August 31, 2021

Global Reinsurance Outlook Remains Stable in a More Uncertain World

Reinsurers adjust as traditional risks take on unpredictable patterns

AM Best's outlook on the global reinsurance segment remains at Stable, as improved pricing trends for most business lines are offsetting growing claims uncertainty and the abundance of capital. The events of 2020, dominated by the COVID-19 pandemic and the higher frequency of medium-sized catastrophe losses, exacerbated the focus on price. Global reinsurers generally have been able to absorb the exceptional shock from the pandemic despite material losses. Their balance sheets remain resilient; business has been renewed under more restrictive terms and conditions and at better rates.

After several years of struggling to meet their cost of capital, key players have started to turn the corner. However, considerable uncertainty about sizable COVID-related claims reserves—most of them incurred but not reported (IBNR)—which will take years to develop, remains. Risk in general has become more difficult to model and price and therefore (re)insure, due to unexpected correlations in a highly interconnected world that is increasingly dependent on technology. New capital—so far still modest and being deployed cautiously—continues to enter the market. A lack of investment alternatives in the low interest rate environment is driving the growing focus on underwriting results. A change in economic trends, highly dependent on unpredictable government policies, may drastically change investors' expectations.

The global commerce and business environment is rapidly evolving, becoming increasingly interconnected and dominated by intangible assets. Reinsurers need to be flexible and innovative in order to maintain their relevance within the broader economy. A higher share of uninsurable risks—because they are considered non-measurable, non-manageable, or systemic— translates into a smaller role for the (re)insurance industry.

Company-specific risk modeling and data will be essential for a better understanding of risks. Only the most innovative players may be in a position to succeed. Differentiation and innovation in product design should be critical to cover emerging and evolving risks. Innovative risk management techniques should allow the slicing and dicing of different components of risk, contributing to a broader participation of capital markets for particular elements depending on investor appetite. Similar developments may enable closer cooperation with governments, to mitigate, identify, and isolate the most systemic elements of risk and transfer them to bespoke, publicly sponsored platforms.

Historically, the global reinsurance segment has endured numerous challenges from natural/man-made catastrophes, low interest rate environments, adverse reserve development to intense competition. Despite these challenges, it has always met its claims-paying ability.

Market Remains Well Capitalized; ILS Expansion Slows but Retains Critical Role

According to AM Best and Guy Carpenter's latest estimates, dedicated capital in the global reinsurance segment was approximately USD520 billion as of year-end 2020. Unlike other, much higher industry estimates, our figures reflect the capital allocation for the reinsurance business only, excluding as much as possible the primary segment, asset management, and

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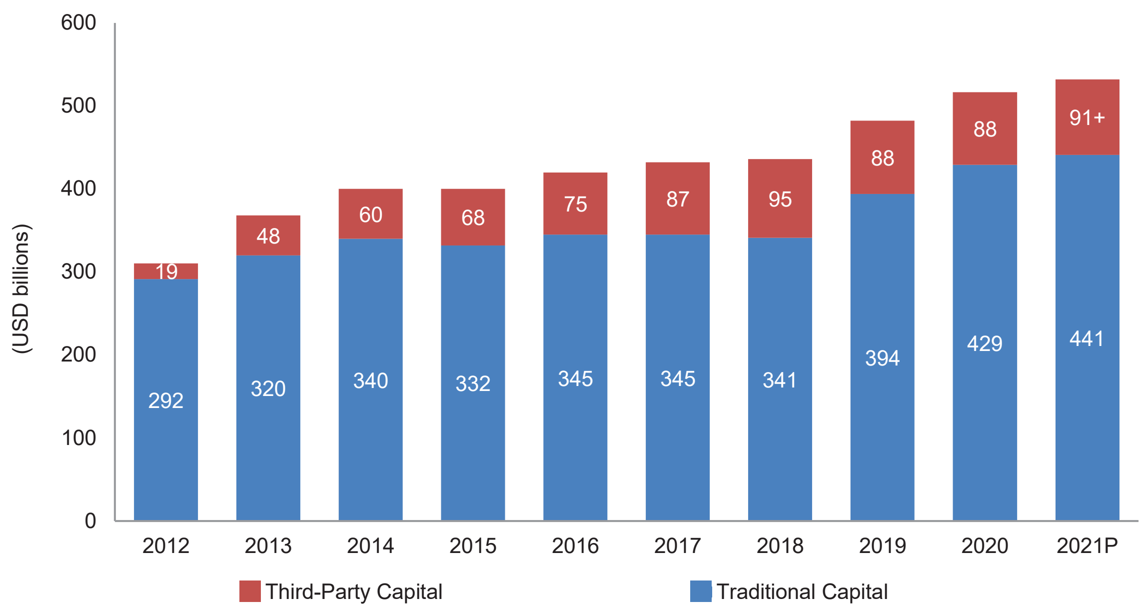
other non-insurance activities normally covered by group consolidated figures. This total is broadly split 80/20 between traditional and third-party capital, the latter almost unchanged in the last two years. After several years hovering around $340 billion, traditional capital expanded materially in 2019 and 2020 to almost $430 billion, as a result of capital raising initiatives and appreciation in the stock markets. By contrast, the expansion of third-party capital through 2017-2018 seems to have slowed down, with a slight rebound in recent months. Heightened claims activity in 2017 and 2018 highlights the different responses of traditional and third-party capital as would be expected, in line with their time horizons. Traditional capital acknowledged the need to reinforce their balance sheet positions to withstand their risks for the medium to long term, while third-party capital became more cautious as to the level of their participation in the market, stabilizing around the $90 billion mark the last four years.

The impact of large natural catastrophe (nat cat) events, secondary perils, and social inflation in the insurance-linked securities (ILS) markets since 2017 is well documented. Unlike prior periods following peak loss events, overall levels of capital remained healthy without triggering an immediate spike in rates. This sluggish pricing environment, combined with trapped capital and loss creep issues, forced investors to reassess their positions. COVID-19 exacerbated these factors, adding momentum to improving rate trends. Despite ongoing claims uncertainty, additional clarity of contract language, temporary rollover of capital, and a shift in focus toward higher-risk layers and retrocession are translating into renewed interest in the ILS market. This is particularly the case with catastrophe bonds, whose dominance among ILS instruments continues to grow thanks to their liquidity. Record issuance by quarter has started to overtake maturities, while the rise in multiple (coupon divided by expected loss) observed since 2018 has reverted slightly in the last 12 months due to a rebound in investor demand. More recently, the collateralized reinsurance space has also seen some renewed interest.

Exhibit 1

Global Reinsurance – Total Dedicated Reinsurance Capital



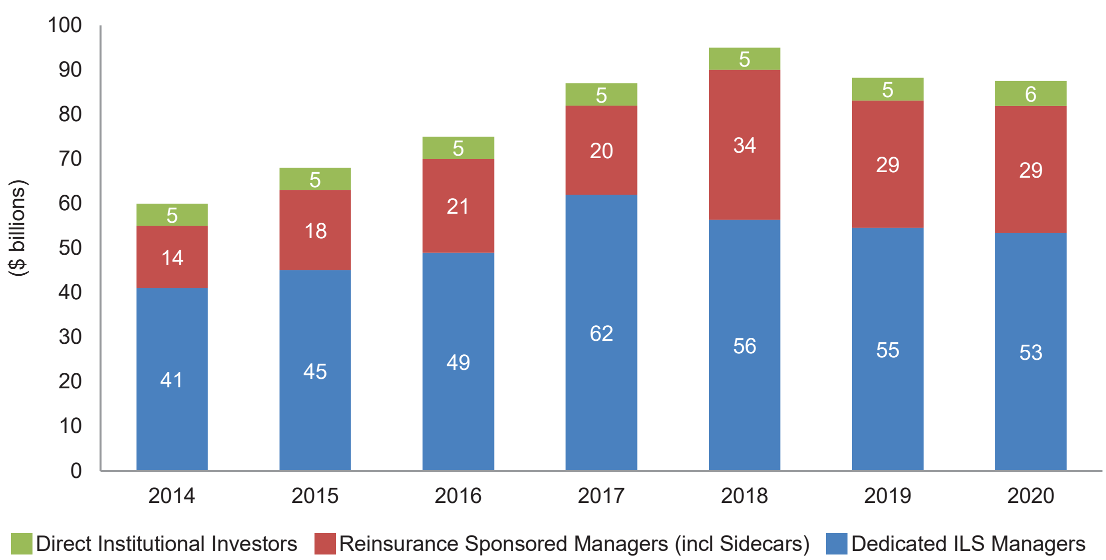
Source: AM Best data and research; Guy Carpenter

As traditional reinsurers attempt to minimize volatility in their balance sheets, the role of third-party capital in providing retrocessional capacity is critical. Most major global reinsurers continue to strengthen their ILS platforms, seeing the segment as a partner rather than a competitor. For several of the largest investors—especially pension and sovereign funds—(re)insurance risk is still considered immaterial as a share of their portfolio allocation. Their impact on the reinsurance segment, however, is significant. The diversification benefits—although questionable in an increasingly correlated world—remain attractive as long as participation is relatively modest and the returns justify it. Despite the expressed appetite from some players to expand into risks other than property nat cat, challenges related to modeling and pricing, as well as the horizon mismatch between investors and potentially long-term liabilities, remain.

Resilience in the Face of COVID

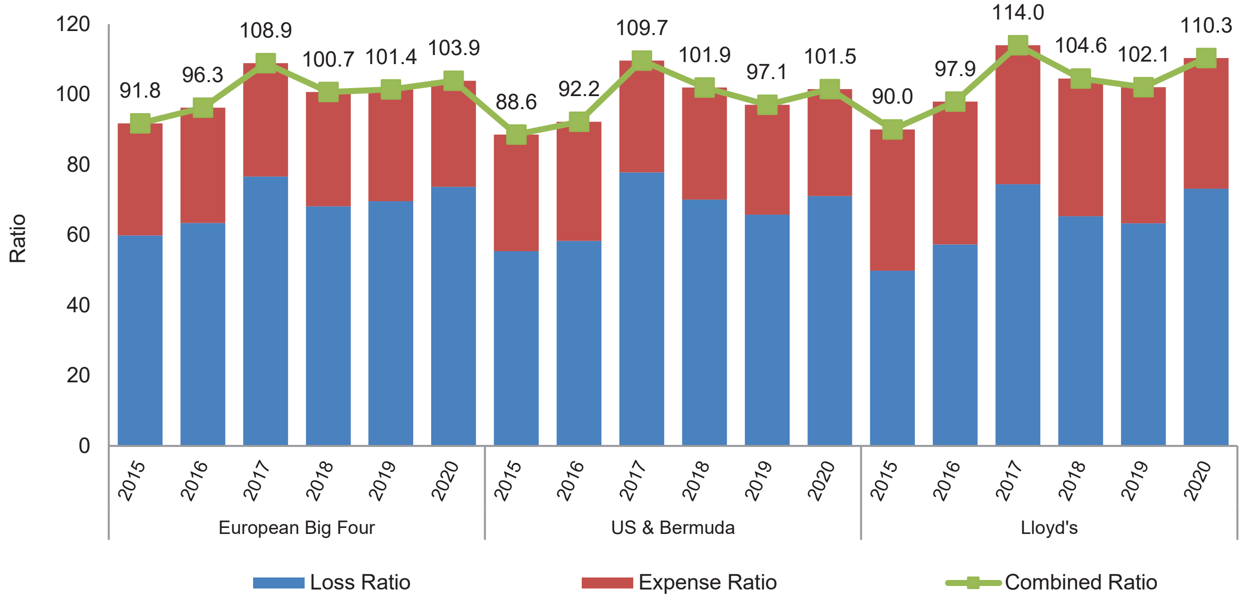
Despite heavy losses in 2020, traditional reinsurers remain strongly capitalized. Companies in AM Best's composite of global reinsurers (a grouping of the 30 largest property/casualty reinsurers with a global footprint) experienced COVID-19 losses adding between 7% and 20% to their loss ratios. The most significant ones correspond to the largest European reinsurers and Lloyd's due to their degree of exposure to event cancellation and non-US/non-property damage business interruption. While material reserves for other lines of business—including financial lines, workers compensation, mortgage, and credit—have been booked, reported claims remain much lower than originally expected. Losses related to mortality risk are heavily concentrated in the US market and affect mainly the Big Four European reinsurers, given their dominant presence in the life reinsurance segment. Recognized COVID-related losses for the (re)insurance industry so far stand at approximately USD40 billion. This compares to original estimates that easily exceeded twice that figure, with around half the recorded losses attributed to the reinsurance segment, but final settled amounts may take many years to develop and could differ materially. On the asset side, a few reinsurers with material exposures to stocks suffered heavy unrealized losses during the first quarter of 2020. In most cases, however, this situation was reversed toward the end of the year.

Exhibit 2
Global Reinsurance – Estimated Total Third-Party Capital



Source: AM Best data and research; Guy Carpenter

Exhibit 3
Global Reinsurance – Combined Ratio



Source: AM Best data and research

The level of uncertainty about COVID-19-related claims reserves remains high. However, in our view, reinsurers in general have been conservative in their loss estimates. Typically, in years of severe industry-wide losses, companies react early and prudently. This is also usually seen as an opportunity to reassess prudence margins relative to the broader underwriting portfolio. Last year, in the middle of the pandemic, we saw several reserve strengthening initiatives related to social inflation on casualty lines for previous years. After a long period of diminished positive reserve release development, we see signs that the trend may be starting to reverse, or at least stabilize. Barring industry-wide retroactive legislation expanding (re)insurers' liability for non-property damage business interruption (BI), especially in the US—something that we believe is highly unlikely and against contract law, and that would be devastating for the whole industry—we remain confident that reserving and solvency positions for the market as a whole remain solid.

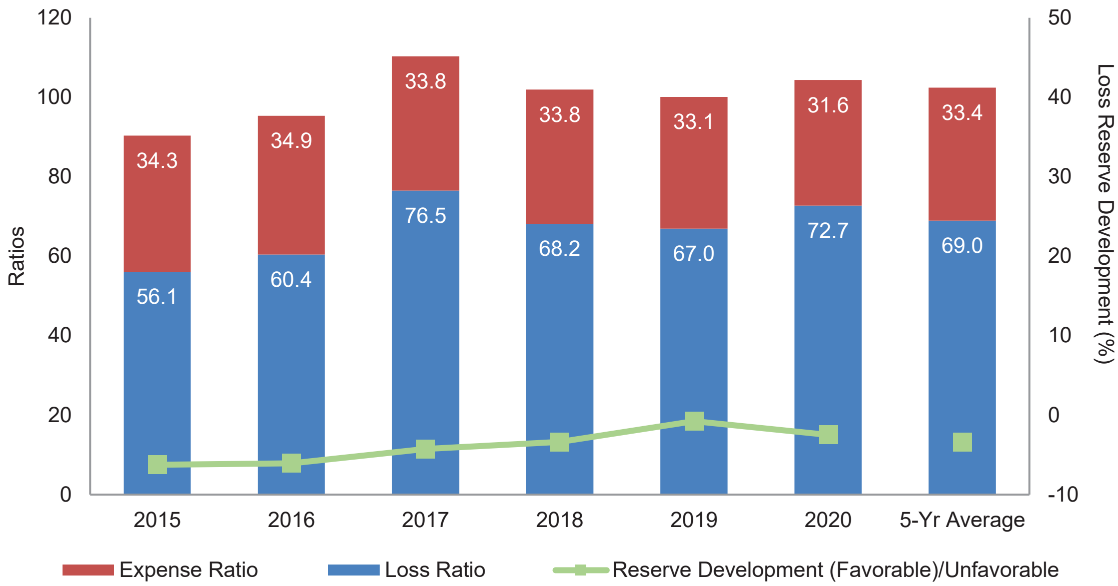
Regardless of the outcomes of future court decisions in the US, which until now have overwhelmingly favored the insurance industry, litigation of business interruption claims will continue to be an issue for many years to come. Legislative or regulatory decisions in Europe, which have been restricted to the primary sector, despite being significant, are manageable in size and have the benefit of adding financial certainty. In cases where contract language and terms are unclear or ambiguous, we expect these situations to result in protracted negotiation and arbitration.

As New Capital Enters Industry, Fundamentals Are Unchanged

With regard to the whole global reinsurance segment, AM Best estimated that, as of the end of 2020, about USD115 billion would have to be depleted for companies' Best's Capital Adequacy Ratio (BCAR) at the 99.6% VaR (Value at Risk) level to reach 10% (considered "very strong"). At the same time, our calculations indicate that only 82% of total available capital is needed to support a BCAR at 99.6% VaR of 25% (considered "strongest"). Of the estimated USD20+ billion raised by (re)insurance start-ups and scale-ups during 2020, only about half is being allocated to reinsurance risks. AM Best estimates a net increase of almost 7% in total available capital from traditional providers, even allowing for dividend, largely offset by asset market movements.

Exhibit 4

Global Reinsurance – Loss Ratios, Expense Ratios, Favorable Loss Reserve Development



Source: AM Best data and research

This is dominated by an even larger increase of 12% for the top 10 reinsurers. Unlike previous pricing cycles, we see no signs of a material erosion of capital this time. Rate pressures stem from a sustained underperformance for several years in a row. New capital influx arises owing to both improving market conditions and a lack of other attractive investment opportunities. Balance sheets remain strong, but capital is still being deployed judiciously.

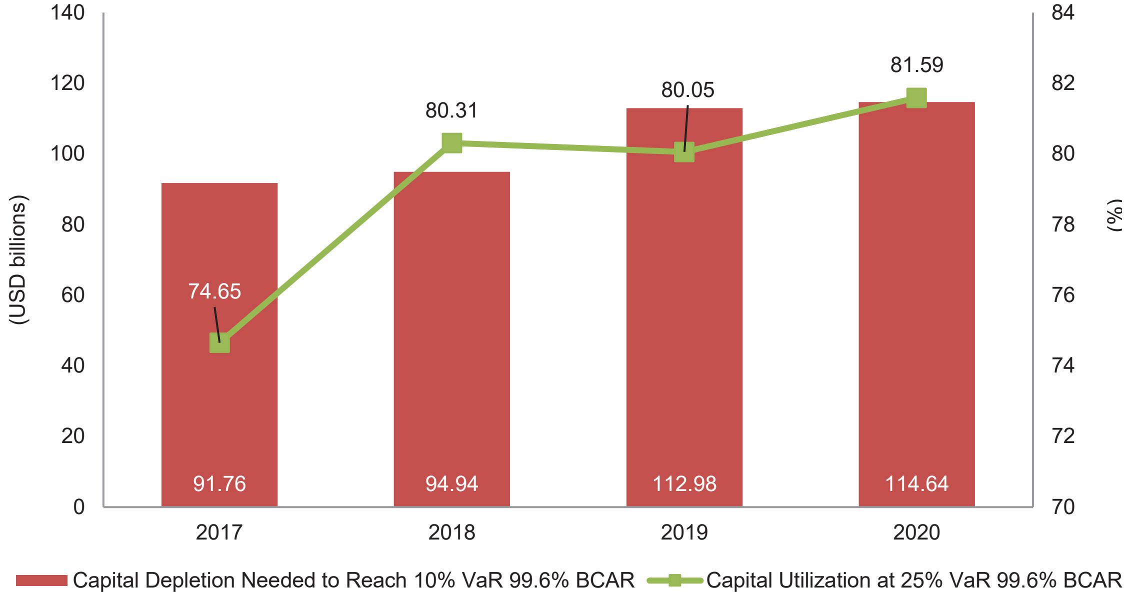
Several of the start-ups formed in 2020 became operational only toward the end of the year, unable to take full advantage of the opportunities offered by the January renewals. In a market driven by price improvements across the board, led by several product lines in the primary segment, and with property nat cat reinsurance rates still lagging, broad offerings and existing tenure are two key advantages for the more established players. Typically run by well-seasoned management teams, with the clear benefit of a clean balance sheet and following a hybrid model covering both insurance and reinsurance, the impact of new entrants has been modest thus far. New business has been written opportunistically, sometimes in niche areas that would otherwise have been subject to dislocation.

AM Best expects further start-up initiatives over the next 12 months. We do not see any signs of naïve capital or a softening market. We expect firming pricing conditions to continue at least for this year and next. These fundamentals should remain in place while companies demonstrate their ability to meet their cost of capital. The exact role of new players will take some time to take shape as they develop and establish their market positions.

Non-Modeled Losses Becoming an Un-Patterned Pattern

The year 2021 started with significant catastrophe activity for reinsurers, in the form of major winter storms in the southern United States, an early test of the year's budgeted catastrophe loads. Estimates place the total industry loss around USD15 billion to USD20 billion, probably the largest first-quarter US nat cat event to date. For AM Best's reinsurance composite,

Exhibit 5
Global Reinsurance – Capital Utilization



Source: AM Best data and research

the initial estimate of losses translates into an average of three points in the loss ratio. This compares with a range of five to 12 points in the combined ratio for a nat cat load that most reinsurers included in their budgets for the full year—loadings that had already been increased after the events of 2020. Although these losses are certainly significant, so far they have not elicited any rating events among the companies in the composite, given their strong balance sheets, reflected in BCARs of around 40% at 99.6% VaR level. Whether the budgeted cat loadings will be sufficient, as we traverse the North Atlantic hurricane season, remains to be seen.

For the last couple of years, "normalized" (ex-cat) loss ratios generally have declined, reflecting corrective underwriting actions by most players. However, the pandemic and higher incidence of secondary perils—the understanding and quantification of which are still in the early stages of development—have added noise to the results for the last 15 months. In the past, this could have been considered part of the claims cycle. Recent experience, however, seems to indicate a relentless rise in the frequency of non-attritional losses, adding a more sustained layer of volatility to the results.

Until now, the natural response from most reinsurers has been to restrict coverage, shifting the focus toward higher layers of protection for non-proportional business or even declining participation altogether in specific risks, from commercial auto to communicable diseases to cyber risks. Over the short term, we expect to see some expansion in capital available, which doesn't necessarily translate into much larger amounts of exposures covered. The segment is attracting investors due to rate increases in specific business segments, not in expectation of the pie becoming larger. The increased risk awareness from insureds and cedents is not being seen yet as an opportunity to develop new products and close the (re)insurance gap. As the proportion of unmodeled risks grows, the gap is likely to widen.

Although greater risk awareness may lead to stronger (re)insurance demand, the perils that society faces are becoming more complex and interrelated. The robustness of established models covering traditionally well-understood risks, such as Atlantic hurricanes, has been put into question. The occurrence of several separate catastrophe events within a short period (e.g., Hurricanes Harvey, Irma, and Maria in 2017; Typhoons Trami and Jebi in 2018) triggered issues related to loss creep and trapped capital, which weren't sufficiently considered in conventional models. These storms disproved the conventional wisdom about the supposed short-tail nature of nat cat events. Climate-risk-associated trends will make the almost simultaneous occurrence of these events more likely, not less. The COVID-19 pandemic has shown that, contrary to widely accepted assumptions, (re)insured losses were not restricted to life and health risks, but driven by government intervention in the form of nationwide lockdowns and travel restrictions that triggered business interruption and event cancellation claims. Life/health losses for the top four global reinsurers—with a balanced underwriting portfolio of life and non-life risks—so far account for only 20% or so of their total 2020 COVID-related booked losses. This is something that traditional pandemic models failed to foresee.

Risk Modeling Continues to Evolve

Periods with large claims experience driven by new, unpredictable factors—e.g., asbestos, the 9/11 terrorist attacks, Thai floods, wildfires, and cyber—normally lead companies to exit particular lines of business or regions, or to add exclusions or restrict coverage. Price adjustments and a better understanding of the risk is expected to follow before supply returns to prior levels. The current environment, however, is different, characterized by much more uncertainty, as traditional risks are now following unpredictable patterns. The frequency of secondary perils—by definition, smaller in magnitude per individual event—is on the rise. As such, accumulation issues and their impact on reinsurers are becoming more critical for risk management.

Moreover, the world economy is being increasingly dominated by intangible assets (such as patents, trademarks, copyrights, and similar types of intellectual property). According to the World Intellectual Property Organization (WIPO), a United Nations agency, intangible assets account for more than 80% of company value and continue to grow. In addition, given our critical dependence on technology in all sorts of activities, evolving risks such as cyber are becoming more dominant but are still not properly understood. Moreover, they are extremely difficult to quantify.

Mainstream vendors are working to include more detail in their existing models or developing new models for secondary perils, incorporating factors that had not been considered material enough in the past. Significant efforts are being made to quantify complex risks such as product liability, social inflation, and cyber. Although there may be consensus on the general direction of trends—e.g., climate risks, social inflation—there is substantial disagreement when evaluating their short-term impact. The past has become less relevant as an indicator of the future. Critical factors—e.g., government intervention, nuclear verdicts, cyber attacks—are the direct result of human intervention, which tends to be difficult to model accurately.

The very definition of certain emerging risks is evolving, heavily dependent on how companies decide to limit the extent of cover. Even if a precise quantification of risk in its current form were possible, growing correlations and their potentially systemic nature are likely to be out of line with most investors' appetite.

The role of modeling to better understand risk for strategic purposes, both directionally and in terms of magnitude, will continue to be critical. However, for underwriting and pricing decisions, which require more precise numbers, its relevance may be somewhat diminished. The level of uncertainty for unmodeled risks is being followed by a generally cautious attitude in deploying capital. Appetite for particular business segments can be very company-specific and heavily dependent on track record. Even with property nat cat risks—given the unknowns related to climate risks—expert knowledge and a proprietary evaluation of risks in addition to that provided by commercial vendors are on the rise. The quality and availability of company-specific data are essential for modeling emerging risks. A deeper understanding of the perils covered might become a key differentiator that determines whether only a few leading or very specialized companies succeed in product lines that some may have seen until recently as commoditized.

Stable Performance and Improved Margins Drive Changes in Business Mix

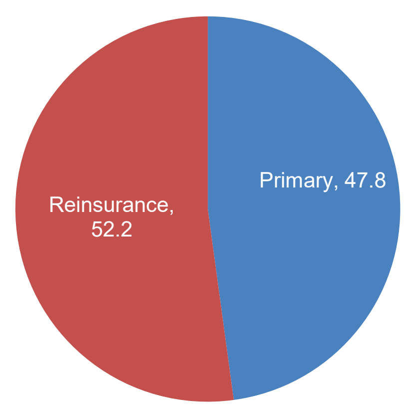
Despite differing opinions as to the sufficiency of rate improvements by product line, there is widespread agreement that price firming continues across the board. It is also clear that the reinsurance segment has been lagging primary writers and the retro market. Among reinsurers themselves, perceptions about rate improvements vary, depending on their particular business mix and recent claims experience. The most bullish companies tend to have a strong market position in loss-affected segments—where the most significant rises are evident—or in very specialized, differentiated, and technical lines with wider margin potential. Concerns about volatility of results in property nat cat remain. As for casualty lines, attitudes regarding social inflation vary by company, depending on the risk profile of their existing portfolios. These factors explain the shifts in the business model that most reinsurers follow, which is the tendency to get closer to primary risks while minimizing volatility in their results.

Getting closer to primary risks to take advantage of the faster rate increases has taken many forms. A number of established reinsurance groups continue to enhance their direct insurance platforms, with a particular emphasis on commercial, specialty, and excess & surplus business. A similar focus can be seen in newly formed companies, based on the idea that a more balanced portfolio of risks will benefit from the current wider margins and long-term, more stable underwriting results. There is also renewed interest in expanding their presence in the proportional treaty business due to the automatic impact of rate increases, as well as the typically more predictable nature of the risks covered. During the reinsurance renewals earlier in the year, some pressure to renegotiate ceding commissions was expected but did not result in any material impact.

The reinsurance segment is one of the most innovative due to the level of sophistication in product development and capital management. Reinsurers have become more active at working with insurtechs, several of them effectively digital managing general agent (MGA) start-ups. Volumes involved are still relatively small but growing rapidly. The combination of a low-cost distribution channel and an efficient administration and claims platform, added to robust capital support and underwriting expertise from reinsurers, seems appealing. Start-up expenses and prudent management of technically profitable growth can be a challenge, but this is mitigated by the potential advantages of having access to granular insureds' data in real time, a more refined understanding of customers' behaviors, and abundant opportunities for new product development in a more digitized world.

These initiatives always have the potential of conflict with cedents and brokers. A common strategy is to operate through very well-defined business units, separate subsidiaries, as a minority investor, or through agreements

Exhibit 6
Top 50 Reinsurers – Primary vs. Reinsurance Split
Weighted Average (%)



Source: AM Best data and research

with third parties. The focus tends to be on new niches, product lines, or customer segments where the likelihood for conflict with previous business partners is minimized. Sometimes brokers and insurers are offered the opportunity to play a clear role as partners, not as competitors. It is a fine balancing exercise. Reinsurers are still investing modestly in these areas, but in a methodical and organized way, with well-defined budgets and close monitoring of outcomes, trying to keep abreast of the latest technological developments to retain relevance.

As for a shift toward more stable results, the most visible changes relate to property nat cat. At reinsurers' request, retention levels have increased, limits lowered, and contract language tightened. Reinsurers' cover has moved upwards in the tower. Closer cooperation with third-party capital for retro cover is evident, thanks to the large size and long-term horizon of the most dominant, committed investors; a lack of other investment opportunities; expected higher returns; and the regulatory efficiency of the capital markets (in particular, cat bonds). Despite third-party capacity having stabilized in the last two years, we see potential for renewed expansion. There is clear interest in diversifying away from nat cat risks toward casualty lines. However, challenges in price modeling remain, as does the mismatch of term horizons between liabilities and investors' expectations. Potential conflict with traditional capital also cautiously interested in expanding into these lines may be another obstacle to significant change in the risk profile of the ILS markets.

Risks and Opportunities in the Post-Pandemic World

COVID-19 and the changing nature of risks are providing a real-life stress test for the global reinsurance industry. AM Best shares the generally accepted view that, despite the uncertainty embedded in companies' balance sheets, the pandemic is an earnings, not a capital, event. As in previous years, the market remains overcapitalized. No significant negative rating actions have been triggered by the pandemic. Since the onset of the pandemic, the natural response has been to add exclusions and restrict cover in general. As rates rise, additional capital and new players emerge; the most attractive slices of risk are identified; and competition intensifies and concentrates on reallocating capital, capturing those business segments offering the highest margins. All the efforts revolve around either rebalancing the business mix or raising market share at the expense of the competition. There is no expectation that the size of the pie as such will expand.

As societies struggle to return to some sort of normalcy in the middle of an ongoing pandemic and intangible assets increase as a share of the worldwide economy, risks are becoming more difficult to measure and manage. On top of that, in a more interconnected economy—resulting from both globalization and technology—correlations shoot up dramatically in times of crisis, making risks systemic. The world overall faces more risk. In their current form, those risks may not meet the conditions to be considered insurable, given that technical prices would be prohibitive.

At the beginning of the pandemic, government authorities and industry leaders—particularly in Europe—floated the idea of developing a (re)insurance pool scheme based on a public/private partnership framework similar to those already in place for large natural disasters, but enthusiasm never materialized and political priorities changed. Despite the evident willingness of certain global reinsurers to play an active role, many felt that governments should take the first step.

From a strictly financial strength point of view, AM Best does not have concerns about the financial health of the global reinsurance segment. Most individual balance sheets remain solid. Most highly rated companies have demonstrated that they have the ability to adapt their business plans to changing market conditions and generate sustained profits.

Appendix 1
Global Reinsurance Market Trends
(USD billions)

	2015	2016	2017	2018	2019	2020	5-Year Average
NPW (P/C only)	131.7	130.3	144.5	150.0	161.6	184.0	154.1
Net Earned Premiums (P/C only)	129.7	128.0	143.3	147.3	156.9	180.4	151.2
Net Investment Income	18.9	20.4	25.8	16.1	27.7	17.7	21.5
Realized Investment Gains/Losses	-0.9	2.3	4.2	8.0	12.0	8.7	7.0
Total Revenue	**210.3**	**216.4**	**238.8**	**223.8**	**268.7**	**279.1**	**245.4**
Net Income	**18.5**	**16.7**	**0.3**	**2.2**	**19.0**	**5.7**	**8.8**
Shareholders' Equity (End of Period)	**200.2**	**204.2**	**207.8**	**191.4**	**213.7**	**237.9**	**211.0**
Loss Ratio	56.1	60.4	76.5	68.2	67.0	72.7	69.0
Expense Ratio	34.3	34.9	33.8	33.8	33.1	31.6	33.4
Combined Ratio	90.4	95.3	110.3	101.9	100.1	104.3	102.4
Reserve Development - (Favorable)/Unfavorable	**-6.2**	**-6.0**	**-4.3**	**-3.3**	**-0.8**	**-2.5**	**-3.4**
Net Investment Ratio[1]	14.6	15.9	18.0	10.9	17.6	9.8	14.5
Operating Ratio	75.8	79.4	92.3	91.0	82.4	94.5	87.9
Return on Equity (%)	9.2	8.4	0.1	1.1	9.4	2.5	4.3
Return on Revenue (%)	8.8	7.7	0.1	1.0	7.1	2.1	3.6
NPW (P/C only) to Equity (End of Period) (%)	66	64	70	78	76	77	73
Net Reserves to Equity (End of Period) (%)	244	244	234	270	246	247	248
Gross Reserves to Equity (End of Period) (%)	266	266	267	310	276	286	281

[1] AM Best's reinsurance composite changes over time as companies enter and exit the market or rating process. In some cases, companies have been added or removed retroactively. When possible, historical data has been updated to reflect changes in companies' segment reporting.

[2] Net investment ratio based on P/C net premiums earned.

Source: AM best data and research

Appendix 2
European Big Four Market Trends
(USD billions)

	2015	2016	2017	2018	2019	2020	5-Year Average
NPW (P/C only)	59.3	59.8	64.8	67.5	72.5	81.9	69.3
Net Earned Premiums (P/C only)	58.4	58.8	65.3	67.2	70.5	82.0	68.8
Net Investment Income	14.2	14.3	18.9	10.8	18.7	10.2	14.6
Realized Investment Gains/Losses	0.6	1.5	2.0	2.6	4.7	4.4	3.0
Total Revenue	**129.9**	**134.7**	**146.9**	**134.8**	**157.6**	**166.4**	**148.1**
Net Income	**10.0**	**8.2**	**2.4**	**4.6**	**5.7**	**2.0**	**4.6**
Shareholders' Equity (End of Period)	**84.0**	**86.5**	**85.6**	**74.8**	**82.3**	**81.2**	**82.1**
Loss Ratio	59.9	63.4	76.7	68.1	69.6	73.8	70.3
Expense Ratio	31.9	32.8	32.2	32.6	31.8	30.2	31.9
Combined Ratio	91.8	96.3	108.9	100.7	101.4	103.9	102.2
Reserve Development - (Favorable)/Unfavorable	**-4.6**	**-5.7**	**-5.0**	**-3.3**	**-0.2**	**-2.1**	**-3.2**
Net Investment Ratio[1]	24.3	24.3	28.9	16.1	26.5	12.5	21.7
Operating Ratio	67.5	72.0	79.9	84.6	74.9	91.4	80.6
Return on Equity (%)	11.5	9.7	2.7	5.8	7.2	2.4	5.6
Return on Revenue (%)	7.7	6.1	1.6	3.4	3.6	1.2	3.2
NPW (P/C only) to Equity (End of Period) (%)	71	69	76	90	88	101	85
Net Reserves to Equity (End of Period) (%)	426	424	392	487	440	495	448
Gross Reserves to Equity (End of Period) (%)	445	441	413	515	461	516	469

[1] AM Best's reinsurance composite changes over time as companies enter and exit the market or rating process. In some cases, companies have been added or removed retroactively. When possible, historical data has been updated to reflect changes in companies' segment reporting.

[2] Net investment ratio based on P/C net premiums earned.

Source: AM best data and research

Appendix 3
US & Bermuda Market Trends
(USD billions)

	2015	2016	2017	2018	2019	2020	5-Year Average
NPW (P/C only)	41.2	42.0	46.1	50.0	55.5	67.1	52.1
Net Earned Premiums (P/C only)	40.8	41.3	45.0	48.2	52.6	63.3	50.1
Net Investment Income	4.1	4.5	4.9	4.1	5.7	5.1	4.9
Realized Investment Gains/Losses	-0.9	0.8	1.6	6.0	6.0	3.6	3.6
Total Revenue	**49.2**	**51.7**	**56.3**	**56.3**	**72.5**	**74.4**	**62.2**
Net Income	**5.3**	**6.0**	**0.6**	**-1.1**	**10.0**	**5.0**	**4.1**
Shareholders' Equity (End of Period)	**80.4**	**83.6**	**86.2**	**81.8**	**92.2**	**111.6**	**91.1**
Loss Ratio	55.4	58.3	77.8	70.0	65.8	71.1	68.6
Expense Ratio	33.2	33.9	31.8	31.9	31.3	30.4	31.9
Combined Ratio	88.6	92.2	109.7	101.9	97.1	101.5	100.5
Reserve Development - (Favorable)/Unfavorable	**-7.4**	**-7.2**	**-4.2**	**-3.1**	**-1.5**	**-3.4**	**-3.9**
Net Investment Ratio[1]	10.1	10.8	11.0	8.4	10.7	8.1	9.8
Operating Ratio	78.5	81.4	98.6	93.5	86.3	93.4	90.7
Return on Equity (%)	6.7	7.3	0.7	-1.3	11.6	4.6	4.6
Return on Revenue (%)	10.8	11.5	1.1	-2.0	13.9	6.7	6.2
NPW (P/C only) to Equity (End of Period) (%)	51	50	54	61	60	60	57
Net Reserves to Equity (End of Period) (%)	107	104	116	122	120	114	115
Gross Reserves to Equity (End of Period) (%)	125	123	148	160	142	156	146

[1] AM Best's reinsurance composite changes over time as companies enter and exit the market or rating process. In some cases, companies have been added or removed retroactively. When possible, historical data has been updated to reflect changes in companies' segment reporting.

[2] Net investment ratio based on P/C net premiums earned.

Source: AM best data and research

Appendix 4
Lloyd's Market Trends
(USD billions)

	2015	2016	2017	2018	2019	2020	5-Year Average
NPW (P/C only)	31.2	28.4	33.6	32.5	33.6	35.0	32.6
Net Earned Premiums (P/C only)	30.5	27.9	33.1	31.9	33.8	35.1	32.3
Net Investment Income	0.6	1.7	1.9	1.3	3.4	2.3	2.1
Realized Investment Gains/Losses	-0.6	0.0	0.5	-0.6	1.3	0.8	0.4
Total Revenue	**31.1**	**30.0**	**35.5**	**32.7**	**38.6**	**38.3**	**35.0**
Net Income	**3.1**	**2.6**	**-2.7**	**-1.3**	**3.3**	**-1.2**	**0.1**
Shareholders' Equity (End of Period)	**35.9**	**34.1**	**36.1**	**34.8**	**39.1**	**45.0**	**37.8**
Loss Ratio	49.9	57.3	74.5	65.4	63.4	73.2	66.7
Expense Ratio	40.1	40.6	39.5	39.2	38.7	37.2	39.0
Combined Ratio	90.0	97.9	114.0	104.6	102.1	110.3	105.8
Reserve Development - (Favorable)/Unfavorable	**-7.9**	**-5.1**	**-2.9**	**-3.9**	**-0.9**	**-1.8**	**-2.9**
Net Investment Ratio[1]	2.0	5.9	5.8	3.9	10.0	6.5	6.4
Operating Ratio	88.1	92.0	108.2	100.6	92.1	103.8	99.4
Return on Equity (%)	8.9	8.1	-7.3	-3.7	9.0	-2.9	0.6
Return on Revenue (%)	10.1	8.6	-7.6	-3.9	8.6	-3.1	0.5
NPW (P/C only) to Equity (End of Period) (%)	87	83	93	93	86	78	87
Net Reserves to Equity (End of Period) (%)	125	131	142	149	133	129	137
Gross Reserves to Equity (End of Period) (%)	160	172	205	220	200	194	198

[1] AM Best's reinsurance composite changes over time as companies enter and exit the market or rating process. In some cases, companies have been added or removed retroactively. When possible, historical data has been updated to reflect changes in companies' segment reporting.

[2] Net investment ratio based on P/C net premiums earned.

Source: AM best data and research

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