The Institutes® Griffith Foundation

NAIC CIPR

Beyond the Basics: P&C Reinsurance

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Recording & Materials

AUGUST 11-14

NAIC®

2026 SUMMER NATIONAL MEETING
COLUMBUS, OH

Reinsurance Definition

Specialized insurance contracts offered by

- Large
- Well-capitalized
- Well-diversified
- Technically sophisticated

reinsurers to help primary insurers and captive insurers facilitate risk pooling and stabilize the primary market.

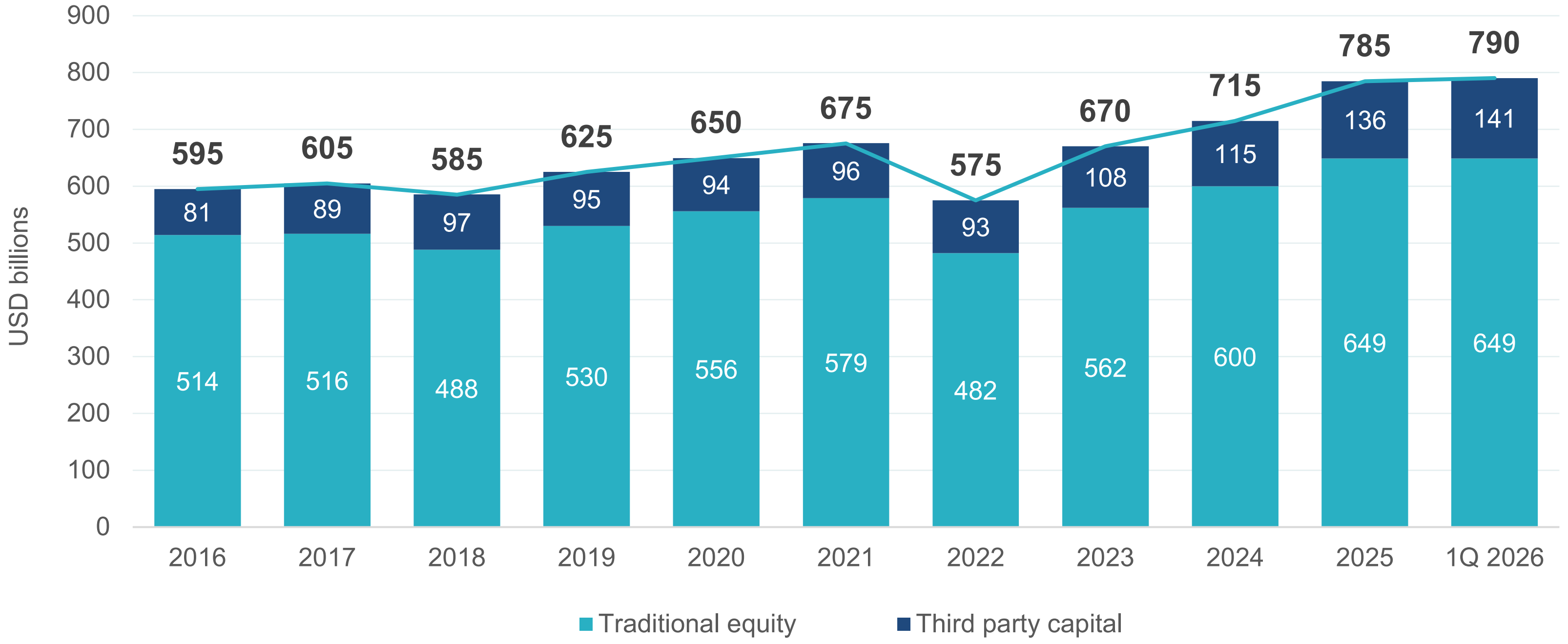
Global Reinsurance Leaders Today

Reinsurer	Country	2025 Premium*
Munich Re	Germany	$42,795
Swiss Re	Switzerland	$43,142
Hannover Re	Germany	$37,696
Berkshire Hathaway Re	United States	$26,906
Lloyd’s	United Kingdom	$23,465
Top 40 firms		$347,087

*Source: S&P Global Reinsurance Highlights, dollars in millions

Global Reinsurer Capital

Aon estimates that global reinsurer capital rose by $5bn to a new high of $790bn over the 3 months to March 31, 2026.



Reinsurance Reasons

- Tax Advantages
- Capital Substitute
- Earnings Smoothing
- Real Services Efficiency

Tax advantages

- Primary insurer pays taxes
- Reinsurer is tax-sheltered
- Primary cedes premium to a tax-sheltered jurisdiction
  - Tax position may reduce reinsurance cost
  - Total reinsurance cost (including commissions) will need to be lower than primary insurer’s tax burden
  - Primary insurer expenses reinsurance premiums before tax
  - Reinsurance may increase capacity

Reinsurance Reasons

- Tax Arbitrage
- Capital Substitute
- Earnings Smoothing
- Real Services Efficiency

Capital Substitute

- Regulator’s task: maintain industry solvency
- Minimum risk-based capital requirements
- Excess capital often held in cash and low-yield securities
- Low returns prevent investment profit
- Reinsurers assume low-probability, high-attachment risks
  - More diversification opportunities
  - Access to international capital markets
- Reinsurance can substitute for capital; may reduce overall capital costs for primary insurers

Capital Substitute

Health of the reinsurance market supports:

- Consumer protection
- Market availability / capacity
- Financial stability

Reinsurance Reasons

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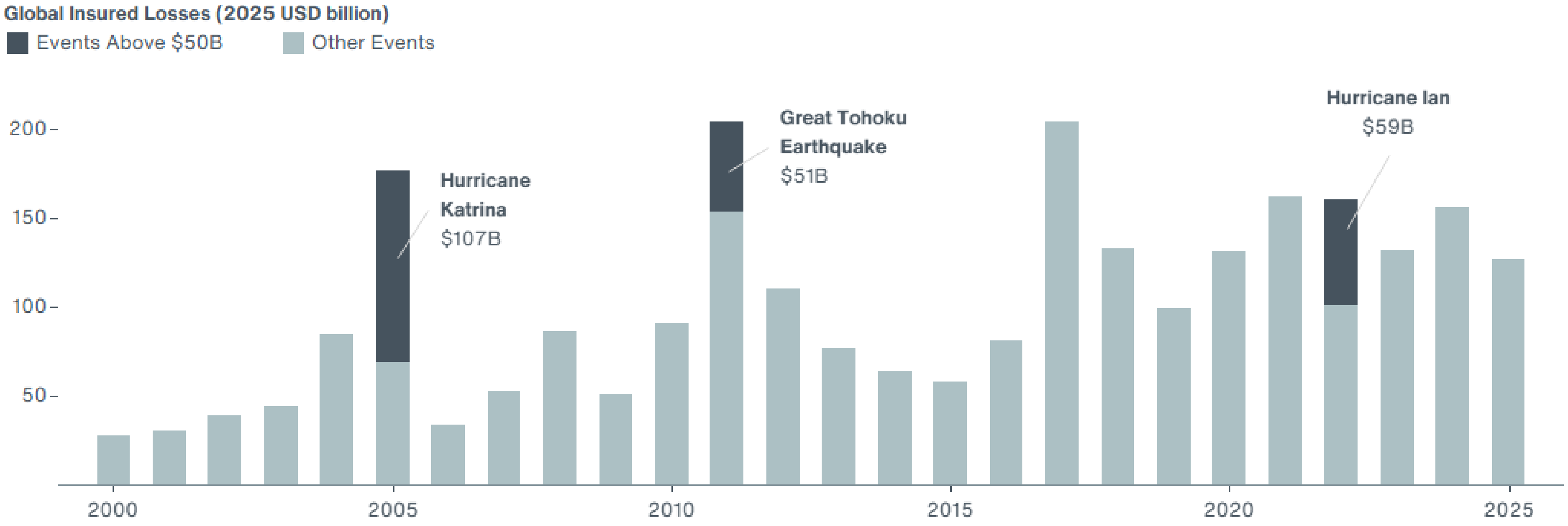
Earnings Smoothing

- When losses could be highly correlated:
  - Common weather conditions impact property losses
  - Heavy traffic or road conditions impact auto losses
  - Legal standards impact liability
- Reinsurers handle some proportion of the overall loss or the extreme tail
- Primary insurers maintain stable earnings
- Can impact managerial compensation and corporate bond ratings
- **Reduces the need to raise new (costly) capital following a catastrophe**

• Catastrophe Losses - Insured

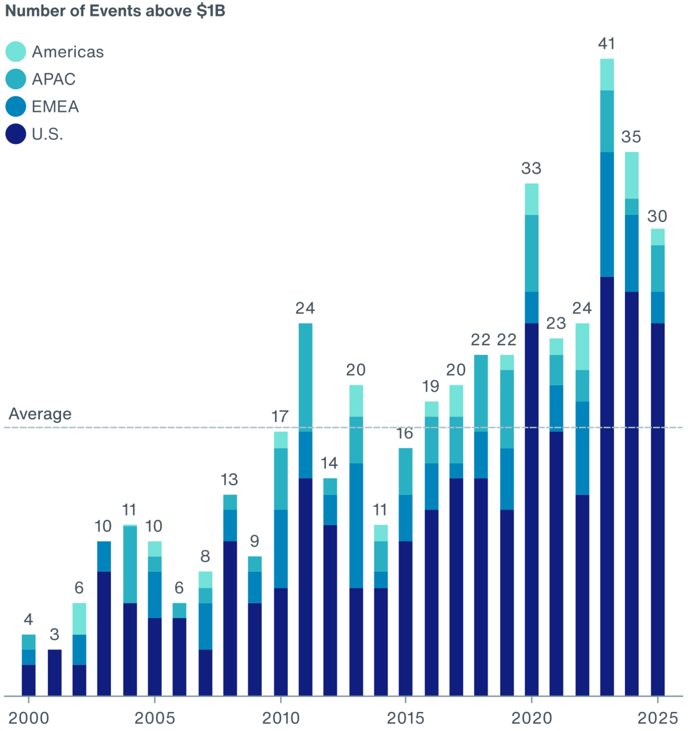
- Increasing loss trend over 25+ years, more stable over the last 10 years

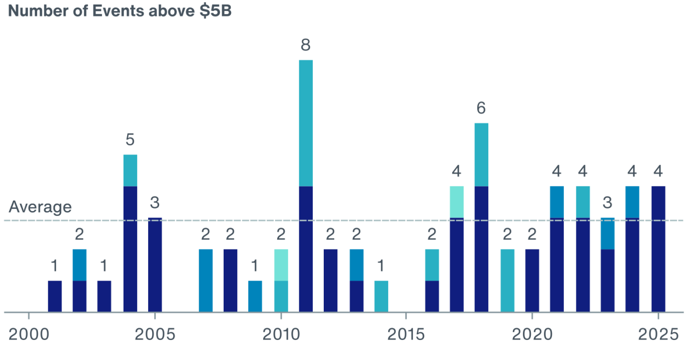


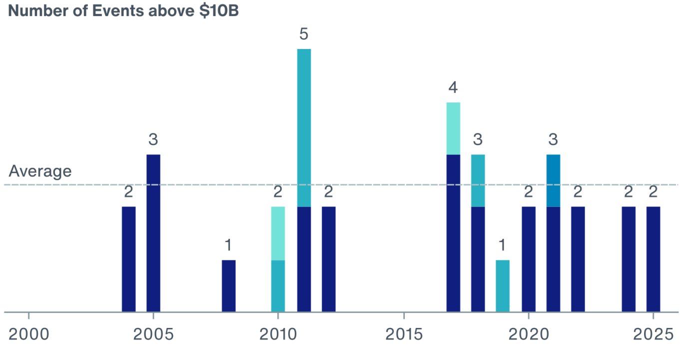
Source: Aon Catastrophe Insight

- # Increasing Frequency

- Increased valuation and aggregation drives 80% of increase







Source: Aon Catastrophe Insight

Earnings Smoothing

Primary insurers are using reinsurance (and other instruments) to bolster their capital base:

- NAIC Schedule F helps evaluate reinsurer quality
- Individual contracts may be subject to additional scrutiny
- Reinsurers provide an important source of stability and expand capacity

Reinsurance Reasons

- Tax Arbitrage
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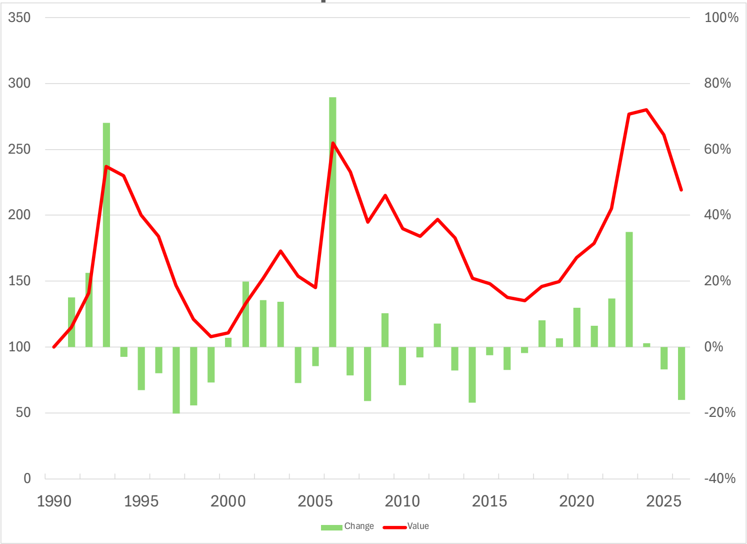
Real Services Efficiency and Renewal Business

- Specialized claim-handling capacity to help manage catastrophic events
- Advanced risk-modeling and analytical models to improve peak risk pricing
- Concerns about risk-shifting can be addressed through repeated contracts
  - Evidence suggests that both premiums and profits increase with the number of renewals
- Advantages in real services can make even “expensive” reinsurance accretive and value-enhancing for primary insurers and the market

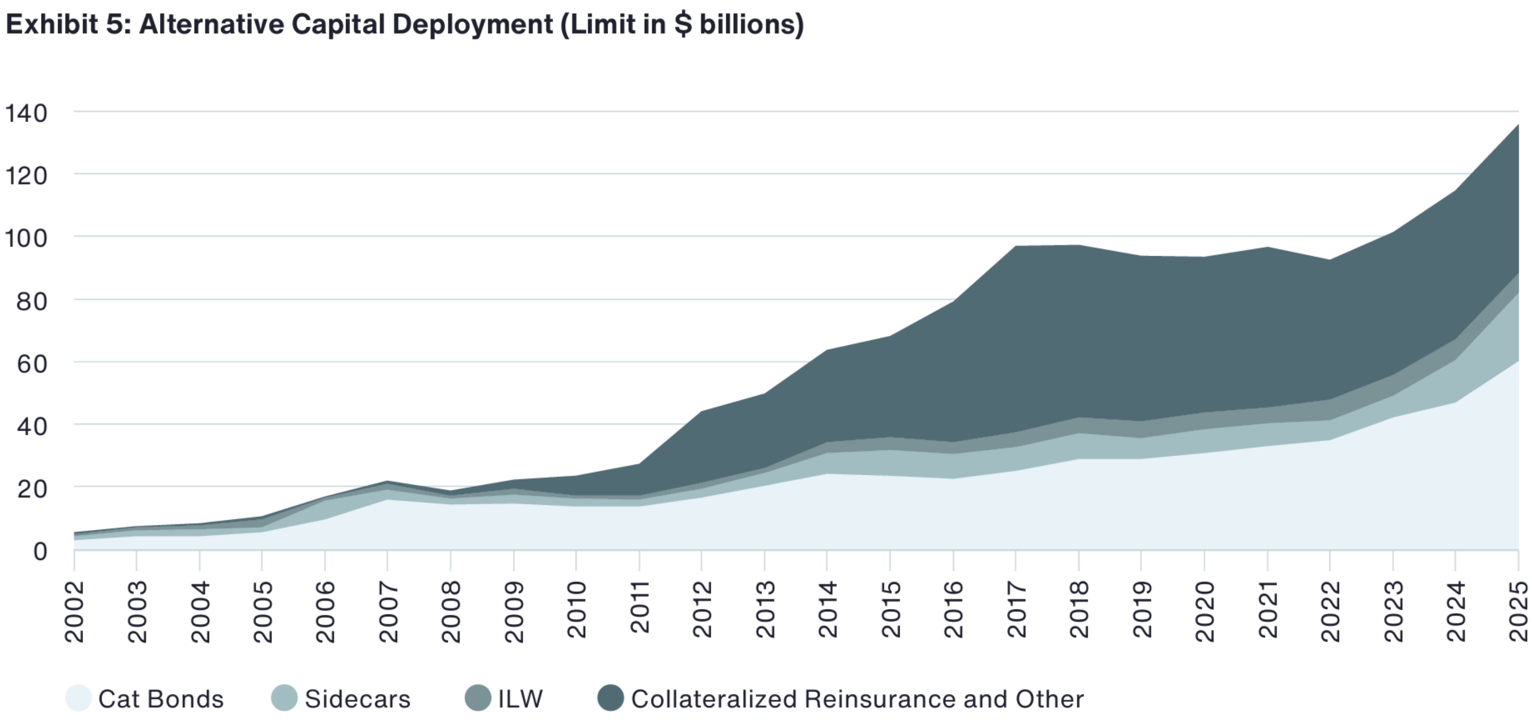
Reinsurance Pricing

- Measure of relative reinsurance cost
- Premium divided by limit
- Guy Carpenter Index measures price movements over time



Source: Artemis.bm Indices Directory

Alternative Capital Growth



Source: Aon, April 2026. “Reinsurance Market Dynamics.”

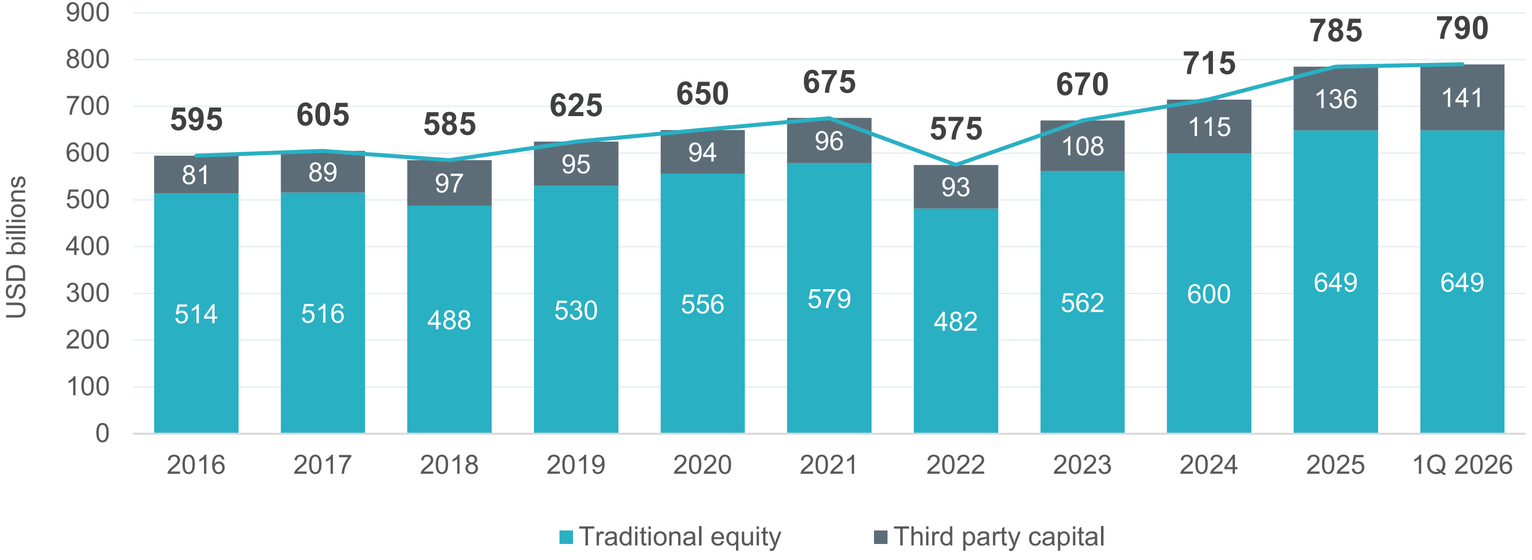
Global Reinsurer Capital

Capacity remains at record levels

Aon estimates that global reinsurer capital rose by $5bn to a new high of $790bn over the 3 months to March 31, 2026.

Headline growth in traditional equity stalled in 1Q 2026, despite strong earnings, as capital market volatility impacted underlying bond values.

Third party capital increased to $141bn, with recommitted profit and new inflows supporting continuing growth in cat bonds and sidecars.



Third Party Capital Development

Alternative forms of capacity continue to grow in relevance

Aon estimates that third party capital has increased by $26bn to a new high of $141bn over the last 15 months.

The pool of available capital is broadening, further expanding the market's ability to take on risk at favourable terms.

Record levels of catastrophe bond issuance have been achieved in each of the last 3 years.

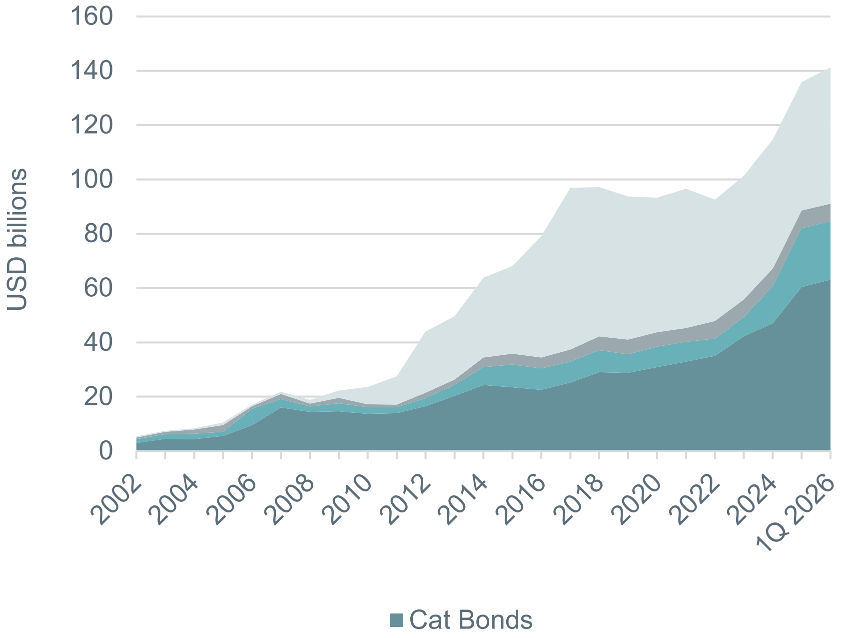
Large alternative asset managers (e.g. Blackstone) have expanded their participation in the ILS space.

Reinsurance buyers have begun to establish Lloyd's syndicates backed by third party capital to take a share of their group spend.

Casualty sidecars are proliferating, as third party capital makes its presence felt in the long-tail market for the first time.

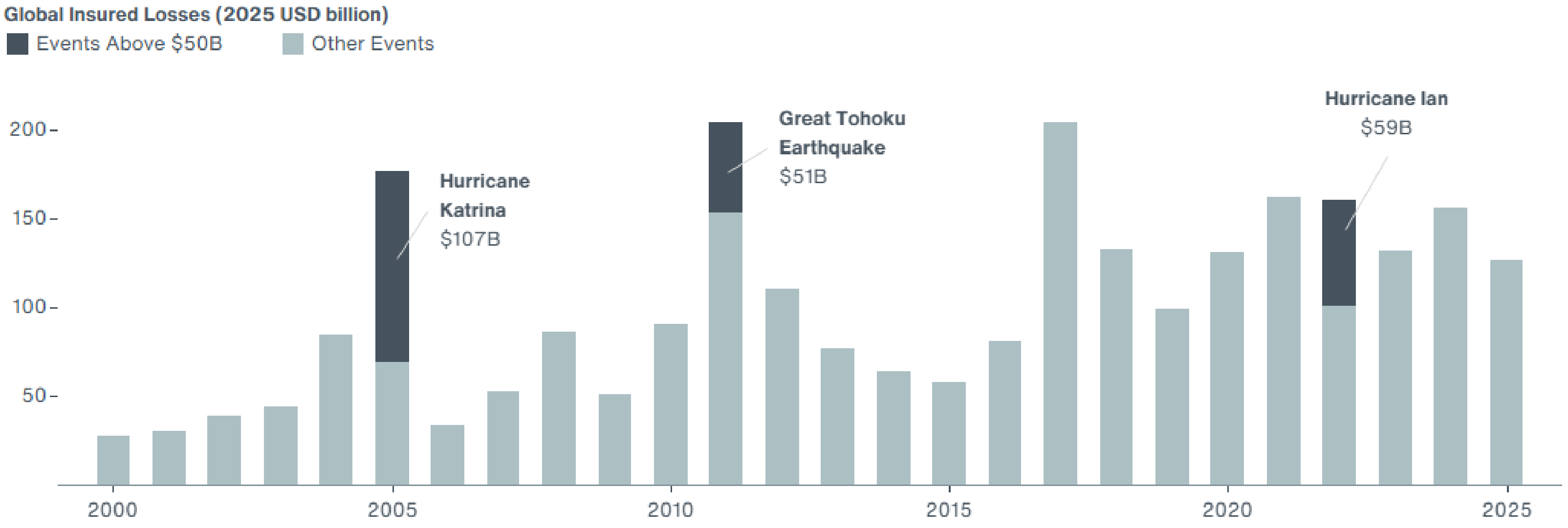
For traditional reinsurers, third party capital increases competitive pressure in some areas, but also provides opportunities.

Aon expects strong non-correlating returns to continue attracting reinvested profit and new commitments in 2026.



Catastrophe Losses - Insured

Increasing loss trend over 25+ years, more stable over the last 10 years



10 year average insured loss: **Global USD$139B**, but the Global Economic Loss has averaged **$336B** this century

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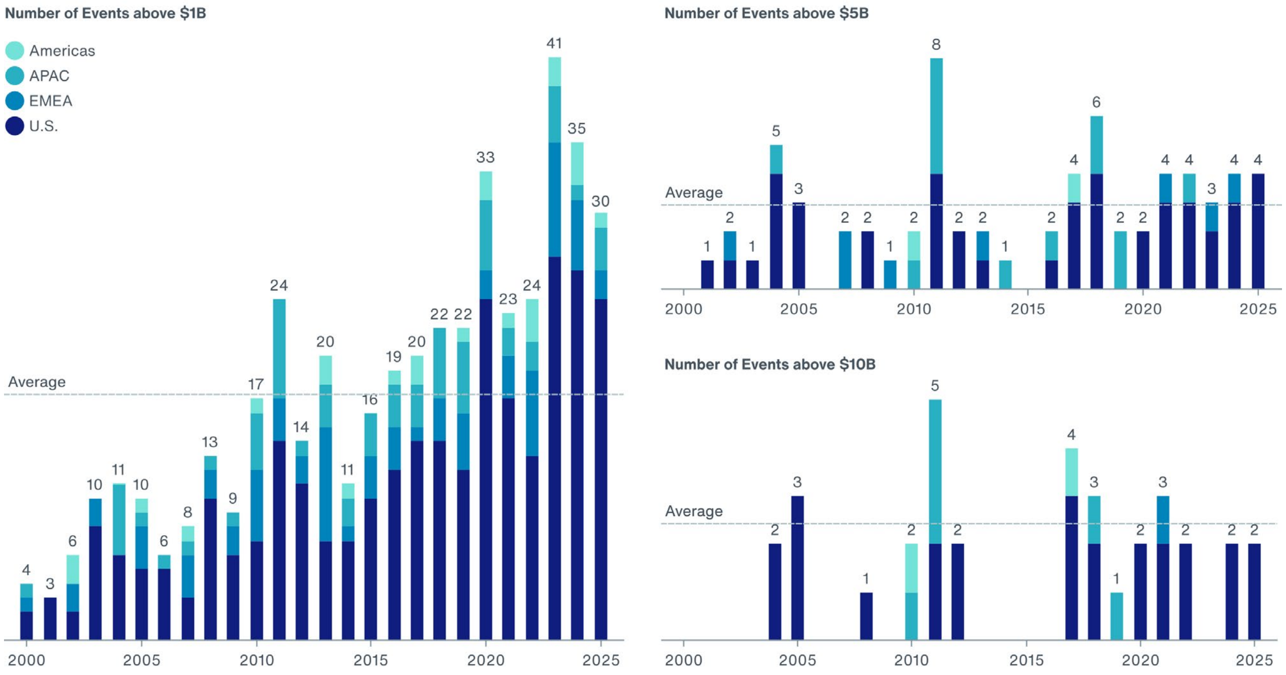
Notable Events Are Becoming More Frequent

Increased valuation and aggregation of risk is driving 80%+ of this increase



Average of 17 USD$1B+ events over 26 years, 27 over the past 10 years.