

Prepared by Aon Securities Inc.

RPM - ILS Session

March 2018

Risk. Reinsurance. Human Resources.

AON
Empower Results®

Typical Profiles of (Re)insurers Utilizing Alternative Capital

Insurers

Typically utilize alternative capital in the form of:

- Sponsor catastrophe bonds to lower their cost of capital and to diversify their reinsurance panel
- Utilize sidecars to expand footprint and grow key segments
- Utilize collateralized reinsurance in their traditional reinsurance placements

TRAVELERS 

AIG

THE HARTFORD 

CHUBB

State Farm



ZURICH

Liberty Mutual

GREAT AMERICAN
INSURANCE GROUP

Reinsurers

Typically utilize alternative capital in the form of:

- Sponsor catastrophe bonds to lower their cost of capital
- Utilize sidecars to expand footprint and grow key segments
- Manage third party capital to generate significant fee income

RenaissanceRe 

XL
XL CATLIN

EVEREST
Everest Re Group, Ltd.


HISCOX

SCOR

 **VALIDUS**

AXIS

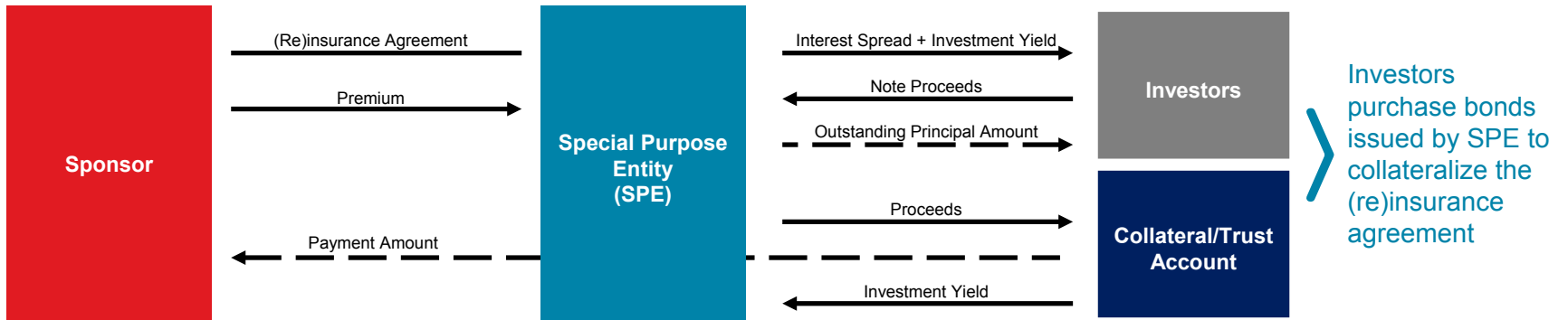
MS Amlin

AON

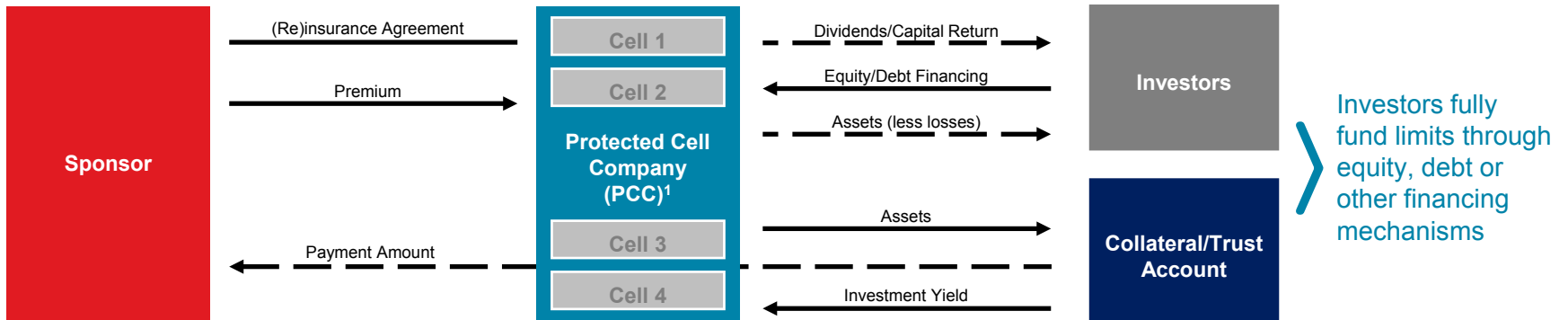
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Example Cat Bond, Sidecar and Collateralized Re Structure

Typically Cat Bond Structure



Typically Sidecar / Collateralized Re Structure

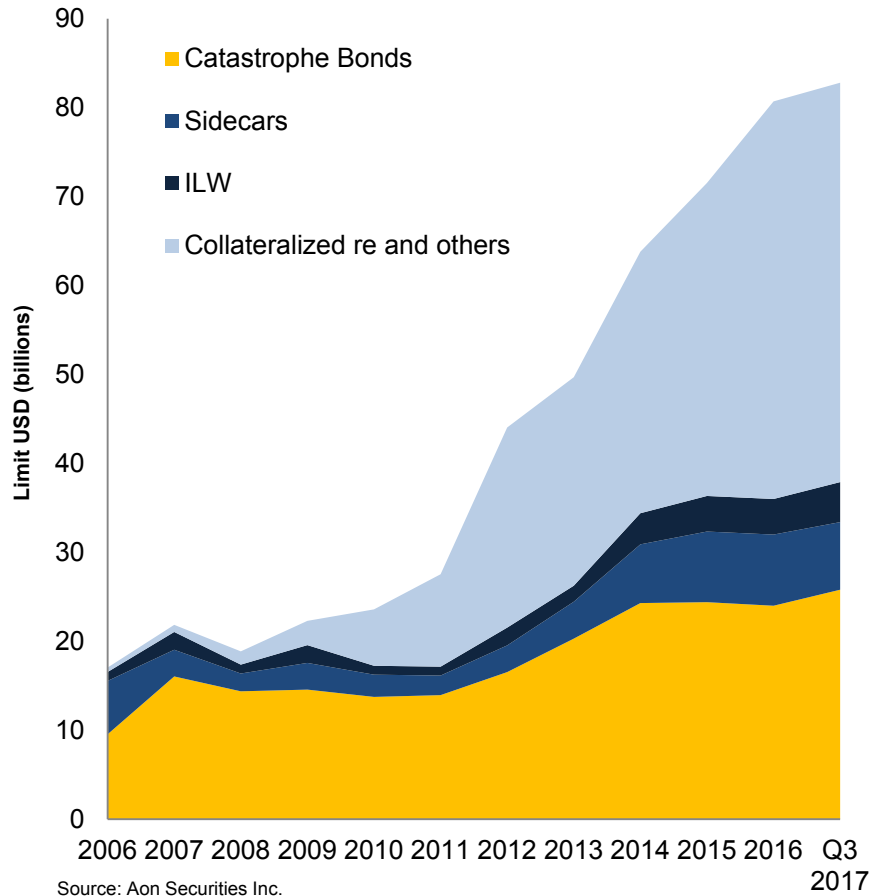


¹ Name may differ depending on jurisdiction

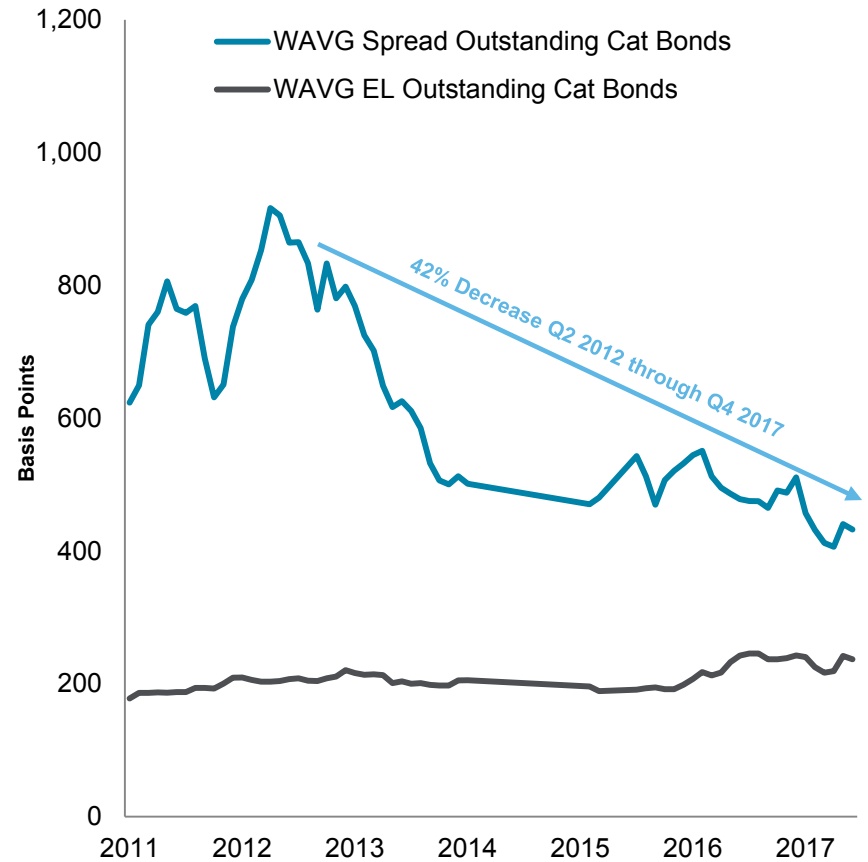
Alternative Capital Fuels Competitive (Re)insurance Market

Alternative capital continues to increase its allocation to insurance-linked risks, especially property catastrophe risks

Growth of Alternative Reinsurance Capital



Cat Bond Spread Compression



Top 15 ILS Fund Managers

Manager	Assets Under Management (\$B)				
	January 2014	January 2015	January 2016	July 2017	January 2018
Nephila Capital	10.0	9.5	10.2	10.5	11.0
Credit Suisse ILS	6.5	6.5	7.5	8.6	8.6*
LGT ILS Partners	4.1	5.2	6.5	7.0	7.9
Securis Investment Partners	3.2	3.5	4.1	4.6	6.2
Stone Ridge Asset Management	3.0	4.4	5.1	6.1	6.1**
Fermat Capital Management	5.1	4.8	5.2	5.4	5.7
Markel CATCo	2.8	3.2	4.3	4.5	4.5*
Leadenhall Capital Partners	1.8	2.4	3.5	4.2	4.5
Twelve Capital	3.5	3.5	3.5	4.0	4.5
Aeolus Capital Management	2.7	2.5	3.0	3.2	4.0
AlphaCat Managers	1.9	2.4	2.7	3.1	3.4
Elementum Advisors	1.9	2.5	2.9	3.0	3.4
Schroder Investment Management	1.4	1.7	1.9	2.5	3.0
RenaissanceRe Holdings	1.8	1.5	1.8	1.7	1.7*
Pioneer Investments	1.0	1.4	1.7	1.7	1.7*
Total	50.7	55.0	63.9	69.7	76.2
	% Change	8.5%	16.2%	9.1%	9.3%

*At July 1, 2017

**At October 31, 2017

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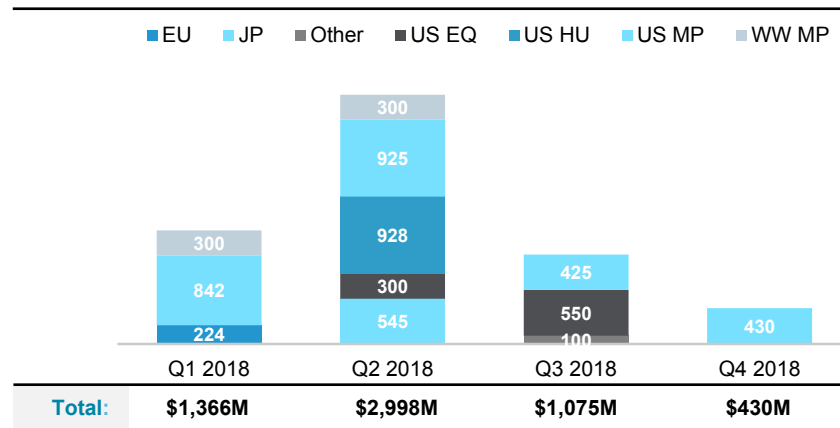
Property Cat Bond Market Review

Property Cat Bond Metrics

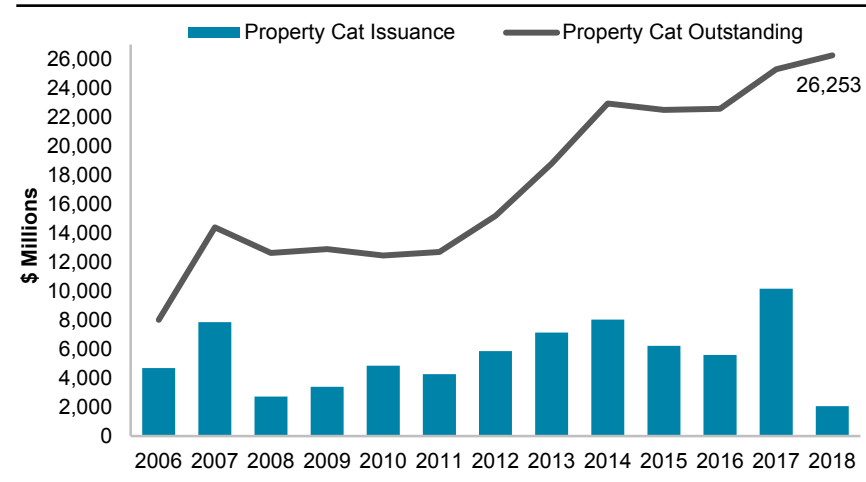
2018			
Completed Issuances	Sponsors	Issuance Volume	Average Deal Size
2	5	\$2.06B	\$1.02B

2016 / 2017			
Completed Issuances	Sponsors	Issuance Volume	Average Deal Size
20 / 33	16 / 29	\$5.6B / \$10.2B	\$275.7M / \$307.9M

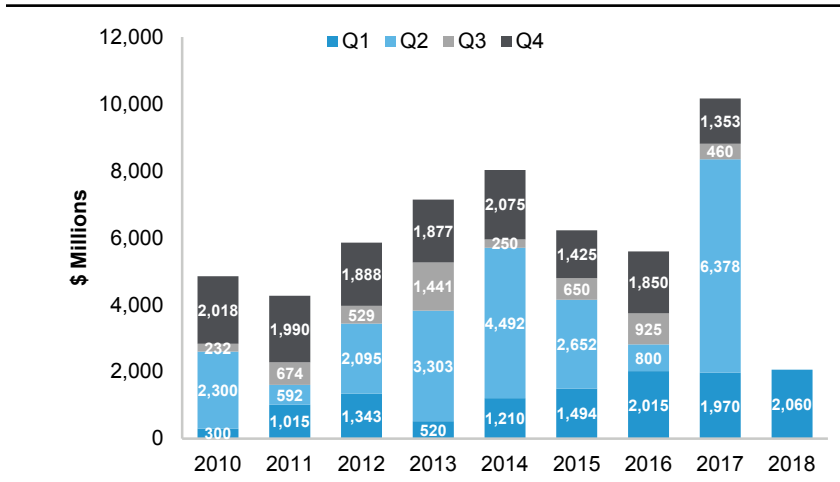
Property Cat Bond Maturities by Quarter



Property Cat Bond Issuance and Outstanding by Year



Property Cat Bond Issuance by Quarter

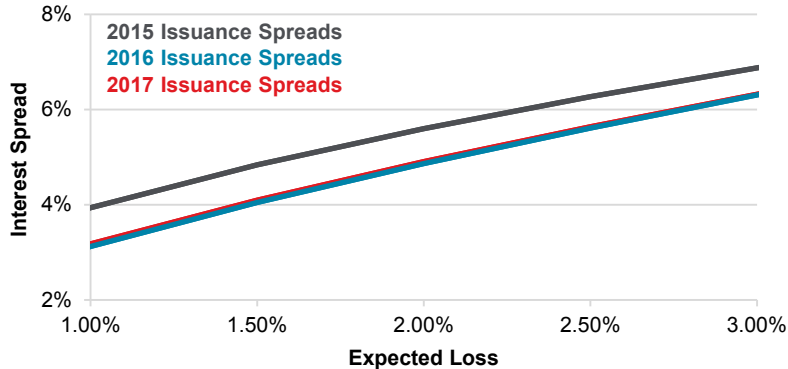


Source: Aon Securities Inc.

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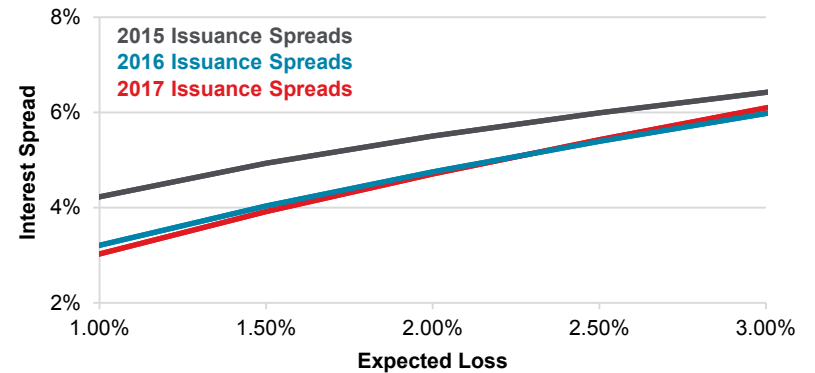
Historical Issuance Trendlines and HIM Impact on Florida Pricing

U.S. Multi-Peril



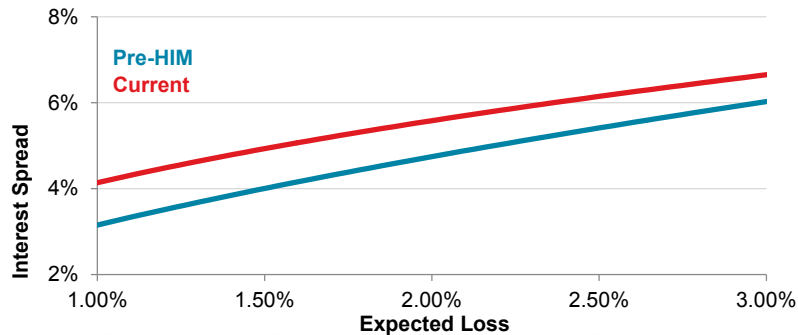
% Change	1.00%	2.00%	3.00%
2015 - 2016	-21%	-13%	-8%
2016 - 2017	2%	1%	-

U.S. Named Storm



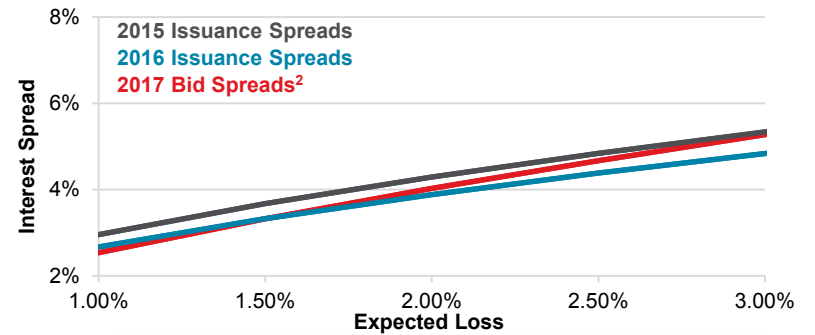
% Change	1.00%	2.00%	3.00%
2015 - 2016	-24%	-14%	-7%
2016 - 2017	-6%	-1%	2%

Florida Named Storm¹



% Change	1.00%	2.00%	3.00%
Pre-HIM	3%	5%	6%
Current	4%	6%	7%

Japan



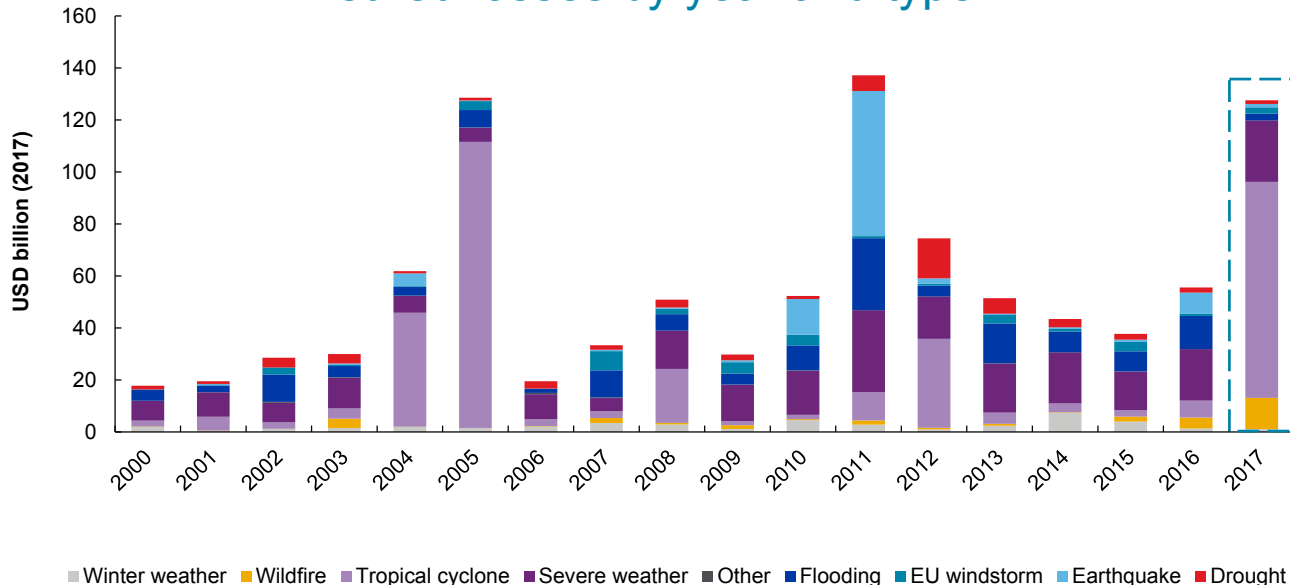
% Change	1.00%	2.00%	3.00%
2015 - 2016	-10%	-9%	-9%
2016 - 2017	-5%	4%	9%

¹ US Wind, excluding non-Florida Regionals

Source: Aon Securities Inc.

Recent Loss Activity on Cat Bonds, Sidecars and Collateralized Re

Insured losses by year and type



Estimates have suggested that the alternative capital market absorbed between 20% to 25% of overall re/insurance industry losses in 2017

- Global natural disasters are estimated to have generated insured losses of \$128B in 2017, with the most significant peril in 2017 being tropical cyclone, generating \$83B of losses
 - Hurricanes Harvey, Irma and Maria are currently estimated to have contributed \$80B
- Immediately following the major catastrophe events of Q3 2017, total alternative capital assets under management (“AUM”) dropped by roughly \$7B
- Given the magnitude of catastrophe losses in 2017, the annual returns for all Aon ILS Indices (1.40%) underperformed the prior year’s annual returns (7.03%)

Source: Aon Benfield Inc., Reinsurance Market Outlook, January 2018

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