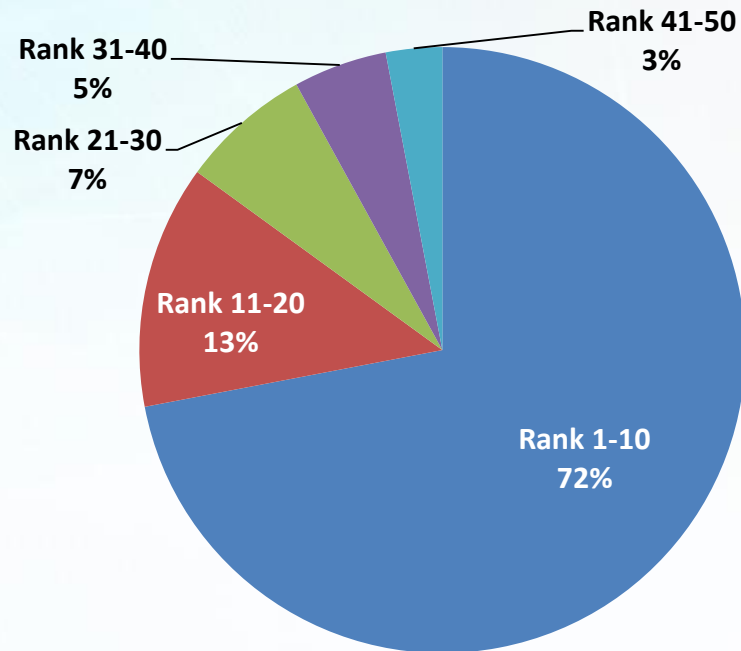


The Top 10 global reinsurance companies continue to strongly influence the landscape

2015 Reinsurance Premiums Written		Life & Non-Life (USD millions)	
Ranking	Company Name	Gross	Net
1	Munich Reinsurance Co.	39,035	37,761
2	Swiss Reinsurance Co. Ltd.	33,276	31,640
3	Hannover Rueckversicherung AG	17,457	15,100
4	Berkshire Hathaway Inc.	14,919	14,919
5	SCOR S.E.	13,756	12,324
6	Lloyd's	13,199	10,416
7	Reinsurance Group of America Inc.	9,118	N/A
8	China Reinsurance (Group) Corp.	8,506	7,991
9	PartnerRe Ltd.	5,932	5,720
10	Everest Re Group Ltd.	5,749	5,257

Source: A.M. Best data and research

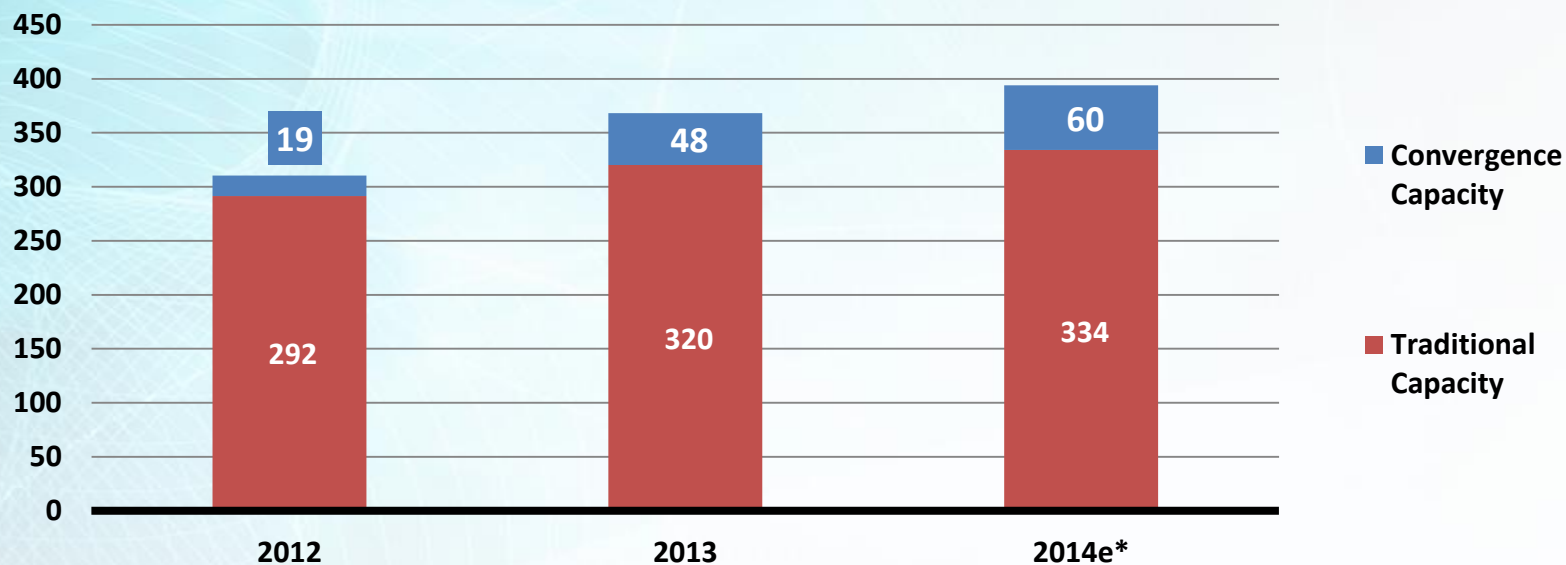
Life and Non-Life GPW Distribution by Ranking



Dedicated Reinsurance Capacity



Total Dedicated Reinsurance Capacity (USD billions)

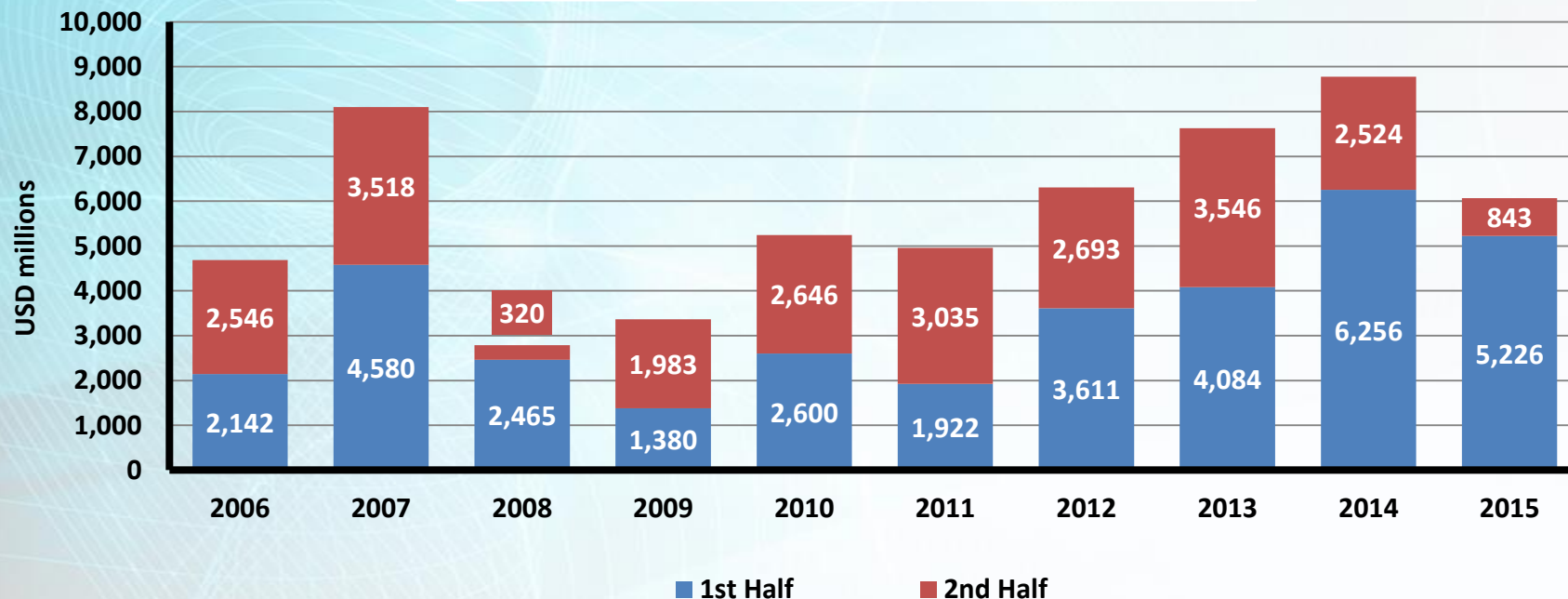


Note: * Estimate by Guy Carpenter and A.M. Best
Source: A.M. Best, Guy Carpenter

CAT Bond Issuances



CAT Bond Issues by six-month period



Source: A.M. Best Research, Artemis and Swiss Re

Alternative Capital



Hedge fund reinsurers

**Greenlight
Re**

Build

FSR "A"

**Third
Point
Re**

Build

FSR "A-"

**Hamilton
Re**

Build

FSR "A-"

PAC Re

Partner

Rating
Withdrawn

**Watford
Re**

Partner

FSR "A-"

Fidelis

Build

FSR "A-"

Global Reinsurance Results and Trends

It's a “buyers market”

Primary
companies
retaining
more

Increased use
of alternative
capacity

Terms and
conditions
broadened

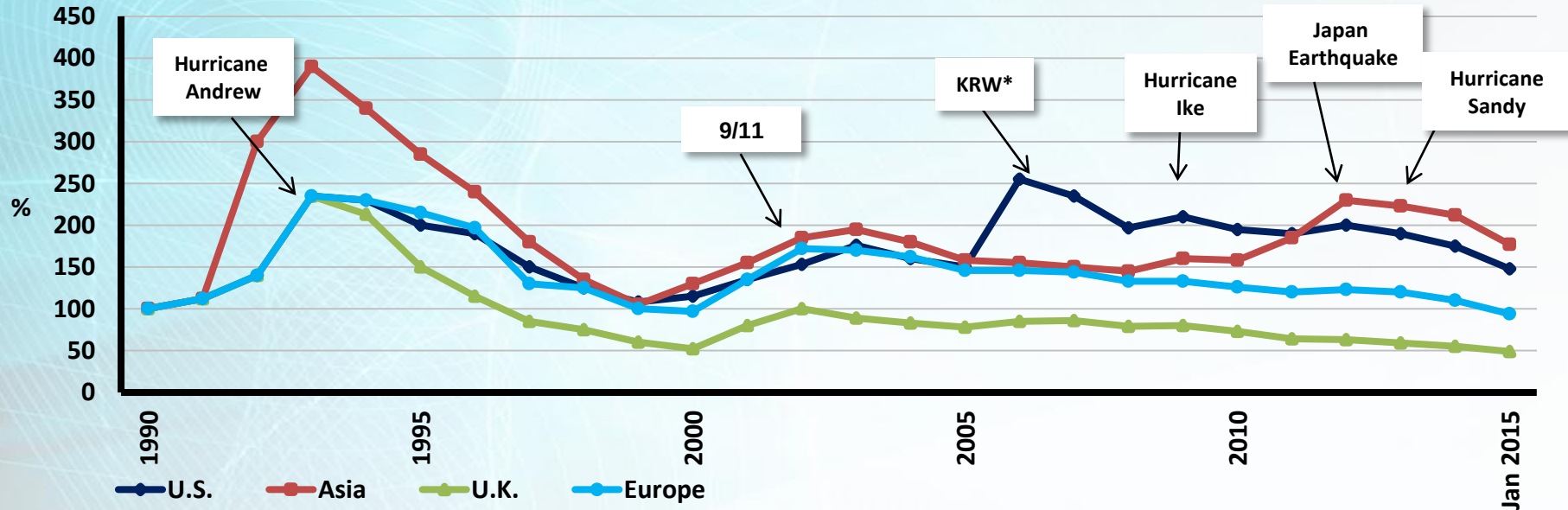
Rate on line
under
pressure –
especially
loss-free
business

Industry
consolidation
is creating a
ripple effect

Catastrophe Rates



Global Reinsurance – Catastrophe Rate On Line Index



Note: 1990-1993 RoL price coincides for the U.S., U.K., and Europe, for the U.S. and Europe in 1994

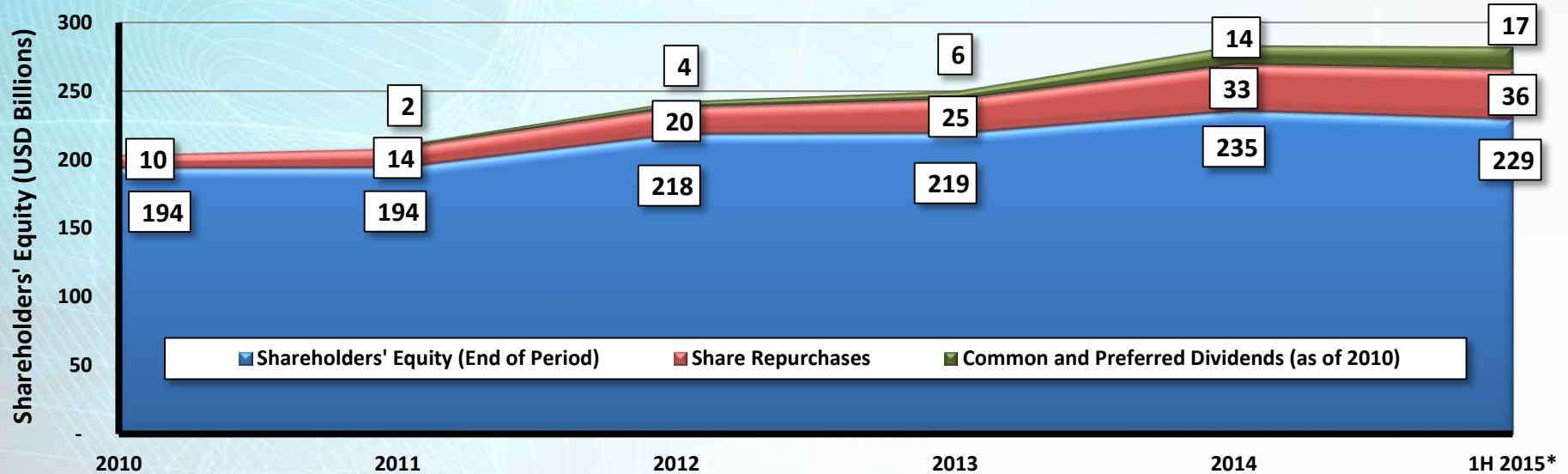
* Hurricanes Katrina, Rita & Wilma

Source: A.M. Best research, Guy Carpenter

Capital Management



Global Reinsurance Shareholders' Equity plus Share Repurchases Since 2010

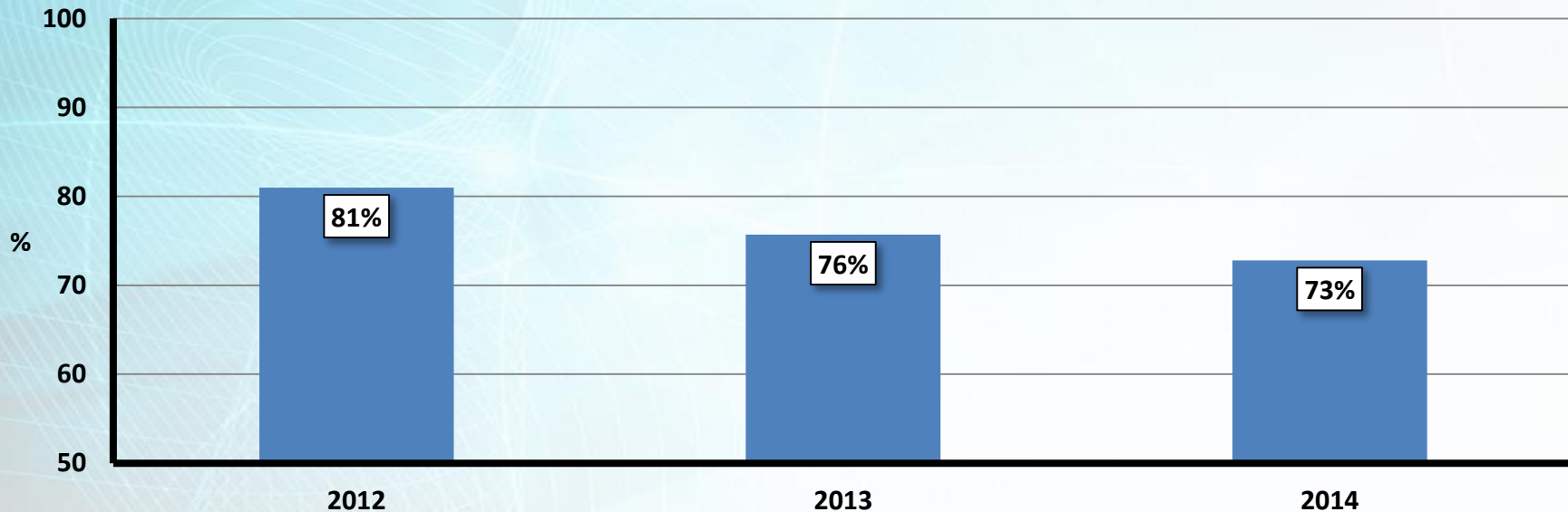


* Lloyd's YE2014 Total Shareholders' Funds used a proxy for 1H 2015

Reinsurance Capacity Utilization



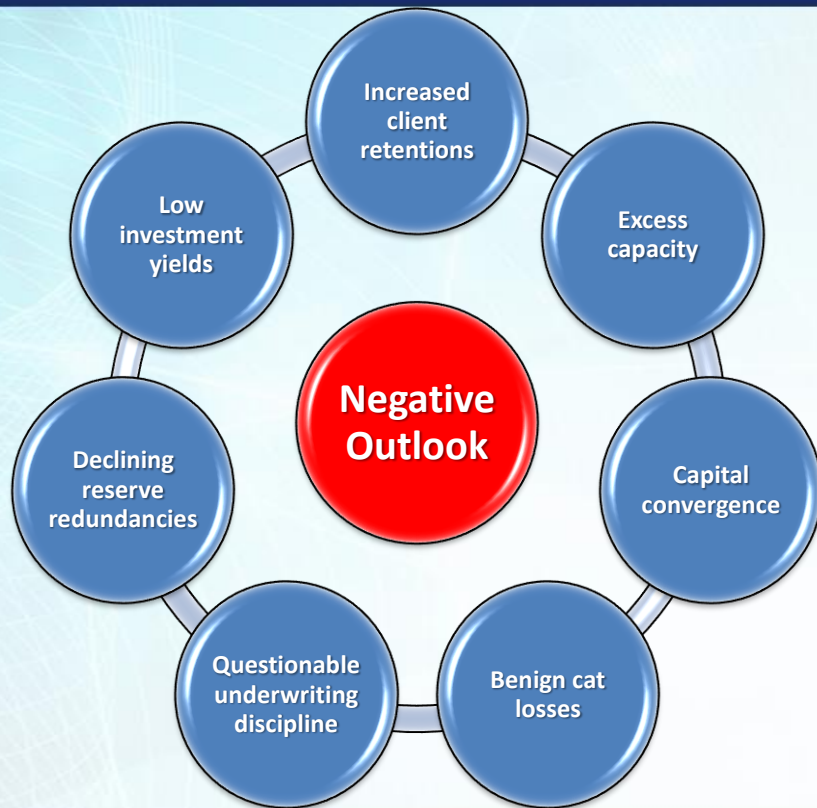
Capacity Utilization Based on Aggregate Risk-Adjusted Capitalization of Rated Balance Sheets



Source: A.M. Best research and data

Reinsurance Rating Outlook

Market Reinsurers Have...



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