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Reinsurance Market Dynamics

January 2025 Renewal

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Aon's Reinsurance Market Dynamics report provides a comprehensive assessment of the key market trends observed during the January 2025 renewal. Commentary on global reinsurer capital, alternative capital and rating agency perspectives on the macroeconomic environment offer insights on the potential direction of the global re/insurance industry and future renewals.

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Reinsurers Compete for Improved Signings and Need to Deliver Sufficient Value

Against a backdrop of geopolitical volatility and an active hurricane season, the January 1, 2025 renewals saw a further consolidation of favorable trends during 2024. Overall, capacity was more than adequate for the majority of lines and regions, leading to improved reinsurance pricing and terms for most placements. We observed an increased level of appetite in high margin lines of business and regions, generated by reinsurers who desired improved signings across a broad swath of clients. Many reinsurers need to revisit how they articulate and deliver value to clients in a sustainable, profitable manner.

Evolving trends and opportunities

Hurricanes Milton and Helene, while significant events, were not of a magnitude to dampen reinsurer appetite for property reinsurance at the 1/1 renewal. Ample capacity resulted in risk-adjusted price reductions, with reinsurers demonstrating increased flexibility and a willingness to meet the needs of individual insurers. Some clients saw opportunity in this market which led them to purchase higher limits and/or additional natural catastrophe frequency protection, including aggregate and subsequent event covers. Insurers are looking to restore balance to the risk-sharing relationships with reinsurers, as they have retained nearly 90 percent of natural catastrophe insured losses in the last two years, driven by continued frequency losses in the market, according to Aon analysis. We anticipate further demand for frequency protection in the first half of 2025 as insurers continue to focus on managing portfolio volatility.

Heavy rain related to Storm Boris caused significant flooding in Central and Eastern Europe in mid-September 2024 with losses close to €2.0 billion. Despite comparable severity with major flood events in 1997 and 2002, a significant portion of damage was avoided due to the advanced meteorological forecasts, preparedness of emergency response services and flood defenses constructed to protect cities in the region following the previous damaging floods. As a result, adequate capacity was available for Central and Eastern European countries.

Despite adverse litigation trends and further loss development on soft market years, conditions for casualty reinsurance at 1/1 were stable, supported by ample capacity, high interest rates and a robust underlying rating environment. In fact, many excess casualty clients saw an improvement in risk-adjusted margins. Renewals for U.S.-exposed international liability and regional U.S. insurers, however, were relatively more challenged, yet capacity was sufficient. With ongoing regulatory and legal developments, forever chemicals were an area of scrutiny, yet reinsurers are willing to work with brokers to avoid blanket exclusions.

Positive outlook for 2025

The reinsurance industry starts 2025 in a strong position. Global reinsurer capital rose to a new high of $715 billion at September 30, 2024, an increase of $45 billion relative to the end of 2023, driven mainly by retained earnings according to Aon data. It is estimated that insured losses from global natural catastrophe activity exceeded $140 billion in 2024, however, reinsurers remain on course to post healthy results at year-end. At the nine-month stage, the average combined ratio across a composite of 25 global reinsurers Aon tracks was 91.4 percent, while return on equity was a healthy 16.2 percent (annualized).

Alternative capital remains an important part of the reinsurance value chain, and is on course to end 2024 at an all-time high. This year, there were $17.0 billion of catastrophe bonds issued, bringing the total outstanding catastrophe bond market to $47.0 billion, an 11 percent increase for the year, and a 34 percent increase since January 1, 2023. Fueling such growth, ILS investors have continued to glean value from this market with two years of meaningful returns, thus demonstrating investors can achieve favorable risk-adjusted returns over the reinsurance market cycle.

With reinsurers and investors making strong returns, insurers will be looking to their reinsurance partners to provide more support for volatility losses, and continued improvements in price, terms and conditions. While we expect the market will remain largely attractive for both buyers and sellers in 2025, reinsurers will need to demonstrate their value if they are to fulfill their growth ambitions. The most successful reinsurers will be those that are able to meet clients' needs holistically, across their portfolios. The market's willingness to deploy its capacity in support of currently unmet need will define the sector's long-term relevance.

2025 is also likely to see some socioeconomic tensions as various countries deal with budget constraints, indebtedness, increasing growth challenges and changes to taxation. All while looking to bring inflation under control and managing appropriate interest rate levels. At the same time, the geopolitical backdrop remains somewhat uncertain. All of this is likely to have an impact, both positive and negative, on the global trading environment in which reinsurers operate.

Strong demand

We expect reinsurance demand to remain strong next year, albeit at a lower growth than 2024 as inflation has moderated. Primary market trends are expected to fuel demand increases for targeted reinsurance protection. According to Aon's latest Capital Poll, most U.S. insurers expect to exceed a growth rate of 5 percent in 2025, with a quarter expecting growth of 11 percent or higher in 2025. Sixty-six percent believe they have sufficient or excess capital, yet more personal insurers versus commercial insurers are capital constrained; 22 percent say they may need to slow growth to manage capital. As a result, survey respondents expressed an increased interest in structured reinsurance, such as structured quota share reinsurance. Loss portfolio transfer and adverse development reinsurance covers could also help ease earnings volatility for casualty insurers as social inflation continues to impact results. In addition, 29 percent of U.S. insurers view current catastrophe retention levels as "high" relative to expected earnings.

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Growth enabler

In addition to addressing insurers immediate protection needs, we must not lose sight of the bigger picture. The protection gap continues to widen across a range of exposures, with increasing frequency and severity of extreme weather events, adverse litigation trends, emerging technologies and increasingly large, complex and interconnected commercial risks.

Warning signals are flashing. Captive premiums have jumped as corporates retain more risk, while voices calling for public sector intervention in natural catastrophe and cyber risks are getting louder. In December, the European Insurance and Occupational Pensions Authority (EIOPA) and the European Central Bank released a joint paper proposing an EU public-private reinsurance scheme; EIOPA says the proposal is a response to the growing frequency and severity of natural catastrophes and to address the future affordability of insurance. From U.S. homeowners struggling to insure their properties against wildfires, storms and floods, to public entities unable to buy law enforcement liability cover, or corporates facing reduced limits for U.S. casualty, the challenge for our industry is adequately pricing the risk to attract capital as the pool of insurable risks grow.

Yet, today's evolving landscape presents the industry with a huge opportunity to increase our relevance and to grow. Billions, if not trillions, will be invested in transition, climate adaptation and new technologies like artificial intelligence in coming years. Insurers are keen to develop solutions and play their historical role as enablers of innovation, investment and economic development. But insurers will not be able to do so without the support and expertise of reinsurers.

Closing the gap, one step at a time

As a market, we need to proactively engage with a diverse range of stakeholders to extend the reach of insurance and reinforce the industry's stature. Taking each challenge, one at a time, working in collaboration with stakeholders we can close these gaps.

We are already making strides in this regard. Aon recently partnered with the United Nations Capital Development Fund (UNCDF) and Lloyd's to launch a pioneering vehicle to deliver disaster risk financing to Pacific Island states; the long-term aim is to scale up and replicate the vehicle throughout the Pacific region as well as the Caribbean, Asia and Africa. On flood risk, we recently collaborated with flood risk specialist Fathom to enhance Aon's Climate Risk Monitor modeling tool, helping insurers to understand the influence of climate change on flood perils and its insurability.

Aon has been a massive supporter of the efforts in aiding Ukraine. In June we worked with the Development Finance Corporation of the US Government to provide a first of its kind war reinsurance facility for Ukrainian insurance carriers to allow them to support insureds vital in the rebuilding of the Ukrainian economy. Aon also supported the European Bank for Reconstruction and Development in developing an innovative war risk insurance facility for Ukraine, which is intended to stimulate business activity and economic growth by revitalizing the private war risk insurance market in Ukraine.

Working with energy companies in the U.K. Aon developed a first-of-its-kind insurance product for international transport and storage companies that are engaged in Carbon Capture and Storage (CCS) – the product, which advances the role of insurance in de-risking global CCS projects, is designed to work for such projects globally.

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Putting capital to good use

Now is the time to unleash the industry's financial and intellectual capital, finding ways to help insurers grow profitably and expand their offerings to sustain a healthy market. Reinsurance is not just a transaction. It's about partnering with insurers and helping them grow.

Aon continues to publish a list of top tips for insurers to achieve a successful renewal and make better decisions for profitable growth.

- Differentiate your portfolio by clearly articulating your pricing and underwriting strategies and the resulting impact on your risk profile.
- Develop a custom view of risk to better understand and mange exposure concentrations and grow profitably, improve your understanding of secondary perils and emerging risks, and optimize your placement strategy.
- Leverage strategic consulting and analytics to refine your risk appetite, adjust investment and underwriting strategies, or review business lines to drive profitable growth.
- Identify and develop relationships with your core reinsurers to build a partnership that supports and aligns with your objectives and goals.
- Consider third-party and alternative capital for optimal placement results.
- Explore structured reinsurance covers and legacy reinsurance solutions to manage volatility and free up capital to support growth opportunities.

We look forward to working with reinsurers in 2025 to support our clients' evolving needs and growth ambitions.

Alfonso Valera and Tomas Novotny
Co-CEOs of EMEA Reinsurance Solutions
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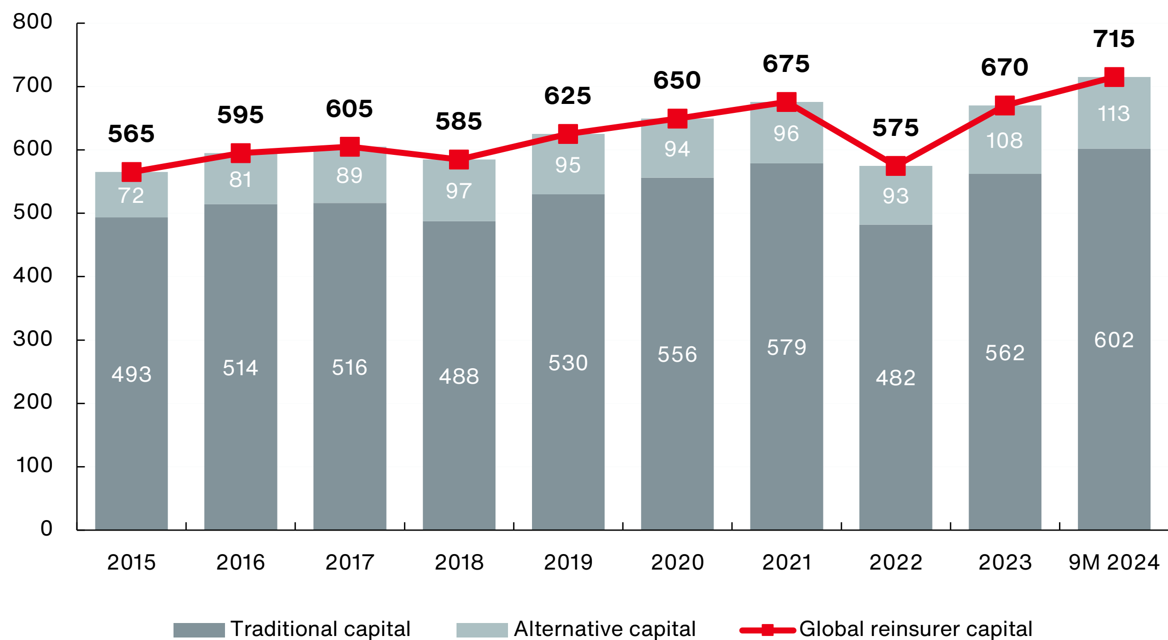
Global Reinsurer Capital: Capacity at Peak Levels

By: Mike Van Slooten, ReSector Insights, Capital Advisory
Richard Pennay, CEO of Insurance-Linked Securities

Aon estimates that global reinsurer capital rose to a new high of $715 billion at September 30, 2024, an increase of $45 billion relative to the end of 2023. Growth was driven by retained earnings, unrealized gains on bonds contributing directly to equity and new inflows to the catastrophe bond market.

Exhibit 1: Global Reinsurer Capital (USD billions)



Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.

Traditional capital: Equity at record levels and building

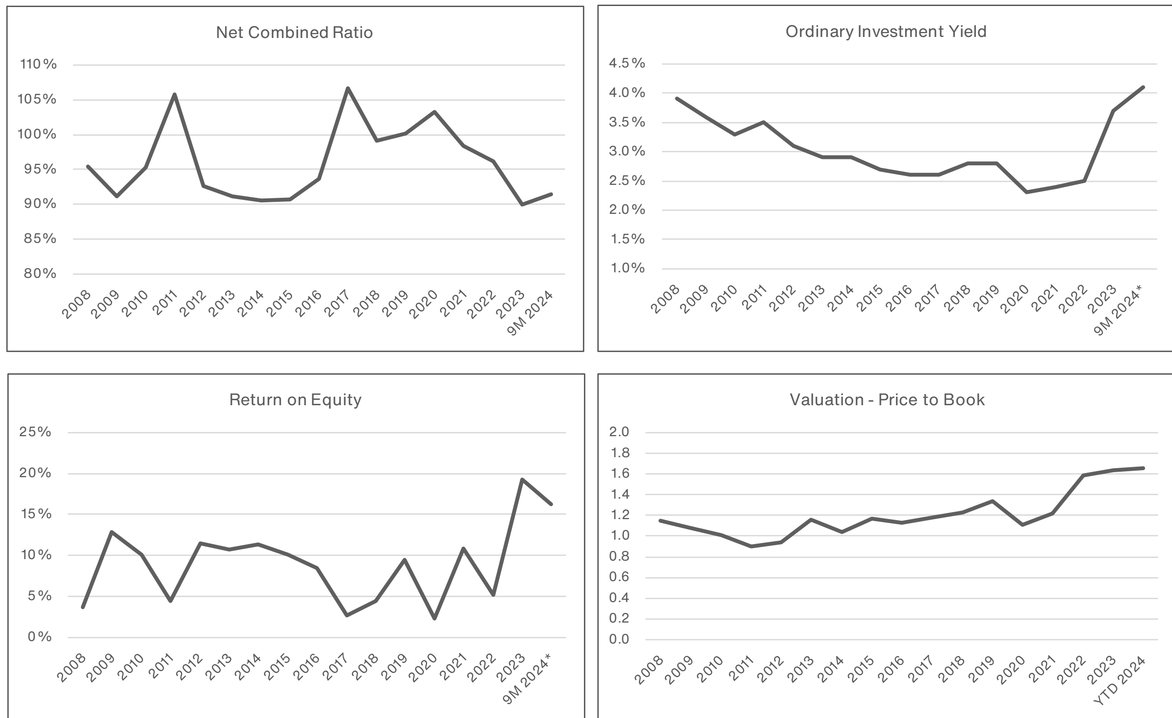
Aon estimates that equity reported by global reinsurers rose to a new high of $602 billion at September 30, 2024, an increase of $40 billion relative to the end of 2023, driven principally by strong retained earnings. Unrealized gains on bonds contributing directly to equity also provided a tailwind, reflecting declining interest rates in the period. New start-up reinsurers remained absent in 2024.

Most major reinsurers displayed improved regulatory and rating agency capital adequacy metrics on a risk-adjusted basis in 2024, taking deployable capacity to new peaks. The market's willingness to deploy this capacity over the next few years in support of currently unmet client needs will likely define the sector's long-term relevance.

Reinsurer Results in the First Nine Months of 2024

High level indicators of reinsurance sector performance historically and in the first nine months of 2024 are shown in Exhibit 2.

Exhibit 2: Reinsurance Sector Performance



Note: * Annualized
Sources: Company financial statements / Aon's Reinsurance Solutions

The first nine months of 2024 saw a continuation of the trends established in 2023.

The average combined ratio across 25 global reinsurers surveyed was 91.4 percent. Major losses generally remained within allocated budgets, despite elevated natural catastrophe activity.

Investment returns were strong, reflecting higher ordinary yields and unrealized gains on bonds and equities, resulting in an average return on equity of 16.2 percent (annualized).

Valuations have generally moved higher, with share prices reflecting a second year of strong earnings for most and increasingly active capital management (higher dividends and share buybacks).

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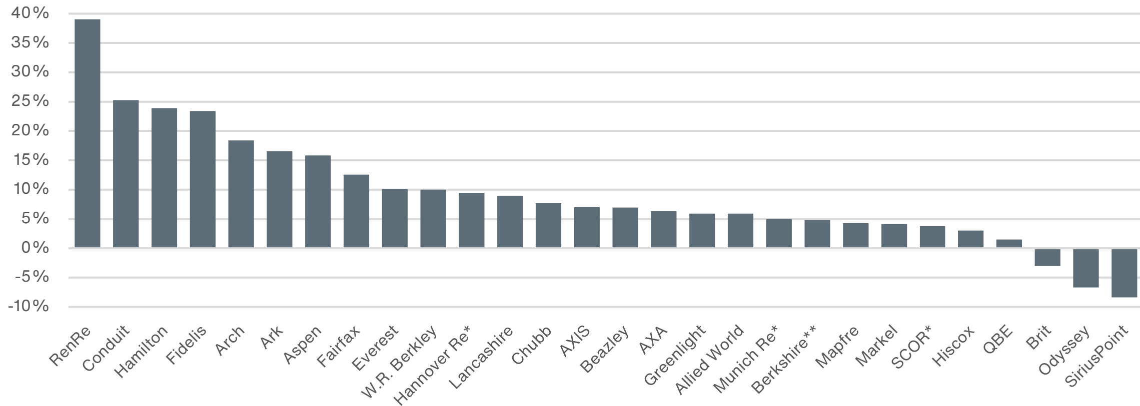
Premiums / Revenues

Most of the companies surveyed reported top line growth in Property and Casualty insurance and reinsurance business in the first nine months of 2024. The average increase was 9.3 percent, with RenRe leading the way as a result of the Validus acquisition.

Exhibit 3: 9M 2024 Top Line Growth in P&C (Insurance and Reinsurance)

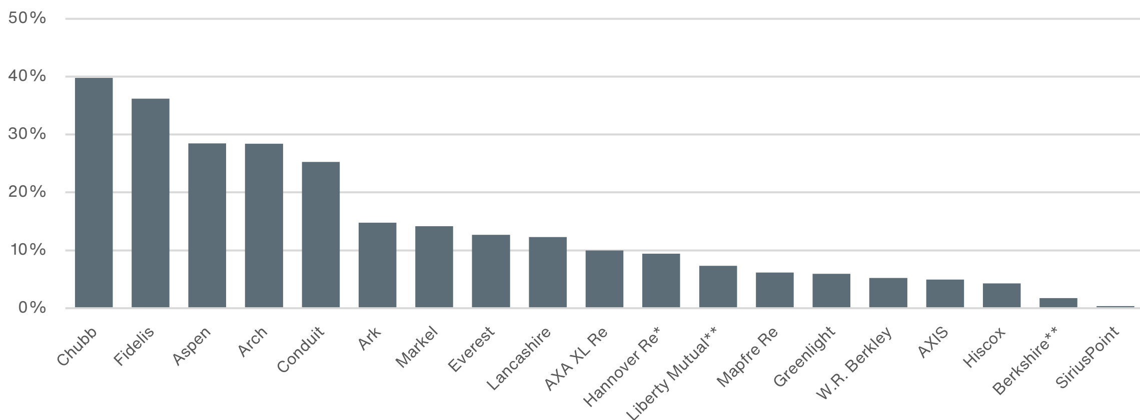


Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

Across the sector, premium growth is slowing, with Casualty concerns weighing on momentum. Rate adequacy is generally viewed as strong in short-tailed Property and Specialty lines. Inflationary factors continue to underpin both pricing and demand for coverage.

Segmental disclosure is limited, but most hybrid companies are growing more quickly in assumed reinsurance than in primary insurance. The average increase captured in Exhibit 4 is 15.4 percent.

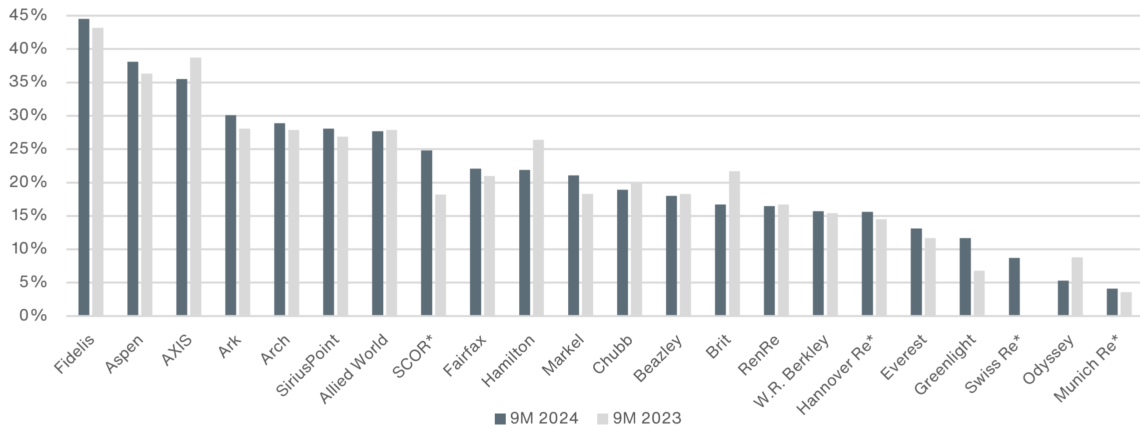
Exhibit 4: 9M 2024 Top Line Growth in P&C Reinsurance



Notes: * Reporting under IFRS 17. ** Growth in net premiums written.
Sources: Company financial statements / Aon's Reinsurance Solutions

On a P&C whole account basis, outwards cession ratios were relatively stable year-on-year. The average result across the 22 companies surveyed was 21.2 percent in the first nine months of 2024. Increasing use of third-party capital management platforms is being observed, particularly on the reinsurance side, as companies look to manage volatility and bring down their overall costs of capital.

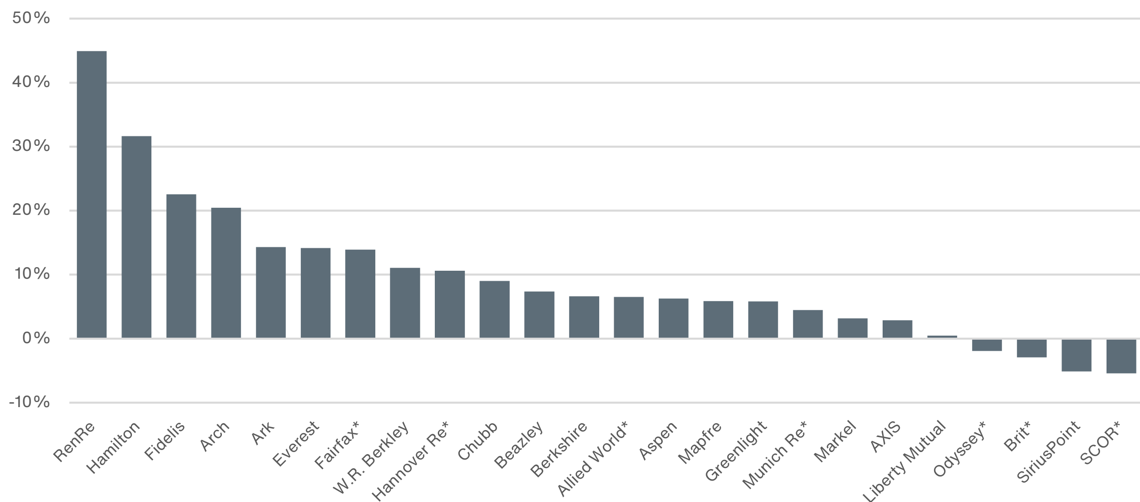
Exhibit 5: P&C Cession Ratios (Insurance and Reinsurance)



Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

Reported underwriting results are being supported by continued net account growth in most cases. The average increase was 9.4 percent across the 24 companies surveyed, as shown in Exhibit 6.

Exhibit 6: 9M 2024 P&C Net Account Growth (Insurance and Reinsurance)

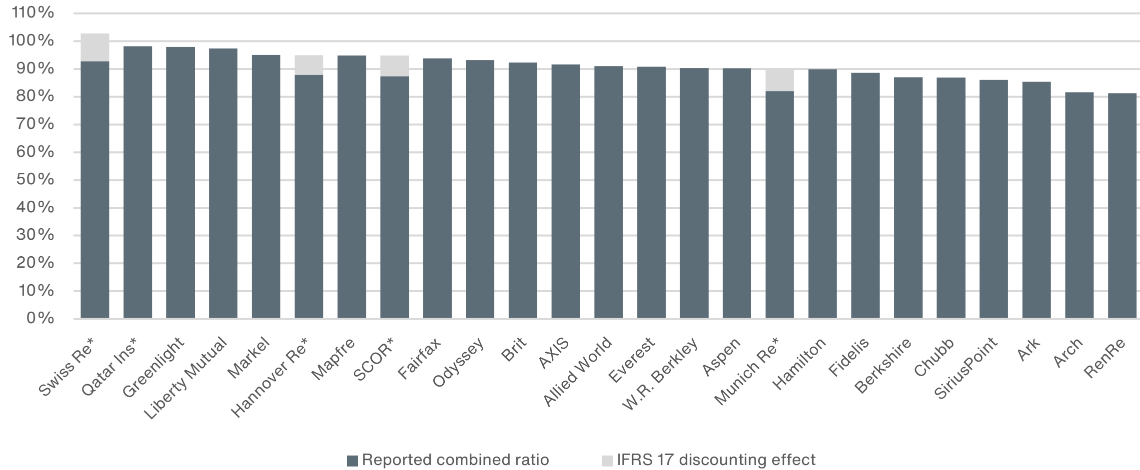


Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

Underwriting

The reported combined ratios across 25 companies surveyed are shown in Exhibit 7. The average result ticked up by 0.4 percentage points year-on-year to 91.4 percent.

Exhibit 7: 9M 2024 P&C Combined Ratios (Insurance and Reinsurance)

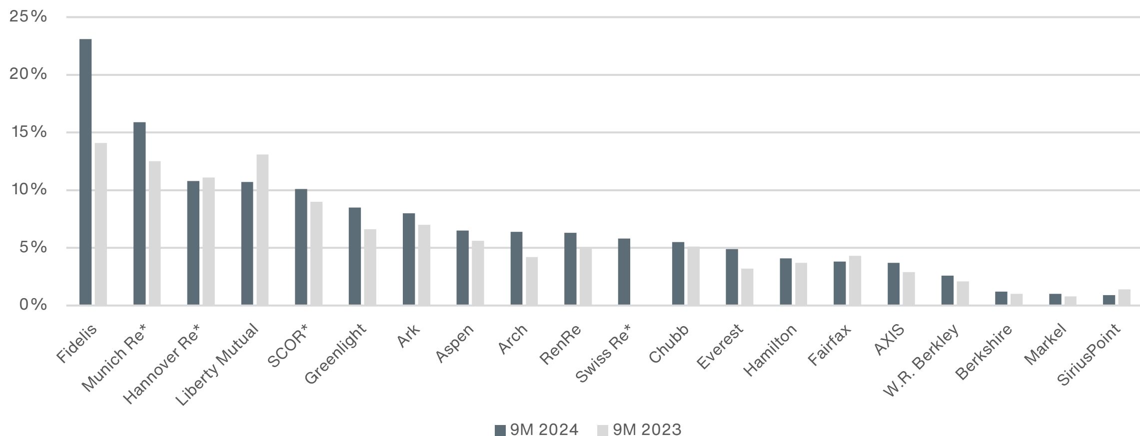


Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

Major losses reported by reinsurers have generally remained within budget over the last two years. Higher retentions have provided protection against record secondary peril losses, while primary peril losses have remained at manageable levels (including the impact of Hurricane Milton).

The average major loss ratio across 22 companies surveyed was 7.0 percent in the first nine months of 2024. Reporting thresholds vary across the industry and these ratios are not directly comparable.

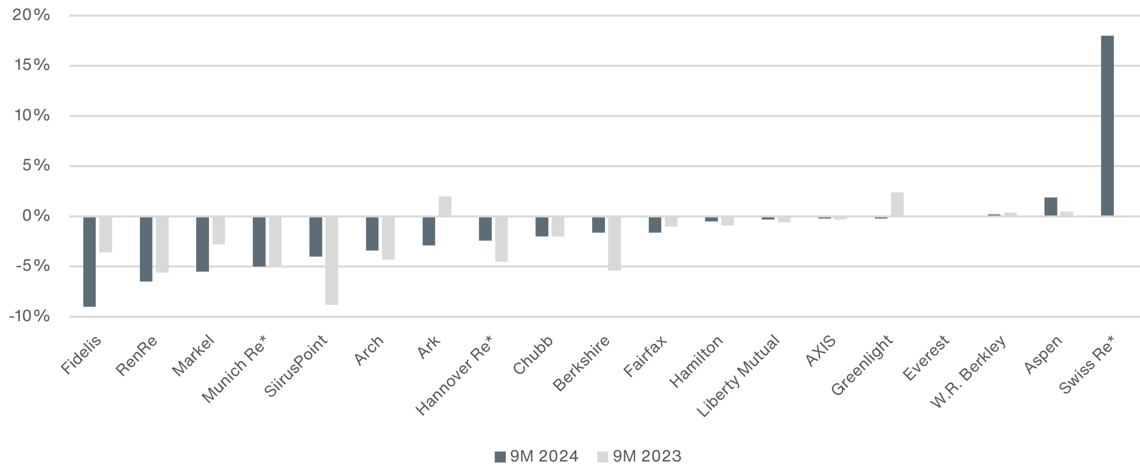
Exhibit 8: P&C Major Loss Ratios (Insurance and Reinsurance)



Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

U.S. Casualty loss cost trends continued to be a major topic on recent earnings calls. Pockets of adverse reserve development in lines most exposed to social inflation, such as general liability and commercial auto, have been widely acknowledged, but favorable development in other classes continues to mask these deficiencies in most cases, as shown in Exhibit 9.

Exhibit 9: P&C Prior Year Reserve Development (Insurance and Reinsurance)



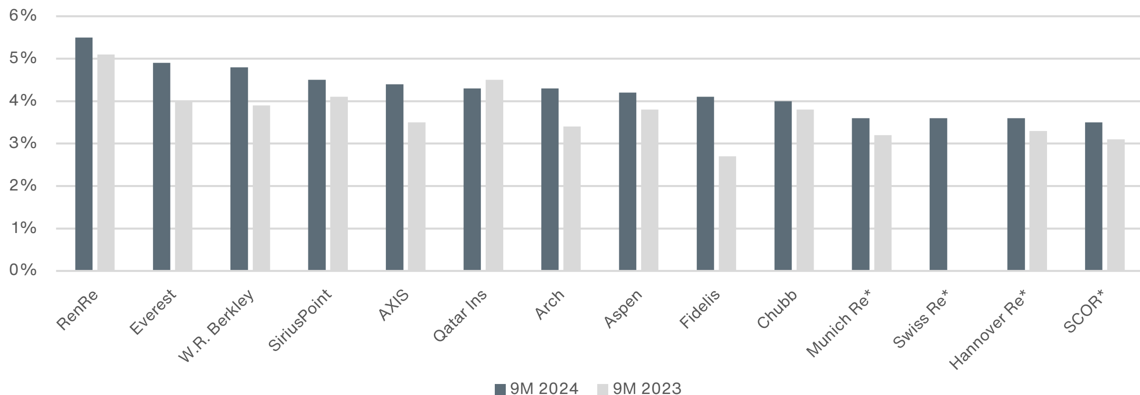
Notes: Contribution to reported combined ratios in respective periods. * Reporting under IFRS 17.
Sources: Company financial statements / Aon's Reinsurance Solutions

Investments

Investment returns are making a growing contribution to overall earnings, driven by strong operating cashflows (boosting assets under management), higher interest rates and buoyant stock markets.

Across 14 companies surveyed, the average annualized ordinary investment yield was 4.1 percent in the first nine months of 2024, up from 3.5 percent a year earlier.

Exhibit 10: Ordinary Investment Yields (Annualized)



Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

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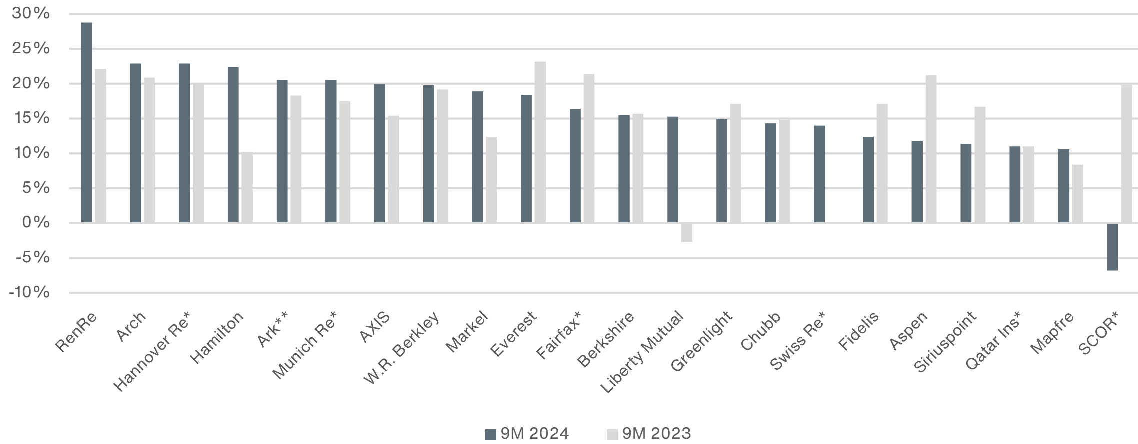
Return on Equity

In most cases, business growth, moderate major losses and favorable capital markets combined to generate strong returns on equity in the first nine months of 2024. The average result across 22 companies surveyed was 16.2 percent (annualized), which was in-line with the prior year period.

Exhibit 11: Return on Common Equity (Annualized)

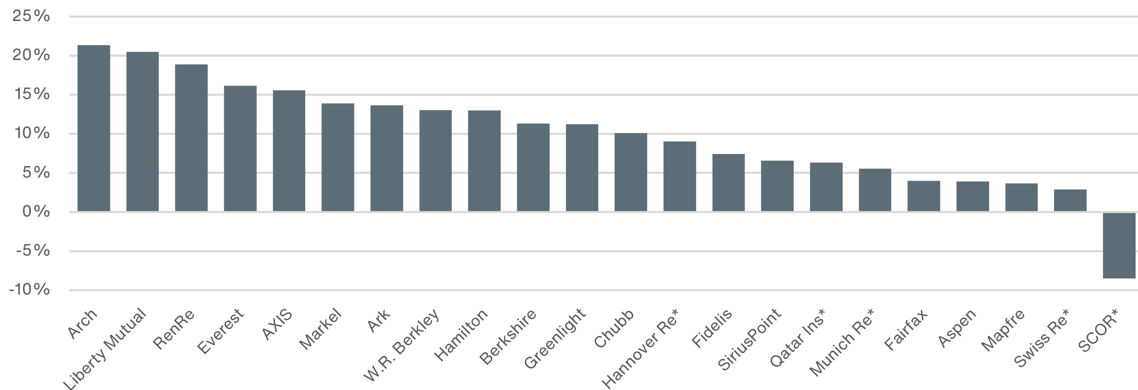


Notes: * Reporting under IFRS 17. ** Pre-tax.
Sources: Company financial statements / Aon's Reinsurance Solutions

Total Equity

A significant amount of new capital has been generated via strong earnings over the last two years, allowing most reinsurers to consider deploying more capacity into the marketplace, while simultaneously rewarding investors with higher dividends and/or share buybacks. The average increase in total equity across 22 companies surveyed in the first nine months of 2024 was 10.0 percent.

Exhibit 12: 9M 2024 Changes in Total Equity



Notes: * Reporting under IFRS 17
Sources: Company financial statements / Aon's Reinsurance Solutions

Outlook

The reinsurance sector remains on course to produce a second year of strong results, despite an active Atlantic hurricane season and a further wave of high-profile secondary peril losses around the world.

Capital is building quickly from already very strong risk-adjusted levels and most reinsurers are clearly looking to grow in 2025, at least in short-tailed Property and Specialty lines.

Caution prevails in the Casualty sector, although some reinsurers with less exposure to emerging reserving issues are sensing opportunities, particularly if primary pricing continues to pick-up.

The strong results being achieved by reinsurers are continuing to attract investor interest, with two new start-ups being launched for 2025 in OAK Re (Lloyd’s Syndicate 2843) and Mereo Insurance.

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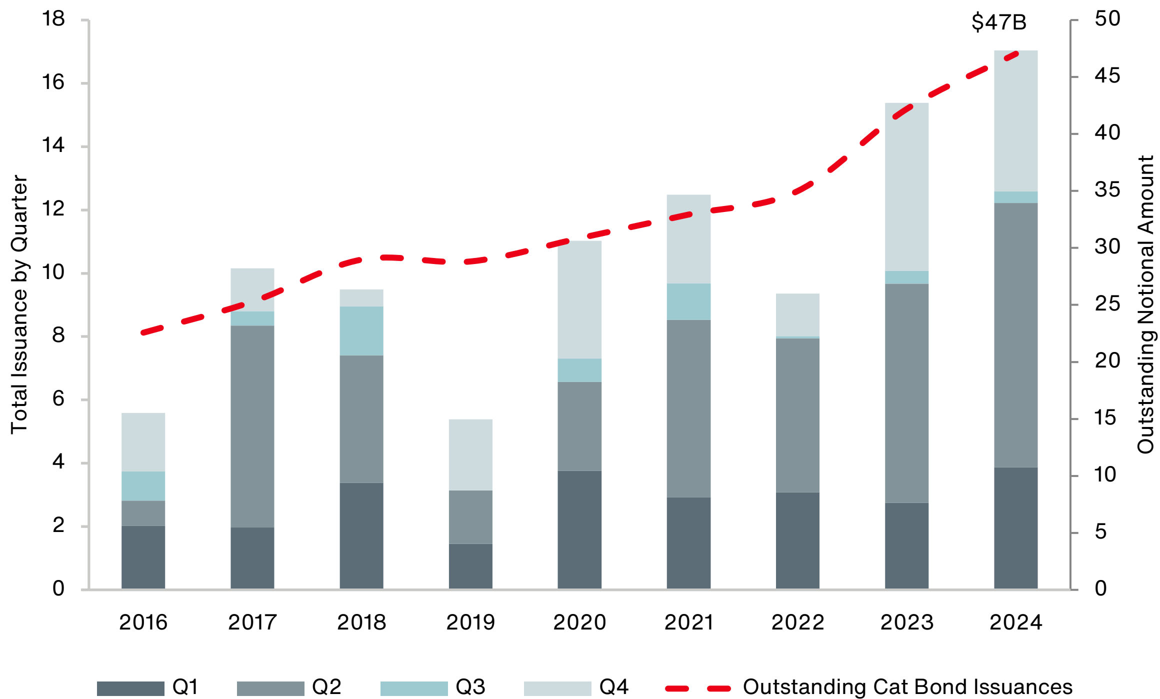
Alternative capital: Strong returns drive further growth

The alternative capital market is on course to end 2024 at an all-time high. As of Q3 2024, Aon estimated the total size of the ILS market was $113 billion. In 2024 there were $17.0 billion of catastrophe bonds issued, bringing the total outstanding catastrophe bond market to $47.0 billion, representing an 11 percent increase in 2024 and a 34 percent increase since January 1, 2023. This significant growth rate for a market which has existed for over a quarter century indicates ceding companies see growing value in complementing their overall reinsurance and retrocession purchases with catastrophe bonds. Notably, in 2024 the market reached a milestone of more than 100 catastrophe bond ceding entities.

The insurance-linked securities market benefited from relatively benign global catastrophe losses ceded to the ILS market in 2024. Investors generated strong returns over the past two years due to high premium adequacy and minimal claim payments. These returns amounted to unprecedented cash positions, and by the start of the fourth quarter, investors had healthy levels of capital to allocate towards year-end 2024 transactions. Spreads tightened in the catastrophe bond market by 15 percent, compared to Q4 2023[1], and sponsoring insurers achieved strong execution with upsized transactions. Reinsurers also benefited from more capacity at improved terms with respect to sidecars. ILS market investors have continued to benefit in this market with two years of meaningful returns, demonstrating it can provide favorable risk-adjusted returns over the reinsurance market cycle.

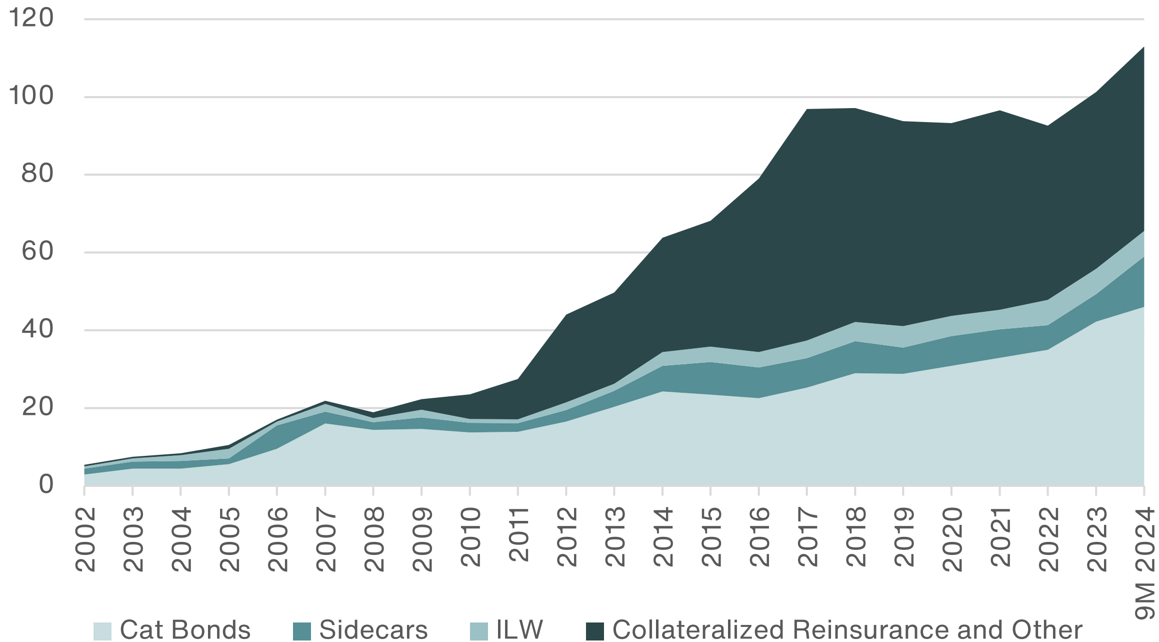
Exhibit 7: Property Catastrophe Bonds Issued and Outstanding By Quarter ($ billions)



Source: Aon Securities, LLC

[1] Analysis constrained on per-occurrence catastrophe bonds exposed to U.S. hurricane risk at fixed expected loss

Exhibit 8: Alternative Capital Deployment (Limit in $ billions)



Source: Aon Securities, LLC

Catastrophe bond investors continued to benefit from elevated yields, earning a 15.1 percent return in 2024, and cumulatively, 36.9 percent since the beginning of 2023. The strong performance was driven by relatively benign natural catastrophe losses ceded to the ILS market over the past two years. However, risk spread margins remained elevated partly due to projections of above-average North Atlantic hurricane activity during the 2024 season. Investors continued to benefit from the healthy risk-free returns earned from collateral invested in U.S. Treasury money market funds, yielding almost 5 percent on average in 2024[2].

While investors' earnings and success with raising capital increased capacity in the market, buyers set record issuance in 2024: in total, 56 companies came to market across 67 transactions, 13 of which were new entrants to the market. The 13 new participants included insurers, reinsurers, corporate and government entities. Collectively, new participants issued $1.75 billion, or over 10 percent of the total annual catastrophe bond issuance for 2024. New clients continue to realize the benefits of multi-year, fixed price, fully collateralized protection. Following the establishment of special purpose insurers, many buyers return to market to build out their programs and establish trading partnerships with ILS investors to supplement their traditional purchases. In fact, 50 percent of new participants from 2021 to 2023 have already returned to market with subsequent issuances.

[2] https://fred.stlouisfed.org/series/TB3MS

The composition of the market in 2024 remained consistent compared to 2023, with 50 percent of issuance coming from insurers, 28 percent from government entities, 16 percent from reinsurers and 5 percent from corporates. Deal sizes were noticeably larger—the average transaction size in 2024 was $254 million compared to $223 million last year, an increase of 14 percent. Notably, three of the five largest transactions were issued by government clients: $1.4 billion from TWIA, $1.1 billion from Florida Citizens and $575 million from FEMA. The market benefited from large transactions from U.S. national insurance companies who continued to lead the market's growth (e.g., Allstate, American Family and USAA).

Some of the increase in average transaction size resulted from catastrophe model changes, which compelled sponsoring entities to purchase more reinsurance limit. Model changes resulted in a 3 to 4 percent increase in estimated modeled losses for North American hurricane and earthquake from the 1-in-25 year through to the 1-in-500 year return periods. Between inflationary pressures and increases in tail risk from model updates, catastrophe bond limit purchased by insurers increased 18 percent compared to last year.

In Q4 2024, around 70 percent of the 16 total deals were completed in December, representing $3.1 billion of issuance throughout the quarter for a total of $4.5 billion. With investor capital high and deal flow slow to start, the fourth quarter was highlighted by a strong trend of transaction upsizing and spread tightening. Of the 29 distinct classes of notes issued, 24 priced at the tight end of guidance or lower. In contrast, the fourth quarter of 2023 saw only 8 classes of notes out of 33 priced at the tight end of initial guidance or lower.

Activity in the sidecar market also continued at an accelerated pace in 2024. Despite the year's natural catastrophe activity (e.g., significant losses from severe convective storms), returns across property sidecars remained well above long-term averages and investors continued to renew commitments. The positive return environment also encouraged the launch of new platforms such as Leadline Capital Partners from Ascot. Beyond property, innovative structures encompassing casualty, specialty and whole account portfolios were successfully introduced to the market, expanding risk transfer options for 2025.

With a significant pipeline of maturing capacity anticipated for the first half of 2025 and investors' willingness to deploy their increased cash positions, Aon Securities anticipates a vibrant ILS market with significant deal flow in early 2025. Further spread tightening is possible; however, investors may redeem some of their cumulative earnings from the market. As a result of the supply and demand dynamics manifest in this market, there is always the possibility of short-term price volatility, similar to the second quarter of 2024. Overall, Aon Securities anticipates strong demand from cedents matched with an abundance of deal activity in the form of both catastrophe bonds and sidecar vehicles.

Demand-Supply Dynamic: By Segment

By: Tracy Hatlestad, Global Property Leader and Sarah Mumm, U.S. Property Leader
Daniele De Bosini, Strategic Growth Leader and Julien Monferrini, Broker, EMEA
Andrew Laing, Global Facultative CEO, Nancy Tabs, U.S. Property Facultative Leader,
Joe Vitale, U.S. Casualty Facultative Leader and Ryan Dabransky, Fac Facilities Leader
Nigel Light, Global Casualty Leader and Amanda Lyons, U.S. Casualty Leader
Tom Murray and Richard Wheeler, co-CEOs of Global Specialty
Chris Coe, Global Agriculture Leader
David Grigg, Global Cyber Leader
Ben Walker, Global Credit Leader

Property: Moderation continues as reinsurers move to meet buyers' needs

Ample capacity and healthy competition led to more flexibility on pricing and terms for property catastrophe reinsurance at 1/1, a significant renewal for insurers in many global regions. Reinsurers are keen to grow, creating opportunities for reinsurance buyers to reduce price, align terms and conditions, and purchase additional protection.

In what was an orderly renewal, rate reductions were achieved across the board and in most regions, with reinsurers generally more responsive to the needs of insurers and willing to expand their offering. The largest reductions were achieved by global and large U.S. national insurers, while U.S. regional insurers, which faced challenging conditions in 2023 and 2024, found a more stable market for 2025 renewals.

Despite an active hurricane season and severe convective storm losses in North America, the impact of natural catastrophe losses on renewals was largely limited to local markets: Canada, Central and Eastern European, and United Arab Emirates. These regions were the notable exceptions to the trend for more favorable renewals. Losses from hurricanes Milton and Helene, which helped push the 2024 tally of insured losses above $140 billion, had little effect on the January 2025 renewals.

Even with the further easing of conditions at 1/1, the property catastrophe reinsurance market is priced to produce target expected returns for reinsurers. Capital levels are strong, and reinsurers are more confident in current pricing levels and terms, and remain keen to grow. The industry is now in a strong position in which to expand its offering.

Topic	Commentary
Multiple factors come together to produce ample capacity	Capacity for property catastrophe reinsurance was more than adequate to meet demand, helping drive increased competition for placements at renewal. Having rebounded from a 10-year low in 2022, reinsurer capital hit a new high of $715 billion at September 30, 2024. Growth in industry capital was fueled by retained earnings, recovering asset values and capital inflows to the insurance-linked securities market. The healthy retro reinsurance market also helped bolster reinsurance capacity, while catastrophe bonds provided significant competitive pressure at 1/1 renewals. While new players alone likely wouldn't have move the market alone, existing reinsurers increased their risk appetite and willingness to deploy capacity through larger line sizes and expanded coverage.
Favorable property catastrophe pricing in most regions	Globally, property rates on a risk-adjusted basis were down year-on-year, driven by ample capacity and the increased risk appetite of reinsurers. Rates at renewal typically reduced by mid-single to mid-teens levels. Competition was most intense for global insurers and U.S. nationals, which saw the largest reductions, while pricing for U.S. regional insurers was more moderate. In Europe, reductions were in the single digit range except in loss-affected markets where reinsurers took a client-by-client approach.
Demand increased, though inflation pressure ease	Demand for reinsurance remains strong, although upwards pressure on limits has eased considerably with lower inflation: The Aon Property Inflation Index, which combines construction materials and construction labor, is now at 1.9 percent, down from peak of 15 percent in January 2022. Overall, global demand at this year's renewal was slightly up (less than 5 percent) from the January 2024 renewal, with some insurers opting to purchase higher limits and/or additional frequency natural catastrophe protection, such as additional layers, aggregate and subsequent event covers. Some insurers are likely to consider purchasing additional frequency covers after 1/1 renewals, market conditions allowing.
More flexible T&Cs	Globally, we observed a disconnect between quoted prices and the market support at the firm order phase. Ample capacity and healthy competition led to more flexibility from reinsurers around terms and conditions, and coverage at the 1/1 renewal. Buyers have largely unwound non-concurrency of terms and coverage that arose from challenging renewals in January 2023.

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Topic	Commentary
Natural catastrophe ceded loss impact below planned levels	Losses from hurricanes, convective storms and floods helped take natural catastrophe insured losses above $140 billion in 2024, the fifth consecutive year losses have passed the threshold of $125 billion[3], according to the data from Aon's Catastrophe Insight. Hurricanes Milton and Helene alone are expected to generate combined losses of between $34 billion and $45 billion. However, losses from the two storms were not of a magnitude to change reinsurer risk appetite or underwriting plans for 2025. While catastrophe losses remained volatile in 2024, ceded losses to reinsurers were limited, as most frequency events are within insurer net retentions. Over the past two years, insurers have retained nearly 90 percent of global catastrophe losses, according to Aon analysis. As such, the impact of catastrophe losses on 1/1 renewals was localized.
Losses affect Canada renewal	Canada was a stand-out exception to the otherwise more favorable reinsurance market at 1/1. 2024 was a historic year for natural catastrophe losses in Canada, with multiple events in Q3 including flash flooding across southern Ontario in mid-July, the Jasper Fire in Alberta, and the Calgary Hailstorm and remnants of Hurricane Debby in August. These four events alone, caused insured losses of approximately $5.6 billion (C$7.7 billion), putting Canada on track for its worst year of insured losses ever. Despite adequate capacity available at 1/1, pricing was up by high single digits, and substantially higher for insurers with programs impacted by multiple events.
U.S. regionals and mutuals market improvement	Regional and mutual insurers saw improved reinsurance conditions at January 1, with an increase in reinsurer appetite. The market for regional insurers was more stable than a year ago, with adequate capacity to meet demand. Regional insurers that demonstrated an ability to navigate the challenging market condition and execute on a well-defined business plan continue to be differentiated by reinsurers. Reinsurers showed an increased flexibility around terms and conditions, and a greater willingness to address individual insurer's needs, such as frequency covers, albeit at a price. The appeal to reinsurers of U.S. regional opportunities is shifting from stable to growth as portfolio enhancements continue to earn through.

[3] Figures inflated to values as of December 2024

Topic	Commentary
Spain floods showcasing extreme events	Severe storms and flooding that impacted the Mediterranean coast of Spain in October are likely to become the country's costliest natural catastrophe event. With over 200 fatalities, the catastrophic flooding that mainly affected the region of Valencia caused significant damage to thousands of structures, vehicles, infrastructure and agriculture. Insured losses are expected to be more than €3.5 billion. The vast majority of these losses will be covered by Spain's public natural catastrophe insurer (Consorcio de Compensación de Seguros), with additional insured losses covered by private insurers. Extreme events in Europe have re-ignited the debate about a potential role for governments in natural catastrophe insurance in several countries.
Turkey earthquake resulting in increased demand	Demand for earthquake insurance and reinsurance has surged since the devastating quakes that struck Turkey and Syria in the first quarter of 2023, which caused $95 billion[4] in economic damage and $6.1 billion[3] in insured losses. The increase in demand for reinsurance has put quake capacity under pressure, resulting in single-digit rate increases, in addition to the large price increase applied at the January 2024 renewals. With increased quake insurance penetration, Turkey is becoming a significant market natural catastrophe reinsurance.
Central Europe floods	Heavy rain related to Storm Boris caused significant flooding in Central and Eastern Europe in mid-September 2024 with billions of euros of damage in parts of the Czech Republic, Poland, Austria, Slovakia and Romania. Insurers in the region faced losses close to €2.0 billion. Despite comparable severity with major flood events in 1997 and 2002, a significant portion of damage was avoided due to the advanced meteorological forecasts, preparedness of emergency response services and flood defenses constructed to protect cities in the region following the previous damaging floods. As a result, adequate capacity was available for Central and Eastern European countries, albeit with meaningful price increases for excess of loss reinsurance in the Czech Republic.

[4] Figures inflated to values as of December 2024

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Topic	Commentary
Dubai loss deterioration	Property catastrophe reinsurance programs in the UAE underwent restructuring at the January renewals, following historic storm and flood losses in Dubai, and other parts of the region in April. The floods had only a marginal impact on renewals at mid-year, but insurers have since reported significant loss development. In June, Dubai announced it will spend AED80 billion on infrastructure to boost drainage capacity by as much as 700 percent by 2033. For the rest of the Middle East, the renewal was generally stable renewal, and more capacity was offered for Saudi Arabia on proportional basis to cater for the rapid growth of the market.
Per-risk and proportional renewals mixed by region	Capacity increased at 1/1 for the per-risk reinsurance market, which had been affected by loss activity and the withdrawal of some reinsurers in 2023. Property proportional reinsurance capacity was mixed with portions of U.S. business seeing increased capacity and improved terms and conditions while the market remains tight in Greece, Israel, Turkey and the Middle East.
Retro	The retrocession market remains competitive and is benefiting from oversupply with expanded appetite from existing and new markets to meet demand across all products. This year, retro buyers paid particular attention to the value of their hedging strategy; purchasing behavior was driven by price and level, while coverage and counterparty remained important factors. The absence of any major attaching or collateral trapping loss to the retro market, including minimal impact from Helene and Milton, has supported strong profitability across the segment. There was noticeably improved pricing at all levels which has supported increased demand for some retro products. Price improvements and competition was most dramatic in the tail where products overlapped with the catastrophe bond market.

Casualty: Stable renewal, despite ongoing concerns

The U.S. casualty segment was a topic of significant concern amongst reinsurers heading into the 1/1 renewal season. Beginning with the fall 2024 industry conferences, reinsurance executives identified adverse loss and litigation trends along with uncertainty around reserving and pricing adequacy as the primary drivers of their bearish view on the line of business. While those concerns are legitimate, the broad market response at 1/1 was tempered; favorable conditions such as supply/demand dynamics, high interest rates and a robust underlying rate environment ultimately led to stable renewals for insurers.

Topic	Commentary
U.S. casualty	Reinsurance conditions for U.S. casualty were broadly stable at the 1/1 renewal, with more than ample capacity to meet demand. Reinsurers who had large positions in soft market years (2014-2019) were prudent with their capacity and more sensitive to pricing relative to some newer market entrants who took advantage of current underlying pricing dynamics. In fact, many excess casualty clients saw an improvement in risk-adjusted margins, despite adverse litigation trends and loss development on U.S. exposures written in those soft market years. Conditions were more moderate for U.S. regionals due to the nature of reinsurance structures and higher leverage among some of these insurers. Workers' compensation remains an attractive line for reinsurers, despite an uptick in frequency losses and a slight downward trend in underlying pricing.
International liability	The reinsurance market is taking a binary approach to international liability: Reinsurers are more challenging on the quantum of U.S. exposure in international liability reinsurance programs and are more inquisitive of insurers approaches to underwriting and claims handling for U.S. risks. Where significant U.S. exposure exists, reinsurers are looking to reduce their exposure through reduced limits. For non-U.S. exposed international liability, capacity is ample to meet demand, with most placements achieving slight reductions in risk-adjusted rates.
Financial/professional lines and transactional liability	Pricing for directors and officers was broadly flat at 1/1, despite the continued softening of underlying insurance rates in 2024. The market is divided into placements without U.S. exposure and those with, where reinsurer appetite is more limited. Separately, the transactional liability insurance market is undergoing a period of transition, following loss emergence for coverages outside the standard warranty and indemnity product. Insurers have introduced strict protocols for MGAs specializing in transactional liability, which is likely to constrain insurance capacity and temper demand for reinsurance.

Topic	Commentary
Social inflation	The increased frequency and severity of nuclear verdicts, compounded by litigation financing, is an important area of focus for the reinsurance market. Some reinsurers are growing more cautious of tort exposed risks and will request more granular information from insurers, including on claims handling. While the problem of social inflation is likely to persist for the foreseeable future, U.S. casualty insurers and defense firms are starting to take a more strategic approach to counter aggressive plaintiff attorney tactics. Earlier this year, Aon ceased placing litigation insurance covers for litigation finance firms signaling that we will not be part of an industry causing so much pain for US insurers.
PFAS	Forever chemicals, or per- and polyfluoroalkyl substances (PFAS), are an increasing area of scrutiny for reinsurers as PFAS-related litigation and losses continue to develop. However, the reinsurance market is not yet applying broad exclusions but working with clients to understand where they exclude the peril and follow suit. When coverage is not excluded reinsurers want to know why it's covered, how it's underwritten and what precautions are in place. Reinsurers are generally willing to work with brokers and insures to avoid blanket coverage restrictions. While reinsurers have been engaging with U.S. insurers on PFAS for several years, there has been growing interest in forever chemicals within international liability, especially as litigation expands beyond the U.S. There is also continued focus on how clients are managing aggregate exposures for PFAS but more broadly for emerging risks.
Legacy reinsurance solutions	Legacy reinsurance solutions, such as loss portfolio transfers and adverse development covers, continue to be in high demand. Historically used to manage insurance portfolios in runoff, these covers are now purchased by many groups looking for cost effective downside protection, mitigating historic reserve risk post M&A activity or changes in leadership and frequently as capital management tools. The deals reduce the reserve charge in relevant rating agency or regulatory capital models, freeing up capital for redeployment to more profitable opportunities. Prices for these transactions benefit from the current high-interest rate environment. Given the expectation of rate cuts in 2025, now is an opportune time to utilize these effective capital relief tools before lower interest rates weaken LPT/ADC pricing. We currently see ample market capacity for transactions of all sizes, resulting in a competitive, dynamic marketplace.

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Auto/motor

Topic	Commentary
France	Underlying motor insurance rates are expected to remain firm in 2025 following rating actions taken in the previous two years in response to rising combined ratios and claims inflation. Reinsurer appetite increased at 1/1 creating more competition in the quoting phase that led to changes in some panels. However, reinsurance rates are on the rise and where budgets are constrained, some insurers increased retentions. New solutions are being explored to bridge the gap between re/insurers' view of risk.
Germany	The German motor market is expected to produce negative results in 2024, driven by attritional losses, natural catastrophe events and higher repair costs. In a bid to restore profitability, insurers are signaling double-digit increases in premiums. Reinsurers pushed for lower commissions on pro rata contracts at 1/1. For motor own business, excess of loss rates increased due to higher exposure and individual loss performance. There is still little appetite for aggregate covers and an increase charge for hail exposure. Rates for motor third-party liability excess of loss were under some upwards pressure at mostly unchanged attachment levels.
UK	On December 2, the Lord Chancellor announced that the personal injury discount rate (known as the Ogden rate) will increase to plus 0.50 percent from negative 0.25 percent. The announcement was well received by clients and markets. Reinsurers are now responding with heathy savings in motor excess of loss rates. Non-motor classes are minimally affected.
U.S.	U.S. commercial auto continues to be challenged. Primary rates have been consistently double digit increases for a decade, but third-party litigation funding coupled with adverse jury pools are continuing to lead to higher demands and ultimately verdicts. Personal auto, however, is seeing signs of improvement by many clients.

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Global facultative: Opportunities for Fac buyers and sellers

Conditions in the facultative reinsurance market are increasingly favorable as reinsurers prove more flexible at recent renewals. With reinsurers keen to grow and support the facultative market, there are plentiful opportunities for insurers and captives to strategically use facultative to support growth, improve profitability, and manage frequency and severity exposures.

Topic	Commentary
Stable and abundant capacity for property individual risk	U.S. Capacity in the U.S. facultative market was broadly stable at 1/1: Established players continue to support facultative placements, while support is increasing from markets in London and Bermuda, as well as MGAs. Hurricanes Milton and Helene did not cause significant losses for the facultative market and did not create any meaningful impact on capacity or pricing. Some Insurers affected by the storms; however, have since approached the facultative market for flood reinstatement covers. Overall fourth quarter pricing decreased by 10 percent on average. UK and EMEA At 1/1 in the UK, we saw double digit rate reductions, now a standard practice, driven by an abundance of facultative capacity. Nearly all clients are significantly over placed, and some rates reduced by more than 25 percent. New and increased facultative capacity including MGA's backed by both strong A Rated paper and Lloyd's of London has boosted direct insurers to use facultative as a growth tool. In EMEA, capacity is also abundant in both traditional markets and MGAs. Aon's bespoke facultative facilities, e.g., Marlin, has contributed significantly to increasing automatic capacity across the market.
Strong demand for property individual risk	U.S., UK and EMEA Demand for facultative reinsurance remains strong as insurers find more opportunities to use facultative reinsurance in the current market environment. As upfront placement structures become more quota share and/or streamlined, insurers are utilizing facultative to gross up their lines, ventilate protection and offer longer stretches of capacity. While some insurers are retaining more risk, many are using facultative reinsurance to facilitate growth and navigate the more competitive property market. Insurers are utilizing facultative solutions to protect attritional layers, reduce catastrophe exposure, and manage emerging and complex risks. Many are broadening their risk appetites to grow, creating a need to use facultative to mitigate new exposures and reduce PML/MFL of tougher occupancy classes. However, some insurers are retaining more net premium as a result of reduced upfront orders and overall reduced premiums.

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Topic	Commentary
Natural catastrophe / captives for property individual risk	U.S., U.K. and EMEA With ongoing volatility in natural catastrophes, facultative solutions to manage catastrophe exposures remain a key driver for demand, especially for secondary perils like tornado, hail, and severe convective storm. There is strong appetite for natural catastrophe risk in the facultative market, resulting in greater flexibility on pricing and terms at 1/1 than a year ago. Aon also continues to see increased use of facultative reinsurance by captive insurers to manage exposures and aggregate losses, as well as protect retained layers. Aon's Facultative team is working closely with Aon's Commercial Risk colleagues to develop bespoke facultative solutions for captive clients.
Natural resources	Most of the underlying market dynamics for natural resources are broadly similar to the property individual risk market. Excess capacity continues to create competition and signing pressures, offering opportunities for facultative buyers. However, capacity is limited in primary areas where volatility remains a concern. Demand remains strong, particularly for natural catastrophe carve outs, ventilation buffer layers and Quota Share line boosters. With specific regard to coal risks (extraction or use of), capacity remains restricted. Several insurers publicly stated their plans to reduce coal exposure in their portfolios that resulted in decreased supply which created pressure on demand and stable pricing.
Growing appetite for facultative facilities	U.S. Demand for property facultative facilities continues to grow, contributing to a stable renewal season. While the supply of capacity is relatively flat, there is growing interest from new reinsurers to support facilities in 2025 as they look for diversification opportunities. Aon's facilities team, the largest dedicated global team in the industry, is working to expand the facility offering beyond its core product which is focused on per risk attachments outside of attrition, excluding critical catastrophe. Going forward, there are opportunities to create demand and supply for additional product solutions focused on insurers writing in excess positions, as well as catastrophe peril specific carveouts targeted at a client's portfolio risk drivers. London Market We saw continued interest and demand for structured facultative products in Q4 2024 and at 1/1. Clients increasingly enquired – either via treaty broker or directly to facultative – about facility solutions to complement or supplement their treaty placements. There were some new entrants in the market, particularly on proportional property business, looking to write reinsurance on a facility basis. Excess of loss pricing was competitive, albeit not as aggressive as the individual risk market, and we often saw firm order terms at risk-adjusted flat pricing. Some short-tail renewals were over-placed by up to 20 percent, with a combination of new and expiring participants eager to offer support. As a result, clients were able to push for improved terms and conditions, remove non-concurrencies and in some instances increase commissions.

Topic	Commentary
Casualty individual risk and facilities	U.S. Interest in facultative covers in the casualty individual risk and facilities market continues to be strong. As casualty treaty reinsurance capacity has become more constrained for regional and mutual insurers in the U.S., demand has increased for solutions in the casualty facilities market, including combined buffer-umbrella covers. Auto carve-outs, personal and commercial umbrella top-up layers, professional lines top-up layers, and cyber bolt-on are also areas of key focus for clients and Aon's casualty facultative facility team. U.K. In the U.K, clients are closely monitoring U.S. exposures driving increased demand for facultative solutions to manage exposures across their General Liability portfolios on an individual risk or facility basis. Continued interest in and demand for structured facultative products throughout Q4 2024 and into 1/1. Clients increasingly enquiring – either via treaty broker or directly to facultative – about facility solutions to complement or supplement treaty placements. There were some new entrants into the market, particularly on proportional property business, with some insurers looking to write reinsurance on a facility basis. Excess of loss pricing was competitive, albeit not as aggressive as the individual risk market, with risk adjusted flat being common. Some short-tail renewals were over-placed by up to 20 percent, with a combination of new and expiring participants eager to offer support. As a result, clients were able to push for improved T&C, remove non-concurrencies and in some instances increase commissions. EMEA Demand for casualty facultative has significantly increased, predominantly driven by heightened capacity in local markets. Insurers are focusing on portfolio transfer to deploy larger line sizes, enabling them to be best positioned to secure orders on often oversubscribed business. Additionally, demand for complex coverages, particularly Auto Liability, high percent U.S. and Product Recall exposures, has increased which has historically been a challenge for reinsurers if presented in isolation.
AI and automation	Globally, the facultative reinsurance market is making greater use of artificial intelligence and automation to streamline and speed-up processes, as well as improve communication and the quality of data. Aon's continued investment in technology is enabling the facultative team to provide insurers with insights and more granular data to support reinsurance purchasing strategies, including the effective use of facultative solutions.

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Specialty by Line of Business

Agriculture: Growth and diversification opportunities

2024 was a good year for agriculture underwriters. With only the Brazilian summer season outstanding, the winter season has been profitable for most writers to date. Commodity prices fell in the U.S., yet a strong price rally in September alleviated many shallow losses. India and China are expected to see an overall underwriting profit, despite storms and droughts in 2024.

Topic	Commentary
A balanced reinsurance renewal season	After the hardening of crop reinsurance terms at January 1, 2023, two successive years of good results led to a more balanced renewal season. Stop loss covers that hardened in 2023 and were loss free had small price reductions. Individual stop loss covers were measured on their own merits, and price reductions were less likely at renewal where layers were in deficit. On pro-rata treaties, capacity was in short supply, but commissions had small increases rather than increasing loss ratio caps.
Insurance terms remain strong	In many markets insurance terms benefited from increases over the last few years, creating an attractive market. Competition is eroding rates in Brazil, but pricing is still healthy when compared to three years ago. Europe, especially France, benefited from an increased government role in claims payments.
Aon continues to promote new lines of crop insurance	Aon is working with insurers to develop and introduce new lines of crop insurance business, away from traditional agriculture policies subject to government subsidies. These new products are driven by the changing needs of corporates in the agricultural sector.

Aviation: Calm before a potential storm

2024 was a relatively benign year for loss activity besides the Japan Airlines loss and Alaska Airlines incidents in January, the Voepass Linhas Aéreas loss in August and the Jeju Air loss at the end of December.

Aviation reinsurance renewals for Q1 2025 were the most stable in years, despite a potential storm gathering in the form of litigation relating to Russia, Ukraine and Belarus (RUB), which will continue to work its way through the courts in 2025. The ongoing uncertainty around the litigation encouraged several insurers with Q2 inception dates to explore early renewals.

Topic	Commentary
Supply, demand and excess of loss pricing	On the supply side, reinsurers were most comfortable offering coverage on an excess of loss basis. Capacity was abundant on general excess of loss (risk-adjusted rate change flat to down 2.5 percent), stable on retro (flat) and more than adequate for war excess of loss (flat). Reinsurers held firm on retentions, tighter conditions (e.g. on hull war, third-party war liabilities and primary grounding) and minimum rate-on-line levels on global catastrophe covers imposed over the last two years. Reinsurers with the ability to offer coverage across various segments on a 'package deal' basis were able to leverage this competitive advantage to secure better signings. Demand for reinsurance capacity was broadly stable. Proportional renewals faced the greatest scrutiny, in response to reduced rates, particularly on airline insurance business. Reinsurers are looking for underlying insurance rates to improve during 2025. Capacity was viewed as largely stable on global quota shares and largely adequate on war quota shares.
Looking ahead	The ongoing court hearings in the U.S., the UK and Ireland will ultimately clarify how any potential losses related to RUB will crystalize within the market. The impact on future re/insurance renewals could be significant, given the potential values at stake.

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Cyber: Ample capacity supports creative reinsurance solutions

January 1 is a significant renewal for the cyber insurance market. With ample capacity, reinsurance conditions were favorable for clients at 1/1, although reinsurers are watchful of softening in the underlying insurance cyber market with an evolving risk landscape.

Overall, robust capacity levels are creating opportunities for more creative and bespoke reinsurance solutions, with growing interest from more sophisticated buyers in event-based coverages and alternative capital products such as insurance-linked securities and industry loss warranties.

Topic	Commentary
Supply exceeds demand	Reinsurance capacity for cyber was abundant at 1/1, with supply more than adequate to meet demand. New players continued to enter the reinsurance space while established players have demonstrated a growing appetite for cyber. As a result, insurers with an established track record in the cyber market were able to achieve rate reductions for excess of loss reinsurance and/or higher commissions for quota share at 1/1. While adequate capacity was available for new buyers, reinsurers required detailed and robust data before deploying capacity.
Demand set to rebound	Demand for cyber reinsurance was broadly flat at 1/1, reflecting more modest growth in the underlying insurance market, and a move towards higher retentions by some large cyber insurers in recent years. With increasing dependence on digital technology and growing awareness of cyber risk, growth in the cyber insurance market is expected to accelerate, especially in less mature markets. Reinsurance capacity should be adequate to meet demand in 2025, yet the market will require more capacity and further innovation longer term to remain relevant and support insurers with tailored reinsurance protection. More favorable conditions led many insureds to increase their limits.
More sophisticated purchasing	Ample capacity created the conditions for more innovative reinsurance solutions, with growing interest from buyers and sellers in event-based reinsurance solutions from both traditional and alternative markets. As insurers better understand the risk profile of their own portfolios, demand for more tailored reinsurance solutions has increased. While quota share remains an important source of capacity, sophisticated buyers are retaining more risk and looking for targeted reinsurance protection to manage specific volatility in their portfolios.

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Topic	Commentary
ILS pipeline	Interest in cyber catastrophe bonds continued in 2024, providing additional capacity and competition for cyber reinsurance at 1/1. Since the first cyber catastrophe bond (structured for AXIS Capital by Aon Securities) in Q4 2023, the market now stands at $785 million of bonds outstanding across six distinct transactions and four sponsors, making up nearly 2 percent of the catastrophe bond market. With improved modeling and understanding of potential cyber loss scenarios, further deals are expected, although these solutions are typically best suited to players with larger and more diverse cyber portfolios. Investors, attracted by the short-tailed nature of event-based excess of loss coverage and the diversification against portfolios of natural catastrophe risk, have continued to raise money and invest in resources to allocate to cyber transactions. Aon Securities expects to see the cyber catastrophe bond market grow in 2025 and beyond.
CrowdStrike legacy	The CrowdStrike outage in July 2024 was a topic of conversation at renewals, although insured losses from the event, which so far appear to be manageable, did not directly impact cyber re/insurance pricing. The outage, one of the largest IT events in history, highlighted the risks of single points of failure in the technology value chain, and demonstrates the need for cyber re/insurance. While the event should be a further catalyst for demand growth, the incident also reinforced the need for more granular information on technology supply chains to manage accumulations.
Underlying softening	Reinsurers are mindful of conditions in the underlying market. Cyber insurance pricing experienced a steep decline since Q1 2022 due to a softening market and improved cyber security controls. Rates continued to reduce in 2024, although reductions moderated towards the end of the year. Pricing competition coincided with a rebound in ransomware activity and complex claims development for incidents that occurred prior to 2023. The market will be focused on profitability despite these challenges in 2024.

Marine & Energy: Oversupply, despite Baltimore Bridge collapse

The January 1 renewal started in an orderly and timely manner, with data released and reinsurers engaged early. After several years of dislocation that led to coverage changes and price increases, reinsurers initially used the Baltimore Bridge collapse as justification to help maintain conditions. As the renewal season progressed, however, it was evident that the market would soften, and clients pushed for increasingly positive outcomes.

Topic	Commentary
Elongated placement process	Despite the early start, there was a distinct lack of firm order terms in early December, with clients aware the market was softening. Clients reviewed quotes knowing supply vastly exceeded limit purchased. Ultimately rates decreased across most products and classes.
Oversupply of capacity	Where incumbents hoped the Baltimore Bridge collapse would create the catalyst for continued rate rises, the reality was it just generated increased appetite for expansion in a largely non-cat Specialty class of business. Where placements in 2024 were routinely over-placed, at 1/1/2025 it wasn't unusual to see written lines well in excess of 150 percent
Structures unchanged	Following broad restructuring in 2023, marine and energy reinsurance placements renewed largely unchanged in 2024 and again at 1/1/2025. The most notable change was a slight reduction in dedicated Terror limit as Whole Accounts returned to a slightly lower attachment point.
Evolving coverage for War	The 2025 renewal represented the first in three years where the market was not dealing with a new major conflict. While the legacy of the Aviation War exposures in Russia hang over the market, underwriters came into the 2025 renewal more comfortable with the situation in Ukraine and Middle East. For most cedants War on Land loss estimates in Ukraine were more certain, often to the point reserves came down. In Israel and the surrounding region insured losses remain minimal. This greater comfort with the conflicts as well as the competitive pressures from over-supply meant some of the coverage restrictions, particularly the Middle East, were relaxed.

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Trade Credit, Structured Credit and Political Risk, and Surety

Credit insurance markets slowed last year after the significant growth post-Covid and magnified by inflationary factors. For short-term trade credit business, a major part of the credit insurance market, growth levels reduced to low single digit levels. The long-term issues in Ukraine and conflict in the Middle East continue to generate political and economic concern, but the direct impact on claims has been very limited. The U.S. election and the potential impact on trading relationships into 2025 and beyond is a new factor to consider.

Claims ratios across the market continued to rise, but this was expected, and in many areas the increases were lower than predicted. Underwriting standards continue to be robust. Reinsurance pricing is easing slightly, a reflection of the wider market and the continued profitability of the business. Existing markets are keen to maintain positions with some growing their portfolios. There are also signs of new entrants, although appetite and line-sizes are modest. We do not see these companies changing the market in a fundamental way.

Topic	Commentary
Structured credit & political risks	Although several losses manifested from Russia/Ukraine (and others remain uncertain), the impact on the overall market was limited; only where specific programs saw material impacts were terms affected. The market was able to accommodate capacity requests. Commercial terms improved in many cases, although in some, compromises were negotiated between both sides. Proportional treaties remain the core of the market, and commission increases were accepted on many programs given continued profitability, but reinsurers are looking at pricing adjustments over the medium-term, partly to assess the results over the next year. The business overall continues to see growth, some related to major covers instigated by multi-lateral agencies.
Trade credit	Premium growth this year slowed for trade credit, after the 2022-2023 high growth levels. Global insolvency levels rose, but this is not fully reflected in insurance market results. Commercial terms improved for some insurers, but for the majority pricing was stable. New reinsurers entering the market remain keen to join major programs, but those were frequently over-subscribed, meaning barriers to entry are high.
International surety	Continued concern through 2024 for the construction sector and company failures continued to put pressure on placements. Surety remains the class with most distress, but where insurers have profitable programs, reinsurers are happy to maintain support.
North American surety	The underlying primary surety market continues to grow, supported by infrastructure spending and investment, however, loss ratios increased in 2024. This impacted the profitability of re/insurance surety markets which contributed to the firming of the reinsurance environment at 1/1. Several isolated, large losses continue to work through the claims process and have resulted in sizable cash payments by reinsurers which may continue to pressure the industry overall. Primary and reinsurance capital continues to be attracted to this segment.

U.S. Mortgage: Private Mortgage Insurance Buyers See Strong Value in Reinsurance

The U.S. mortgage line of business continues to be driven by the reinsurance purchases of Fannie Mae and Freddie Mac (GSEs), and the private mortgage insurers (PMIs). Over a decade into their post-financial crisis reinsurance journey, the GSEs and PMIs have, on average, ceded over $1 billion of premium annually to the reinsurance industry. Because mortgage reinsurance programs have tended to be more capital relief oriented and the macroeconomic environment was relatively benign, no meaningful claims have been paid on mortgage reinsurance post-financial crisis.

Topic	Commentary
PMIs take advantage of multi-year capacity	At year-end 2024, PMIs capitalized on reinsurers' willingness to provide capacity for up to three years of future insured loan originations. All four PMIs that purchased reinsurance at year end renewed their programs on a multiple year forward basis, providing them cover for their 2025, 2026, and in one case, even 2027 loans. Due to favorable pricing and capacity on both quota share and excess of loss reinsurance, PMI buyers also purchased more insurance than their recent run rate levels.
GSE's Future Will be Closely Watched in 2025	The 2024 election brings a new administration and the potential for new leadership at the GSE regulator, the FHFA. As of right now the GSEs operate under a regulator scorecard which, among many things, asks them to "transfer a meaningful amount of credit risk to private investors in a commercially reasonable and safe and sound manner, reducing risk to taxpayers." This language is unchanged from recent prior scorecards. What remains to be seen under the new administration is whether there will be a push to move the GSEs out of conservatorship and whether GSE CRT could play an expanded role in that effort.

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About Aon

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