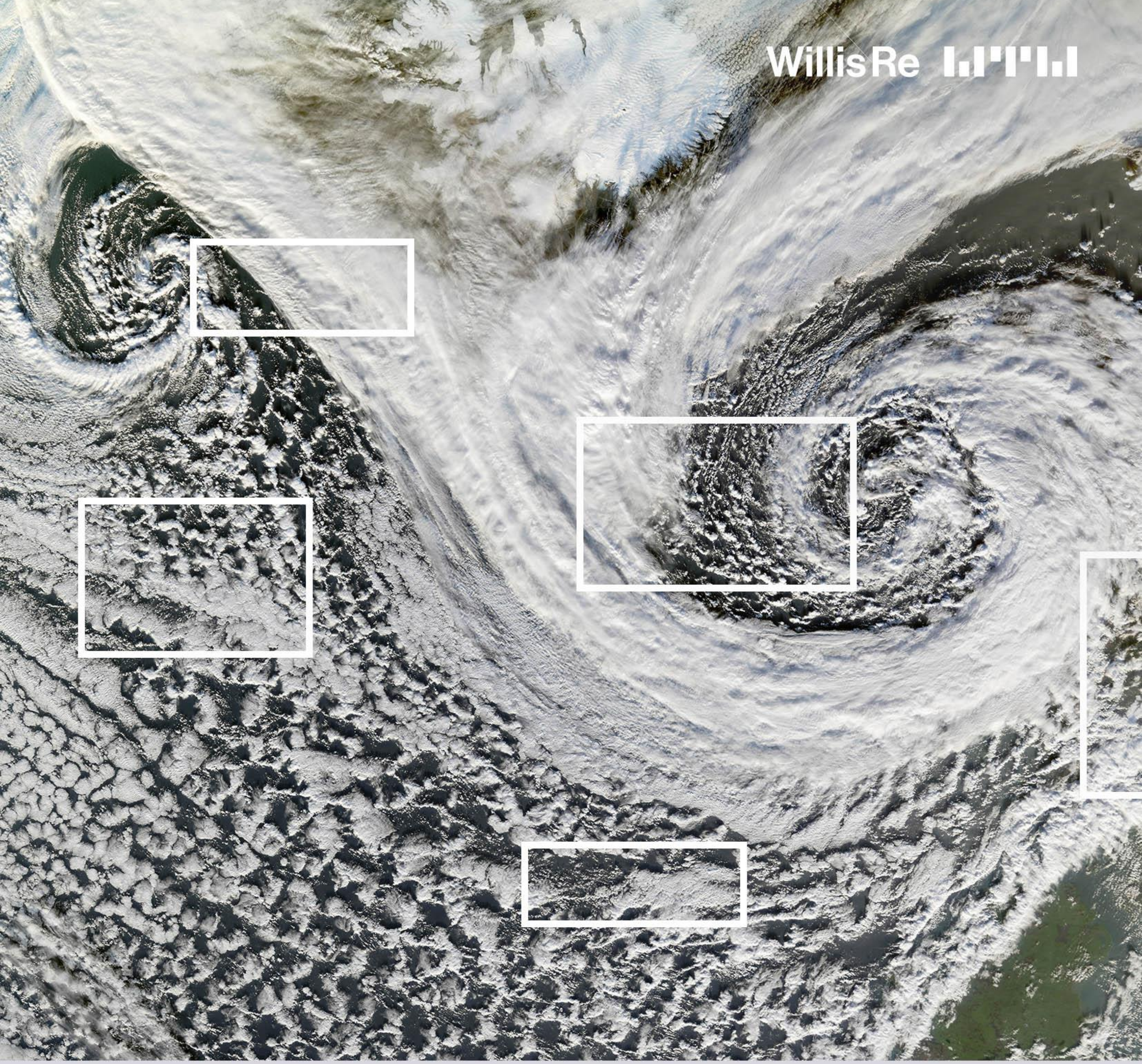

Willis Re 1st View

Firming Landscape

January 1, 2021

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1st View

This thrice yearly publication delivers the very first view on current market conditions at the key reinsurance renewal seasons: January 1, April 1 and July 1.

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Firming Landscape

The market approached the 1st January renewal season with a sense of apprehension from buyers and a sense of opportunity from reinsurers, influencing a number of capital raises both from existing and new reinsurers.

Poor underwriting results driven by elevated levels of natural catastrophe losses and prior year development on liability lines, compounded by further reductions in interest rates and emerging COVID-19 losses, all pointed towards reinsurers being able to drive higher prices and improved terms.

Buyers were quick to highlight that while some lines of business and territories have shown poor results, other areas have generated consistent profitable returns for reinsurers. The global reinsurance capital base also rapidly recovered during 2020 from a combination of improving investment markets, retained earnings and new capital, ending up 3% higher than year-end 2019. This increase in supply of capital gave buyers hope that they would not be facing a truly hard market but more of a firming landscape.

The 1.1.2021 renewal season has proved that the global reinsurance market has an extraordinary operating resilience

For buyers of short tail portfolios with poor loss records seeking to purchase reinsurance protections with high levels of attritional cover, the 1.1.2021 renewal has been demanding. Reinsurers have been concentrating on seeking adequate margins for their capacity leading to a reluctance to support aggregate and working layer covers. Conversely the pricing pressure and capacity availability on higher loss free layers eased and buyers faced far less challenges.

The continuing and worsening low interest rate environment has impacted the pricing on all long-tail lines, particularly for excess of loss due to its greater exposure to claims inflation, with reinsurers seeking substantial price increases. For long-tail pro-rata the negotiating positions between buyers and reinsurers have been more balanced particularly for portfolios where underlying rates have shown consistent significant rate increases, in some cases for three successive renewal cycles. Reinsurers on these treaties pushing for improvements in terms and conditions have been faced with buyers' increased confidence to retain more of their own portfolios, which many primary companies believe have now reached rate adequacy. At the same time additional capacity from both existing and new capital is being increasingly attracted to long tail portfolios seeing these improving original rates and conditions. This has put further pressure on incumbent reinsurers who have weathered several soft market years yet were largely unable to reduce ceding commissions as they had planned leading into the renewals.

A major concern has been a lack of clarity around COVID-19 losses which were only advised late in the renewal process or

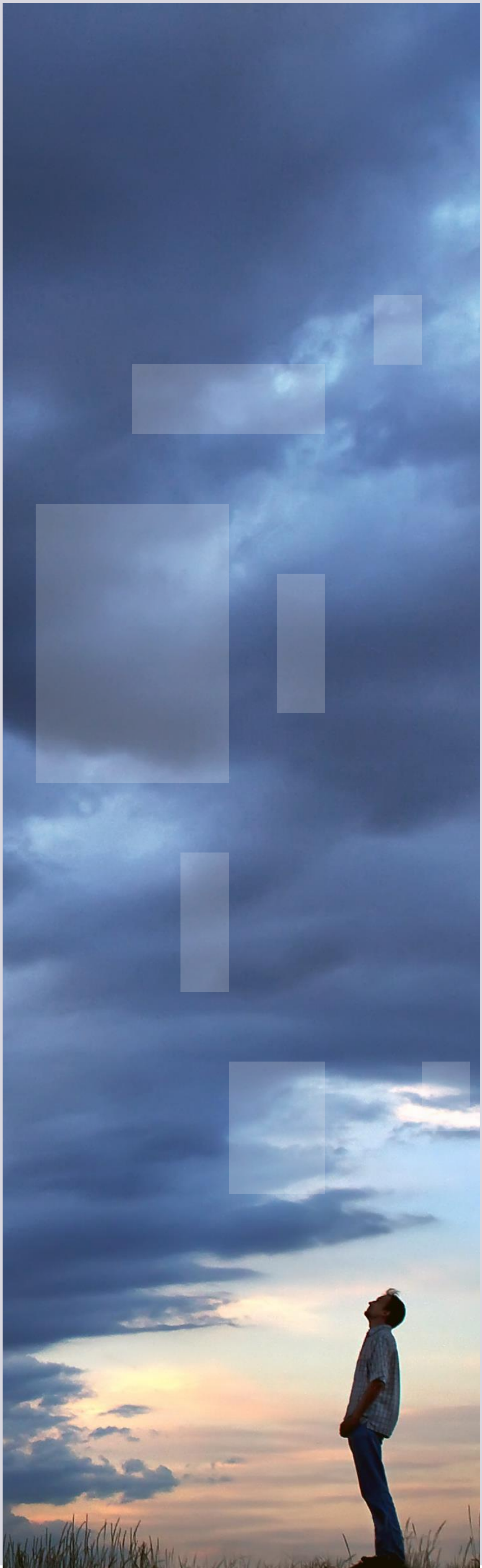
not advised at all under a growing number of reinsurance programs. The technical issues on both primary policy coverage and reinsurance treaty wordings are complex and, in many cases, still at early stages of deliberation. Sensibly rather than trying to solve complex issues under compressed renewal timelines, most programs renewed not considering any potential COVID-19 losses leaving time for more measured discussions to take place over the next 12 months and for negotiations to be deferred to subsequent renewals. Where reinsurers have been clear is their unwillingness to accept ongoing Contagious Disease (CD) exposures on short tail lines except in limited and territory specific case, and this has led to the broad acceptance of some form of CD exclusion. For long tail lines the outcome was much more nuanced both by account and class of business with CD exclusions less prevalent

A capacity shortage in the property retrocession market had been predicted, based on an expectation that trapped capital would impact ILS markets, but in reality this has not materialized to the extent expected with some funds even managing to increase their Assets Under Management. With the terms and conditions on first tier reinsurance improving, some buyers adjusted their retrocession strategies and sought less cover. Rates increased and capacity on an aggregate basis was constrained but buyers were able to source capacity through an increase in the issuance of catastrophe bonds and the growth in capacity from traditional reinsurers, who were prepared to allocate increased capital in light of the improved pricing and structures.

An efficient market always finds an appropriate balance between supply and demand as well as different parties' nuanced requirements, and the 1.1.2021 renewal season has continued to demonstrate the efficient working of the global reinsurance market. Reinsurers may express disappointment that they have not achieved all the improvements they were seeking across their entire portfolios, but they will be pleased that the persistent downward drift that has characterized recent years has been arrested and reversed. For buyers, terms and conditions have overall been reasonable and logical with the greatest areas of stress being concentrated on renewals which clearly needed remediation.

The 1.1.2021 renewal season has proved that the global reinsurance market has an extraordinary operating resilience, with working from home being the norm and traditional face-to-face meetings, an integral part of our business, no longer being possible in the vast majority of countries. As lessons are digested the reality is that our way of working will evolve more rapidly than would have been the case pre-COVID-19, with companies already updating operating models for the future. 2020 has brought vast economic and social disruption to so many parts of society. It is incumbent on all of us to recognize our own good fortune in being part of an industry that continues to grow in relevance in seeking to resolve these issues, and which faces a future with more optimism than the challenges that so many other industries are confronting.

James Kent, Global CEO, Willis Re
January 1, 2021



Property

Commentary grouped by territory

Asia

- ASEAN buyers saw flat to low single digit risk adjusted rate increases for loss free renewals.

Australia

- Reinsurers were hesitant to quote due to being unsure of the speed of market firming.
- Reinsurers viewed placements holistically and were cautious about offering terms or indicative capacity.
- Infectious Disease and Cyber clauses have been adopted (eg LMA 5456 and LMA 5458).

Canada

- Although Canada experienced its costliest historical hailstorm in 2020 at approximately $1.3bn, overall catastrophe-related claims were relatively benign across the country.
- COVID-19 has brought many businesses and economic activities to a near halt, reducing exposures and premium across select property segments. Fire-related losses have improved relative to 2019, potentially attributed to the new working from home environment.
- Generally, the primary property market has experienced improved underwriting results, driven by continued rate increases across most property segments and reduced year-over-year catastrophe losses, coupled with improvements in (attritional) loss frequency.
- Reinsurance pricing has seen some dislocation, with reinsurers targeting key relationships. Loss-impacted programs saw more challenges in both pricing and access to capacity.
- Terms and conditions were more of a focal point relative to prior years, with particular focus on exclusionary language.

Central & Eastern Europe

- A firming market was observed, however reinsurers were keen to continue relationships with key clients and were relatively flexible with final terms.
- There was sufficient capacity from reinsurers but more discipline over deployment.
- Majority of the CAT programs are loss free and renewals were straight forward.
- Loss hit Risk XLs were under pressure and reinsurers were prepared to walk away if their pricing targets were not met.

China

- Pricing correction was observed but was less than expected.
- Pro rata commissions decreased but placements were still difficult.
- Offshore reinsurers stood firm whilst onshore players were more willing to negotiate.
- Infectious Disease Exclusions and Cyber Exclusions were broadly accepted.

Europe-wide

- The end of one of the most challenging years for the catastrophe market brought a mixed outcome for reinsurers.

Whilst economics improved across most geographies, reinsurers had, on the early promise of significant rate uplifts, hoped for a more significant improvement of terms in Europe. The trend of decelerating pricing became apparent in early December, indicating that later renewals may have achieved better results. Overall catastrophe renewals were comparatively late and in the end the focus seemed more on exclusionary language than price or capacity.

- As 2020 was another year without meaningful natural catastrophe losses in Europe, the leading discussion points for European buyers and their reinsurers were the degree to which the significant pricing movements from midyear 2020 renewals would influence the European 01.01. 2021 renewals, to what extent the 2020 COVID-19 losses were going to impact catastrophe covers and the future scope of coverage in catastrophe programs for Communicable Disease (CD) and to some extent for silent cyber.
- Whilst no market standard for a CD exclusion emerged, many iterations formed around LMA 5503/5 with varying degrees of write backs. However, since very little run-off cover was negotiated, reinsurers largely achieved their goal of eliminating LOD coverage for CD exposure from catastrophe programs from 01.01.2021.
- Local and regional programs with named natural perils coverage largely escaped CD and Cyber exclusions and in some areas it has been possible to match the writebacks in the original policy wordings on a "back to back" basis with coverage given in the reinsurance contract.
- Lloyds and Bermuda led carriers appeared more principled on strict exclusions, frequently resulting in reinsurer panels shifting towards Continental European based carriers.
- Still uncertain COVID-19 losses have so far not manifested themselves to the extreme levels (c. US$ 100bn plus) that some initially feared. A balance of a less than anticipated challenge to the retro market (both price and availability), a less distressed ILS sector and increasing risk appetite for European Nat Cat exposures fueled by substantial (>10bn) investments into existing and newly formed carriers (who formed relatively late in the renewal season and were not seen as a major influence on the overall pricing dynamic) dampened initial reinsurer expectation of a significant change in European Nat Cat rates.
- Reinsurer-driven aspirations around the virtual Monte Carlo and Baden Baden conferences of +10% and more risk adjusted increases on European Nat Cat became unrealistic and those reinsurers adjusting their pricing demands (too) late, or not at all, lost out on the overall improved economics of European Nat Cat.
- Whilst terms by and large as a minimum stopped falling, upwards movement increasingly moderated through the renewal season leaving firm order risk adjusted changes for loss free catastrophe programs on average below +5%. This is against a backdrop of risk adjusted average quotes of circa +10% and firm order monetary movements in excess of +5%.
- Smaller and regional programs fared better and closer to the lower end of the Nat Cat pricing range (0% to +5%), whilst larger and multi-territorial programs on average renewed with higher increases.
- It was no surprise to see reinsurers significantly differentiating their client base which meant for most loss free local programs the renewal followed a

fairly normal process. However, most COVID-19 impacted treaties and otherwise challenged placements fared comparatively worse with increases outside of the (0% to +5%) pricing range.
- Aggregate and frequency catastrophe protections faced more severe pricing pressures in line with the higher level of loss activity seen across Europe on these covers. These covers remain core for many buyers which renewed with improved terms and revised structures in some cases.

France

- On property cat there was a clear trend of Firm Order Terms (FOT) increasing; a first for many years.
- Quotes were up high single digits. There was a wider spread for smaller programs than on the EUR1bn plus capacity covers. FOT's came in below market expectations showing low single digit increases.
- Overall premium per contract was up significantly - high single digit to mid double digit.
- Communicable Disease, and at a later stage Silent Cyber exclusions, required long negotiation.
- Some reinsurers indicated a growing appetite, not writing less than their previous signed lines with some offering substantial increases.
- Lloyd's markets and some Bermudians (especially when connected to Lloyd's) struggled when it came to wordings/exclusions, to the benefit of some continental reinsurers.
- Climate change, especially Flood and Subsidence, were pushed as a topic by reinsurers to justify price increases and/or adjustment of attachment points for some aggregate covers.
- Risk XL pricing increased significantly following another year of poor results.

Germany

- The biggest topic in the German market for this renewal was COVID-19. Predominantly non-damage BI policies were affected, but other lines of business (LOBs) (e.g. legal expense insurance, event cancellation) saw losses as well.
- Losses were unevenly spread around the market, as some insurers offer cover widely, whereas others do not.
- As some property reinsurance contracts in 2020 explicitly provided coverage for non-damage BI, some of those losses have fed through to the global reinsurance market, although in some cases the final quantum of the losses remains unclear and hence losses will not be paid by reinsurers until 2021 at the earliest.
- The foreseeable hardening market mainly influenced the exclusionary wording language, whereas price movements were relatively modest (on a risk-adjusted basis).This was driven to some extent by the long-standing, stable panels on many German reinsurance programs, the remaining strong appetite for German property reinsurance business amongst the international reinsurers and the fact that there were no natural perils losses of any notable size throughout 2020 in Germany.
- Most reinsurers demanded Communicable Disease and silent cyber exclusion clauses. A variety of clauses were discussed and finally implemented. Those reinsurance contracts covering named perils and / or LoBs without pandemic exposure did not have to include such language.
- Most other contracts either added German specific or amended standard clauses. The majority of international reinsurers were open to different

language and did not insist on specific clauses.
- Generally reinsurers based in Continental Europe showed greater flexibility and understanding of German clients' individual exposures and requirements, with some Anglo-Saxon market reinsurers taking a harder-line approach, which resulted in a few cases where those reinsurers reduced or terminated their participation for 2021.
- For some buyers it was important to try to secure some limited run-off coverage for their reducing non-damage BI pandemic exposure and finally this was achieved in a few cases, although generally with very limited capacity and only after detailed disclosure of the relevant portfolio and expected run-off pattern. However, reinsurers' default position was to exclude any form of pandemic exposure going forward.
- Reinsurance structures remained unchanged in the majority of cases. Some buyers decided to marginally increase deductibles to (partly) offset increased reinsurance premiums. Hardly any new capacity / layers / covers were bought.

Indonesia

- Plenty of local capacity across all programs for both Proportional and Non-Proportional.
- Deterioration in proportional results saw a reduction in capacity from overseas reinsurers.
- Clear segmentation of clients by the major reinsurers resulted in varying price movements across the market.
- Leadership changes occurred on some loss affected programs as did pricing differentials in order to complete placement.
- Communicable Disease Exclusions were applied across the market.

Italy

- Despite a more benign 2020, losses due to non-peak/non-modelled perils were still a key topic of Nat Cat renewals. Deterioration of 2019 Nat Cat losses and second half 2020 events created additional pressure on pricing.
- The hardening reinsurance market created additional pressure on property terms and conditions.
- Despite the lack of homogeneity in the original policy wording (also within the same line of business/risk types) the Italian market seemed not to be a driver in terms of COVID-related losses (some exceptions related to non-damage Business Interruption for hotels/restaurants).
- No homogeneous approach on wordings adopted; LMA 5394 and 5503/5 were the most used with amendments tailor made on companies' portfolios.
- Given the low penetration of London based capacity, the standard LMA cyber exclusion has only been included rarely as Continental European markets have been generally more flexible.
- Despite the low risk appetite, companies' retention levels increased in some cases on both cat and per risk programs due to pressure on reinsurance pricing and following recent loss activity.
- No major changes on cat capacity purchased despite the increase in the underlying exposures (mainly residential/public entities). Less regulatory driven capacity purchased due to internal model approvals/better exposure management.
- Independently from the changes in structures, all companies have seen an increase in spend on all risk/cat property covers.

- More flexibility from reinsurers observed in FOTs rather than in the quotation phase.
- Aggregate XOLs renewals were under pressure. More diligent approach from reinsurers with the aim to better align the interests of both parties and to find sustainability of the covers. Scarce interest from new reinsurers to enter in such programs.

Korea

- Proportional Capacity was harder to source particularly for treaties running historically low expected margins.
- A number of large risk losses during the year triggered risk adjusted price increases across the market.
- Cat capacity remained plentiful
- Communicable Disease and Silent Cyber Exclusionary language required on all Property covers.

Latin America

- Some traditional leading reinsurers were seeking price increases and more restricted terms although this has not been the approach by all with certain key reinsurers taking a more moderate approach.
- Some reinsurers who had adopted a more aggressive approach in previous years have undergone a significant change in their appetite and were only open to renewals with a reluctance to offer capacity on new business.
- Overall there was no shortage of capacity with the majority of programs continuing to be over-placed owing to reinsurers defending their existing shares and, in some cases, even trying to increase them.
- One area of concerted focus from a few reinsurers was SRCC with Annual Aggregate Limits being sought and/or reinstatements being limited when including SRCC.

Middle East, North Africa & South Africa

- Pricing adjustments for loss free XLs range from risk-adjusted flat to +10%. Increases on loss affected XLs were roughly +20%.
- Commissions on proportional treaties with healthy performance were mostly unadjusted but there were reductions for those which performed poorly.
- Capacity is still available but reinsurers were focusing on those programs where they have already deployed their capacity. It was very difficult to source capacity for completely new placements.

Netherlands

- Despite no large cat losses in 2020, the market experienced risk adjusted increases.
- Small / medium Cat programs are typically priced by Continental European reinsurers and as such these saw more moderate increases than the larger Cat programs that needed support from London & Bermuda.
- No COVID-19 losses to Dutch Nat Cat programs – BI typically requires physical damage.
- Still significant appetite for per Risk covers, despite significant loss activity in recent years.

Nordic Countries

- The Nordic region hasn’t experienced any significant Nat Cat events since 2013 and despite the turbulent 2020 the Nordic property market was hardly touched by any COVID-19 losses.
- The benign loss experience combined with what many reinsurers see as a diversifying region to the rest of Europe meant that capacity remained abundant

with stable support from existing reinsurers and additional capacity from some new entrants.

- Cat XL prices were on average between flat to +3% risk adjusted up with monetary spend up high single digit. Only a few reinsurers decided to downsize or pull out, which was mostly driven by the experience on the Risk XL's which was linked to their overall Nordic property appetite.
- The predominant topic was conditions and the territory specific coverage requirements that had to be addressed with the newly introduced Communicable Disease exclusions. Reinsurers' response to this played a big part in final signing decisions.
- 2020 saw a continuation of Risk losses, some of which were significant. This put real pressure on the Risk XL programs, even those not loss impacted. Last year's experience has created a diverse view of appropriate pricing levels and client segmentation which has driven underwriting decisions for many reinsurers. Whilst most reinsurers continued, some reinsurers with significant participations decided to downsize or pull out.
- Pro-rata treaty results remained mixed with a continuing trend of increased mid-sized property claims. Appetite for proportional business was markedly lower with downwards pressure on commission terms.

Switzerland

- The Swiss property market was divided at renewal into those companies with potential losses from COVID-19 resulting predominantly from non-damage BI policies and those with pure natural perils exposures.
- Reinsurer appetite for Property Catastrophe programs in Switzerland remained characteristically high, with several reinsurers trying to enter the market or grow their participations.
- Pricing was influenced primarily by the presence of potential losses in 2020, with risk-adjusted increases for those programs where reinsurers are facing losses.
- Renewal was stable for those companies purchasing pure natural perils coverage, with a largely. unchanged appetite from reinsurers.
- Program structures stayed generally unchanged, with one or two cases of buyers purchasing slightly more capacity at the top of their programs to address increased earthquake exposures.
- Communicable disease exclusions were implemented for those programs where exposure was identified and reinsurers generally took a flexible approach to language.

Turkey

- Pro rata treaties were placed relatively easily. No change in commissions. No new reinsurers entered or left the market.
- Cat XL placements were started early but only really concluded in late December. Some placements were challenging due to additional €800m Cat Capacity bought by TCIP in November but all programs were placed.
- Some larger buyers reduced the limits of their cat covers but the majority of buyers maintained their expiring programs even though the TL currency substantially devalued.
- LMA5410 and LMA5505 (amended) were incorporated into all pro rata and Cat XL's.

United Kingdom

- Natural catastrophe activity continues to be low in the UK but COVID-19 losses are likely to eventually work their way into a limited number of Cat reinsurance programs. With clarity on primary coverage still to be determined (Supreme Court due to return opinion in the New Year), some buyers' renewals were undertaken against a backdrop of uncertainty in respect of COVID-19.

- 2020 has generally been a better year from a single risk loss perspective and there is positive primary rate momentum evident in areas of commercial business.
- Whilst some of the early quoting pointed to large increases being sought by reinsurers, the market eventually settled at much more modest FOTs.
- Coverage was often a larger talking point than price and for both Communicable Disease and Silent Cyber wordings, a mix of LMA clauses and bespoke wordings were adopted.
- Capacity remained plentiful, particularly on Cat, with strong appetite from incumbent reinsurers as well as new reinsurers (including the class of 2020).

United States

- COVID-19 proved to be a catalyst for further rate increases following those reported in 2019 and to some extent in Q2 2018. Terms and conditions also tightened, however placements were completed at rates lower than anticipated as capital raises, start-up reinsurers and less punitive retro pricing meant the supply/demand equilibrium remained balanced.
- The quoting process started early, but due to the divergence in quoting behavior and buyer expectations ultimately FOTs were delayed until mid-December on most accounts, and in some cases later.
- Buyers witnessed a wide range of quote deviations across programs, with the greatest differential seen at the top-end of programs due to pressure on minimum rates on line.
- Some loss impacted programs saw reinsurers pushing for increases in attachment points particularly when exposed to non-peak perils such as Derecho and Wildfire.
- Aggregate capacity was the most complex area of the property market with capacity limited, especially for Hurricane and Wildfire exposed treaties.
- Conversely quota shares saw plentiful capacity as reinsurers sought to capitalize on the improvement in the underlying rate environment, especially on Excess and Surplus Lines risks.
- Reinsurers put more emphasis on contract terms, with Communicable Disease (CD) and Silent Cyber the two areas of greatest focus; this was particularly driven by Lloyd's syndicates. Many placements settled on LMA wordings for both exposures. However, certain placements saw reinsurers relaxing their positions to closer align the exclusion to the underlying policy form by allowing for an all perils write-back rather than specific named perils.

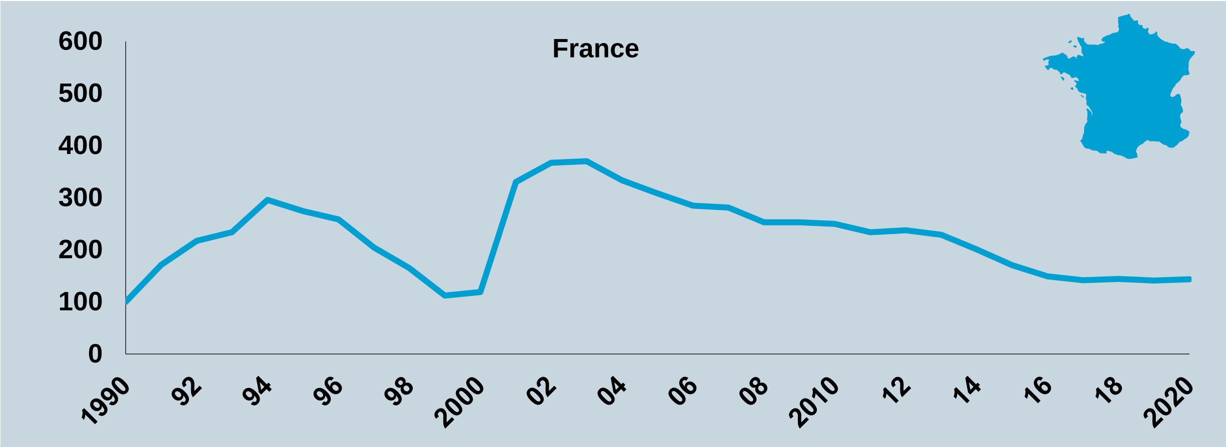
Property rate movements

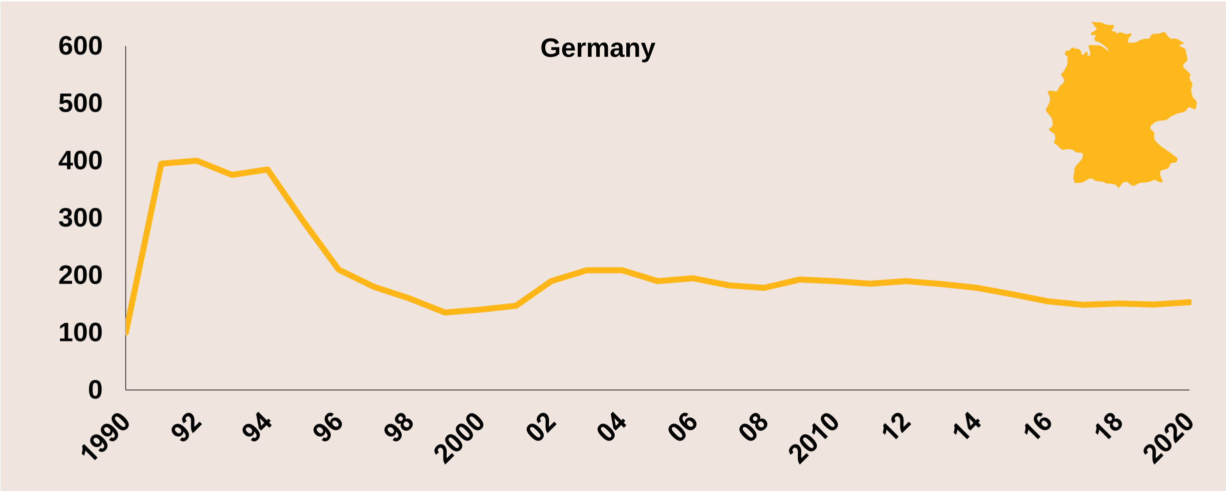
Territory	Pro rata commission	Risk loss free % change	Risk loss hit % change	Catastrophe loss free % change	Catastrophe loss hit % change
Asia		0% to +6%	+5% to +10%	0% to +6%	+5% to +10%
Australia	0%	+2.5% to +10%	N/A	N/A	N/A
Canada	0% to +5%	+5% to +7.5%	+10% to +30%	0% to +7.5%	+10% to +20%
Central & Eastern Europe	-1.5% to 0%	0% to +3%	+5% to +20%	0% to +7.5%	N/A
China	-4% to 0%	0% to 6%	N/A	0%	+10% to +20%
Europe-wide	N/A	0% to +5%	+5% to +10%	0% to +5%	+5% to +10%
France	N/A	0% to +7%	+5% to +10%	0% to +4%	N/A
Germany	0%	+0.5% to +2.5%	N/A	+0.5% to +5%	N/A
Indonesia	N/A	-2.5% to 0%	+2.5% to +7.5%	-2.5% to 0%	+2.5% to +7.5%
Italy	N/A	0% to +3%	+3% to +13%	0% to +5%	0% to +8%
Korea	N/A	N/A	+15% to +20%	-2.5% to 0%	N/A
Latin America	-2% to 0%	0% to +5%	+5% to +15%	0% to +5%	+5% to +15%
Middle East, North Africa & South Africa	-2.5% to 0%	0% to +10%	+20%	0% to +10%	+20%
Netherlands	-2.5% to +5%	-5% to +5%	+5% to +15%	0% to +5%	N/A
Nordic Countries	N/A	0% to +10%	+10% to +20%	0% to +3%	N/A
Switzerland	0%	N/A	N/A	0% to +2%	+3% to +6%
Turkey	0%	0% to +5%	N/A	0% to +10%	N/A
United Kingdom	N/A	+2.5% to +5%	+5% to +15%	+2.5% to +5%	N/A
United States - Nationwide	-2% to 0%	0% to +15%	+5% to +20%	+5% to +15%	+10% to +25%

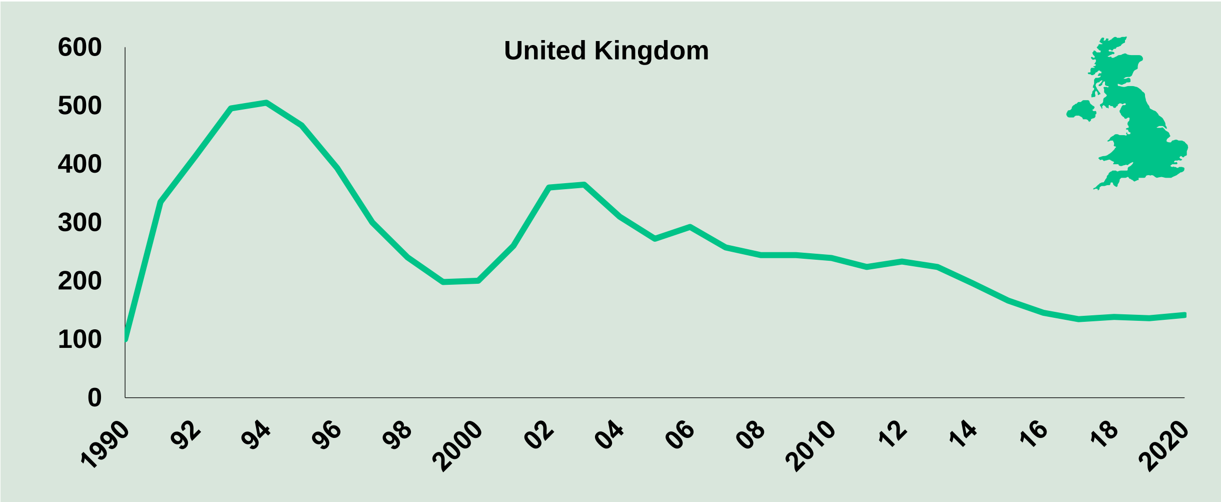
Note: Movements are risk adjusted.

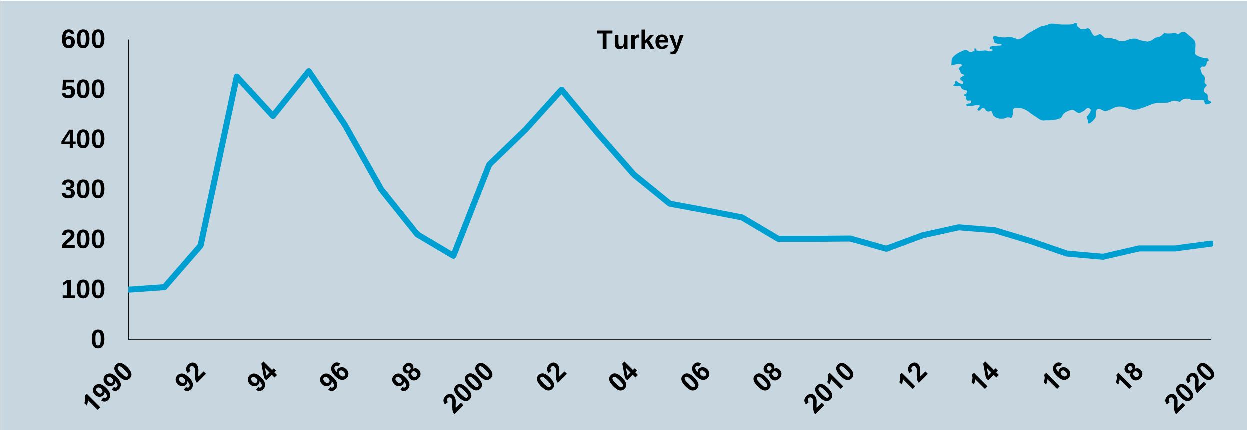
Property catastrophe pricing trends

The charts on these pages display estimated year-over-year property catastrophe rate movement, using 100 in 1990 as a baseline.





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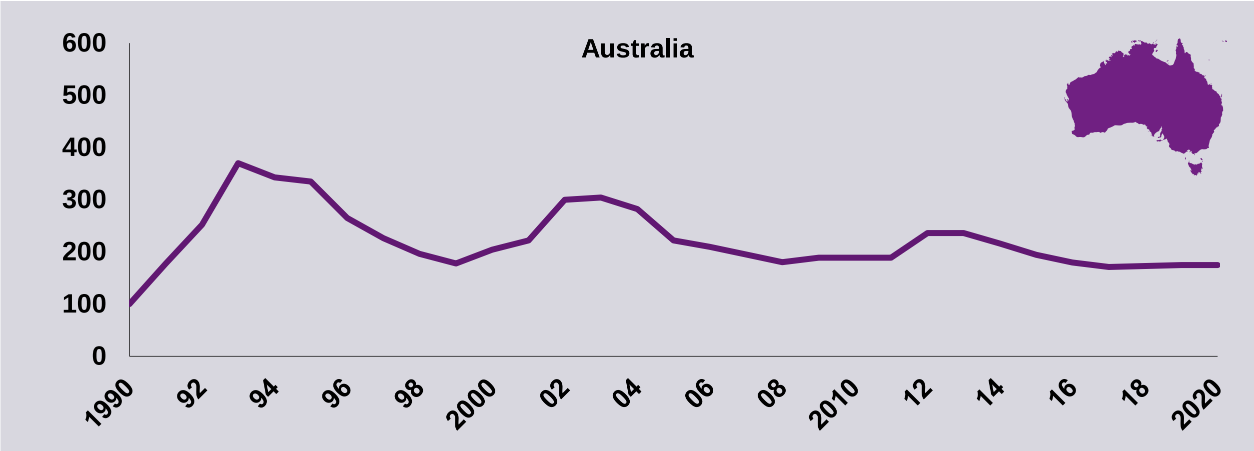
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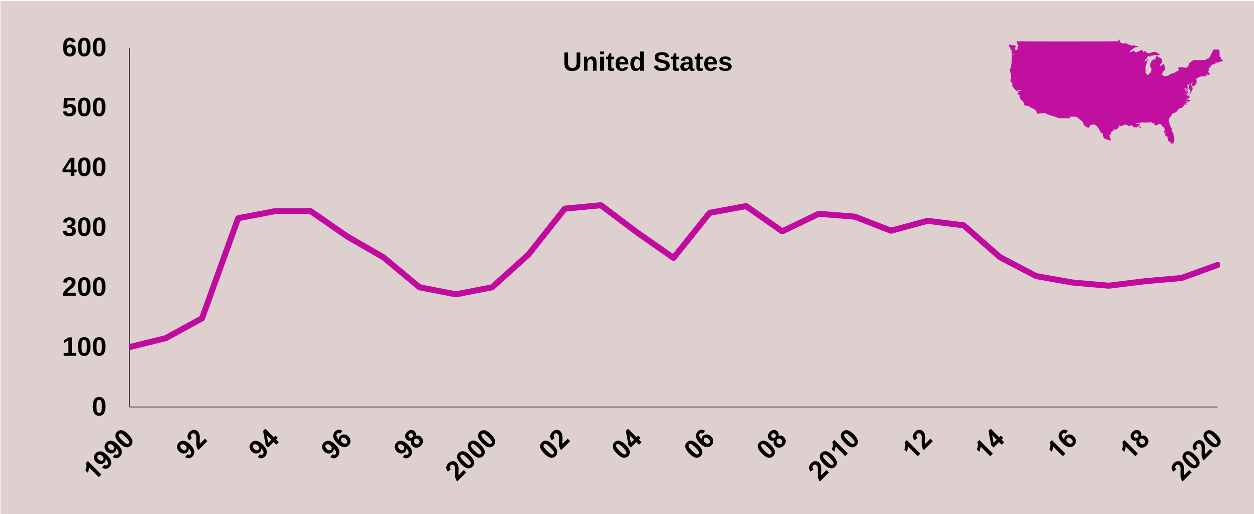
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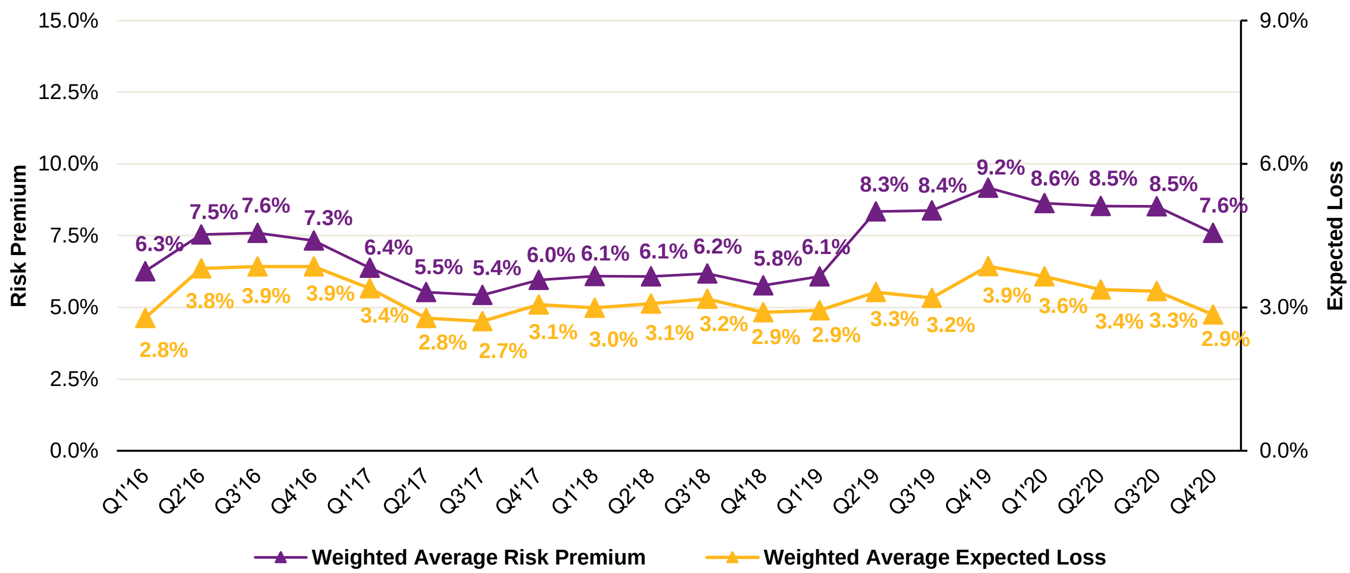
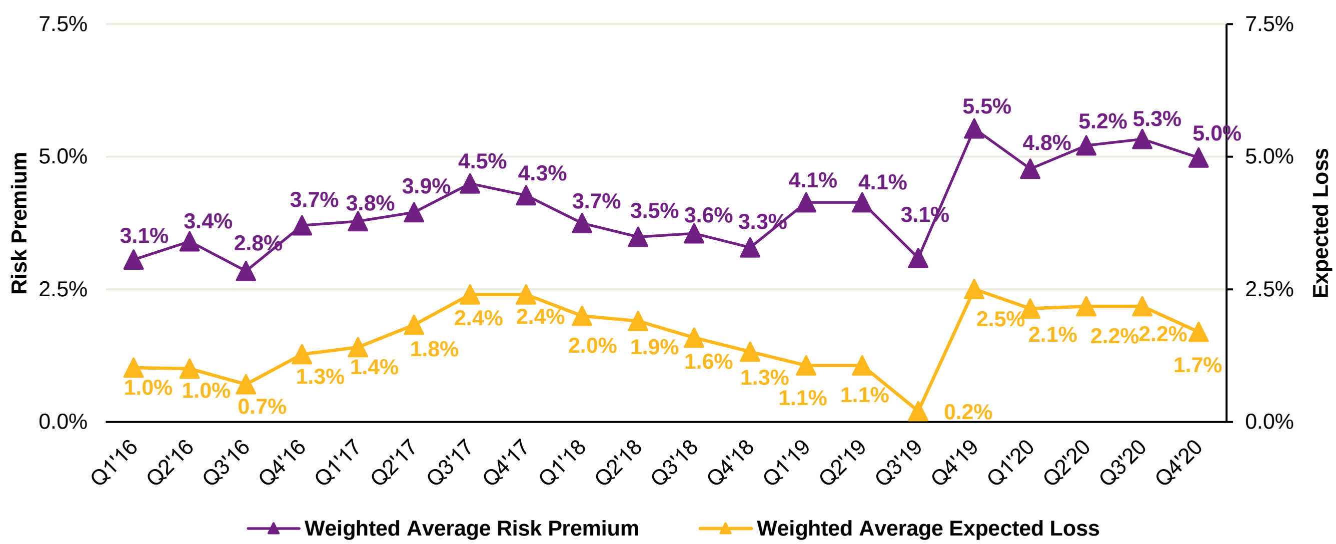
ILS Update

- Overall, the ILS market saw two opposite trends in the past few months.
- On the one hand, collateralized reinsurance and sidecars saw a contraction of capacity as investors focused on underwriting discipline following yet another year of trapped collateral, this time led by potential COVID-19 losses.
- On the other hand, the cat bond market rebounded strongly after the summer, with the majority of bond issues being upsized and/or pricing at the bottom of guidance or below.
- This demonstrates the fact that investors are valuing more the transparency and clear peril definition of the cat bond product, as well as the liquidity offered.
- Investors are still maintaining discipline on the terms & conditions of the products they write, with a particular focus on "named perils" only type of covers and requirements for well-modelled structures.
- On the retro side, a number of sponsors came to market in Q4, in particular with industry index aggregate structures.

Quarterly long-term U.S. wind exposed weighted average risk premium and expected loss

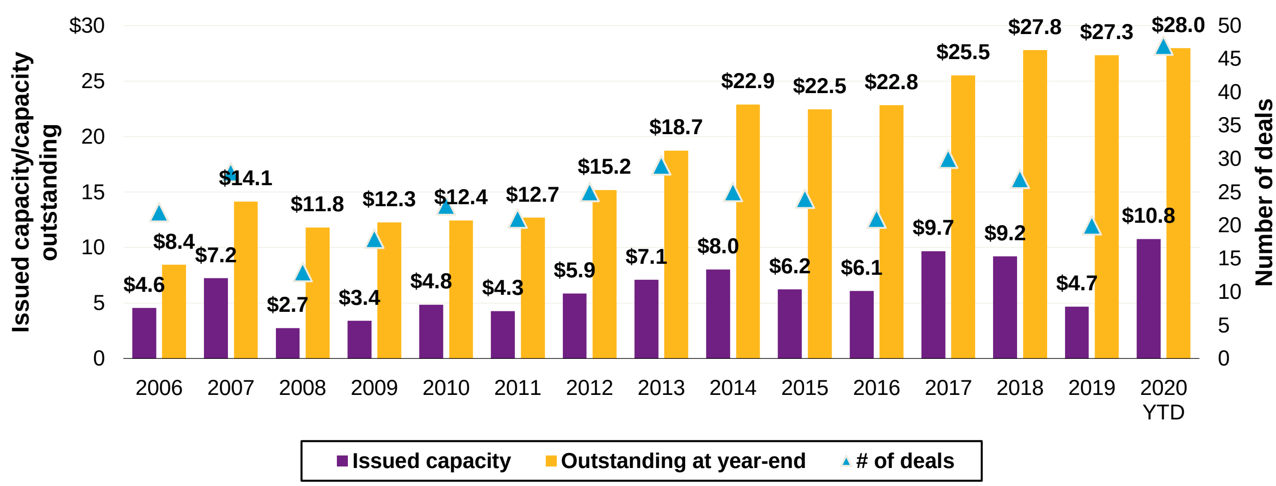


Quarterly long-term non-U.S. wind exposed weighted average risk premium and expected loss[1]

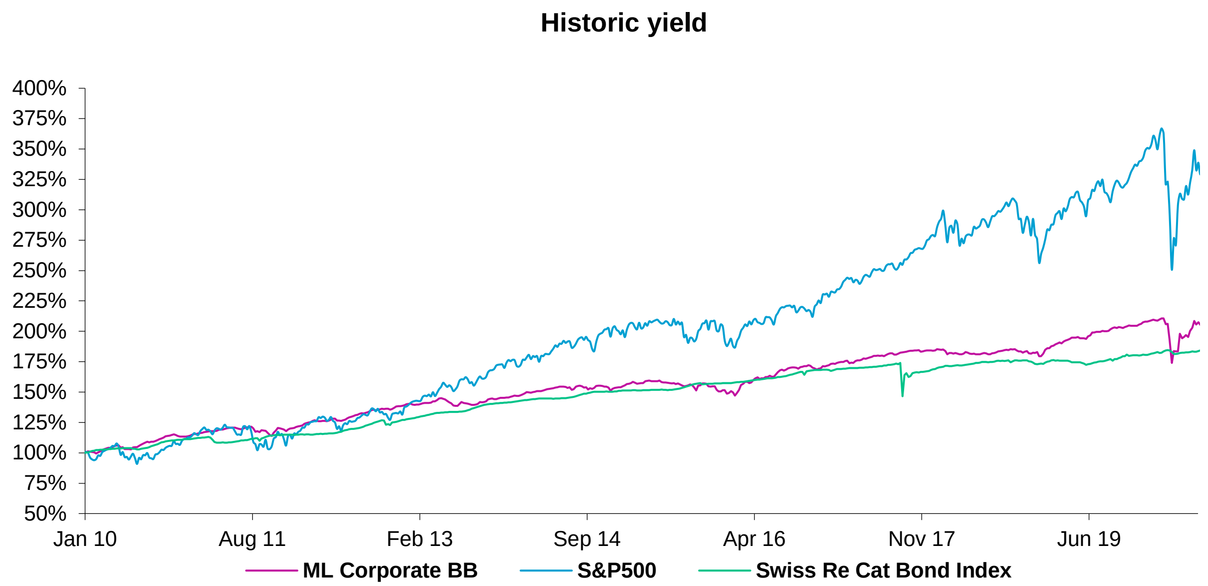


Source: Willis Re Securities Transaction Database as of 12/31/2020. Aggregate data excludes private ILS deals.
LTM = Last 12 months. Aggregate data are for primary issuance and do not reflect secondary trading.
[1] Note that the sharp decline in Q3 2019 expected loss and risk premium is caused by a lack of non-U.S. wind issuances since Q4 2018. Of those that were issued, size, expected loss and spread were relatively low, causing the drop-off in measurement.

Non-life catastrophe bond capacity issued and outstanding by year[2]



Source: Willis Re Securities Transaction Database as of 12/31/2020. Aggregate data excludes private ILS deals.
[2] All issuance amounts reported in or converted to USD on date of issuance. Outstanding amounts adjusted for actual principal losses


Historic yield
400%
375%
350%
325%
300%
275%
250%
225%
200%
175%
150%
125%
100%
75%
50%
Jan 10
Aug 11
Feb 13
Sep 14
Apr 16
Nov 17
Jun 19
ML Corporate BB
S&P500
Swiss Re Cat Bond Index

Casualty

Commentary by territory

Australia

- For excess of loss business with no loss emergence increases of the clearing prices for placement were up to +5%.
- For excess of loss business with loss emergence there were buyer dependent increases of between +5% to +10%.

International Casualty

- Casualty rates continue to be under upwards pressure. Reinsurers are focused on achieving premium rate adequacy and closing any perceived gap in 'technical' rates versus achieved rates.
- The continuing and protracted reduction in interest rates and the impact on results in longer duration portfolios has resulted in a direct knock on effect on widening underwriting profits to generate any return.
- Reinsurers have been keen to better understand the underwriting appetites and key risk metrics within ceded portfolios. Buyers providing the most comprehensive information have obtained optimal results.
- This was also true for issues associated with COVID-19, which continues to be a discussion point across all casualty treaties.
- Reinsurers have maintained a pragmatic approach to COVID-19 exposures and avoided a blanket exclusion scenario. They have however sought significantly more detail from the buyers of reinsurance to better understand potential areas of exposure.
- New clash covers or amendments to existing clash wordings received special attention following loss activity elsewhere in the world – matching contract certainty with intention has been a particular focus. COVID-19 exclusions are commonly being applied to clash covers.
- Questions regarding silent cyber exposure within current casualty placements started to appear towards the end of the renewal season, particularly from UK based reinsurers. Perhaps recognizing the many grey areas within casualty LOB's presented by silent cyber, reinsurers have so far resisted the need for early application of exclusions.

Canada — Motor Liability / Personal Accident / General Third-Party Liability

- Many general Third-Party Liability treaties are ancillary to property-related coverages and exposures in Canada.
- These protections are placed as package policies and experienced less pressure than specialty and personal accident business.
- Reinsurance pricing has seen some dislocation, particularly on loss affected specialty programs.

Europe — General Third-Party Liability / Employers' Liability / Professional Liability

- Most buyers opted to maintain stable reinsurance structures, though some buyers opted to increase retentions to manage the upward pressure on their reinsurance budgets.

- Some buyers considered consolidating their liability placements (motor and liability placements being the best example).
- Many buyers with purely domestic exposure have not experienced any significant losses and fared much better than international insurers with more global portfolios that have seen losses.
- The low interest rate/negative yield curve has impacted all buyers. Reinsurers are seeking to make an underwriting profit and are focused on making sure that they are achieving their technical pricing.
- This led to increased cost in the clearing price for casualty risk. While it varies by territory, we saw placements with risk adjusted increases between +5% to+15%.
- COVID-19 had an impact on renewals with most reinsurers seeking to better understand the exposures in each portfolio of reinsured business. This led to a focus on and clarification of wordings, not just exclusionary language but for example the manner in which a loss occurrence could aggregate under reinsurance placements.
- There were examples of buyers limiting the number of reinstatements on GTPL contracts to avoid the inclusion of a Communicable Disease exclusion clause.

Europe – Motor Liability

- Motor is one of the few markets to have received a beneficial Pandemic impact, with reduced driving patterns during periods of lock-down leading to a significant drop in claims frequency.
- Reinsurers sought to counter this positive effect by pointing to continued low investment yields leading to reducing discount rates, the general inflationary effects on larger bodily injury claims and the fact that any COVID frequency dividend is itself temporary.
- Renewal quotes have been highly varied ranging from flat to high double digit in some cases with some individual reinsurers leading the attempts to harden the market.
- However, a more rational response was given to firm orders on excess of loss programs, where rates were largely within the flat to +10% range, with some exceptions on loss impacted covers.
- On proportional treaties, some improvements in terms were available for insurers with large stable books showing improving original premiums, while there is a shortage of capacity for smaller players.

Netherlands

- The reinsurance market continues to charge more for Motor TPL XL programs with a low attachment point.
- Such programs have shown loss activity throughout 2020: both new losses, as well reserve increases on older losses.
- Pro rata commissions continue to be driven by individual portfolios, not by a market view.
- Reinsurance panels further diversified, as reinsurers who traditionally have had large shares on Motor liability decided to reduce their lines.

United States — Healthcare Liability

- Adequate reinsurance capacity remained available overall, although there was increased pressure on limit capacity for per risk and other systemic / broad loss aggregation reinsurance covers.
- Reinsurance pricing for healthcare liability lines continued to firm due to increased loss trend perspectives.

Higher attaching capacity risk layers experienced the most rate pressure.

- Reinsurer margin requirements have increased due to continued uncertainty from the pandemic and suppressed investment return expectations.

United States — General Third-Party Liability

- Continued firming of reinsurance pricing due to increased cost of capital, prior year development, increasing loss trends and the COVID-19 environment.
- Reinsurer appetite for Quota Share business thus capturing the material improvement in market conditions has increased and consequently supply/demand dynamics changed in H2 2020.
- Reinsurer appetite for Excess of Loss is more muted given the perceived primacy of severity versus frequency as the threat pending stabilization of severity trends.
- Demand has remained stable given the continued threat of prior year development, uncertain loss trends, the broader impact of COVID and an unwillingness to increase volatility.
- Some buyers are changing the ceded portfolio mix leading to reduced QS cessions which converged with greater supply while simultaneously increasing XOL to better manage volatility.
- London market quotes were generally higher than domestic reinsurers.
- Contract wordings were a battle ground as terms tightened sometimes more than price increases; COVID/CD/Pandemic exclusions continued to be required on a case by case basis. Reinsurer flexibility was mixed.

United States — Motor Liability

- Not surprisingly, driven by the reduced loss frequency associated with the COVID-19 pandemic, PPA carriers are expected to post excellent underwriting results in 2020.
- Overall, renewals saw a continued 'flight to quality' with the best performing, established programs attracting the best terms, conditions and support.
- Pro-rata renewals saw continued downward pressure on ceding commissions on loss affected programs.
- Some reinsurers have reduced their appetite, tightened terms and even withdrawn from certain segments like long haul trucking due to poor underwriting results.
- There is still more than enough capacity to meet demand (both QS and XOL).

United States — Professional Liability

- Capacity for Quota Share business has increased significantly since H1 given significant underlying rate increases coupled with limit compression notably in public D&O.
- As a result, supply/demand dynamics have fundamentally improved for buyers and the forecast *across the board* reductions in ceding commission have not materialized.
- Given wide spreads in performance, ceding commissions vary by client however 1/1 saw more flat to increased commissions where original rate increases supported improved forecast underlying results.
- XOL pricing has generally required some exposure adjusted increase given enhanced hurdle rates, loss experience,

reduced investment returns and loss trends.

- Cyber market is in flux which has led to buyers considering expanded purchases while many reinsurers took an increasingly cautious approach.

United States Workers' Compensation

- Unlike many other components of the US long tail spectrum the Workers compensation segment operates in a distinctive orbit and appears to enjoy favorable Calendar year results given reserve cushions that moderate the impact of flat accident year results.
- Notwithstanding the above the reinsurance market for U.S. Workers' Compensation shows some pricing hardening, given increased severity impacting a largely excess of loss market coupled with impact of depressed returns on one of the longer duration class of business where investment returns are more critical.
- Reinsurers at 1.1. continued to press for increased rates on the per life exposed layers. On Cat, reinsurers sought and achieved some modest rate on line increases with the balance flat. This brings to an end a period of sustained reductions.
- The impact of COVID losses on the class overall appears to be manageable however given the nature of the product the biggest struggle has been centered on Communicable Disease contract language.

Casualty rate movements

Territory	Pro rata commission	XL - no loss emergence % change	XL - with loss emergence % change
Australia	N/A	0% to +5%	+5% to +15%
Canada	0% to +5%	+2.5% to +5%	+5% to +15%
Europe	N/A	0% to +10%	+10% to +25%
International	N/A	0% to +10%	+5% to +15%
International - Motor Liability	0% to +2.5%	0% to +10%	+5% to +15%
Netherlands - Motor Liability	0% to +2.5%	0% to +5%	+5% to +10%
United States - General Third Party Liability	-2% to +1%	0% to +10%	+10% to +30%
United States - Healthcare Liability	0% to +5%	+5% to +10%	+5% to +25%
United States - Motor Liability	-2% to 0%	0% to +10%	+5% to +15%
United States - Professional Liability	0% to +2%	0%	+5% to +25%

Note: Movements are risk adjusted.

Territory	Pro rata commission	Risk loss free % change	Risk loss hit % change	Catastrophe loss free % change	Catastrophe loss hit % change
United States - Workers' Compensation	0%	+5%	+10%	+5% to +10%	N/A

Note: Movements are risk adjusted.

For workers' compensation risk layers are working layers that include single claimant coverage are actuarially priced and based on both exposure and experience; catastrophe layers that commonly require two or more claimants in the same loss occurrence are primarily priced based on capacity charges.

Specialty

Commentary by line of business

Global — Aerospace

- Loss deterioration has driven significant pricing correction.
- Market reflation and loss payback moved to more robust technical negotiations on pricing adequacy.
- Capacity remains abundant with all reinsurers seeking payback or higher margins on loss free business.
- Competition difficult to elicit with few markets willing to quote against incumbents.

Global — Cyber

- The global Cyber Market remains heavily skewed towards the US given its more evolved demand and is experiencing hard market conditions from both a primary and reinsurance market perspective.
- Causes are varied, in part driven by COVID which served to alert the entire industry to sources of other systemic threats that are neither limited in time nor place with severe accumulation risk. Also driven by constantly emerging threat vectors where experience is an unreliable indicator of future losses evidenced by the emergence of ransomware losses. Both dynamics combine to make modelling challenging and limits risk appetite.
- Primary rates have increased by +15% to +20% across all industry segments as demand increases especially for larger towers of $1B but supply remained stable as many carriers are implementing a strategy of reducing and/ or ventilating limits, increasing attachments points) and narrowing coverage, focused on managing renewal business with very conservative targets for new business.
- Demand for reinsurance has spiked since Q2 2020 as primary insurers sought to moderate volatility through reinsurance.
- Demand for Cyber Cat and aggregate stop loss has grown each quarter with market pricing adjusting accordingly as supply/demand dynamics align driving significant increases in rates on line, and pressure on Quota Share ceding commissions.

Global — Engineering

- The Primary Engineering and Construction market has continued to experience a retraction in international and global capacity and this is expected to perpetuate the ongoing hardening of primary market terms and conditions.
- Direct exposure from COVID-19 to the Construction and Engineering market has been be modest. The physical loss or damage trigger requirement under Contractors All Risks / Erection All Risks policies (including Delay in Start Up and Advance Loss of Profits) to generate a loss or delay restricted infectious disease discussions to certain markets, for example London. There is prevalent use of LMA Exclusionary language by Primary and Reinsurance markets.
- There has been evidence of hardening with pressure on Treaty terms and conditions. Proportional Treaty Commissions / Deductions have been renewed at Flat to -1%. Engineering and Construction Treaty Reinsurance

market headline capacity has remained reasonably stable but deployed capacity has been increasingly influenced by factors such as treaty terms & conditions, structure and projected margin.

- Reinsurers continue to benefit from the ongoing hardening in primary market terms and conditions. Detailed evidencing of pure and risk adjusted rate changes in addition to the impact of corrective portfolio underwriting actions on loss ratio projections going forward remained of crucial importance in converging the views of reinsurer underwriters, actuaries and senior management on projected treaty profitability.

Global — Marine

London Market

- New entrants to the market have contributed to a slight increase in capacity.
- Programs that are loss free and paying an increase saw increases in reinsurers' overall written lines.
- Concerns over Catastrophe aggregate in the Gulf of Mexico and on peak Offshore Energy / Terror risk exposures.
- Programs paid risk adjusted rate rises on clean business, with loss-affected business paying slightly more.
- Coverage has been as important as price with emphasis from reinsurers on Silent Cyber and Communicable Disease exclusions.
- New appetite for Quota Share business on the Marine side due to rate rises in the direct market

Asia

- In Asia-Pacific where clients generally tend to purchase Combined Marine programs, on clean business the rating increases have been moderate. On loss-impacted accounts rating increases have been more significant with a large range of increases, with reinsurers often seeking to amend the Treaty structures to provide more sustainable foundations.
- The market capacity to write Marine Excess of Loss business has not reduced, though willingness for potential new or following reinsurers to challenge a leader's position has reduced. Most programs renewed with their incumbent leaders.
- In North East Asia most ceding companies utilize Quota Share & Surplus Treaty capacity. The results of these treaties have been generally deteriorating in the past few years as premium volume has been impacted by reductions in original rates. The terms on these treaties have generally continued to tighten in 2021 continuing a trend which started at 2019 renewal.
- Some Marine proportional treaties have had significant Loss Participation Clauses introduced, Provisional Ceding Commissions reduced, and Sliding Scale Commissions imposed that seek to protect reinsurers. Reinsurers have also tried to impose specific exclusions to address problematic sub-classes of business – with varying levels of success. Reinsurers have been keen to stress the importance of original rating increases to improve their positions going forward.
- Even on historically profitable contracts reinsurers have had success in imposing terms consistent with a hardening market.

Global — Non-Marine Retrocession

- The capacity constraints envisaged earlier in the year as a result of the COVID-19 pandemic, trapped collateral and perceived challenges in ILS fundraising did not materialize to the extent originally anticipated resulting in a less marked impact on the retrocession market than first feared.
- The rating environment produced a positive uplift for reinsurers, but material gains were offset as supply remained largely adequate and demand for UNL excess of loss was down more than expected (initial estimates point to a reduction of UNL covers in excess of $1bn). Reductions in demand were driven by buyers' willingness to grow their net positions and competing products in the ILS and QS arena.
- Coverage continues to be a hot topic with reinsurers looking to remove any ambiguity in covered perils going forward with cover for named perils only, tighter Cyber exclusions and Communicable Diseases exclusion as standard on contracts.
- A number of more established buyers looked to the Capital Markets to satisfy their purchasing requirements with equity raises via debt issuances / rights issues being common place across H2 2020 and the Cat Bond market where new issuances for index linked products were able to secure large limits and efficient pricing.
- There is still a large degree of uncertainty surrounding COVID-19 coverage within 2020 retrocession placements with no precedents set. In the majority of cases the market is looking to address this topic at a later stage with reinsurers and cedants focused on trading forward in 2021 as the priority.

Global — Personal Accident / Life Catastrophe

- Significant pressure on loss affected portfolios but for pure PA Cat/Risk (No travel) there is still plenty of capacity.
- Reinsurers looking for more stringent restrictions in cover (Pandemic /Epidemic exclusions etc).

Global — Political Risk

- Despite carrier exits, consolidation through M&A activity, Lloyd's scaling back, increased loss activity and concerns over Global Economic outlook, the Political Risk insurance market continues to expand through new entrants.
- Losses expected from COVID-19 and the slump in oil price haven't materialized to the extent first feared, aided by Government led stimulus packages and forbearance.
- Previous "abundance" of reinsurance capacity saw a significant dilution for 2021.
- The subsequent hardening in terms and conditions for reinsurance renewals has continued further, despite the absence of significant COVID loss development and improved insurance terms and conditions. Apprehension around the uncertain economic outlook remains.

Global — Trade Credit

- Modelled probabilities of default have increased substantially across a variety of trade sectors as a result of the COVID-19 pandemic.
- Reinsurers have been seeking higher margins in the face of increased uncertainty.

- No significant increase in loss activity to date, due to state support in most developed countries.
- No noticeable reduction in appetite from reinsurers at appropriate prices.
- Outlook for 2021 remains uncertain with state support for Trade Credit continuing at least until 30 June 2021.

United States - Surety

- As the broader market hardens, the approach from surety reinsurers was measured, with meaningful differentiation among clients, portfolios and structures.
- Despite efforts from reinsurers to push pricing upward during the quoting stage, Firm Order Terms settled with low-to-mid single digit rate increases for loss-free programs.
- Stable pricing and capacity were deployed selectively to provide meaningful lines to market leading carriers. Loss impacted programs experienced considerable rate increases, coupled with increased retentions and co-participations.
- Capacity remained adequate for buyers with strong trading relationships who pursued well-designed reinsurance programs with thoughtful and robust reinsurer communications.
- Reinsurers who perceived pricing to be inadequate were primed to restrict capacity, and buyers were successful in replacing them with reinsurers eager to improve their market position.
- Cedants maintained retentions and capacity purchased, with a select few being forced to assume increased retentions to achieve a desirable economic outcome. Excess towers remained consistent with prior years, with limited interest in growing capacity.
- Commercial segments were significantly reinsured, driving a disparity between net and ceded results.
- While the subject of COVID-19 and its economic impact on the market have often been the focus of reinsurer inquiry. These concerns have yet to materialize in the market, with negligible surety loss activity associated with the pandemic.
- Buyers proactively conducted thorough reviews of their underlying portfolios and stress tested scenarios in a COVID environment.
- Communicable Disease clauses prevalent in other industry segments were not a focus, and surety placements renewed without inclusion of these clauses.

Specialty rate movements

Territory	Pro rata commission	Risk loss free % change	Risk loss hit % change	Catastrophe loss free % change	Catastrophe loss hit % change
Aerospace	-1% to 0%	+25% to +35%	+35% to +60%	+40% to +60%	+50% to +250%
Cyber	-3% to -1%	N/A	N/A	N/A	N/A
Engineering	-1% to 0%	N/A	N/A	N/A	N/A
Non-Marine Retrocession	-5% to 0%	+5% to +15%	+15% to +25%	+5% to +15%	+10% to +20%
Personal Accident / Life Catastrophe	0%	+10% to +20%	+50%	+10% to +20%	+25% to +40%
Political Risk	-2% to -1%	+10% to +15%	+15% to +20%	N/A	N/A
Trade Credit	-4% to -2%	+3%	+20% to +50%	N/A	N/A

Note: Movements are risk adjusted.

Global and local reinsurance

Drawing on our network of reinsurance and market experts worldwide, and as part of the wider Willis Towers Watson company, Willis Re offers everything you would look for in a top-tier reinsurance advisor, one that has comprehensive analytics and transactional capabilities, with on-the-ground presence and local understanding. Whether your operations are global, national or local, Willis Re can help you make better reinsurance and capital decisions, access worldwide markets, negotiate optimum terms and boost your business performance.

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