



## Willis Re finds total reinsurance dedicated capital was down 5% at year-end 2018

April 23, 2019

LONDON, April 23, 2019 (GLOBE NEWSWIRE) -- Total capital dedicated to the global reinsurance industry measured USD 462 billion at year-end 2018. The largest component of this figure is the total shareholders' equity of the 32 reinsurance companies tracked in the Willis Reinsurance Index<sup>1</sup> which was down 10% to USD 335.7 billion, reversing growth of 8% in 2017. The second largest component is alternative capital which, in contrast to Index capital, grew by 6%. These are findings from the latest [Reinsurance Market Report](#) from Willis Re, the reinsurance business of leading global advisory, broking and solutions company Willis Towers Watson (NASDAQ: WLTW).

Index capital reduced by USD 13.7 billion due to the exits of Validus and XL Catlin through M&A. Companies paid out the majority of the USD 20.5 Billion of net income as dividends and buy-backs which together reduced Index capital by USD 17.6 billion. This equated to a pay-out ratio of 86% of net income. The overall decrease in Index capital was due to unrealised investment depreciation of USD 21.4 billion, mainly due to falling equity markets and rising bond yields. Notably, National Indemnity reported USD 10.2 Billion of unrealised investment depreciation.

Willis Re conducted a more in depth analysis on a subset<sup>2</sup> of reinsurers within the Index which make the relevant disclosure in relation to natural catastrophe (nat cat) losses and prior year reserve releases. This analysis showed that the reported RoE for the subset recovered from 2017's nat cat-affected 1.4% to 4.2%. Normalising for a 4% nat cat loss and also removing the benefit of reserve releases resulted in an underlying Return on Equity (RoE) of 2.7% for the subset versus 2017's 3.8% RoE.

The main driver of the improvement in reported RoE for the subset, and drop in underlying RoE, was the combined ratio. The headline combined ratio for the subset recovered from 2017's 107.4% to 99.2%. However, stripping out 4.6 percentage points of reserve releases (marginally lower than 2017's releases) and 8.6 percentage points of nat cat losses (significantly down on 2017's 18.1 percentage points), results in an ex-nat cat accident year combined ratio of 95.3% for the subset, a deterioration versus 2017's 94.6%.

James Kent, Global CEO, Willis Re, said: "Overall shareholders equity figures for the Index suffered a negative impact due to unrealised investment losses, owing to external factors largely beyond the control of risk carriers, as well as shareholder buy backs and dividends. The report's findings show that the remedial actions taken by many risk carriers in 2018 were essential and we are seeing an acceleration of these actions in 2019 as companies seek improved underwriting terms and rates to drive RoEs."

[Download the full report](#): The Willis Re Reinsurance Market Report is a biannual publication providing in-depth analysis of the size and performance of the reinsurance market. Analysis is based on the Willis Reinsurance Index group of companies. In 2018 The Index includes 32 companies from across the globe.

### 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](http://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 over 45,000 employees serving more than 140 countries and markets. 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. Learn more at [willistowerswatson.com](http://willistowerswatson.com).

<sup>1</sup> Index relates to those companies listed within Appendix 1 of the report

<sup>2</sup> Subset is defined as those companies that make the relevant disclosure in relation to catastrophe losses and prior year reserve releases. The appendix of the report identifies the subset companies.

### Contacts:

## Media

Annie Roberts: +44 20 3124 7080 | [Annie.Roberts@willistowerswatson.com](mailto:Annie.Roberts@willistowerswatson.com)

## Investors

Rich Keefe: +1 215 246 3961 | [Rich.Keefe@willistowerswatson.com](mailto:Rich.Keefe@willistowerswatson.com)

Willis Towers Watson 

Source: Willis Towers Watson Public Limited Company