Reinsurance Industry Update

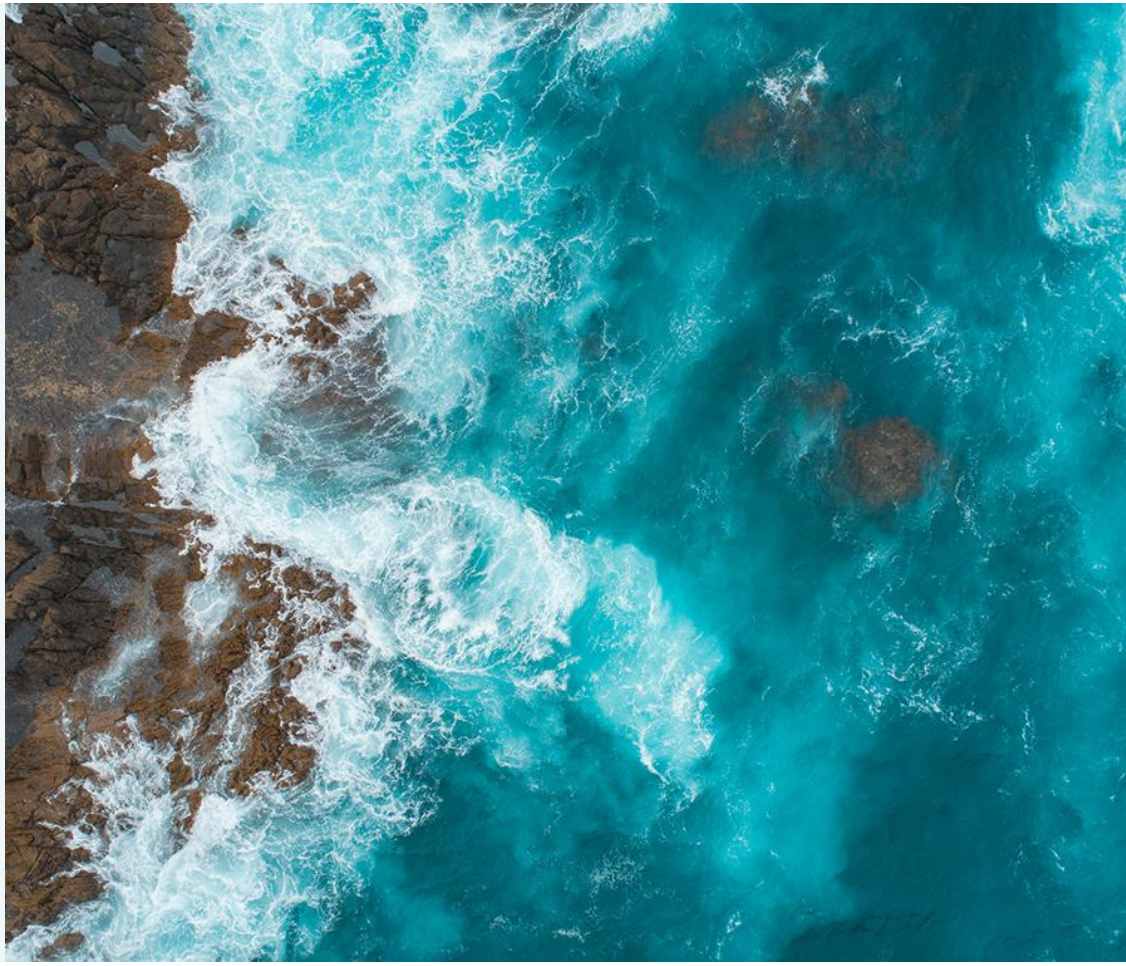
Financial Services Accountants Association (FSAA)

October 2025

John Carroll
Aon Reinsurance Solutions

Agenda

1. The Risk Landscape
2. Reinsurer Results & Capital
3. Financial Strength Ratings
4. Outlook



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The Risk Landscape

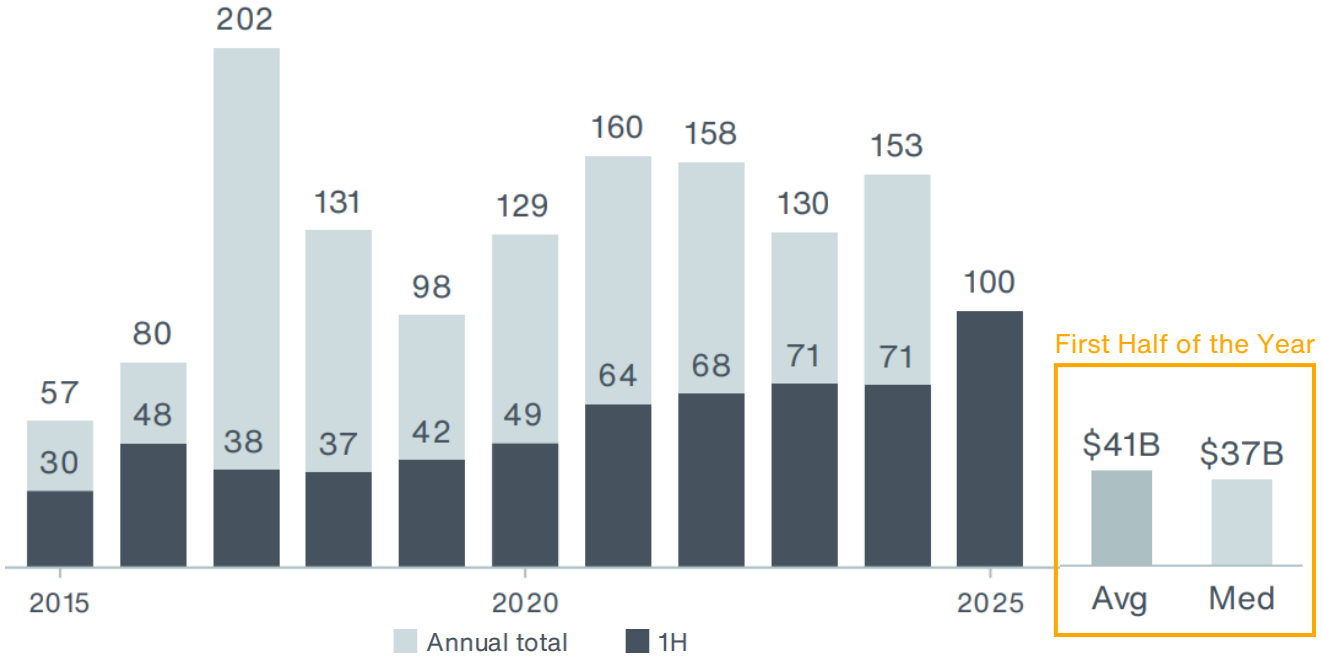
Global Insured Cat Losses 1H 2025

Global insured losses from natural disaster events in 1H 2025 were preliminarily estimated to reach at least $100 billion

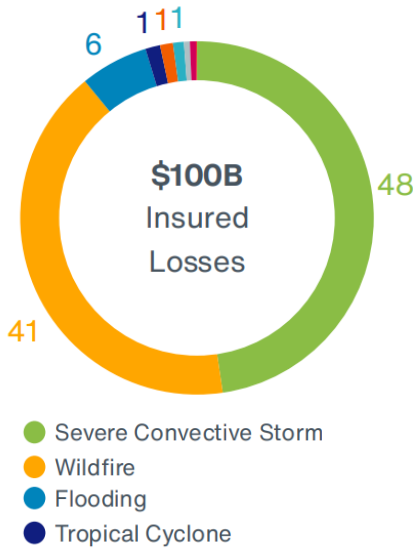
- Insured losses are expected to reach at least $100 billion, which is significantly higher than the 21st century 1H average of $41 billion, and the second-highest total on record after 1H of 2011. It was also notably higher than the next two years in the historical ranking, 2023 and 2024 (both $71 billion). More than 90 percent of the global insured losses occurred in the United States and were primarily driven by wildfires and SCS

- This would be the highest since 2011 ($140 billion) and marking the second-highest figure on record. The 21st-century average ($41 billion) and median ($37 billion) of the same period were substantially exceeded. The year-to-date total already places 2025 within the top 11 years. Additional cat activity in the second half of the year will likely place it higher. In the last 10 years, 2H losses averaged $78 billion, peaked in 2017 with $164 billion and were the lowest in 2015 with $27 billion

Insured Losses (2025 US$B)



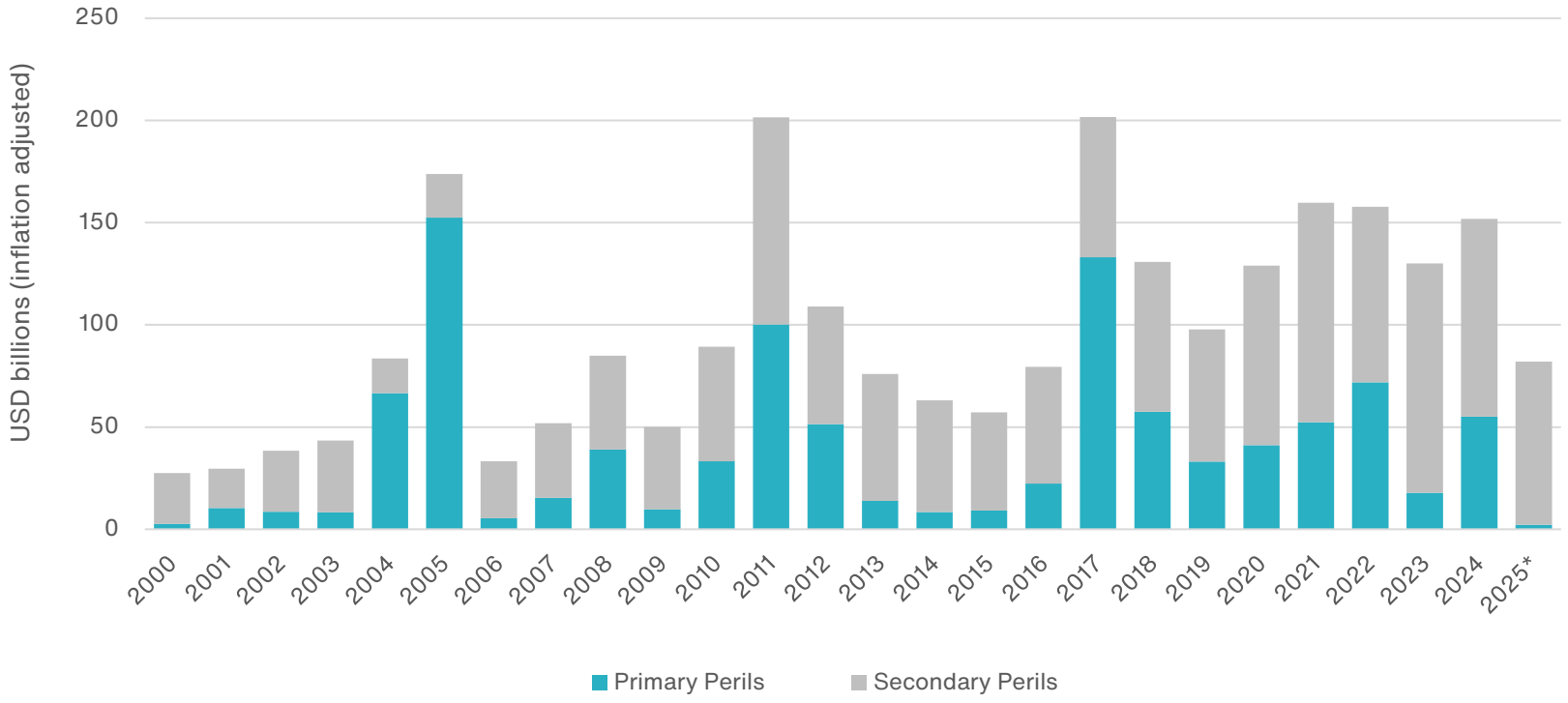
1H Global Insured Losses, by Peril



Property – NatCat Insured Losses

The market is adjusting to a ‘new normal’

- Annual insured losses from global NatCat activity over the 2017-2024 period average ~$140bn.
- Insured losses so far in 2025 are estimated at $82bn, including ~$40bn from the Southern California wildfires.
  - Ceded losses from the wildfires are estimated at $12-14bn.



“We estimate a 1-in-10 probability that 2025 total insured losses reach $300bn or more.”

Swiss Re, April 29.

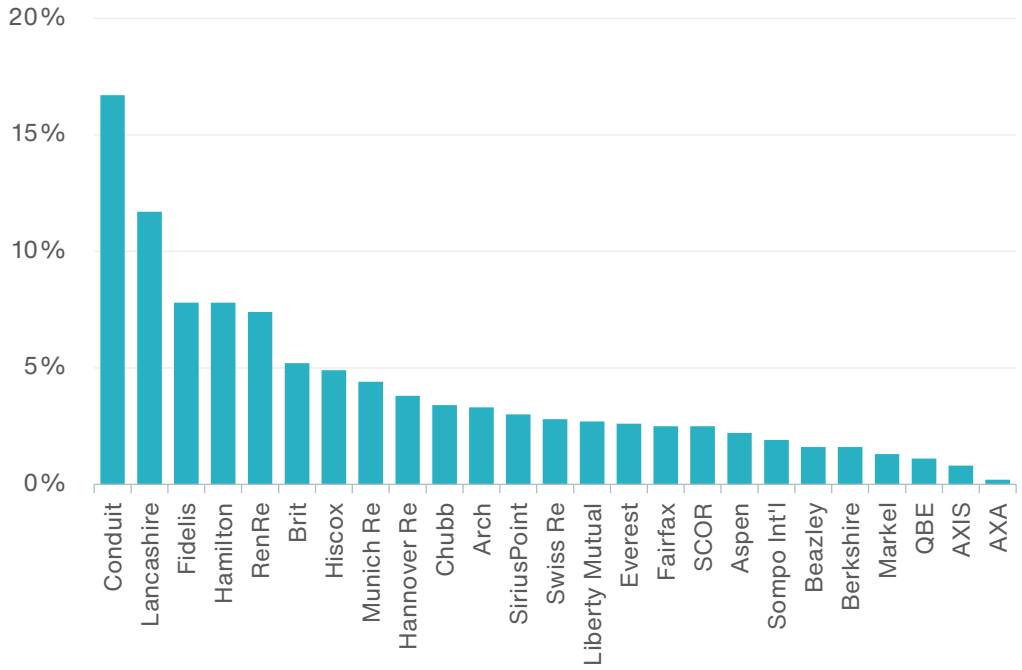
Notes: * 2025 year-to-date losses are preliminary (as of June 11) and subject to change.
Primary perils comprise Tropical Cyclone, European Windstorm and Earthquake. Secondary perils include Drought, Flooding, Severe Convective Storm, Winter Weather and Wildfire.

Source: Aon Catastrophe Insight

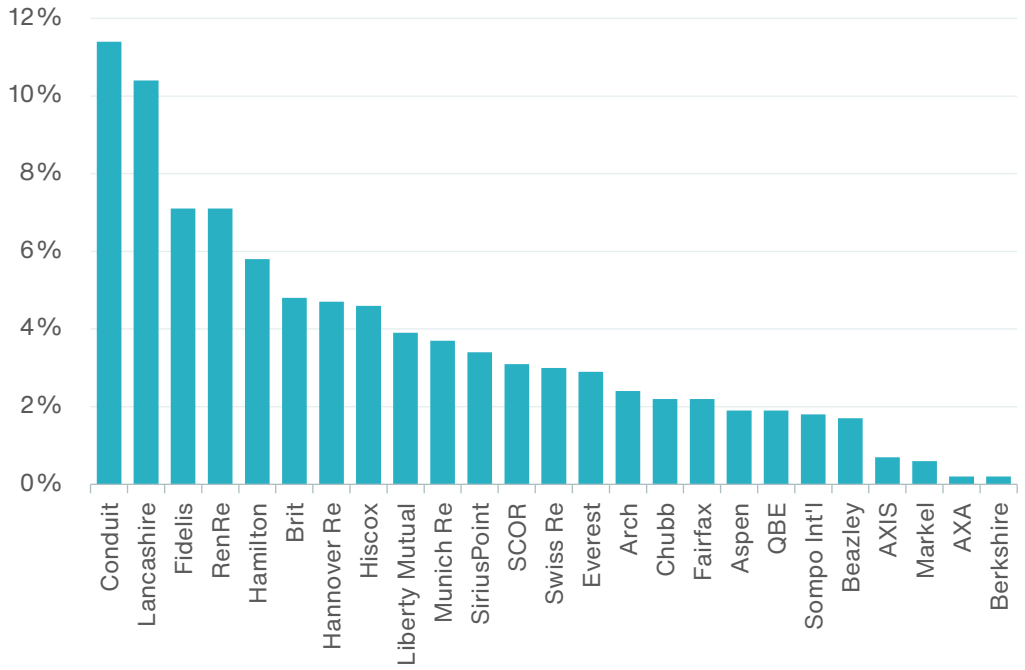
Southern California Wildfires – Relative Exposure

Smaller reinsurers face more significant impacts

Preliminary Net Loss Estimates as a Percentage of 2024 Non-Life Net Premiums Earned



Preliminary Net Loss Estimates as a Percentage of Total Equity at Year End 2024



Note: Mid-point of preliminary estimates utilized where a range was provided.
Source: Aon / company disclosure.

ANZ Property Cat Events

Active Tropical Cyclone Season for 2025

The region experienced an active tropical cyclone season in the first half of 2025, with eight systems reaching at least Category 3 intensity on the Saffir-Simpson scale, and four named storms making landfall.

The most significant event was **Tropical Cyclone Alfred** (ICA Cat 252), which made landfall in southeast Queensland in March.

In addition, the ICA declared the following two events during the past 12-months:

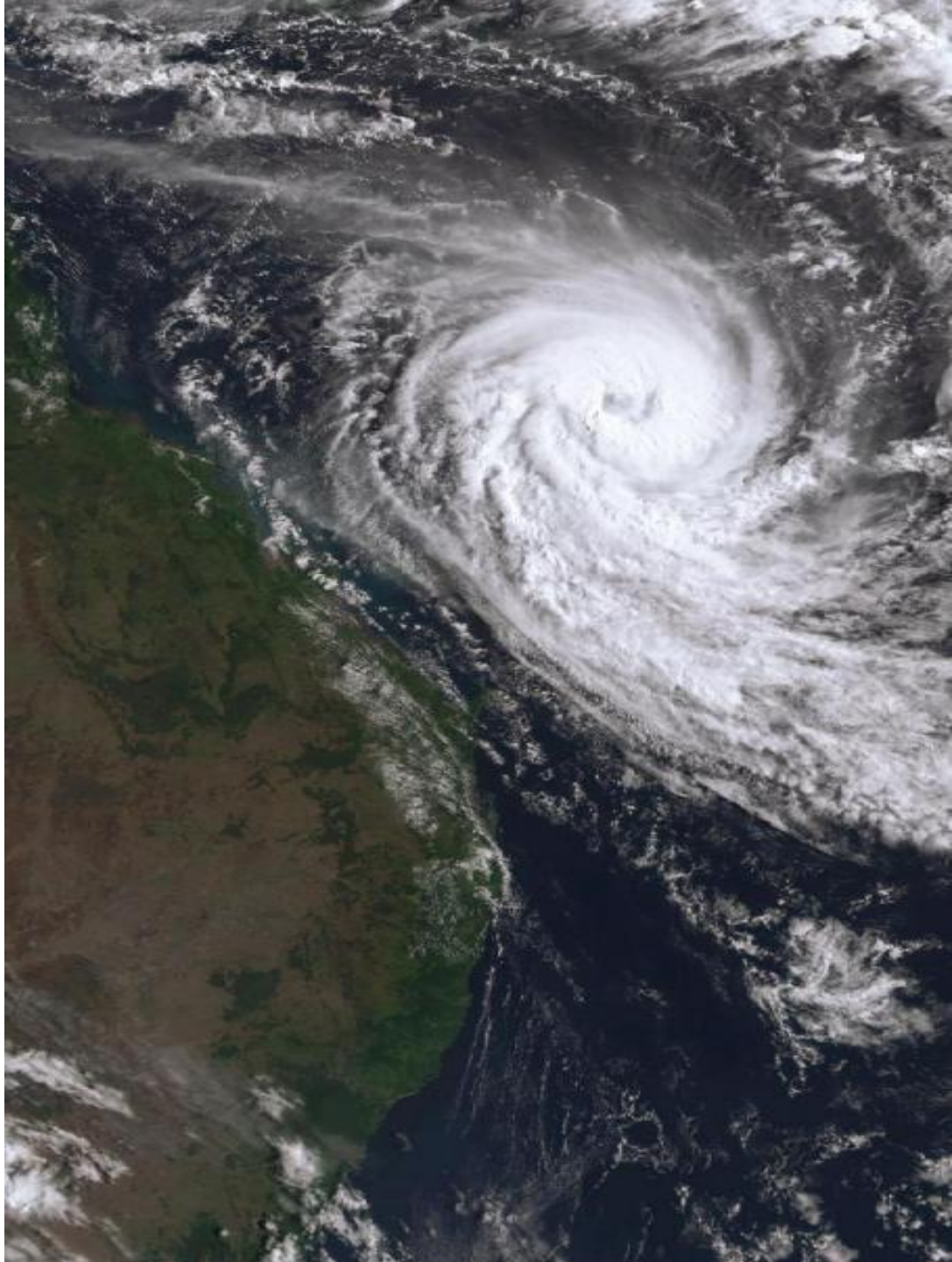
- **NSW Mid-North Coast Region Flooding** (ICA Cat 253), May 2025
- **North Queensland (Ingham) Flooding** (ICA SE 251), February 2025

However, none of these events will impact Catastrophe programmes given increased retentions in recent years, and the operation of the ARPC's **Cyclone Reinsurance Pool,** which will absorb ~90% of insured losses from Tropical Cyclone Alfred.

Industry Impacts:

The event activity and severity in 1H have however amplified the financial challenges facing the insurance sector, with a key concern being the increasing cost of reconstruction. Since 2022, rebuilding costs across Australia have risen by 20-30 percent, according to the ICA.

The impact of inflation, combined with material costs and labour shortages have driven the overall costs of claims significantly higher in recent years, pushing insurers to reevaluate underwriting and pricing approaches, particularly in the impacted regions of Northern NSW and Queensland.



2025 Events

Tropical Cyclone Alfred (Cat 252)

- This was the first cyclone to strike this SE QLD since Cyclone Wanda in 1974, ending a 51-year absence of tropical cyclone landfalls along this heavily populated coastal area. Cyclone Alfred's impacts were widespread, causing damage to infrastructure, homes and local industries
- Latest estimates by the PERILS place insured losses at AUD 1.9 billion, making it one of the top three costliest Cyclone events in Australia's recent history

Event Characteristics

- After spending much of its life as a Category 2 strength system off the QLD coast, TC Alfred transitioned to an ex-tropical system on Saturday 8th March at 6am
- Ex-tropical cyclone Alfred then finally made landfall on the mainland between Brisbane and Maroochydore on Saturday 8th March at 9pm
- Winds were strongest through the western flank of the system (south of the eye for this event) but the zone of damaging winds occurred away from populated areas and so structural damage to urban buildings was isolated and not widespread
- The most severe impacts from the above hazards were observed south of the system and reached far into northern NSW with flooding and inundation of up to 6,000 properties

Australian Industry Key Themes

Australian Insurance Performance

- Australian insurance (APRA regulated) performance remains strong with combined ratios in the region of 91% for Q1. This positive underwriting result has is supported by strong investment income to deliver healthy profitability to the sector.
- Insurer messaging has transitioned to a targeted growth focus as their remediation efforts show improved performance close to the generally accepted target rate of 15% return on equity.

Australia and New Zealand Natural Catastrophe

- Successive below average loss years in 2023 and 2024 have helped propel the Australian and New Zealand markets into profitability
- The vast majority (~90%) of losses from Tropical Cyclone Alfred will be recoverable under the Cyclone Reinsurance Pool, however insurers continue to cautiously monitor East Coast flood exposure
- Concerns over the impact of climate change remain as insurers now hold proportionately more exposure on balance sheet since the retention reset during the 2023 hard market cycle

Industry Consolidation & APRA Changes

- Several pending acquisitions currently in progress will reduce property catastrophe premium from the market as the parties review reinsurance strategies upon completion. This will temper demand for reinsurance and drive increased competition at future renewals
- The Australian Prudential Regulation Authority (APRA) is consulting on targeted changes to its reinsurance framework aimed at increasing access to alternative reinsurance arrangements. If implemented, the proposed changes to capital requirements may make catastrophe bonds and parametric solutions more attractive to insurers.

Casualty – Social Inflation and Emerging Risks

Pricing and reserving are under the microscope

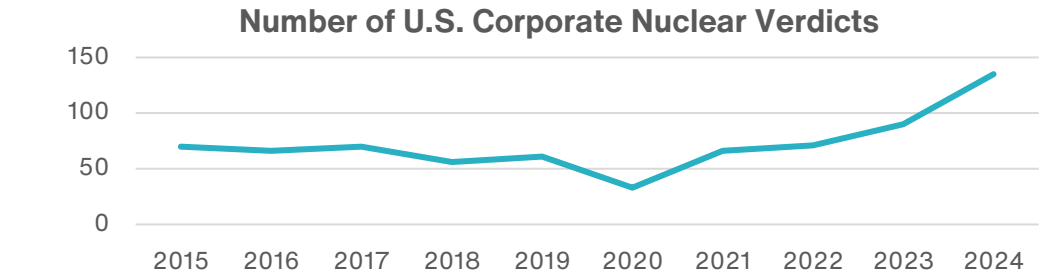
Loss Costs are Increasing in the United States

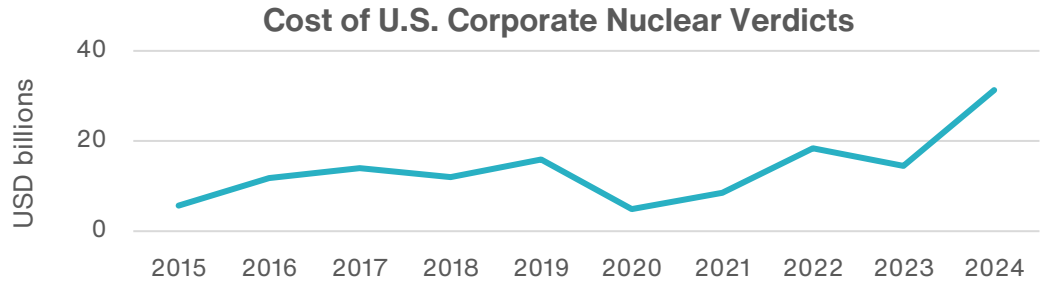
- 135 corporate nuclear verdicts cost $31.3bn in 2024*
- More cases are being settled out of court
- Tort reform is slow and piecemeal

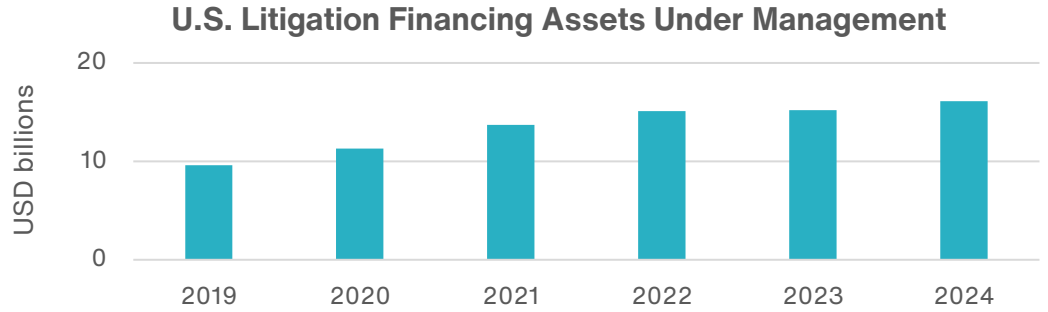
> *"Much of the liability market continues to be plagued by social inflation, driven by the combination of an emboldened plaintiff bar and jet fuel otherwise known as litigation funding."*
>
> *W.R. Berkley, January 27*

Global Issues

- Emerging risks (e.g. PFAS, climate liability)
- Spread of social inflation and litigation financing







Notes: * Jury awards greater than $10m.
Sources: Marathon Strategies and Westfleet Advisors.

Specialty – Geopolitical Risk

Uncertainty, capital market volatility, elevated cyber risk

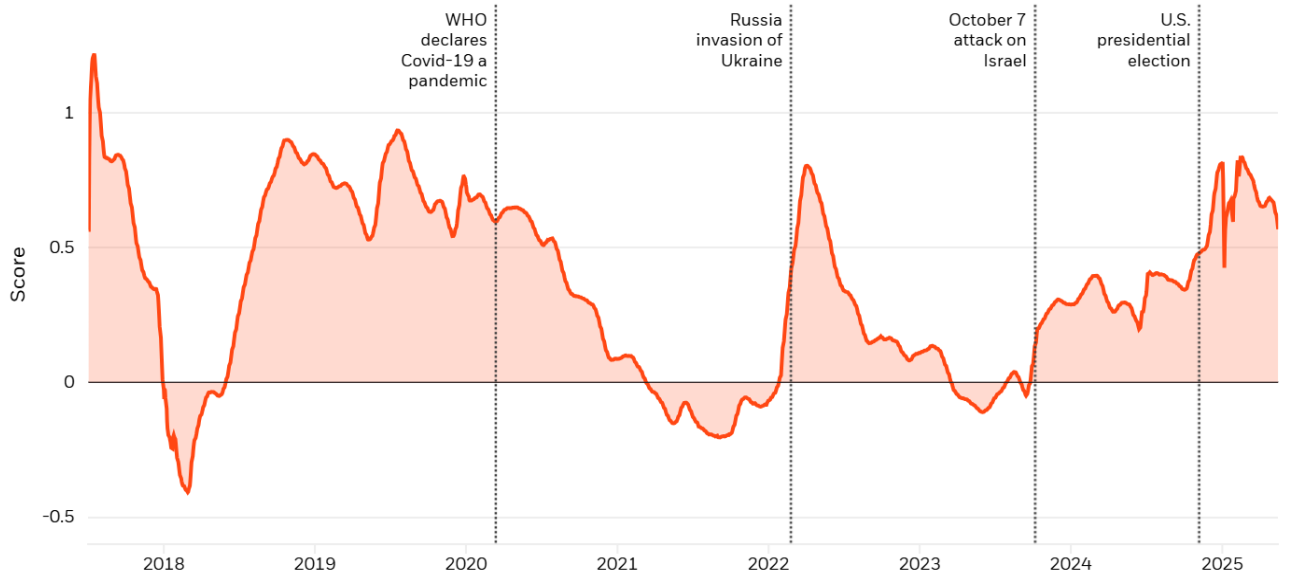
Discussion Topics

- Conflict in Ukraine and the Middle East
- Impact of the Trump Administration
  - Tariffs?
  - Protectionism?
  - Stagflation?
  - Taiwan?

"The odds of recession have risen substantially, and higher inflation appears all but certain; to what degree is an open question…Tariffs and the federal budget deficit impact interest rates, the yield curve, spreads, asset values and the dollar in ways that are not good for our country."

Evan Greenberg, Chubb CEO, April 23

BlackRock Geopolitical Risk Indicator



"Multilateralism and international cooperation remain the cornerstones of the global response to climate change."

United Nations, April 23

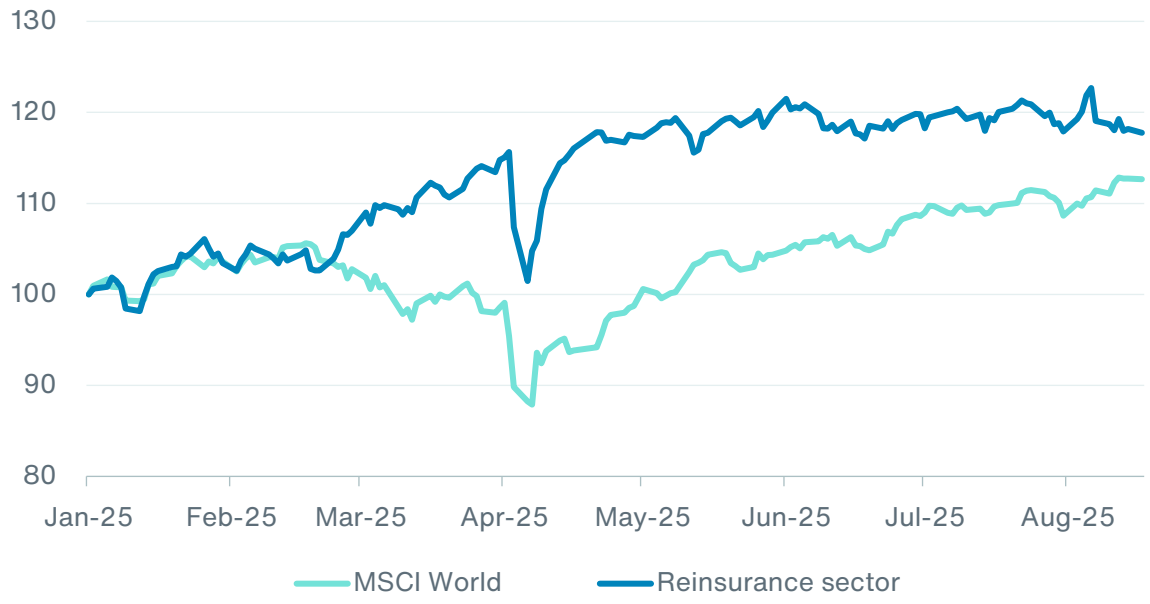
Source: Aon / Blackrock

Reinsurance is Less Affected by Macro Headwinds

Share prices have out-performed relative to the broader market

- Reinsurers are not directly exposed to tariffs.
- Secondary effects may emerge over time, including:
  - Pressure on growth targets.
  - Higher claims costs.
  - Mark-to-market investment losses.

- Exposure to macro headwinds Is relatively low:
  - Insurance is often a mandatory purchase.
  - Most contracts are repriced annually.
  - Reinsurers are globally diversified.
  - Capital positions are generally strong.



Source: S&P Capital IQ; data as at August 18, 2025.

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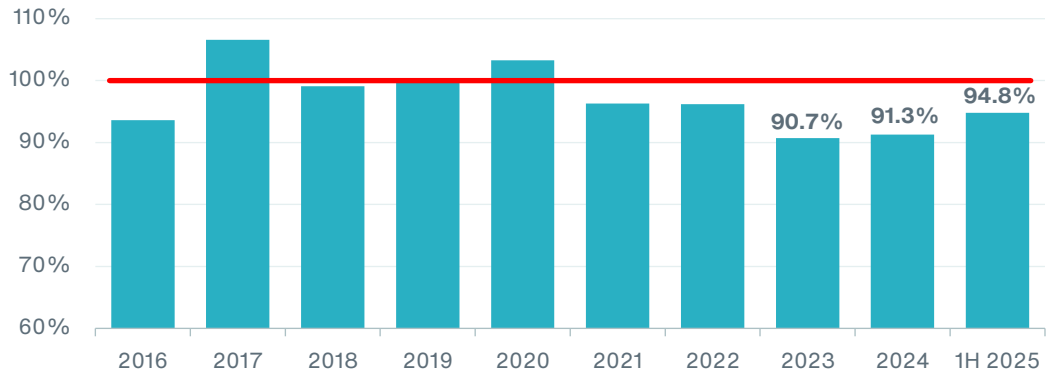
Reinsurer Results & Capital

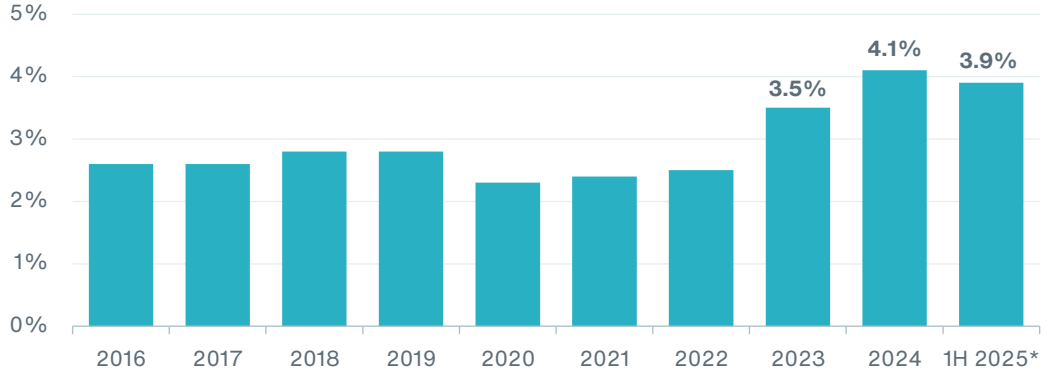
Global Reinsurers – Strong Results Since 2023

Most will perform well again in 2025, subject to major loss activity

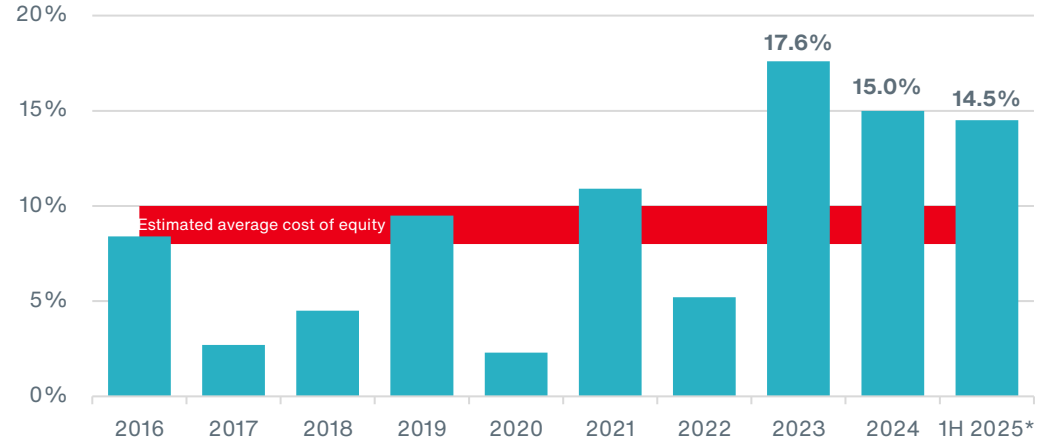
P&C Combined Ratio (Insurance and Reinsurance)



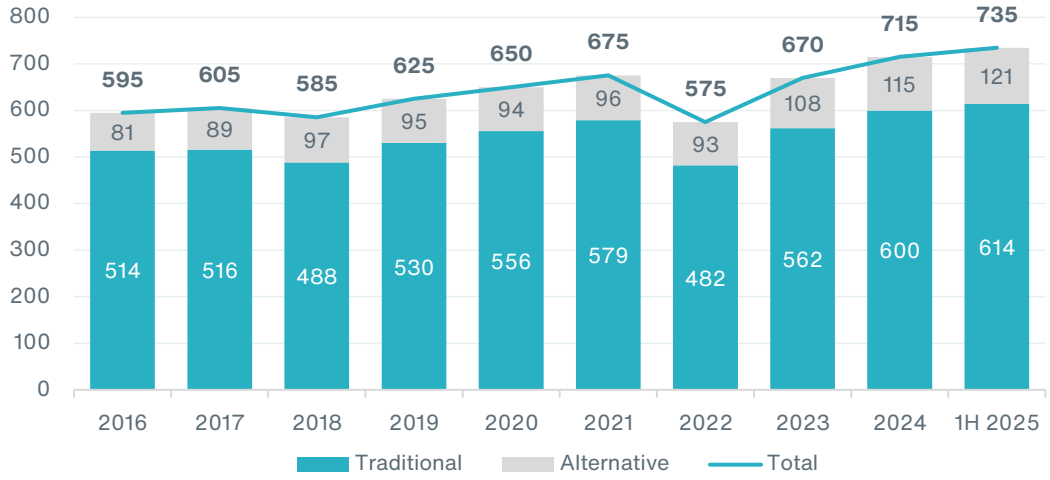
Ordinary Investment Yield



Return on Equity



Global Reinsurer Capital (USD billions)

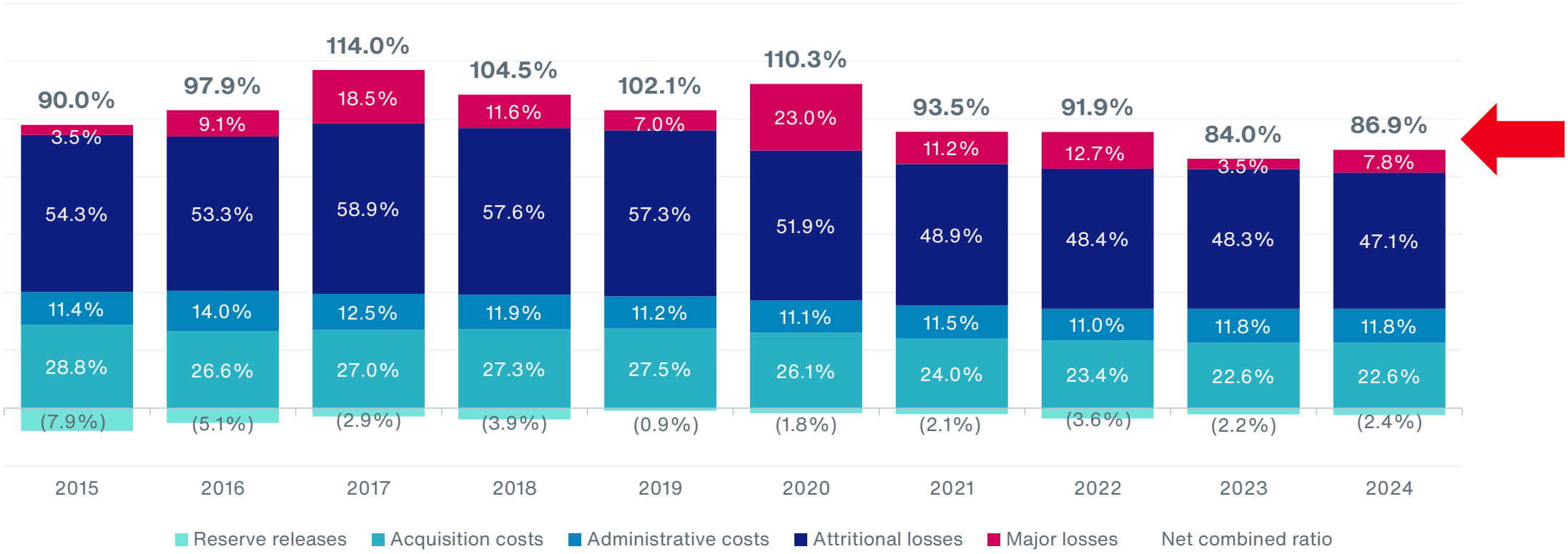


Notes: Results based on Aon's Reinsurance Aggregate for 2015-2022 and Aon-calculated averages subsequently.
* Annualized results.
Source: Aon / company disclosure.

Lloyd's Underwriting Performance

Major losses were below long-term averages in 2023 and 2024

Lloyd's Net Combined Ratio

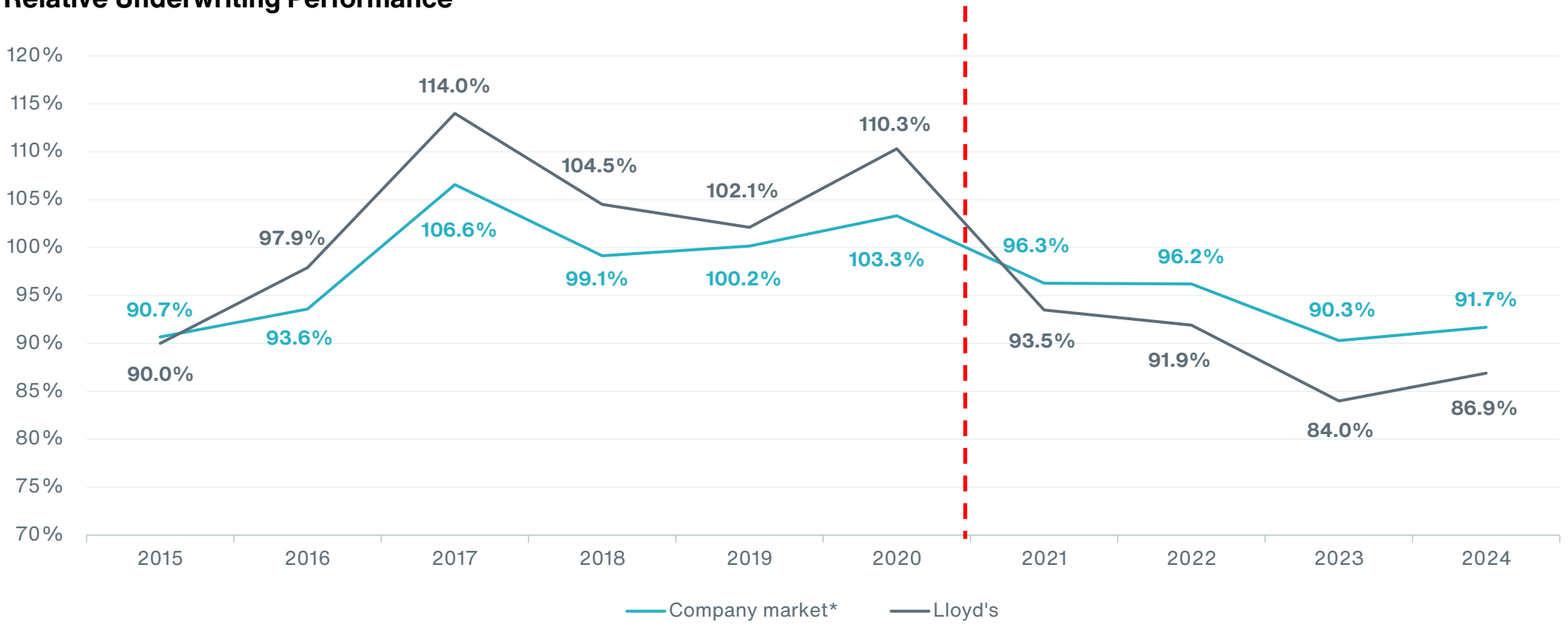


Notes: The major loss ratios shown include 13.3pp for Covid-19 in 2020 and 8.4pp related to Russia's invasion of Ukraine in 2022.
Source: Aon and Lloyd's.

Net Combined Ratio Comparison

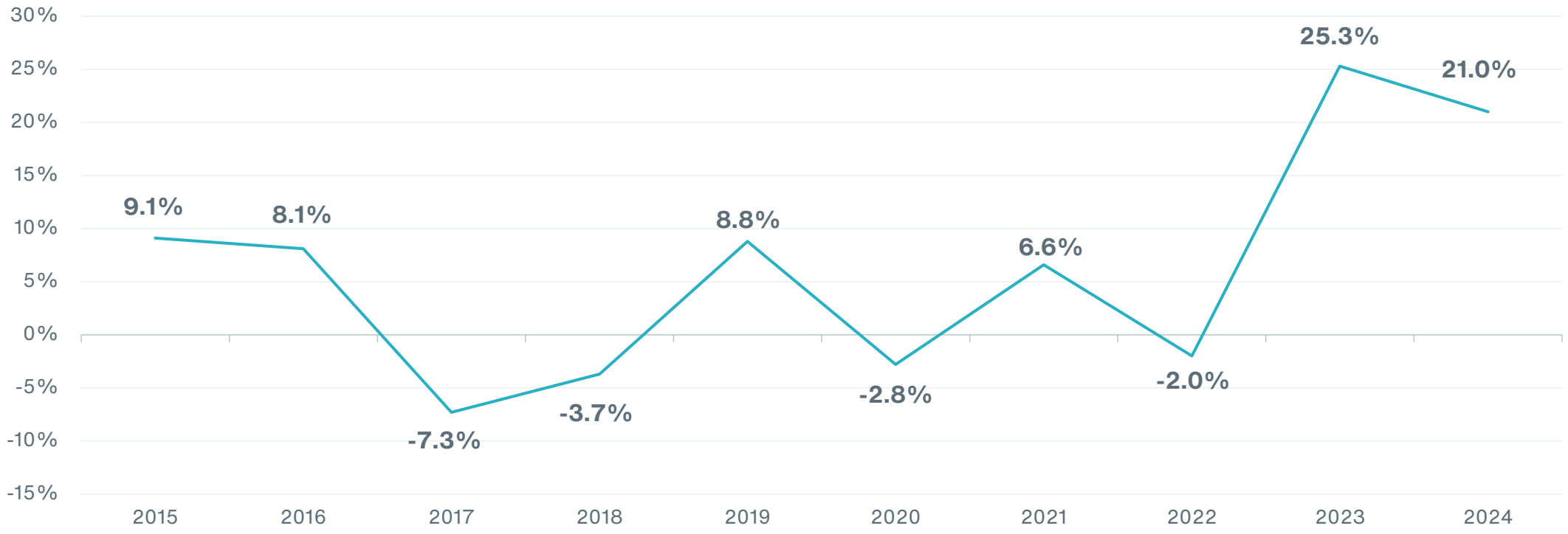
Lloyd's has out-performed the broader market since 2021

Relative Underwriting Performance



Notes: * Based on Aon's Reinsurance Aggregate for 2015-2022 and Aon calculated averages for 2023-2024.
Source: Aon and Lloyd's.

Lloyd's Return on Capital



Source: Aon and Lloyd's.

Alternative Capital Development

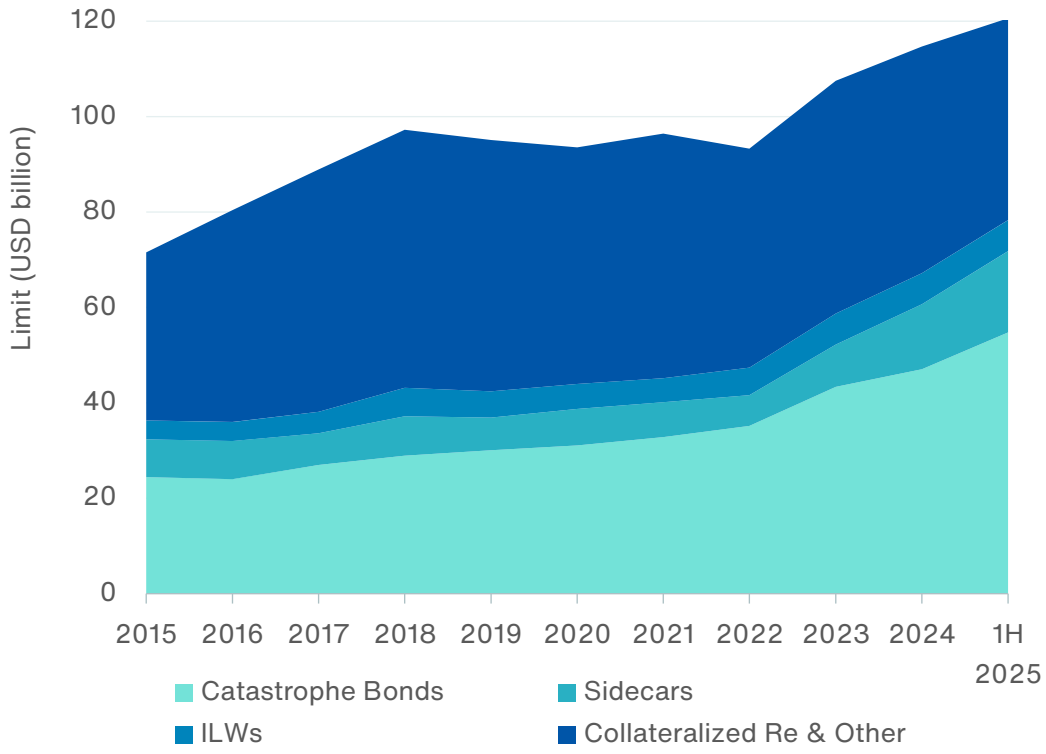
Volume has increased by ~75% over the last decade

Attractive market conditions are drawing new investment

Activity in the cat bond market continues to break records – outstanding issuance is now close to $55bn.

- Reinsurers secured ~$3.2bn of reinsurance / retro protection from this source in 2024.

Sidecar capacity supporting leading reinsurers has more than doubled over the last two years.

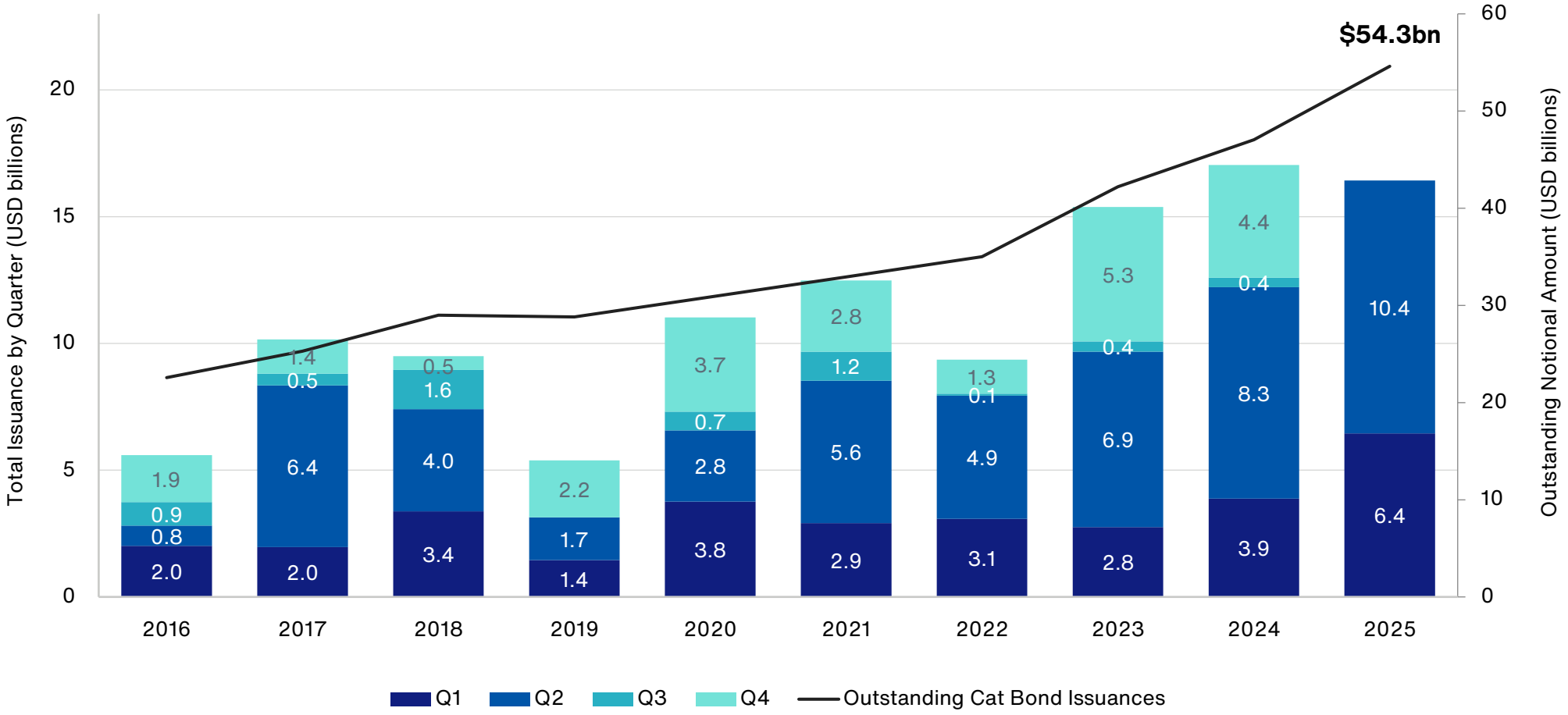


Alignment of interests is expected to result in a period of sustained growth

Source: Aon Securities Inc.

Cat Bond Issuance

Continued growth in limit outstanding



Source: Aon Securities Inc.

3

Financial Strength Ratings

Rating Agency Outlooks On Global P&C Re Sector

Improving profitability and capital growth drives shift in sentiment

AM Best: Positive Outlook

- **Outlook revised from Stable to Positive in June 2024.**
- It is anticipated that improved underwriting margins will be sustainable over the next few years.
- The sector remains well capitalized, with no new players expected to disrupt current market discipline.
- Negative factors include elevated NatCat activity, exposure to cyber risks, geopolitical uncertainty and inflationary pressures.

Fitch: Neutral Outlook

- **Outlook revised from Improving to Neutral in September 2024.**
- Profitability is expected to remain resilient in 2025, even though the pricing cycle has most likely passed its peak.
- Reinsurers overall have built up rating headroom, which resulted in ratings affirmations and three upgrades in 2024.
- Capitalisation is projected to remain very strong.

Moody's: Positive Outlook

- **Outlook revised from Stable to Positive in September 2024.**
- Improved risk/return dynamics underpin profitability, supported by reduced exposure to frequency losses and limited capital inflows.
- Solid balance sheets will help reinsurers withstand potentially high cat losses and adverse casualty reserve development.
- Conditions are expected to remain favourable for reinsurers for at least the next 12 to 18 months.

Standard & Poor's: Stable Outlook

- **Outlook maintained at Stable in September 2024.**
- The reinsurance sector is expected to earn its cost of capital in the 2024-2025 period.
- Favourable pricing in short-tail lines, healthy investment income and strengthened capitalization are key positives.
- Negatives include exposure to potential out-size losses from primary perils and inflation risk on U.S. liability reserves.

AON

Source: Rating agencies.

Reinsurer Rating Actions Since January 1, 2025

Rewards for improved operating performance and stronger capital

Reinsurer	AM Best		S&P	
	FSR[1]	Outlook	FSR[1]	Outlook
Africa Re	--	--	A-	Positive
AIG	A	Stable	AA-	Stable
Allianz Re	A+	Stable	AA	Stable
Allied World	A+	Stable	AA-	Stable
American Ag	A	Stable	--	--
Antares Re	A-	Stable	A-	Stable
Arch Re	A+	Stable	AA-	Stable
Ark Re	A	Stable	--	--
Arundo Re	A	Stable	A	Stable
Aspen Re	A	Stable	A-	Positive
AXA XL Re	A+	Stable	AA-	Stable
AXIS Re	A	Stable	A+	Stable
Barents Re	A	Stable	A-	Stable
Berkley Re	A+	Stable	A+	Positive
Brit Re	A	Stable	--	--
Canopius Re	A-	Stable	--	--
China Re	A	Stable	A	Stable
Chubb Re	A++	Stable	AA	Stable
Conduit Re	A-	Positive	--	--
Convex Re	A	Stable	A	Stable
Deutsche Ruck	--	--	A+	Stable
DEVK Ruck	--	--	A+	Stable
Echo Re	--	--	A	Stable
Everest Re	A+	Stable	A+	Negative
Fidelis	A	Stable	A-	Stable
GenRe	A++	Stable	AA+	Stable
GIC Re	A-	Stable	--	--
Greenlight Re	A-	Positive	--	--
Hamilton Re	A	Stable	--	--
Hannover Re	A+	Stable	AA-	Stable

Reinsurer	AM Best		S&P	
	FSR[1]	Outlook	FSR[1]	Outlook
Helvetia	A	Under Review Dev	A+	Stable
Hiscox Re	A	Stable	A	Stable
HCC Re	A++	Stable	A+	Stable
IRB Brasil Re	A-	Stable	--	--
Korean Re	A	Stable	A	Positive
Lancashire	A	Stable	A-	Positive
Liberty Mutual	A	Stable	A	Stable
Lloyd's	A+	Stable	AA-	Stable
MAPFRE Re	A	Stable	A+	Positive
Markel Re	A	Stable	A	Stable
MS Amlin AG	A+	Stable	A+	Positive
Munich Re	A+	Stable	AA	Stable
New India	B++	Stable	--	--
Odyssey Re	A+	Stable	AA-	Stable
Partner Re	A+	Stable	AA-	Negative
Peak Re	A-	Stable	--	--
QBE Re	A	Stable	AA-	Stable
R+V Re	--	--	A+	Stable
RenRe	A+	Stable	A+	Positive
Sava Re	A	Stable	A+	Stable
SCOR Re	A	Stable	A+	Stable
SiriusPoint	A-	Positive	A-	Stable
Sompo Re	A+	Stable	A+	Stable
Swiss Re	A+	Stable	AA-	Stable
Taiping Re	A	Stable	A	Stable
Toa Re	A	Stable	A	Stable
TransRe	A++	Stable	AA+	Stable
Triglav Re	A	Stable	A+	Stable
Vantage	A-	Stable	--	--
VIG Re	--	--	A+	Stable

Upgrade / outlook raised since January 1, 2025

Downgrade / outlook lowered since January 1, 2025

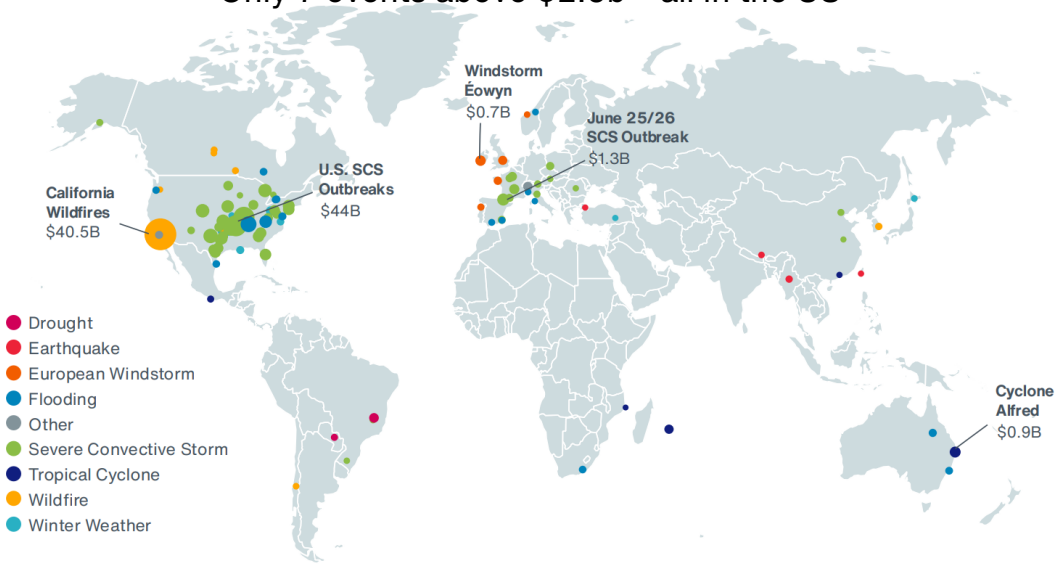
Notes: 1. Financial Strength Rating.
Source: AM Best and S&P. Ratings relate to the principal reinsurance operations, as at July 23, 2025.

4

Outlook

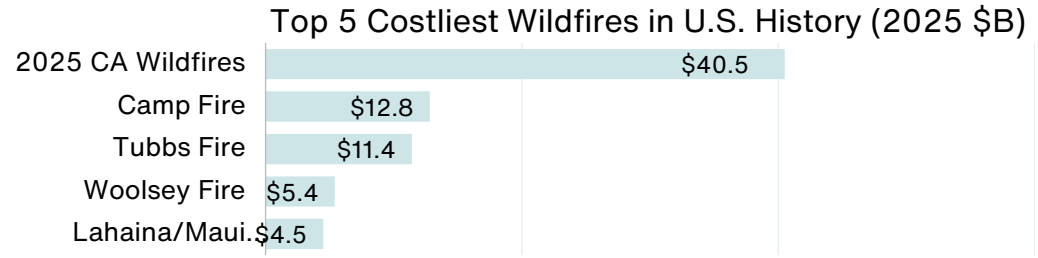
Despite Significant Events Through July; 2025 Loss Largely Retained

1H 2025 Insured Loss Events
Only 7 events above $2.5b – all in the US



Data: Aon Catastrophe Insight

Wildfire Activity: 2025 California Wildfires (Palisades and Eaton fires) will be costliest wildfire event in U.S. History



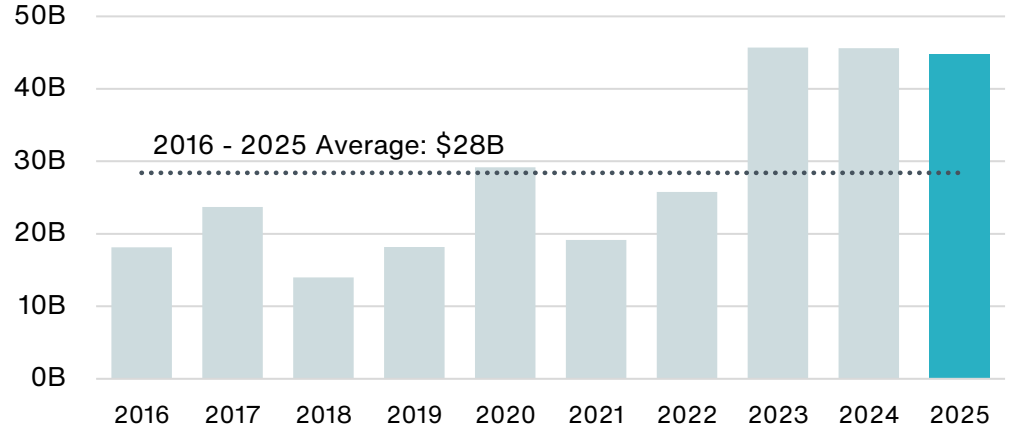
Hurricane Activity: Forecasts continue to indicate a "slightly above average" hurricane forecasts despite quiet start to the season

2025 Atlantic Hurricane Season Activity Forecasted by Agencies

Storm Type	CSU	TSR	All Others	NOAA	Average 1991-2020
TS	16	16	10-20	13-18	14.4
HU	8	8	4-10	5-9	7.2
Cat 3+	3	3	1-6	2-5	3.2

Source: Forecasts from Colorado State University (August 2025), Tropical Storm Risk (August 2025), 12 additional public, private, and university organizations since July/August 2025

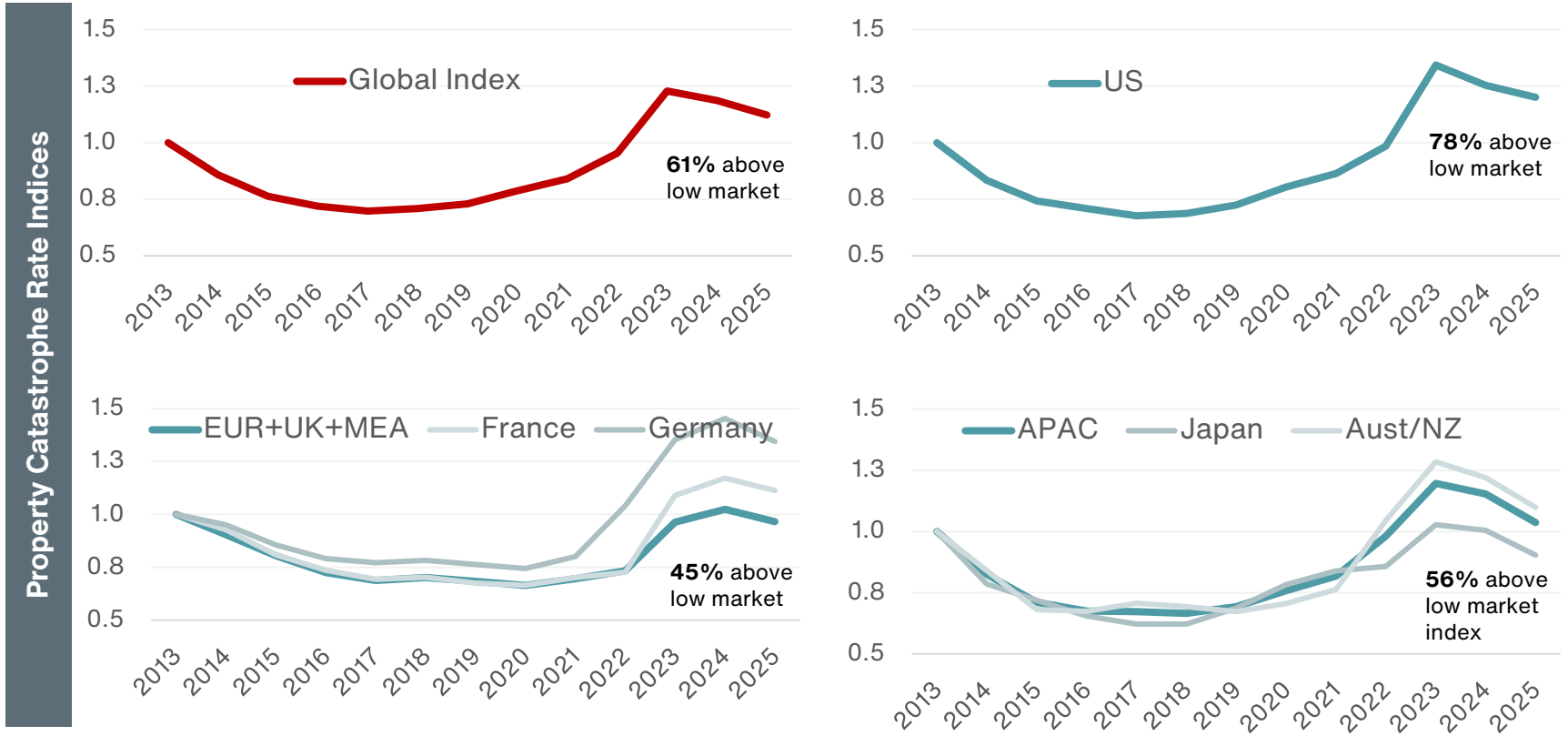
1st Half U.S. SCS Insured Loss
Continue to be the largest region/peril loss globally



Property Catastrophe Rates Remain Attractive for Reinsurers

2025 rates reduced approximately 5% globally, with reductions driven by non-loss affected placements including parts of the US that weren't affected by wildfire balanced with varying results for placements affected by the CA wildfires.

While current market pricing reflects reductions from peak in 2023 in all regions, reinsurers remain in a very profitable part of the market cycle that point to results in excess of their cost of capital for 2025 barring any major additional catastrophes



Region	2025 Rate Change
Asia Pacific	
Australia / NZ	-7.5% to -12.5%
Japan	-7.5% to -12.5%
Asia	-5 to 10%
EMEA	
France	-2.5% to -7.5%
Germany	-5 to -10%
Rest of EMEA	-5% to -10%
Americas	
Canada	+7.5% to +12.5%
Caribbean	Flat to -5%
Latin America	-5% to -10%
U.S. No Loss	-5% to -10%
U.S. With Loss	+15% to +20%

Source: Re/View for Colleagues – Pricing Index Dashboard

Global Supply and Demand Factors

Reinsurers are showing greater flexibility, after a second year of strong earnings

Global factors influencing reinsurance supply

+	Attractive margins post 2023 ‘reset’
+	Additional retrocession capacity
+	Strong growth in shareholders’ equity
+	New capital supporting cat bonds
-	Uncertain impact of climate change
-	Adverse litigation trends
-	Heightened geopolitical risk
=	**INCREASED SUPPLY**

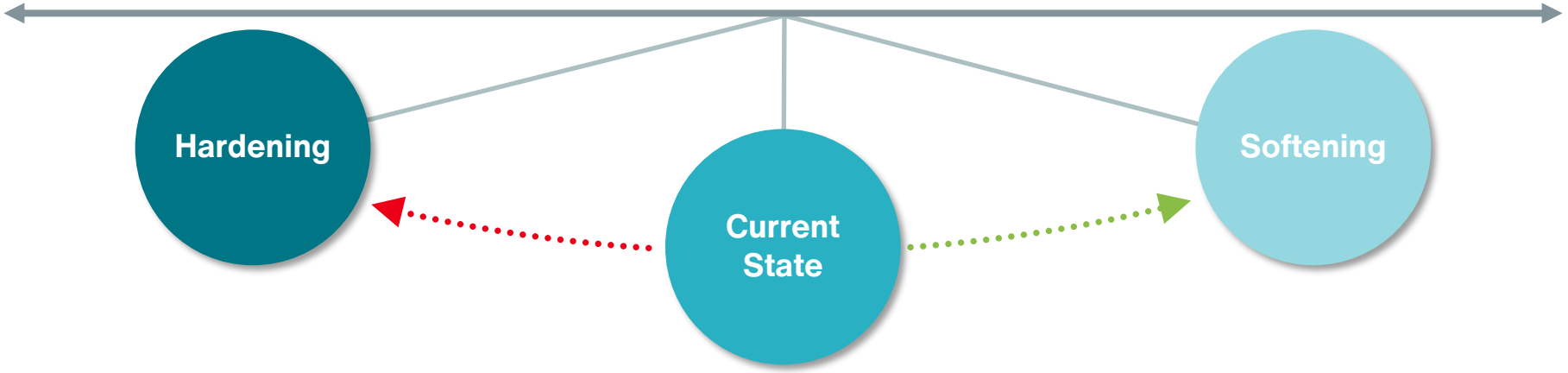
Global factors influencing reinsurance demand

+	Volatile risk environment
+	Exposure growth in vulnerable areas
+	Impact of L.A. wildfires
-	Affordability issues
-	Higher risk retention
=	**INCREASED DEMAND**

Source: Aon

2026 Renewal Scenarios

Cat loss experience to drive outcomes

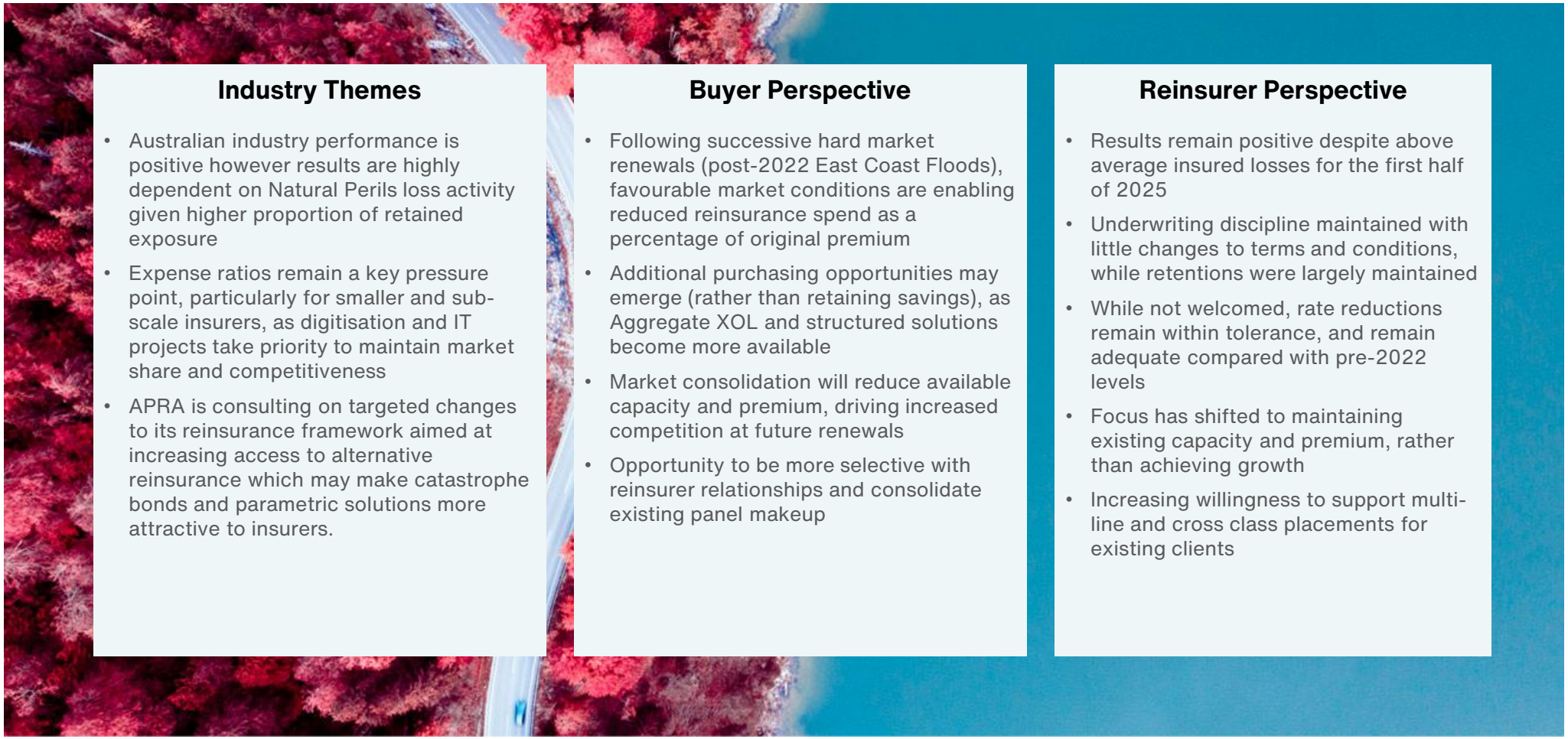


Large peak peril losses ($50bn+)	Cat Losses	Losses within budgets
Accelerating loss cost trends	Inflation	Progressive normalization
Return on equity below cost of equity	Results	Double-digit return on equity
Capital depletion	Capital	Capital growth
Shock events impact capital markets	Uncertainty	Benign news-flow

Source: Aon

Looking Ahead

Expectations for 2H 2025 and 2026 – ANZ Focus



Industry Themes

- Australian industry performance is positive however results are highly dependent on Natural Perils loss activity given higher proportion of retained exposure
- Expense ratios remain a key pressure point, particularly for smaller and sub-scale insurers, as digitisation and IT projects take priority to maintain market share and competitiveness
- APRA is consulting on targeted changes to its reinsurance framework aimed at increasing access to alternative reinsurance which may make catastrophe bonds and parametric solutions more attractive to insurers.

Buyer Perspective

- Following successive hard market renewals (post-2022 East Coast Floods), favourable market conditions are enabling reduced reinsurance spend as a percentage of original premium
- Additional purchasing opportunities may emerge (rather than retaining savings), as Aggregate XOL and structured solutions become more available
- Market consolidation will reduce available capacity and premium, driving increased competition at future renewals
- Opportunity to be more selective with reinsurer relationships and consolidate existing panel makeup

Reinsurer Perspective

- Results remain positive despite above average insured losses for the first half of 2025
- Underwriting discipline maintained with little changes to terms and conditions, while retentions were largely maintained
- While not welcomed, rate reductions remain within tolerance, and remain adequate compared with pre-2022 levels
- Focus has shifted to maintaining existing capacity and premium, rather than achieving growth
- Increasing willingness to support multi-line and cross class placements for existing clients

Contacts

John Carroll

CEO
Aon Reinsurance Australia Limited

john.carroll@aon.com

Aon
Sydney CBD
Level 33, 201 Kent Street
Sydney NSW 2000
tel: (61) 2 9253 7000
fax: (61) 2 9253 7001
www.aon.com

Published by Aon Reinsurance Australia Limited ABN 79 003 026 668
Registered office: Level 33, 201 Kent Street, Sydney NSW 2000

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