

In 2017 it was HIM. What will it be in 2018? HER?
 State of the Reinsurance Market
 May 14, 2018

© 2018 Willis Towers Watson. All rights reserved. WillisRe **WTTW**

2017 Loss in Review

© 2018 Willis Towers Watson. All rights reserved. WillisRe **WTTW** 2

Insured loss estimates from 2017 Cat activity
 There was significant uncertainty around the quantum of insured loss with a broad range of estimates from modeling firms

Initial Estimates

Modeling Company	Harvey		Irma		Mats		Mexican EQ		Cal Wildfire		Total Insured Loss
	Low	High	Low	High	Low	High	Low	High	Low	High	
AIR Worldwide	10.0B	10.0B	32.0B	50.0B	40.0B	65.0B	1.9B	3.2B	8.0B	10.5B	91.9B
Risk Management Solutions	23.0B	30.0B	35.0B	55.0B	15.0B	30.0B	1.2B	1.2B	4.0B	4.0B	82.2B
Monicage	7.5B	11.5B	22.5B	35.0B	N/A	N/A	N/A	N/A	7.0B	10.0B	22.5B
Karen Clark and Company	15.4B	15.4B	25.0B	25.0B	29.8B	29.8B	N/A	N/A	N/A	N/A	70.3B
Property Casualty Services	15.9B	15.9B	18.0B	18.0B	21.9B	21.9B	N/A	N/A	7.3B	10.0B	55.8B

Revised Estimates

Modeling Company	Harvey		Irma		Mats		Mexican EQ		Cal Wildfire		Total Insured Loss
	Low	High	Low	High	Low	High	Low	High	Low	High	
AIR Worldwide	10.0B	10.0B	32.0B	50.0B	24.0B	40.0B	475M	1.9B	8.0B	10.5B	74.0B
Risk Management Solutions	23.0B	30.0B	35.0B	55.0B	15.0B	30.0B	1.2B	1.2B	4.0B	4.0B	82.2B
Monicage	7.5B	11.5B	22.5B	35.0B	N/A	N/A	N/A	N/A	7.0B	10.0B	37.0B
Karen Clark and Company	15.4B	15.4B	25.0B	25.0B	29.8B	29.8B	N/A	N/A	N/A	N/A	70.3B
Property Casualty Services	11.8B	11.8B	18.0B	18.0B	24.0B	24.0B	N/A	N/A	11.0B	11.0B	59.8B

S Mexico EQ estimates for Puebla event only; AIR also estimates losses for the Chiapas EQ between \$730M - \$1.0B
 S PCS does not estimate a range; PCS reviews their estimates every 60 days until they deem their estimates as final. None of the estimated shown here are yet considered final by PCS.

© 2018 Willis Towers Watson. All rights reserved. WillisRe **WTTW** 3

Market Update

© 2018 Willis Towers Watson. All rights reserved. WillisRe 1/17/18 7

January 2018 Renewal Review
1st View Highlights - Extreme Weather – Calm Market

Earnings erased, capital eroded, capacity remains

- Reducing annual RoE's and Q3 events have wiped out reinsurer earnings for 2017
- Capital has been impacted to a modest extent on average in the range of 5% to 7.5%
- Capacity oversupply remains, with Insurance Linked Securities remaining robust

Organic growth and increased demand

- Underlying portfolio growth is driving increased cessions, with a reappraisal of peak PMLs
- Greater demand for lower attachment, second loss, frequency and earnings protection
- A move towards more aggregate, clash and multi year covers
- Emerging risks being brought to market – cyber, terrorism

Modest price increases across all classes

- Underlying R/I results and 2017 losses have brought an end to rate reductions in renewal pricing
- Abundance of capital and appetite for risk has imposed a measured response from reinsurers
- Loss free accounts across all classes saw risk adjusted flat to modest increases of 0% to 5%
- Minor changes in reinsurer panels

© 2018 Willis Towers Watson. All rights reserved. WillisRe 1/17/18 8

Industry Capitalization and Cat Loss Impact

While catastrophe losses reached a record high, industry capitalization remains exceptional, and market is likely to be resilient

Year	Total Insured Global Cat Loss (\$B)	Estimated Industry Capital (\$B)
2005	\$126	\$433
2006	\$19	\$497
2007	\$33	\$529
2008	\$57	\$462
2009	\$29	\$518
2010	\$51	\$562
2011	\$134	\$568
2012	\$73	\$595
2013	\$50	\$667
2014	\$42	\$689
2015	\$36	\$688
2016	\$54	\$712
2017	\$140B	\$753

© 2018 Willis Towers Watson. All rights reserved. Source: S&P, statutory data and Swire Re. WillisRe 1/17/18 9

Interactive Polling Question #2

§ Did your company's 2018 reinsurance pricing increase at renewal?

- A) Yes
- B) No
- C) I don't know
- D) Too early to tell

ILS Spotlight

§ ILS assets under management both inside and outside the larger ILS funds continue to grow

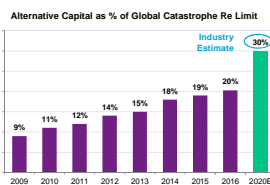
- Rapid reload of ILS funds following initially overstated Hurricane Harvey, Irma and Maria (HIM) losses

§ Loss development and claims collection from 2017 catastrophe events continues to proceed in an orderly fashion with few surprises

§ Issues over non-modeled losses (CA Wildfires) have been limited to a small section of the ILS market writing aggregate covers

- No impact on appetite

§ Larger ILS funds are building "own view of risk" helping them manage their investors' expectations with regard to less obvious exposures



April Renewals Highlights

§ Elevated 2017 global natural catastrophe losses not seen as a major catalyst for rate hardening, soft market conditions remain

§ April renewals saw the continuation of a broadly flat pricing environment

§ Reinsurers sought to push double digit price increases at January 1 but were largely frustrated with the market settling on mid-single digit increases

- Tempered the April 1 renewal price expectations from market
- Loss-free cedants continue to push back with lower firm order increases or slight decreases

§ Latest vendor model changes further frustrated Reinsurers' desire to increase prices

§ Capacity remains plentiful with non-traditional and collateralized markets increasing available capital and competing for participations

§ Away from the headline property catastrophe renewals, many other classes managed uncontentious renewals


§ Despite limited movement in original rating levels, underlying exposure growth has fed through into modest increased reinsurance premium volumes for reinsurers

Florida June 1, 2018 Renewal Outlook

- § Flight to quality continues to differentiate price and capacity
 - § Top performers are seeing -7.5% to flat risk adjusted pricing
 - § Others are seeing flat to +5% risk adjusted pricing
- § Slight increase in demand for capacity from buyers is largely muted by the oversupply of capacity from reinsurers
- § Irma update
 - § Assignment of Benefits will continue to be an issue, especially for companies with sub-par claims operations
 - § Loss creep has been noticed lately; Plenty of reinsurance limit remains within 6/1/2017 programs, but creep is eroding reinsurer positions
- § Citizens remains strong
 - § Well capitalized
 - § Exposure base is contracting
 - § Reinsurers remain supportive
- § Renewal market is orderly, quoting freely and with transparency

© 2018 Willis Towers Watson. All rights reserved. WillisRe 14714 16

M&A Activity



- § Return to the "Big Balance Sheet" reinsurer model
- § Large primary carriers have re-entered the reinsurance market
 - § Major non-life primary companies with large personal line / small medium enterprises portfolios facing the greatest disruption from new distribution models
 - § Large primary companies with life portfolios facing profitability challenges & inability to differentiate their results from general investment markets
- § Specialty carrier valuations and M&A activity remain robust in part due to increased scarcity value
 - § ~2.2x tangible book value for Lloyd's
 - § ~1.7x tangible book value for US Specialty

- AXA / XL Catlin**
 - § \$15.3B acquisition of XL
 - § \$57.60 per share, 1.50x BVPS
- AIG / Validus**
 - § \$5.56B acquisition of Validus
 - § \$68 per share, 1.53x BVPS
- Aspen**
 - § Launched formal sale process
 - § Early indications suggest price of \$47.5-\$50 per share, 1.18x BVPS at low end
- Chaucer Syndicate**
 - § The Hanover announced it is seeking strategic alternatives
 - § Published target price between \$850M - \$1B (1.3x-1.5x book value)

© 2018 Willis Towers Watson. All rights reserved. WillisRe 14714 17

Interactive Polling Question #3

§ You are at the CAS Spring event in Boston, MA. After this session, will you:

- A) Drink a Sam Adams Boston Lager?
- B) Eat Clam Chowda and a Lobsta Roll?
- C) Search the city for Brady and Gronk?
- D) All of the Above?

© 2018 Willis Towers Watson. All rights reserved. Willis Towers Watson 14714 18

Conclusion

§ 2017 was a year of extreme weather events with record insured losses

§ Despite 2017 weather and losses, the reinsurance market remains strongly capitalized

§ Pre-renewal messaging of price increases as been largely muted by the over supply of capacity

§ We are still largely in a buyers market, and reinsurers are willing to get creative in developing solutions which meet the buyer's revised view of risk management

§ Questions?

Horizontal lines for notes

Thank you!

Horizontal lines for notes

Willis Re disclaimers

- 5 This analysis has been prepared by Willis Limited and/or Willis Re Inc. under the "Willis Towers Watson" entity with whom you are dealing ("Willis Towers Watson") as defined as Willis Limited, Willis Re Inc. and each of their respective parent companies, sister companies, subsidiaries, affiliates, Willis Towers Watson PLC, and all member companies thereof on condition that it shall be treated as strictly confidential and shall not be communicated in whole, in part, or in substance to any third party without written consent from Willis Towers Watson.
5 Willis Towers Watson has relied upon data from public and/or other sources when preparing this analysis. No attempt has been made to verify independently the accuracy of this data. Willis Towers Watson does not represent or otherwise guarantee the accuracy or completeness of such data nor assume responsibility for the result of any use or reliance on the data or other materials gathered from the sources in the preparation of this analysis. Willis Towers Watson shall have no liability in connection with any results, including actual results, those arising from based upon or in connection with errors, omissions, inaccuracies, or inadequacies associated with the data or arising from, based upon or in connection with any methodologies used or applied by Willis Towers Watson in producing the analysis or any results contained herein. Willis Towers Watson expressly disclaims any and all liability arising from, based upon or in connection with this analysis. Willis Towers Watson assumes no duty in contract, tort or otherwise to any party arising from, based upon or in connection with this analysis, and no party should expect Willis Towers Watson to owe it any such duty.
5 There are many uncertainties inherent in this analysis including, but not limited to, issues such as limitations in the available data, reliance on client data and outside data sources, the underlying quality of such and other analysis processes, uncertainties that characterize the application of professional judgment in estimates and assumptions, etc. Ultimate losses, claims and claims depend upon future contingent events, including but not limited to unanticipated changes in inflation, laws, and regulations. As a result of these uncertainties, the actual outcomes could vary significantly from Willis Towers Watson's estimates or other projections. Willis Towers Watson makes no representation about and does not guarantee the outcome, results, success, or profitability of any insurance or reinsurance program or venture, whether or not the analysis or conclusions contained herein apply to such program or venture.
5 Willis Towers Watson does not recommend making decisions based solely on the information contained in this analysis. Rather, this analysis should be viewed as a supplement to other information, including specific business practices, claims experience, and financial situation. Independent professional advisors should be consulted with respect to the issues and conclusions presented herein and their possible application. Willis Towers Watson makes no representation or warranty as to the accuracy or completeness of this document and its contents.
5 This analysis is not intended to be a complete actuarial communication, and as such is not intended to be relied upon. A complete communication can be provided upon request. Willis Towers Watson assumes no liability for any errors or omissions in this analysis.
5 Willis Towers Watson does not provide legal, accounting, or tax advice. This analysis does not constitute, is not intended to provide, and should not be provided as such advice. Qualified advisors should be consulted in these areas.
5 Willis Towers Watson makes no representation, does not guarantee and assumes no liability for the accuracy or completeness of, or any results obtained by application of the analysis and conclusions provided herein.
5 Where data is applied for any CD or other electronic format, Willis Towers Watson accepts no liability for any loss or damage caused by the Recipient directly or indirectly through use of any such CD or other electronic format, even when caused by negligence. Willis Towers Watson shall not be liable for loss or corruption of data, damage to any computer or communication system, failure or interruption of service, or any other damage or loss. The Recipient should take proper precautions to protect data or damage - including the use of a virus checker.
5 This transfer of liability does not apply to losses or damage caused by death, personal injury, disfigurement or any other liability which cannot be excluded by law.
5 This analysis is not intended to be a complete Financial Analysis communication. A complete communication can be provided upon request. Willis Towers Watson assumes no liability to answer questions about this analysis.
5 Willis Towers Watson does not guarantee any specific financial result or outcome, level of profitability, valuation, or rating agency outcome with respect to A.M. Best or any other agency. Willis Towers Watson specifically disclaims any and all liability for any and all damages of any amount or any type, including without limitation, lost profits, unrecouped profits, compensatory damages based on any legal theory, punitive, multiple or statutory damages or fines of any type, based upon, arising from, in connection with or in any manner related to the services provided hereunder.
5 Acceptance of this document shall be deemed agreement to the above.

Horizontal lines for notes

