



Global (re)insurance market weathers one of the worst loss years on record: Willis Re 1st View

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LONDON, Jan. 02, 2018 (GLOBE NEWSWIRE) -- With recent catastrophe loss estimates in the region of US\$136 billion, 2017 is proving to be one of the worst loss years on record for the global (re)insurance market, according to the latest [1st View renewals report](#) from Willis Re, the reinsurance division of Willis Towers Watson (NASDAQ:WLTW), the global advisory, broking and solutions company.

Unfortunately for reinsurers, the catastrophe losses of 2017 are coinciding at a time when profitability in non-catastrophe lines is constrained and prior-year reserve releases are slowing, according to the report. However, pricing corrections have not seen a significant spike due to the combination of strong reinsurance market capitalization, losses being split over a number of different events and the fact that a large tranche of the losses were retained in the primary market.

For buyers, the shape of the global reinsurance industry in 2017 was significantly different to those previous years impacted by large catastrophe events. The current market has witnessed traditional reinsurers remaining strongly regulated and capitalized supplemented by ILS capacity, which has grown to US\$75 billion.

According to the report, the ILS market showed resilience during the catastrophe losses in the second half of the year, comfortably weathering the first major test for a number of funds with investors prepared to recapitalize funds and provide liquidity for trapped capital. Similarly, traditional reinsurers' Q3 2017 results showed that while the losses are clearly an earnings event, the impact on capital has been relatively muted with average capital impairments in the range of 5% to 7.5%.

Key findings from the report:

- Catastrophe losses have stopped a further downward movement in risk adjusted rates in most markets and classes.
- The continued supply of capital has helped curtail widespread increases in risk adjusted rates on loss free portfolios.
- Pricing across global property catastrophe and risk programs is seeing average adjusted increases of 0% to 7.5% with a few outliers either side of this range.
- Evolving cyber threats are a major concern for the industry in 2018. Recognition of silent cyber risk¹ continues to grow in the market with reinsurers trying to assess potential aggregation levels.
- Merger and acquisition (M&A) transaction volume in the global insurance sector finished 2017 on a par with 2016's \$49 billion.
- ILS investors have replenished their capital and continue to trade forward with modest spread increases for loss affected perils.

James Kent, Global CEO of Willis Re, said: "No commentary on the January 1 renewal season can overlook the scale of human suffering and economic loss that the catastrophes in the second half year of 2017 have caused. The global reinsurance industry is central to alleviating the impact of the 2017 hurricane losses. The speed of claims payments from reinsurers to their clients has been exemplary and the value of reinsurance has been illustrated to many clients yet again. Clearly the 2018 renewal season will for many reinsurers be a disappointment in terms of the rating levels achieved. However, this must be balanced against the ability of the market to provide buyers with stability of capacity at reasonable prices with an orderly renewal process, which demonstrates the growing advancement of the market."

He added: "As society as a whole is starting to look more closely at the role the global reinsurance market can play in helping to close the economic loss gap, the stability of the market bodes well for its future development."

Download the full report: [The Willis Re 1st View report](#) is a thrice yearly publication including specific commentary on key trends throughout the world's major reinsurance classes and regions.

¹ Potential cyber-related losses due to silent coverage from insurance policies not specifically designed to cover cyber risk

ABOUT WILLIS RE

One of the world's leading reinsurance brokers, Willis Re is known for its world-class analytics capabilities, which it combines with its reinsurance expertise in a seamless, integrated offering that can help clients increase the value of their businesses. Willis Re

serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that can help clients make better reinsurance decisions and negotiate optimum terms. For more information, visit willisre.com.

ABOUT WILLIS TOWERS WATSON

Willis Towers Watson (NASDAQ:WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential.

CONTACT

MEDIA

Annie Roberts: +44 20 3124 7080 | Annie.Roberts@willistowerswatson.com

INVESTORS

Aida Sukys: +1 703 258 8033 | Aida.Sukys@willistowerswatson.com

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