Florida Property CAT Post Renewal Update

June 2023

Agenda

1. Setting the stage
2. Recap of the renewal
3. Looking ahead

Setting the Stage

Leading up to the June 2023 Florida Property CAT Reinsurance Renewal

View in December 2022

January 2023 property cat reinsurance renewals matter to Florida

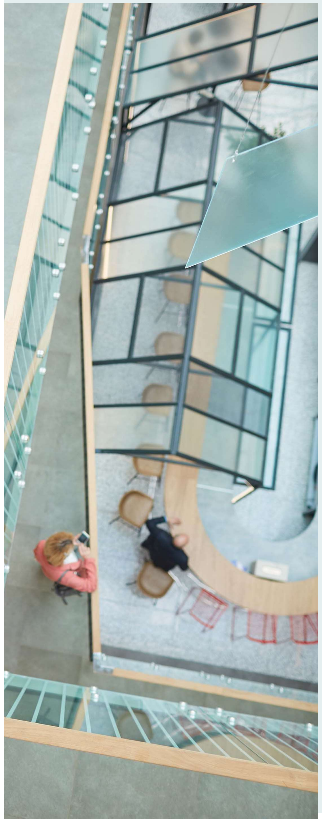
Looking forward to the June 2023 reinsurance renewals for Floridian risks, Dittman said that it's important to "keep a sharp eye on the 1/1 renewals."

"Retro capacity is extremely tight and will likely limit how much risk reinsurers can hedge in 2023. Additional reinsurance capital is using the "wait and see" approach," he explained.

But, positively added that, "If projected pricing and terms for the 1/1 renewals truly hold and the Florida legislative special session next week provides meaningful changes, we will likely see some new capital start to slowly become available for 6/1 renewals."

January 2023 renewals overview

Hard market for property reinsurance / retro and war-impacted specialty classes



- This was one of the most challenging renewals of the last 30 years.
- Reinsurers pushed hard across the board to improve the sustainability of their product.
  - Pricing, retentions and coverage were all up for discussion.
  - Quoting delays and divergent demands strained timelines.
- **Property** saw a hard market, driven by an evident mismatch in demand and supply.
- **Casualty** was relatively stable: the market moved modestly in reinsurers' favour.
- **Specialty** ran very late, with dislocation in war-impacted classes and some unwinding of composite treaties.
- Cedants were ultimately able to secure core protection, albeit at significantly higher rates and retentions.
- Gaps in programs/coverage resulted in more follow-up work post 1/1 than in past years.
- Retained volatility will be re-evaluated in Q1 – some cedants may consider additional purchases.
- Strong demand and attractive terms will reward capital entering the market in 2023.

Global supply and demand factors
Significant imbalance

Global factors influencing reinsurance supply

–	Market exits.
–	Significant reductions in shareholders' equity.
+	Very limited inflows of new capital.
–	Reduced retrocessional capacity.
+/–	Material strengthening of US dollar.
–	Continued above average catastrophe losses.
–	Reassessment of loss potential from secondary perils.
–	High economic inflation and resurgent social inflation.
–	External pressure from investors and rating agencies.
=	**Reduced supply**

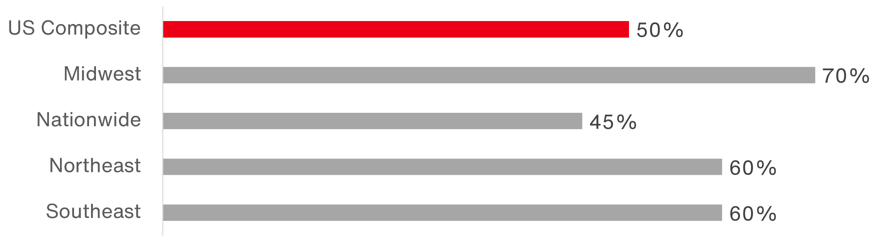
Global factors influencing reinsurance demand

+	Loss cost volatility.
+	Inflation of insured values.
=	**Increased demand**

US market property catastrophe summary

Risk-adjusted pricing for 1/1 US property cat placements is up 45% to 55%[1]

- Loss Free programs up 40% – 65% and Loss Impacted[2] up 50% – 90%
- Rate change by exposure region:



Limit placed by Aon into the market at 1/1 was flat year over year

- 55% of placements decreased limit and 45% increased limit purchased

[1] Rate change for all Aon 1/1 US property cat placements based on exposure neutral pricing from prior year's expiring terms and represents an average of RMS and Verisk models utilized at each renewal, with like for like models used in determining year over year individual company rate change. Losses include adjustments for inflation and exposure growth but are not adjusted for any loss history of individual clients nor for changes in reinsurer capital.

[2] Loss free layers in loss impacted accounts are included in the loss impacted metric.

January 1 reinsurance purchasing change year v year in the US

Retention Movement

70% of companies increased their retention

- Ranging from +20% to +150%, median increase of 46%
- Retention as a percentage of surplus increased from 3.9% to 5.3% on average

Attachment levels increased YOY, on average, from 7.5 years to 9.8 years[1]

- Nationwide carriers: 6.7 years to 8.2 years
- Regional programs: 7.9 years to 10.9 years

First layers had the largest capacity constraints; causing cedents to increase retentions, increase co-participations, or rely on shortfall capacity

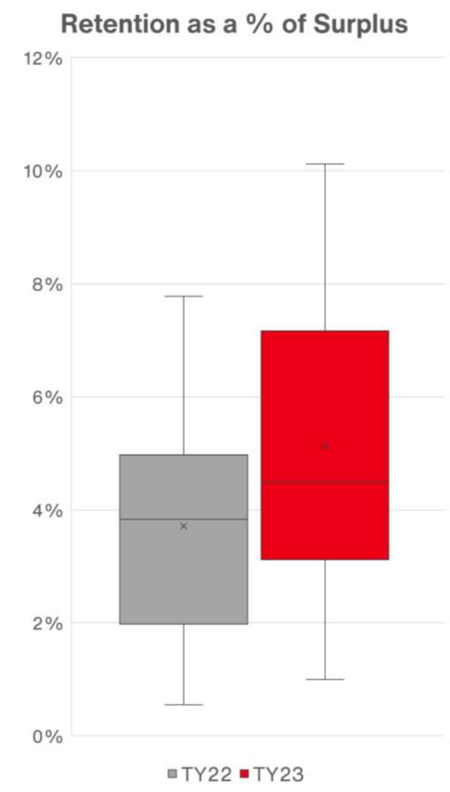
Top of Occurrence Program

45% increased, 15% same, 40% decreased (predominately nationwide carriers)

- Ranging from -40% to +150%, median change was flat (0%)

Exhaustion increased slightly YOY with median moving from 215 years to 250 years[1]

- Nationwide carriers: median moving from 235 years to 243 years
- Regional programs: median moving from 213 years to 209 years



Florida Property Cat Reinsurance Renewal Recap

June 2023

Orderly

Preparation and planning played a big part

Headline from video interview with The Insurer

Aon's head of Florida Chris Dittman has described the key 1.6 renewal in the Sunshine State as "orderly", with reinsurer appetite up and rate increases landing between 25 and 35 percent.

Why orderly?

Five key reasons the June 2023 renewal season avoided chaos

1. More stable financials and economic outlook
2. Early clarity from the state sponsored reinsurance
3. Re-shaping of portfolios
4. Early, large private placements from key markets
5. Pricing levels that attracted capital

More stable economic outlook

Historic change to the litigation environment in Florida

- December 16, 2022 Governor DeSantis signed into law Senate Bill 2-A
  - Eliminates one-way attorney's fees
  - Banishes assignments of benefits (AOBs)
  - Allows for mandatory binding arbitration clauses in policies
  - Reduces the deadline for policyholders to report a claim.

- Rating Agency Stability

July 2022 Headline

Rating agency Demotech has warned an additional 17 Florida property insurance carriers that they may have their ratings downgraded on July 26th, a move that has resulted in a backlash from Florida's state Insurance Commissioner and CFO.

February 2023 Headline

Petrelli concludes, "The legislative reforms of the dual special sessions of 2022 are in place, as is the cumulative impact of previous legislative reforms. The Family Security decision stabilizes claims procedures, practices, and protocols. Governor DeSantis, Senate President Kathleen Passidomo, and House Speaker Paul Renner have accumulated an impressive series of meaningful reforms. Florida's residential property insurance marketplace has been redefined."

Q1 2023 statutory results

Aon Florida composite contains 53 statutory insurance companies

89.9% Median Combined Ratio (29 of 53 < 100%)	**$42.9m** Reported Net Income, up from ($127.8m) in Q1 2022	**$196.9m** Increase in PHS of 3.9% from YE 2022	**$4.84b** Direct Premium Written, up 11.25% from Q1 2022

$72.3m of capital contributions made by 7 companies

- Two groups combined for $70m of the capital contribution
- Dividends of $10m taken by one group

Net Written Premium increased 10.5%

- $3.05B in Q1 2023 compared to $2.76B in Q1 2022

25% improvement in Direct Loss & LAE Ratio

- 31.9% in Q1 2023 compared to 42.6% in Q1 2022

Early clarity from state sponsored reinsurance
RAP v FORA

- The Reinsurance to Assist Policyholders program (RAP), created by the Florida Legislature and signed into law on May 26, 2022
- As part of Senate Bill 2A signed by Governor DeSantis on December 16, 2022, the Florida Optional Reinsurance Assistance (FORA) Program was established for the 2023 hurricane season
- Captive utilization needed to continue supporting lowest layers
    - Benefited from only one event in 2022

Re-shaping of Florida insurance company portfolios

Need for property CAT limit diminished for 2023

- After years of poor underwriting results and the tremendously challenging June 2022 property CAT renewal, many Florida carriers embarking on re-underwriting their portfolio's including:
  - Scheduled non-renewals
  - Shutting down writing of new business
  - Optimizing PML levels relative to premium
- Citizens Growth – 84% in TIV and 80% in Premium

March 31, 2022

County	Policy Count	% of Total Policy Count	Inforce Total Insured Value	Inforce Premium
Brevard	22,711	3%	$7,546,540,418	$44,063,224
Broward	141,294	17%	$43,064,264,436	$426,194,565
Hernando	18,994	2%	$6,492,405,012	$25,031,099
Hillsborough	37,596	5%	$12,406,889,605	$62,422,646
Miami-Dade	183,852	22%	$56,802,160,890	$610,202,883
Monroe	17,764	2%	$8,763,403,196	$82,713,954
Orange	18,229	2%	$6,435,202,646	$29,309,898
Palm Beach	86,325	11%	$28,953,250,180	$250,469,122
Pasco	25,411	3%	$7,184,394,431	$35,594,108
Pinellas	86,654	11%	$27,280,854,948	$150,464,779
All Other	179,096	22%	$55,025,932,353	$308,828,773
Total	**817,926**	**100%**	**$259,955,298,115**	**$2,025,295,051**

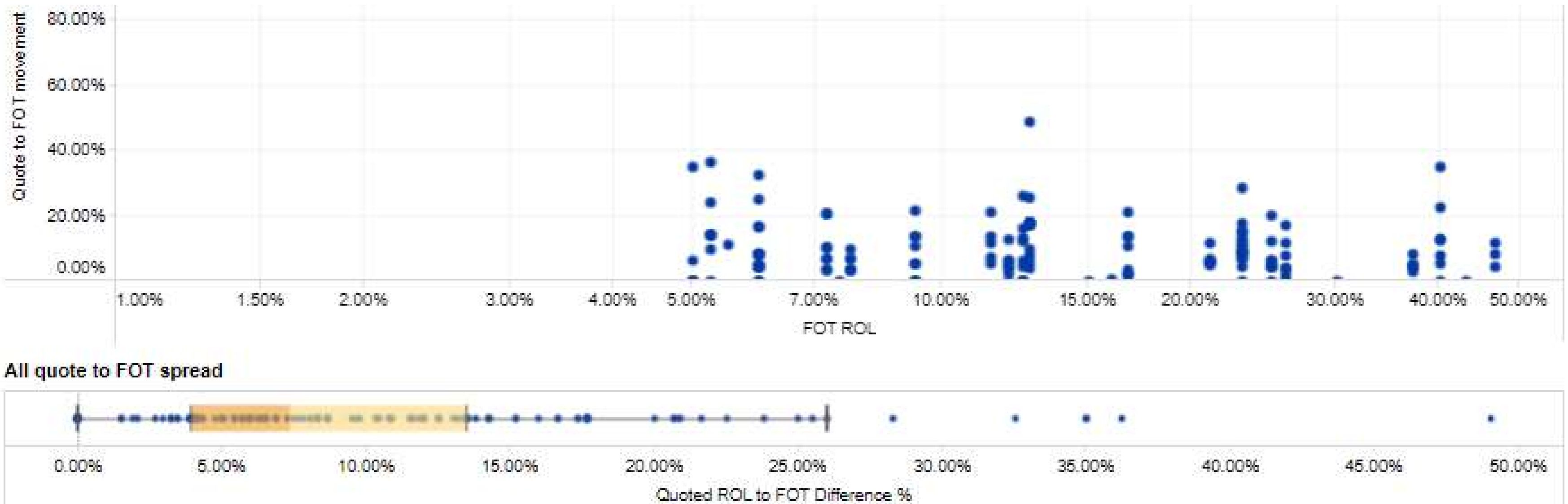
March 31, 2023

County	Policy Count	% of Total Policy Count	Inforce Total Insured Value	Inforce Premium
Brevard	43,137	3%	$17,463,293,296	$100,625,478
Broward	179,762	15%	$64,662,424,044	$674,875,047
Hillsborough	66,558	5%	$26,938,380,825	$138,413,412
Lee	35,428	3%	$13,093,042,920	$83,800,406
Miami-Dade	228,601	18%	$82,677,968,232	$903,458,284
Orange	39,078	3%	$15,415,457,600	$75,794,159
Palm Beach	125,602	10%	$51,911,524,878	$472,504,519
Pasco	39,713	3%	$14,205,185,551	$72,411,774
Pinellas	117,378	9%	$45,823,823,557	$264,491,154
Sarasota	30,250	2%	$13,293,297,329	$73,439,180
All Other	333,889	27%	$133,269,796,229	$793,443,106
Total	**1,239,396**	**100%**	**$478,754,194,461**	**$3,653,256,519**

Early, large private placements

Key markets with meaningful capacity offered support early

- Given pricing levels at 1/1/2023, key markets offered meaningful support early in the placement process
  - Support was generally provided across the board
  - Support included coverage for the reinstatement premium
- Provide meaningful head-start helping establish the "proper" firm order terms for the following markets
- Resulted in very little short-placement need



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~$7.5B New capital has entered the market

Announced raises via equity in existing companies or collateralized sidecar vehicles between Q4 2022 and May 2023

Supplemental Capital

Date	Quarter	(Re)Insurer	Size ($B USD)	Notes
16-Nov	Q4 2022	Beazley	0.4	Equity issuance at 8% discount to support growth in property (re)insurance
2-Dec	Q4 2022	MAPFRE Re	0.3	Reinforcing operational capacity via internal transfers from MAPFRE
21-Dec	Q4 2022	Stone Ridge	1.5	Planned deployment to support the cat XL market
17-May	Q2 2023	Everest Re	1.5	3.6m common shares with underwriters' option for 540k shares
22-May	Q2 2023	RenRe	1.7	Financing Validus purchase with $1.4bn equity offering and issuing $250m of shares to AIG
Total			**5.4**	

Sidecars

Date	Quarter	(Re)Insurer	Size ($B USD)	Notes
20-Dec	Q4 2022	Vantage	0.8	Collateralized third party capacity to support property cat and retro placements
21-Dec	Q4 2022	Ark	0.3	Outrigger Re sidecar supporting Ark Bermuda's property cat book; $205m supplied by White Mountains
31-Jan	Q1 2023	RenRe	0.4	Third party capital raised for 1/1, including $377m in DaVinci
3-Feb	Q1 2023	Nephila	0.2	Raised for the 1/1 renewals
8-Feb	Q1 2023	CCR RE	0.2	The consortium buying a majority interest in CCR RE will increase its capital to support growth
9-Feb	Q1 2023	Ariel Re	0.3	Reported to be working with Oaktree Capital on a $300m sidecar
28-Feb	Q1 2023	W.R. Berkley	0.1	Additional investment in Lifson Re collateralized reinsurance sidecar
28-Feb	Q1 2023	Elementum	0.1	Additional investment from White Mountains
3-Mar	Q1 2023	Fermat	1.0	Targeting $2bn of new capital to support cat bond issuances in 2023
6-Mar	Q1 2023	Ariel Re	0.3	Includes $170m raised through Lloyd's pioneering London Bridge 2 PCC transformer vehicle.
Total			**3.6**	

Source: Aon Business Intelligence, Company Research

Property catastrophe bond update

Bond market growth taking additional pressure off catastrophe renewals

Catastrophe Bond Market Overview

- Catastrophe Bond market has grown in excess of USD 3.8 billion in 2023 YTD and continues to trend upward
- Year-over-year spreads are wider due to macroeconomic headwinds including increased inflation, rising interest rates and tightening financial conditions
  - Q1 2023 spreads have tightened showing improvement in the overall market as the macroeconomic headwinds diminish
- Broadly speaking, movements in catastrophe bond spreads are in-line with current reinsurance price increases for peak perils, retrocession and Florida-based exposures

2023 Market Outlook

- Heightened rates continue to make ILS an increasingly attractive asset class in 2023, investors have shown significant capital inflows in Q1 and the momentum has continued into Q2
- Spread increases seen in the primary and secondary markets following Hurricane Ian have since tightened, showing a pricing decrease of ~15% since the beginning of January
- The market continues to show signs of strength, with recent deals achieving significant capacity and favorable pricing at the low end of guidance

62%
Increase in average deal size
(H1'23 YTD vs. H2'22)

$40.4b
in outstanding cat bond limit YTD

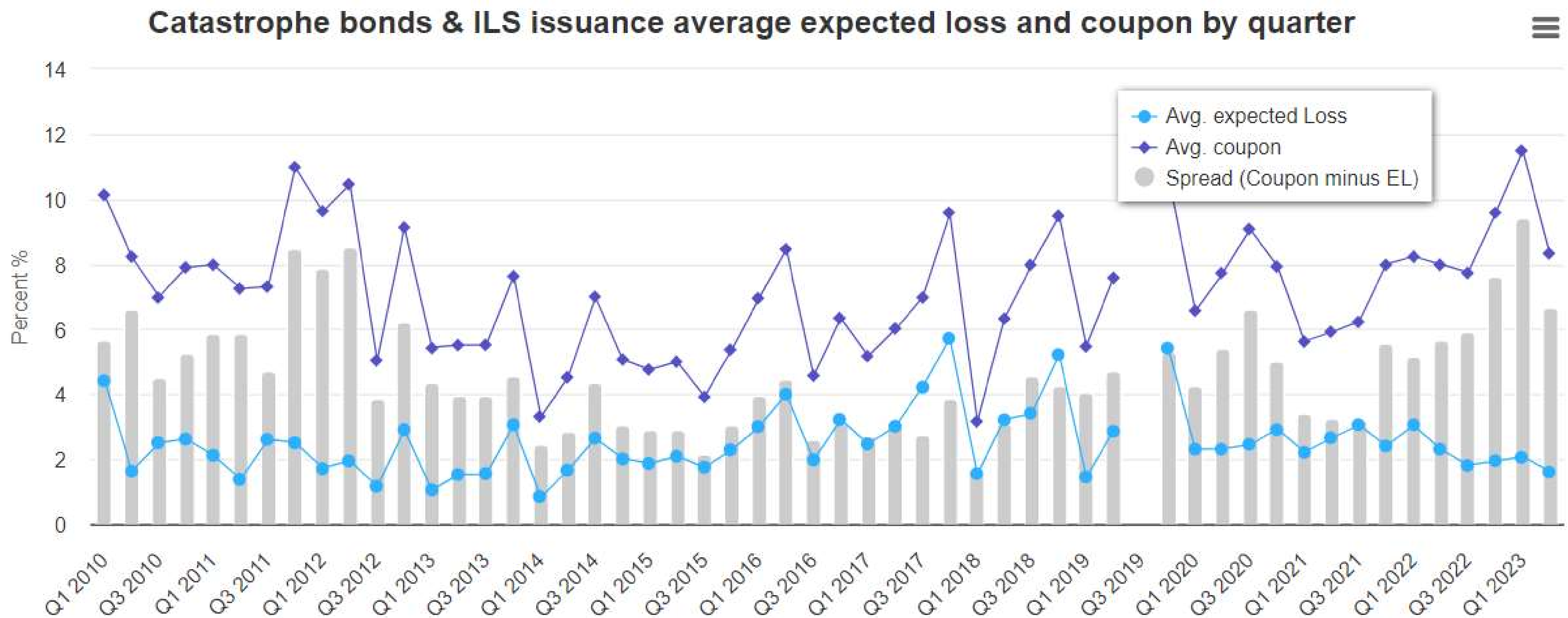
$8.6b
issued YTD in 2023

$4.1b
remaining maturities in 2023

Source: www.Artemis.bm Deal Directory

Property Cat Bond Pricing Levels

Tightened pricing levels seen for the first time in 2+ years



Source: www.Artemis.bm Deal Directory

Looking Ahead

Preview for 2024

RMS Hurricane model update signals increases in certain regions/risks

Model release date:

June 7th

Model availability:

Mid-July (Estimated)

Key driver of model change:

Significant updates to vulnerability

How model change will impact loss:

Impact of model change **will vary greatly by portfolio**

Expect that impacts **will not align** with industry guidance

Commercial losses are expected to increase

Larger commercial increases due to:

- Mid-rise and high-rise
- Light metal
- Condo associations & Hotels
- Newer year builts (2009-2020)

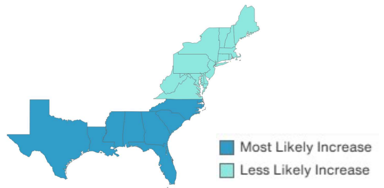
Smaller commercial increases due to:

- Low rise
- Steel and concrete
- Restaurants
- Older year builts (Pre-1995)

Residential loss impacts vary with geography and year built

Increases are more likely for:

- Risks between TX and the SE
- Newer year builts (2009-2020)



Significant changes to industrial facilities, generally increasing

Impacts will vary with geography and facility type

- Greatest increases in Florida
- Least increases in Texas

Verisk financial model update will impact all regions, all perils

Model release date:

January 2024

Model availability:

Summer 2024 (Estimated)
Preview available now, internal use only

Key driver of change:

Improved estimation of uncertainty

Increased complexity of insurance and reinsurance loss modeling

How model change will impact loss:

Impact of model change **will vary by portfolio, region, and peril**

Verisk creates NGM (Next Generation Model)

The NGM is an entirely new algorithm for calculating expected losses

- The v10/Current Financial Module uses Numerical Convolution which assumes no correlation between distributions
- With NGM, we are now including correlation as losses are aggregated across coverages for a location, and across locations to contract and event total
- **This will impact every region, every peril, every cedent**

Capturing uncertainty within a catastrophe model

Updates to uncertainty:

- Primary uncertainty (including sampling variability) concerns the event generation component of the model
- Secondary uncertainty is uncertainty in the **intensity, damage, and loss estimation**

Tropical Cyclone:
- United States
- Hawaii
- Central America
- Australia
- India
- Mexico
- Mainland China
- South Korea

Earthquake
- Alaska
- Canada
- Central America
- Mainland China
- Hawaii
- Mexico
- Pan-European Region
- Southeast Europe

Inland Flood:
- Great Britain
- Southeast Europe

Winter Storm
- United States

NGM versioning and availability

NGM roll-out is staggered between v10 and v11

- v10 (current): NGM available as an option, alongside current model
  beta preview released, but not operational, runs slowly and is challenging to use
- v10.5 (released June '23): NGM **only** option available
  *still classified as a beta release, **will not be 'available' for placements or other external usage***
- v11 (released January '24): NGM **only** option available
  estimated to be available for renewal work summer 2024

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Factors to consider looking to 2024 renewal season

Major dynamics still at play with the big bet on 2023 results

- Lessor rate increases on similar mid-year renewal business signal market pricing has decreased mid-single digit from peak January 2023 pricing. Should reinsurers achieve expected or better return results in their cat portfolios, we expect these decreases will hold (and potentially further decrease at January 2024 all other things equal).
- Investors are more bullish on the reinsurance market than in mid/late 2022 and have started to invest in the space again due to rate improvements but still don't have high confidence in reinsurer ability to price the product. Further significant loss activity would strain that already fragile dynamic.
- Florida legislation passed in December may be an early sign for some optimism in the state. If history repeats, that means investor appetite will likely increase for primary property in Florida and additional reinsurance demand for peak risk in the 2024 season which will alter the balance of supply/demand.
- Inflation, as referenced earlier, hasn't abated as quickly as some had hoped in most major property catastrophe buying regions. This, coupled with what we expect will be minimal further retention changes by cedents (since most took more sizable increases in 2023), signals a potential increase in demand over 2023 as much as 5-10%.
- Alternative market appetite (mainly through catastrophe bonds) has increased mitigating some traditional market demand and putting pressure on traditional market pricing.
- Some insurers are looking to secure additional capacity in advance of January 1 to have it pre-marked for renewal, especially as capacity has been more readily available in recent weeks.

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