

SIR 2025 Annual Conference

CHICAGO, IL

Fairmont Hotel in Chicago

May 4-6, 2025



SIR | SOCIETY OF
INSURANCE
RESEARCH

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Key industry topics for 2025

Thorsten Schier, Insurance Insider

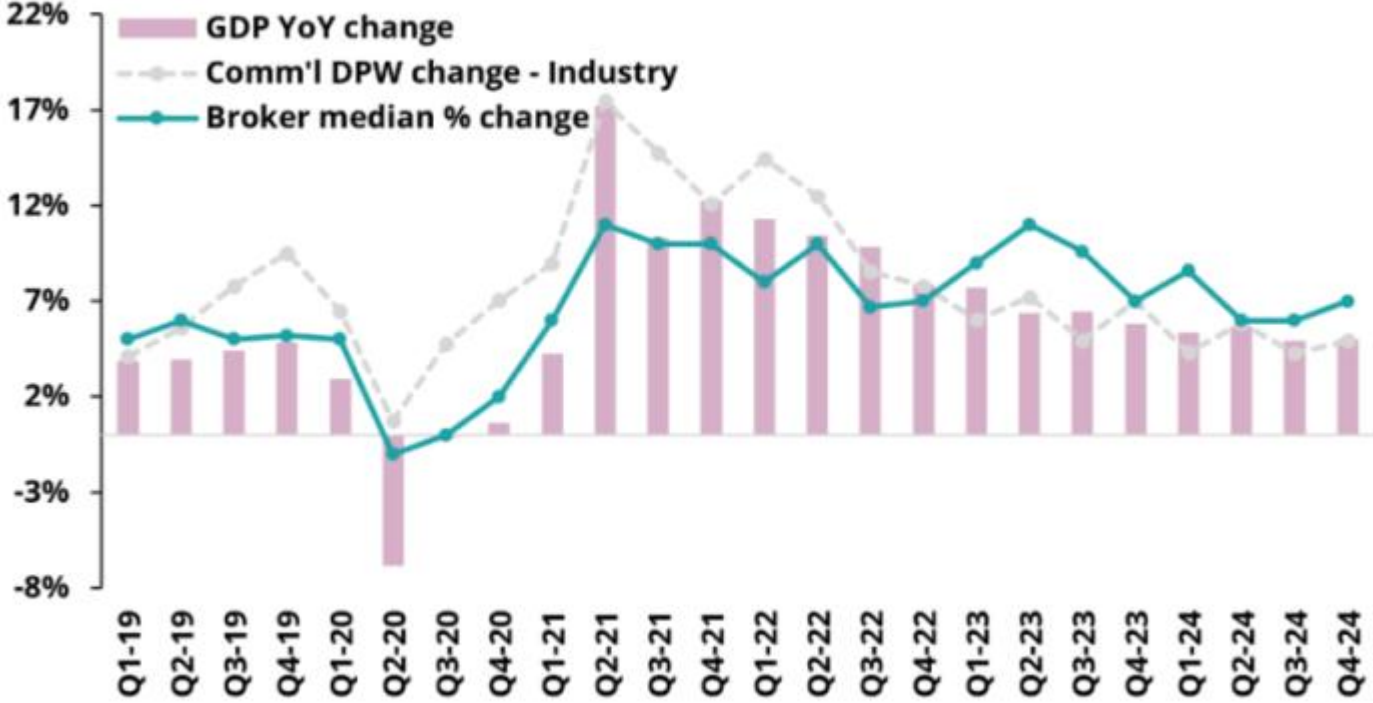
Key topics Insurance Insider is watching this year

1. **Macro-economic developments: tariffs, gov. cutbacks**
2. **Cat losses, particularly from convective storms**
3. **Ongoing reserving issues in US casualty**
4. **Consolidation in the broker space**



1. Macro-economic impacts

Broker and commercial growth vs GDP



Source: FRED, S&P Cap IQ, Insurance Insider US Research



1. Macro-economic impacts

- The chart shows and commercial insurance direct premiums written change compared to GDP growth over time.
- Commercial insurers' premium growth was heavily correlated with GDP growth by an R^2 factor of 0.9 over the post-pandemic period. On the other hand, brokers are correlated, but to a lower extent, with an R^2 of 0.6.
- This makes intuitive sense since brokers have diversified into consulting and other services such as health and benefits. The topic of tariffs continues to evolve on a daily basis, so the prospects of an economic slowdown remain unclear.
- Nonetheless, if this situation remains unchanged and reported GDP numbers reflect the downward revision in expectations, we expect a negative impact on the P&C industry's top line.



1. Macro-economic impacts

Commercial lines price movements - renewal rate change (%)

Carrier	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
Travelers (BI excl. NA)	+4.4%	+4.9%	+5.0%	+4.5%	+4.7%	+7.2%	+7.9%	+7.2%	+6.9%	+6.4%	+7.2%	+6.9%	+6.4%
Selective Ins. (CL)	+4.8%	+5.3%	+5.8%	+5.6%	+7.0%	+6.7%	+7.1%	+7.3%	+7.6%	+7.9%	+9.1%	+8.8%	+9.1%
Chubb (NA CL)	+8.7%	+10.5%	+8.5%	+6.5%	+11.2%	+12.8%	+9.3%	+7.3%	+12.8%	+8.3%	+9.5%	+9.9%	+8.3%
The Hartford (Ex WC)	+7.6%	+6.4%	+6.1%	+6.5%	+6.8%	+7.6%	+8.1%	+8.5%	+9.3%	+9.2%	+9.5%	+9.7%	
WR Berkley (ex WC)	+8.3%	+6.8%	+7.3%	+6.9%	+8.3%	+8.2%	+8.5%	+8.0%	+7.8%	+8.3%	+8.4%	+7.7%	+8.3%
The Hanover (CL)	+6.3%	+6.9%	+7.3%	+7.2%	+7.8%	+7.8%	+9.2%	+9.3%	+9.3%	+9.3%	+10.0%	+9.2%	
Median	+7.0%	+6.6%	+6.7%	+6.5%	+7.4%	+7.7%	+8.3%	+7.7%	+8.6%	+8.3%	+9.3%	+9.0%	+8.3%
Survey	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
MarketScout	+6.0%	+5.9%	+5.3%	+5.1%	+5.0%	+5.0%	+3.7%	+5.6%	+3.9%	+4.4%	+3.8%	+2.6%	+3.0%
Ivans	+4.1%	+4.4%	+4.6%	+4.9%	+5.1%	+5.5%	+5.8%	+6.6%	+6.8%	+7.1%	+6.9%	+6.9%	+6.4%
CLIPS	+6.3%	+5.8%	+5.2%	+4.8%	+5.6%	+6.6%	+6.0%	+6.6%	+6.3%	+5.9%	+6.1%	+5.6%	
CIAB	+5.7%	+6.1%	+7.0%	+7.4%	+8.3%	+8.3%	+8.1%	+7.0%	+5.8%	+5.6%	+5.7%	+5.4%	
Marsh	+12.0%	+10.0%	+5.0%	+3.0%	+4.0%	+4.0%	+4.0%	+3.0%	+3.0%	+1.0%	+3.0%	+0.0%	-1.0%
Median	+6.0%	+5.9%	+5.2%	+4.9%	+5.1%	+5.5%	+5.8%	+6.6%	+5.8%	+5.6%	+5.7%	+5.4%	+3.0%

Source: Company reports & websites, Insurance Insider US Research



1. Macro-economic impacts

- One of the hallmarks of the recently so-called “hard market” has been the number of head fakes we have seen. The pricing trajectory’s resilience has surprised both us and other industry observers.
- The table illustrates this confusion. While Chubb and Travelers' data show a sequential slowdown in pricing, Selective and WR Berkley’s data show an uptick reflective of business mix.
- Broadly, no-one expects pricing to accelerate from here as competition continues to pick up in both the admitted and non-admitted markets. The question now becomes how quickly rates will ease, as well as if we will see any easing in casualty rate rises, which have been in a micro-cycle due to deteriorating loss trends.
- Nonetheless, downward pricing pressures intersect with an uncertain economy. If the tariff discussion is abandoned, we will continue on our prior orderly slowdown trajectory. However, if tariffs remain and we do experience an economic slowdown, loss costs could come under pressure alongside pressures on the top line.



1. Macro-economic impacts

Company comments:

While new broad-based US tariffs are likely to impact a range of insurer interests, including auto parts and building materials, The Hartford CEO Chris Swift said those impacts aren't likely to cause prolonged pain in the marketplace.

During a call with analysts, Swift said that he expects the pricing impacts on automobile parts, building materials and supplies to be a "one-time event" that would be followed by normal trends.

RLI CEO Craig Kliethermes guided that economic uncertainty has not yet severely affected RLI, but that could change quickly if tariffs go into effect and a recession occurs.

On a call with analysts, the executive admitted that exposure in the construction and commercial auto sector could put pressure on RLI in event of a recession.



2. Cat losses



2. Cat losses

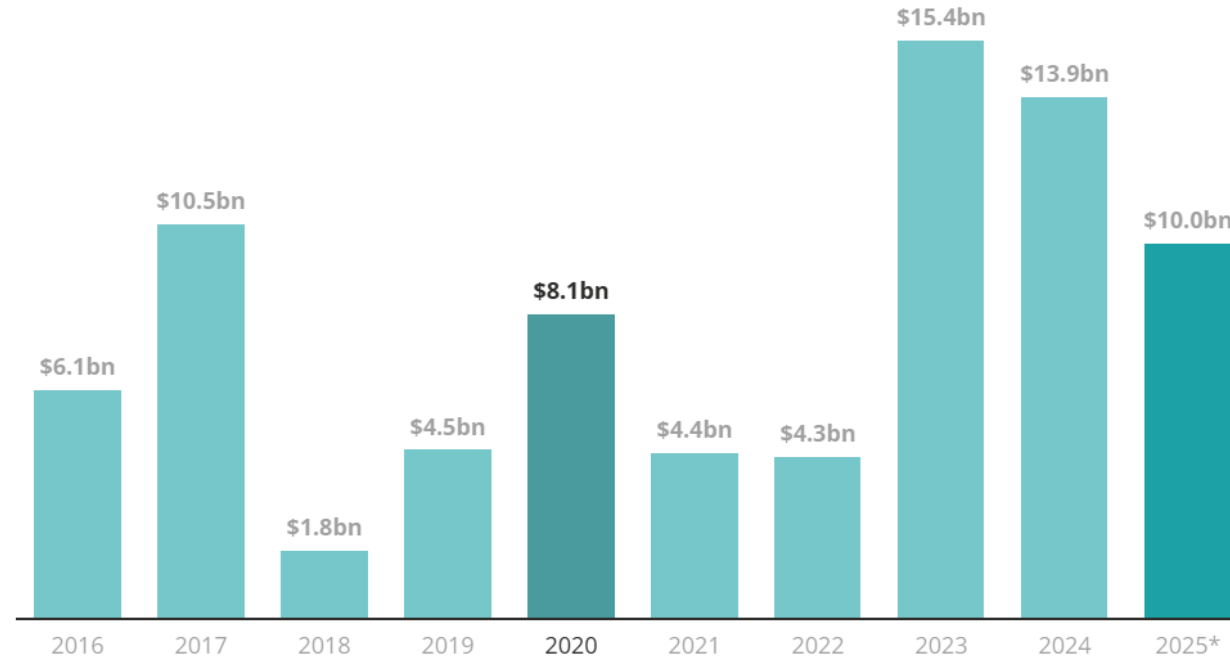
- Insurers are preparing for another year of heavy losses from US severe convective storms with ~\$10bn in estimated claims, and the number of storms well above average with the peak month of the spring tornado season still to come.
- In March 2025, storm activity was roughly twice the five-year and 10-year averages for the same month. As of April 24, the storm tally for the month was already 2360, which trails the prior five-year average but only by 17%, with a week of data still to add.
- Insurers will have to bear a higher share of SCS losses than they did through the 2010s and early 2020s after a major reinsurance realignment that included retentions moving higher, with little excess-of-loss protection in place for events with less than a 1-in-5-year return period.
- The active start to the 2025 storm season follows years of highly elevated SCS activity. While the 10-year average for Q1 SCS losses is \$8bn, 2023 saw \$15.4bn in losses, followed by \$13.9bn in losses in 2024, according to Gallagher Re estimates. Last year, US SCS losses grew to account for 36% of global insured cat losses.



2. Cat losses

Q1 US SCS insured losses

Insured losses from SCS in the US in Q1 of each year from 2016 onwards.



Totals adjusted to 2025 \$bn

* 2025 figure is preliminary

Source: Gallagher Re



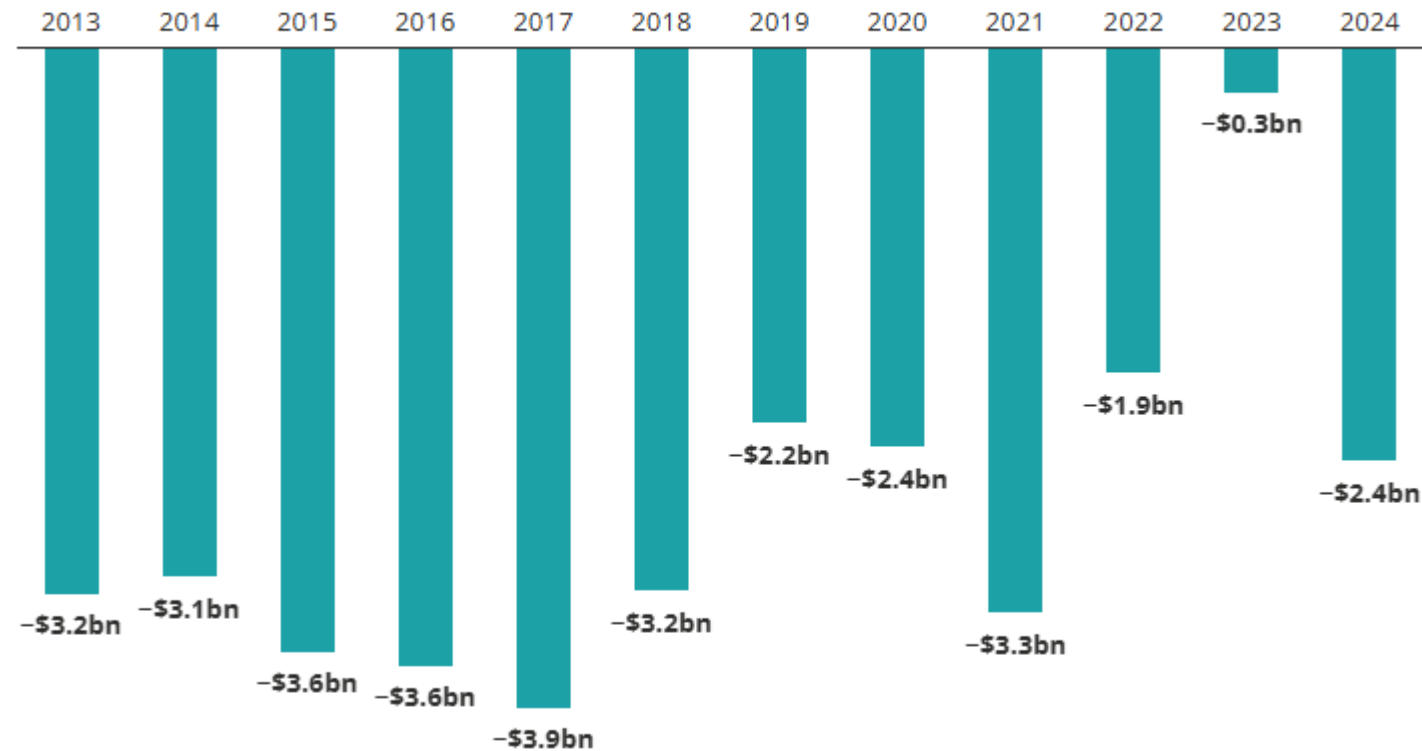
2. Cat losses

- Estimates for 2024 global losses due to convective storms vary, with \$42bn on the low end to over \$64bn on the high end, with Swiss Re [data](#) indicating that 70% of those losses came from severe thunderstorms in the United States. The year saw 12 individual storms hit the US, causing at least \$1bn in losses.
- That number could be surpassed in 2025. Despite a quiet January and February, the US was hit by several powerful SCS systems in March. One outbreak, which occurred between March 13 and 16, led to \$5.4bn in losses, while another from March 29 to 31 tacked on another \$1.2bn in losses, [according](#) to Gallagher Re.
- During a Q4 2024 earnings call, AIG's CEO Peter Zaffino observed that "15 years ago, adjusting for inflation, \$100bn was considered the benchmark for an outsized cat year".
- With the California wildfires already costing around \$40bn, [Zaffino said](#) an "active but not abnormal" wind season could lead to the first \$200bn cat loss year.



3. Ongoing reserving issues in US casualty

Total full-year reserve releases for IIUS select companies



Source: S&P Capital IQ, Insurance Insider US



3. Ongoing reserving issues in US casualty

Other liability (occurrence) reserve development, by accident year (\$bn)

Accident Year	2020	2021	2022	2023	2024
Prior Years	\$1.7	\$2.0	\$1.9	\$2.3	\$4.1
AY (-5)	\$0.4	\$0.0	\$0.6	\$1.0	\$0.8
AY (-4)	\$0.5	\$0.2	\$0.8	\$0.9	\$0.6
AY (-3)	\$0.3	\$0.3	\$0.7	\$0.2	\$1.8
AY (-2)	\$0.5	\$0.4	\$(0.2)	\$0.4	\$1.9
AY (-1)	\$0.3	\$(0.5)	\$(0.1)	\$0.0	\$1.0
Total	\$3.7	\$2.4	\$3.7	\$4.7	\$10.3

Source: S&P Capital IQ, Insurance Insider US Research



3. Ongoing reserving issues in US casualty

Commercial auto liability reserve development, by accident year (\$bn)

Accident Year	2022	2023	2024
Prior Years	\$0.2	\$0.3	\$0.5
AY (-5)	\$0.2	\$0.3	\$0.3
AY (-4)	\$0.4	\$0.6	\$0.3
AY (-3)	\$0.9	\$0.3	\$0.8
AY (-2)	\$0.1	\$0.6	\$1.1
AY (-1)	\$0.3	\$1.0	\$0.7
Total	\$2.1	\$3.1	\$3.7

Source: S&P Capital IQ, Insurance Insider US Research



3. Ongoing reserving issues in US casualty

Workers' comp reserve development, by accident year (\$bn)

Accident Year	2020	2021	2022	2023	2024
Prior Years	\$(2.2)	\$(2.3)	\$(2.6)	\$(3.3)	\$(3.4)
AY (-5)	\$(0.7)	\$(0.5)	\$(0.7)	\$(0.8)	\$(0.8)
AY (-4)	\$(0.9)	\$(0.7)	\$(0.6)	\$(0.6)	\$(0.8)
AY (-3)	\$(0.9)	\$(0.8)	\$(0.5)	\$(0.7)	\$(0.7)
AY (-2)	\$(1.0)	\$(0.7)	\$(0.7)	\$(0.5)	\$(0.5)
AY (-1)	\$(0.6)	\$(0.8)	\$(0.5)	\$(0.2)	\$(0.2)
Total	\$(6.3)	\$(5.9)	\$(5.7)	\$(6.0)	\$(6.3)

Source: S&P Capital IQ, Insurance Insider US Research



3. Ongoing reserving issues in US casualty

- Adverse development in other liability occurrence more than doubled in 2024 when compared to 2023. As much as \$4.7bn of 2024 development – equal to the total amount of adverse development in 2023 – came from AYs 2021-23.
- These AYs were recently hailed as a “hard market” period for the industry, but this level of strengthening in one of the largest lines indicates that insurers are becoming more pessimistic about the period.
- On the other hand, workers' compensation releases from recent accident years continue to decline, reflecting a decline in IBNR. When compared to the early AYs from CYs 2020 through 2022 (highlighted), we see materially lower reserve releases from early AYs in 2023 and 2024.
- Our key takeaway from our analysis is confirmation that the industry is still struggling to grasp the reserving and loss-cost trend issue. These challenges translate into a negative for insurers, a group which has not historically done a good job managing the issue.
- On the other hand, these challenges could continue to create upward pressure on casualty rates, and provide a tailwind for surplus or specialty lines insurers.



3. Ongoing reserving issues in US casualty

Everest Group has recorded pre-tax unfavorable reserve development of over \$1.7bn ahead of its Q4 earnings report due February 3, driven by \$1.5bn adverse development of prior-year loss reserves and a \$229mn current accident year (CAY) charge.

The carrier booked \$1.1bn of adverse development from prior-year reserves within its insurance division and increased CAY losses to \$1.3bn for the full-year and Q4.

The (re)insurer said the inflation and portfolio c

RenaissanceRe is confident that general liability is on track for improved profitability, group CUO David Marra told analysts during the firm's Q1 2025 earnings call.

However, the company will continue to reduce exposure in general liability, taking a "cautious approach" until the firm sees the underlying improvements surface in data, Marra added.

In Q1 2025, RenRe's casualty and specialty segment booked a combined ratio of 111.1% versus 99.6% in the prior year quarter. The crash of American Eagle Flight 5342 in January added 9 points in losses to its specialty book.

Axis Capital has completed a \$2.3bn loss portfolio transfer (LPT) with Enstar, the companies said in an announcement.

Signed in **September 2024**, the agreement covers reinsurance segment reserves totalling \$3.1bn from Axis's casualty book in accident years 2021 and prior, **primarily from liability, professional and commercial auto lines.**

a 75% ground-up quota share, with reserves to Enstar.



4. Consolidation in the broker space

Levered brokers



Source: Inside P&C

* Got PE backing/founded in last 5 years

^ Not PE-controlled



4. Consolidation in the broker space

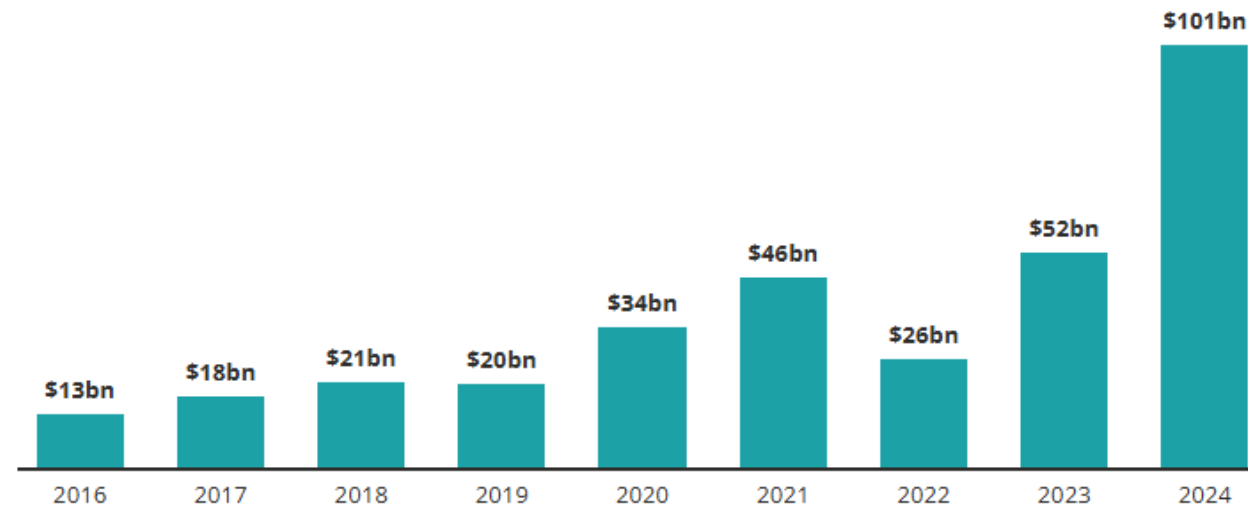
- As *Insurance Insider US* has argued, conditions have been worsening for levered brokers amid a higher cost of debt, over-competition for M&A deals, decreasing PE appetite and the slowing of the organic growth outlook.
- This publication dubbed the inhibiting effect of these challenges on sponsor flips the “[the jammed PE conveyor belt](#)”, a phenomenon which has resulted in \$200bn+ of trapped capital across 40+ US PE-backed platforms.
- There has been a recent tilting of the playing field on M&A towards the public strategics that are trading at high multiples and can offer full liquidity. But even their ability to move on transactions will turn on how public debt markets respond to the paused or watered down trade war.
- Last year, over \$100bn of institutional rated debt was raised in the insurance brokerage space, the highest amount ever for the sector in a single year.
- Notably, the -0.3% decline in Q1 GDP fell below economists' growth expectations of around 0.3%-0.4%. With GDP falling at this rate, we are now hard-pressed to believe that the sector will be able to maintain growth. The combination of a shrinking economy with an already turning P&C market cycle can only threaten to further dampen this sector's growth potential in 2025.
- Restructuring programs, more aggressive use of market-derived income drives, and M&A as a means of creating large cost synergy opportunities will all likely be levers the brokers reach for.



4. Consolidation in the broker space

Debt issuances reached historically high levels in 2024

Institutional rated debt issuances in the insurance brokerage industry from 2016 onwards (\$bn)



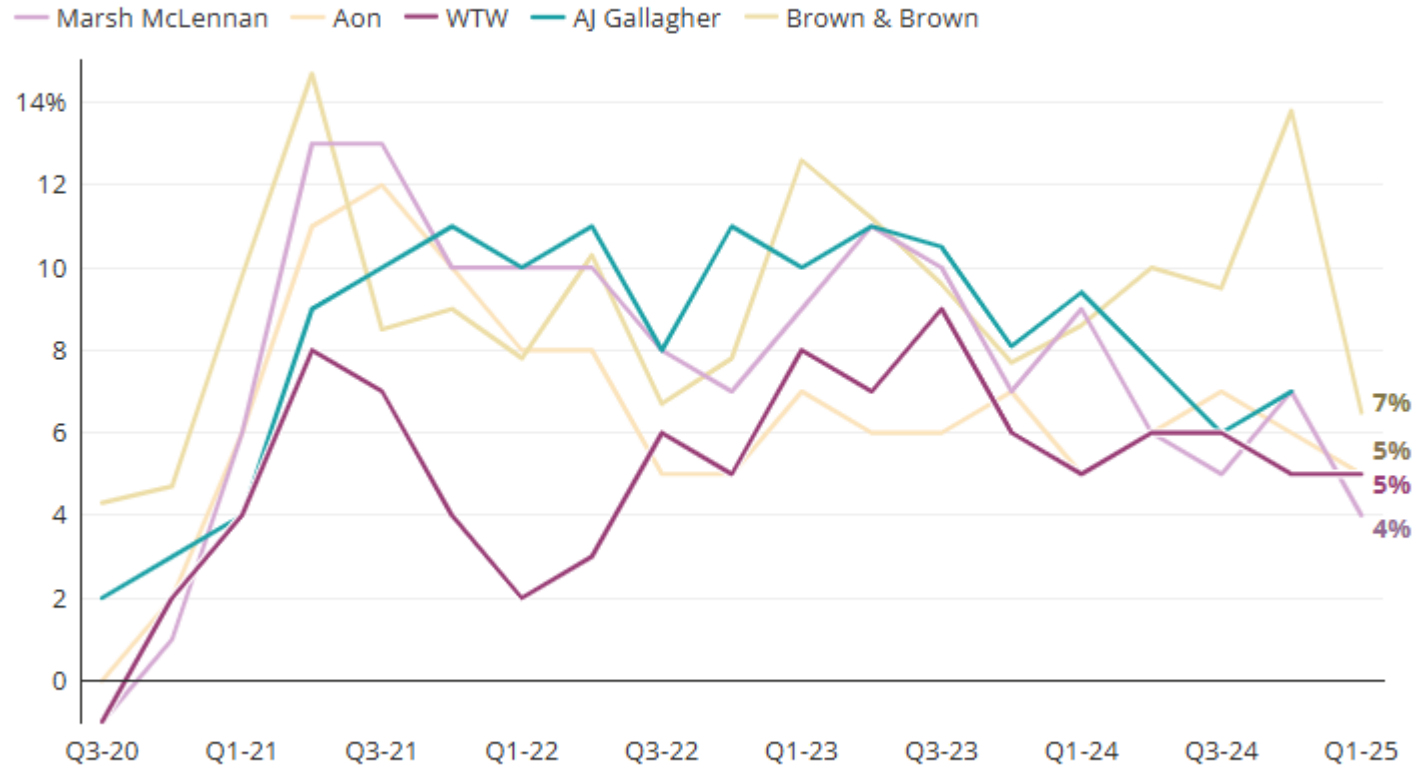
Includes issuers in the US, Canada and UK

Source: PitchBook via MarshBerry



4. Consolidation in the broker space

Group-level broker organic growth



Source: Company documents, Insurance Insider US Research



4. Consolidation in the broker space

- Since the Fed began hiking interest rates, subjecting brokers to [The Squeeze](#), private intermediaries have been looking at different options to secure liquidity and provide a clean exit to existing shareholders.
- More recently, the broking space is seeing an increase in potential minority stake sales as an alternative to raise capital and provide liquidity.
- The minority sale provides certain advantages, including improving alignment, buying time to prepare the asset for a future IPO or full sale, and reducing the check's size which is particularly useful to address the “too big to sell problem”.
- So in summary in broking, deal activity is highly likely to continue, albeit in different forms as in the past.



