2025 GEN RE EXECUTIVEFORUM

JW Marriott Marco Island Beach Resort
Marco Island, FL
January 13–15, 2025

Gen Re®

A Berkshire Hathaway Company

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Market Update

Kara Raiguel

President and CEO

Market Dynamics – Property Insurance

- LA Wildfires – what's next?
- Confidence in pricing for most parts of the country continues
- Excess & Surplus Property is on the way down
  - Large schedules been declining since April '24
  - Helen & Milton slowed decreases temporarily
  - Smaller TIV's still getting rate
  - Deductibles are holding
- Capacity coming from startups + all companies looking for growth. Supply flowing in, will continue downward, how fast is the question on everyone's mind

- Admitted improving
  - Midwest ACV, Loss Limits becoming norm
  - Strict guidelines on Age of Roof
  - Deductibles & Rates still increasing
    - Per location deductibles
  - Agency management strategies continue
  - Mixed group – Some ready to grow, some still defending
- What is an adequate price for HO insurance? Helene inland impact can alter risk perception
- Availability vs affordability concerns
  - Senate hearing
  - WSJ: "Insurance and Taxes Now Cost More Than Mortgages for Many Homeowners"

Market Dynamics – The Florida Market

- Milton – unhelpful size
- 7 Landfalls in FL in the last 5 years. Not in pricing data.
- Retention losses for Helene/Milton
- Stable for consumers but nothing easing on deductibles or prices in the near future
- When does capacity flowing in have an impact in marketplace?

- New reforms working
  - Litigation rates down
  - Model laws for other states to follow – LA, GA
- New roofs performing well; have and have nots
- New Reciprocals navigating early retention hits. Unable to build surplus cushion in ’24 as fast
- FL specialists that survived are thriving

Market Dynamics – Casualty Insurance

- '21–'23 bubbling and creep continues on AYs '15–'19
- Divergent views on lengthening of development pattern
- Still not getting paid for unknowns/unpriced
  - PFAS, sex molestation, phthalates
- Economic inflation more predictable but total insurance trends are still elevated
  - RICO lawsuits
  - Claim strategies being challenged
- Limits holding firm – no expansion
  - New entrants coming in, offering similar limits

- Rate momentum kicked up 2H24;
  - 1H25 not clear – single or double digit
  - Below, at or above trend? – diverse views
- Diverse market dynamics
  - Small E&S still performing well
  - Large fortune 5000 still underperforming
  - Middle market commercial underperforming but improving
- MGA programs continue to proliferate
  - No fall out from Vestoo
  - Front carriers attracting strong reinsurance support
    - As programs mature – how challenging in '25 & '26

Market Dynamics – Casualty Insurance Continued

- Workers' Comp
  - You get another year
  - Wage inflation keeping up with medical trend
  - Frequency continues to decline
  - Reserve take downs in WC masking PYD in GL/Auto
- Auto still sucks – for almost a decade
  - No change in performance and everybody knows it sucks

- D&O has started to find bottom
  - Supply still greater than demand
- Cyber
  - Feels disappointingly optimistic on price
  - Limits up
  - Supply outpacing demand, continues to soften
  - Very short cycle – steep return to soft market
  - CrowdStrike gives confidence – appropriate?
  - Tail risk of ruin exists in spite of reasonable results

Market Dynamics – Reinsurance

- Market remains efficient on most lines
  - Reinsurers profitable in ’24 despite Hurricane activity
- Large Europeans culled books in ’23, “24 so not much capacity shift at ’25 renewal
- Bermudian and younger reinsurers have more appetite (no legacy pain)
- Capacity is available at price points – Healthy supply / demand (less crankiness this year, deals getting done)
- Some deals realistic but not all at appropriate margins. Others easy to say no.

- Cat XOL/Property QS
  - Capacity flowing in, demand is not up the same, prices tilting down further on clean programs/layers
  - Holding firm on retentions; not dropping
    - Aggregates with higher attachment points more common
  - Most programs down 5-15%
  - SCS exposed working layers up, higher layers down
  - Some small companies at top of their towers
  - Model miss both ways (SCS vs. hurricane)
- Casualty & Professional cedes moving down slightly again (again again)
- Leverage trend – 15-20% trends on XOL exceeding underlying rate impact (Comp masks GL trends)
- Casualty XOL rates up – More conviction than last year

What I Worry About

- Weather
  - What is frequency for Cat 3+ to hit US coast?
  - Wildfire – aggregation and pricing
- '21–'23 Casualty loss picks; Underestimating casualty trends – how much are they off?
- What does commoditization of our industry mean for business practices/partnerships?
- What does Private Equity owning so many pieces of the food chain mean to the industry?
- Over confidence creating a downward spiral of property prices
- Affordability vs. availability coming to a head
- Perception of almost all insurance companies is bad
  - 60 minutes – Heritage
  - LA Fires – Cancellation of coverage
  - Commissioners under pressure
  - Uninsured/uncovered homeowners in coastal and wildfire prone areas
  - Healthcare spillover
- Global instability – Cyber, terror, war, American politics; general unrest and riots
- AI – How to integrate into business practices appropriately

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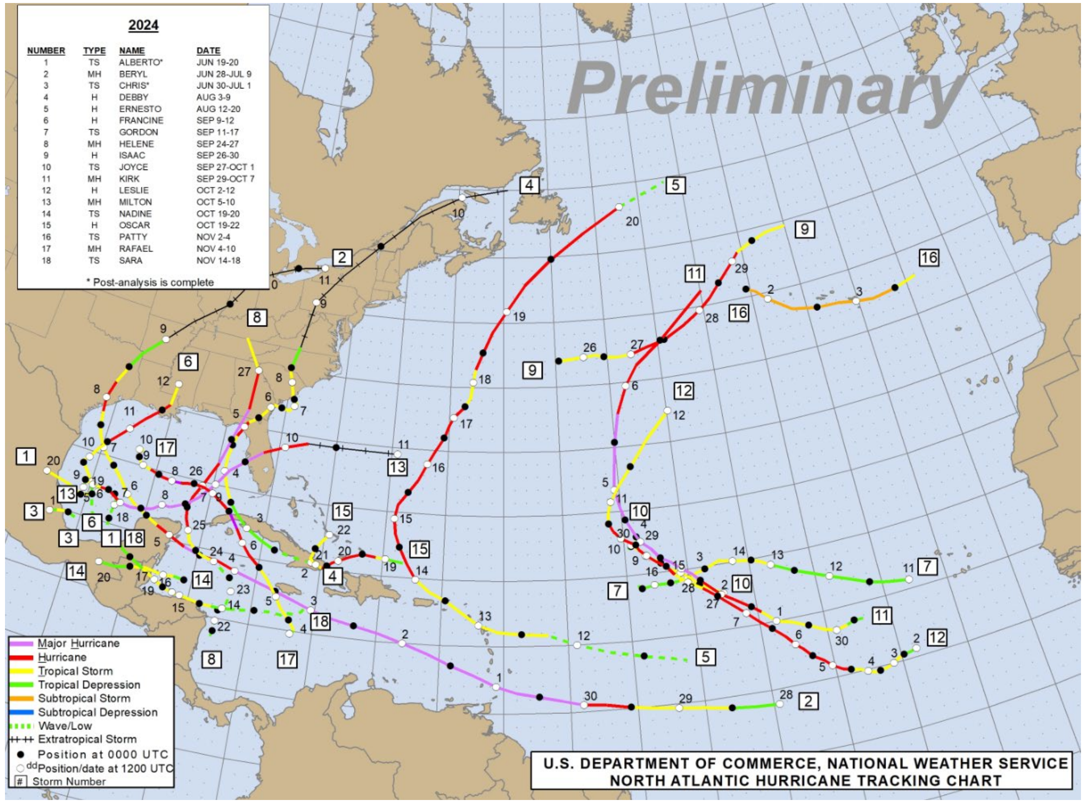
Property Update

Erin Kang and Kara Raiguel

2024 Atlantic Hurricane Season

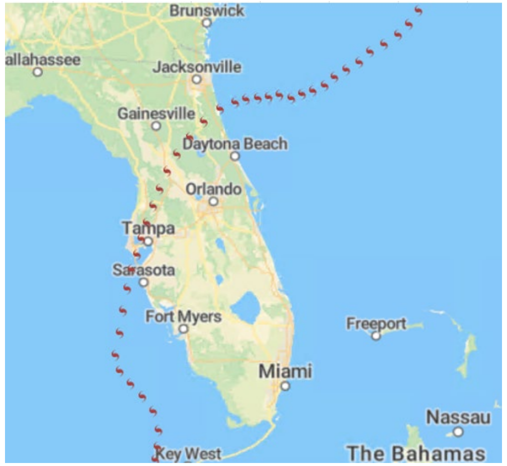
- Busy season in the Atlantic due to a weak La Niña and warm sea-surface temperatures
- 18 Named Storms, 11 Hurricanes, 5 Major Hurricanes, and 5 Hurricanes making landfall in the U.S.
- 2024 Hurricanes – Record setters
  - Beryl earliest forming Cat 5 hurricane in the Atlantic
  - A couple of months of nothing, then 4 systems in September and 3 in October
  - Helene: Cat 4 at landfall
    Significant wind + storm surge + rainfall + size
    Stretched more than 500 miles inland from landfall
    Deadliest since Katrina
  - Milton: Cat 3 with record-breaking intensification and tornadic activities



Source: NOAA

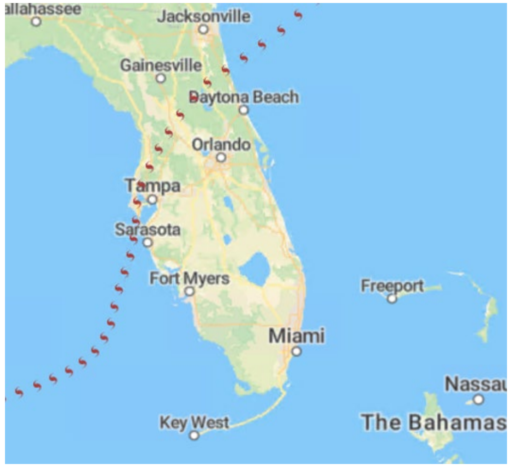
Estimated Tracks

Verisk's Milton Estimated Pre-Landfall Tracks (Maps) – Estimated Gross Industry Loss

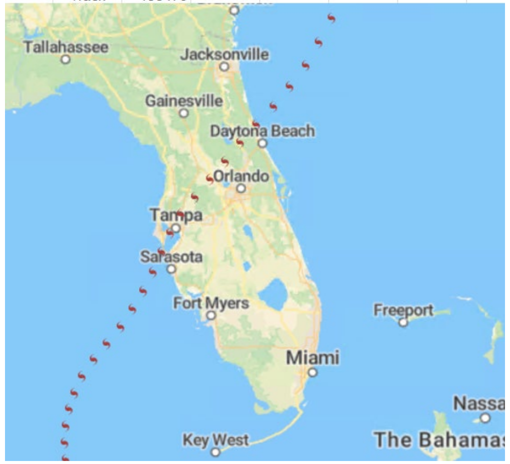


Track 63230 | $29B

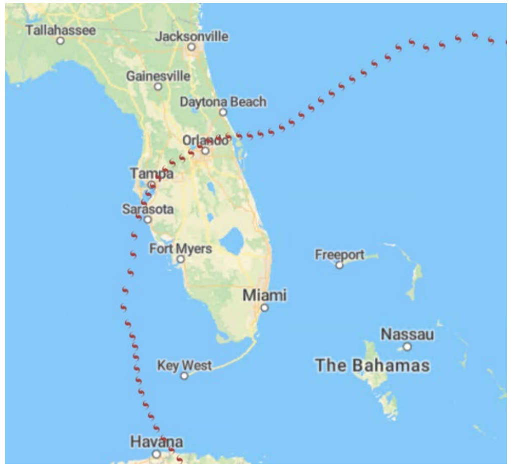
Track 137011 | $39B



Track 171233 | $41B



Track 198470 | $36B



Track 219804 | $48B

Source: Verisk, Gen Re Analytics

Alternative Track

An Alternative Post-Landfall Estimated Track for Milton

Source: Verisk, Gen Re Analytics

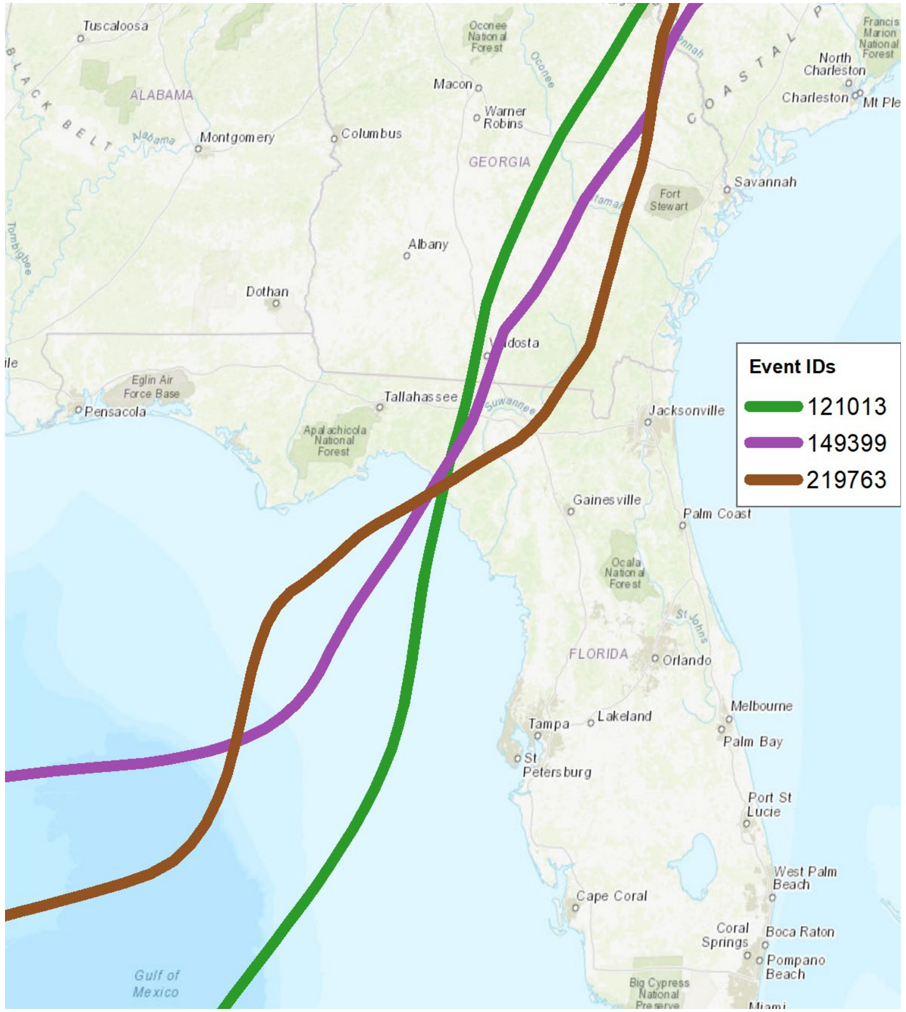
Track 241493
$11B

Latest PCS Estimate $14.7B

Non-modeled = hurricane induced tornadic activities.

Estimated Tracks

Verisk's Helene Estimated Pre-Landfall Tracks (Maps) – Estimated Gross Industry Loss



Track 121013	**$1.5B**
Track 149399	**$3.1B**
Track 219763	**$898M**
Latest PCS estimate	**$12.8B**

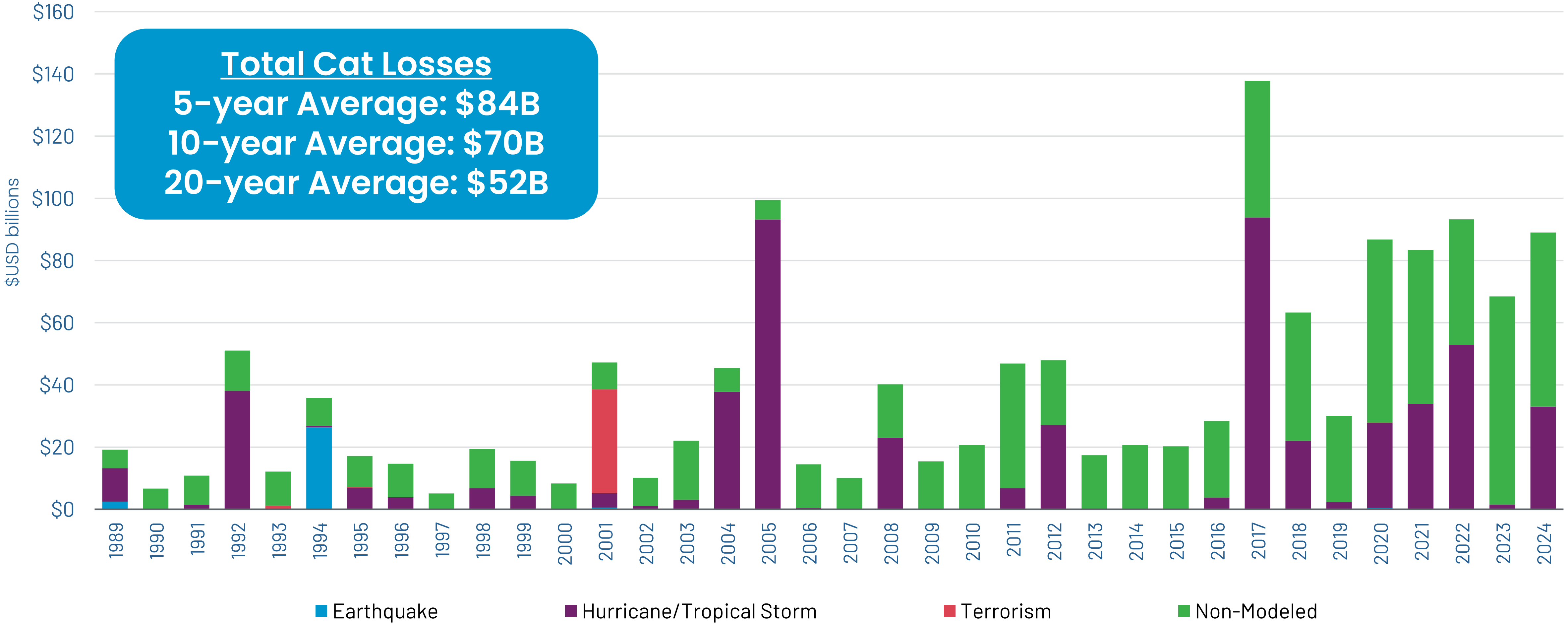
Non-modeled = soil erosion from Predecessor Rain Event pre-landfall causing uprooted trees damaging properties

Source: Verisk, PCS, Gen Re Analytics

U.S. Catastrophe Trended Insured Loss Estimates

1989-2024

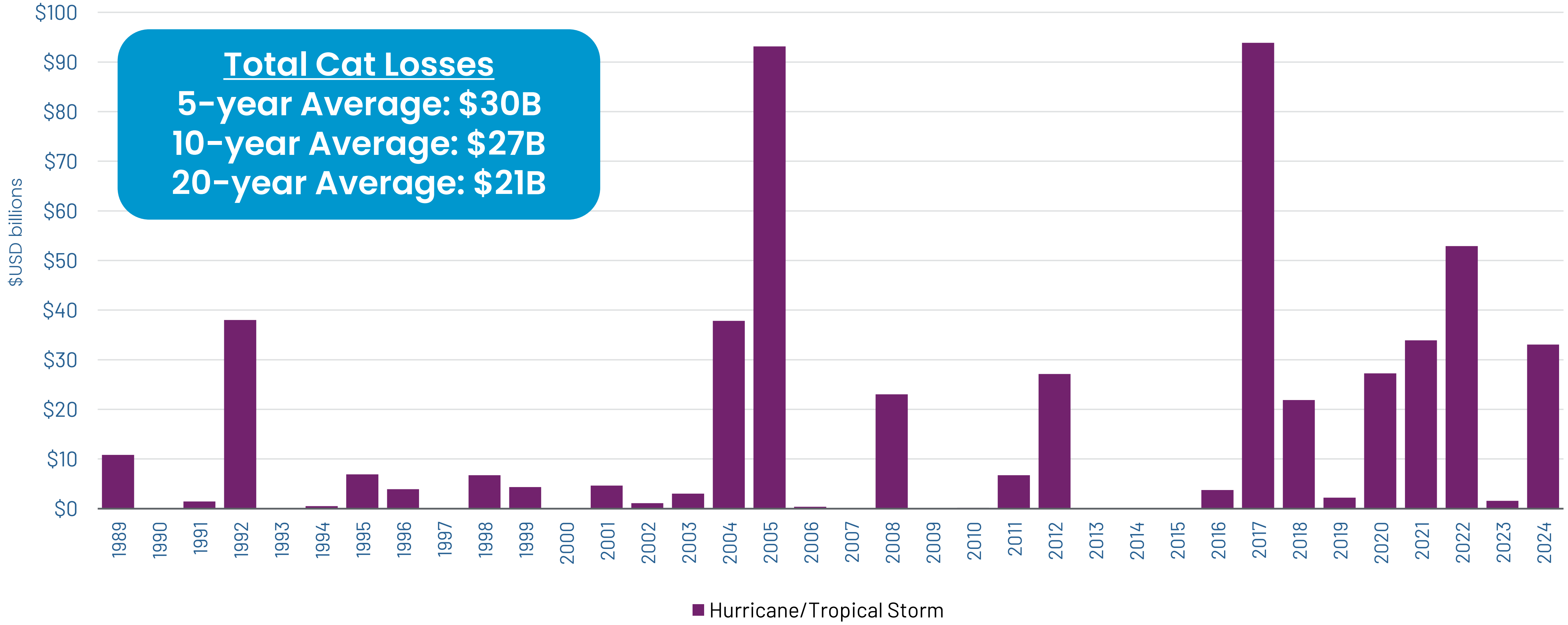
Total Cat Losses
5-year Average: $84B
10-year Average: $70B
20-year Average: $52B



Non-Modeled includes riot, utility service disruption, volcanic eruption, water damage (flood), wildland fire, wind and thunderstorm, winter storm and workers' compensation.
Source: PCS, Data Trended using US Bureau of Labor Statistics All Urban Consumers Consumer Price Index (CPI) average per year, Gen Re Analytics

U.S. Hurricane & Tropical Storm Trended Insured Loss Estimates

1989-2024



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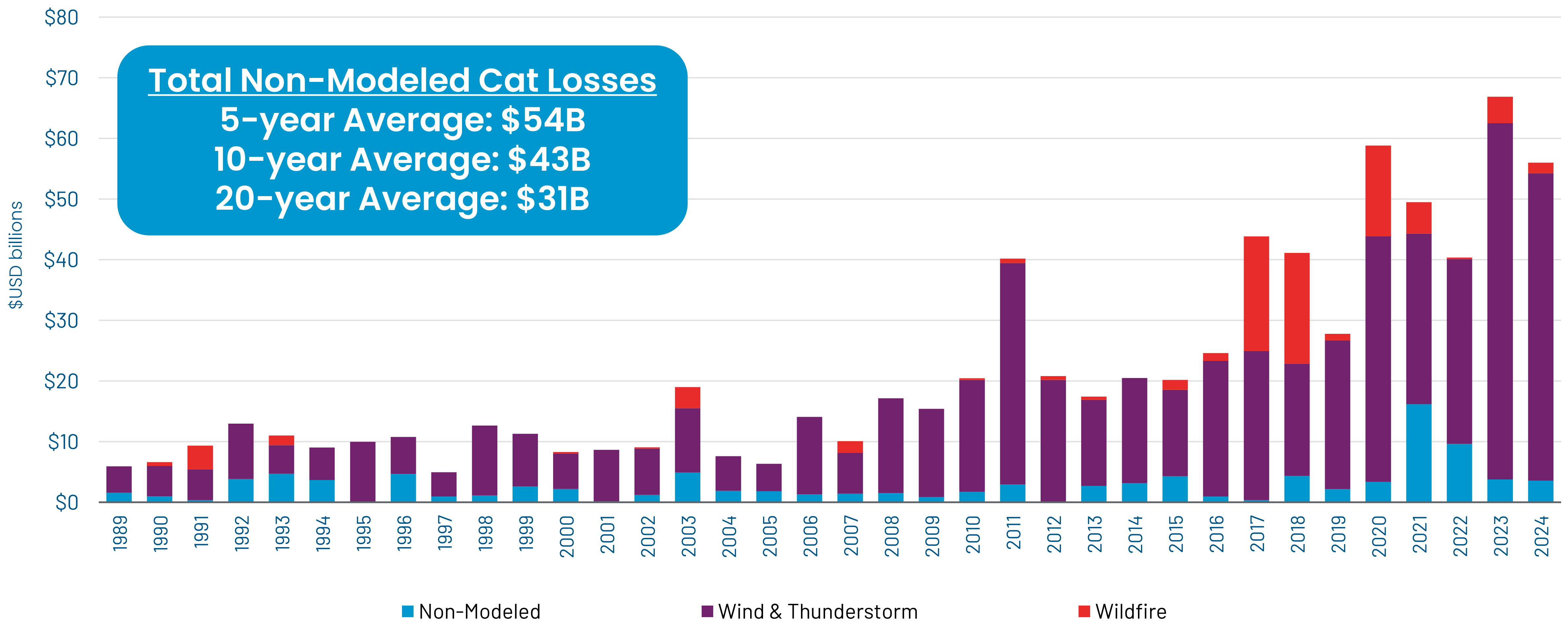
U.S. Non-Modeled Trended Catastrophe Loss Estimates

1989-2024



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Commercial Umbrella Update

Brett Shereck and Erin Kang

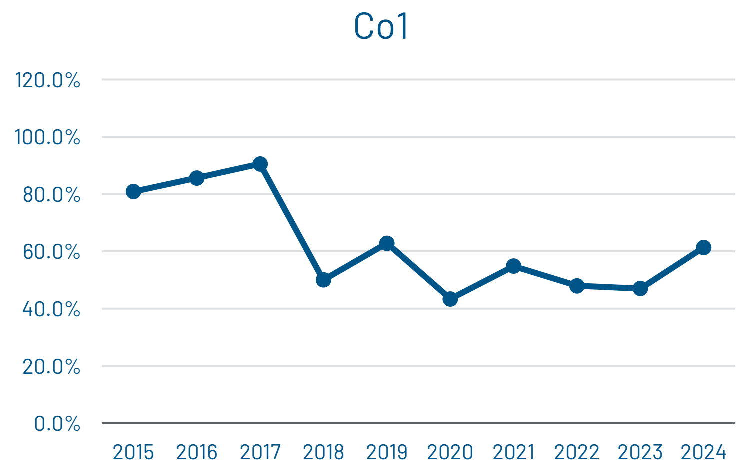
Commercial Umbrella & Credibility

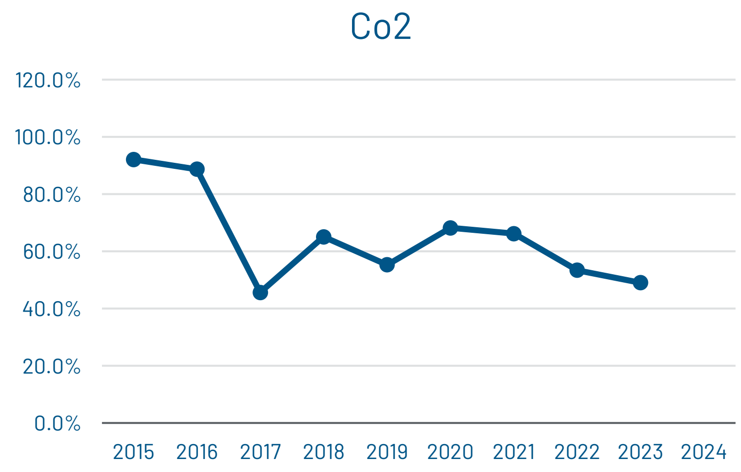
- Credibility comes into your decision making all the time
  - How fast do we react to the information we are seeing in our portfolio?
  - How fast do we react to the information I am seeing in the industry?
  - Are recent years more relevant than more mature older years?

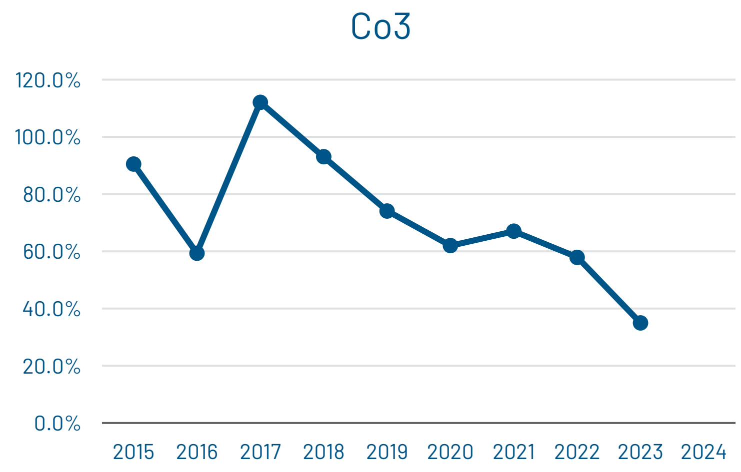
- Commercial Umbrella is a difficult line to project the loss ratio
  - Volatile line
  - Many companies have small portfolios
  - Included in Other Liability Occurrence in Annual Statement
    - No good industry number to use

Commercial Umbrella Ultimate Loss Ratios

National Companies





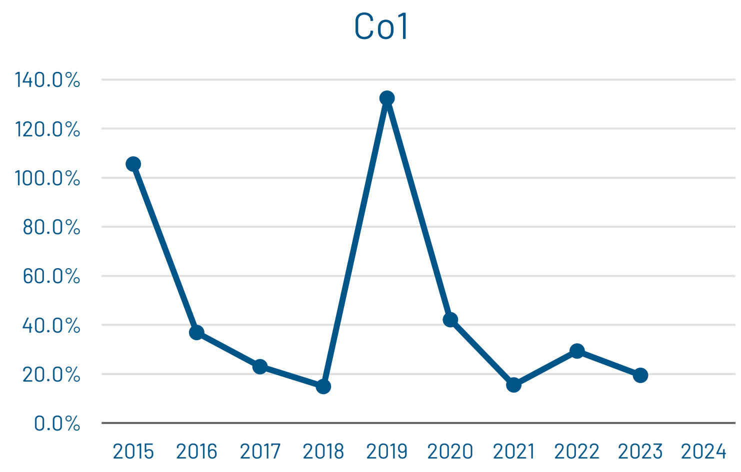


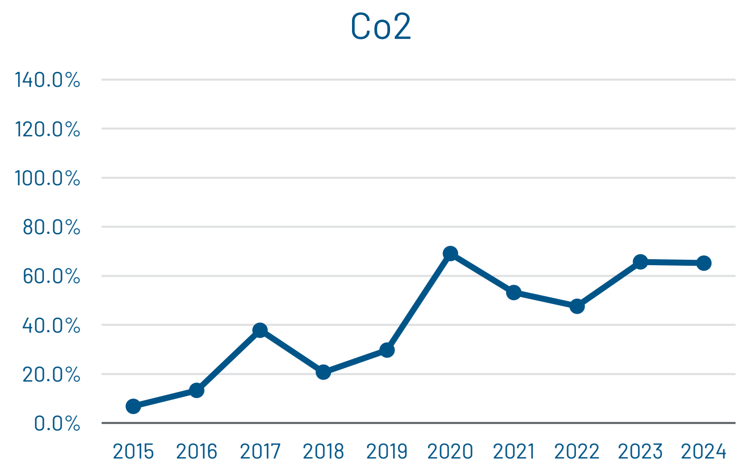
- National companies tend to have larger portfolios
- Results are generally more stable
  - Co1 and Co2 are good examples, Co3 portfolio is changing
- Results tend to be similar for different companies
- Easier to project loss ratios based on company experience, experience is credible

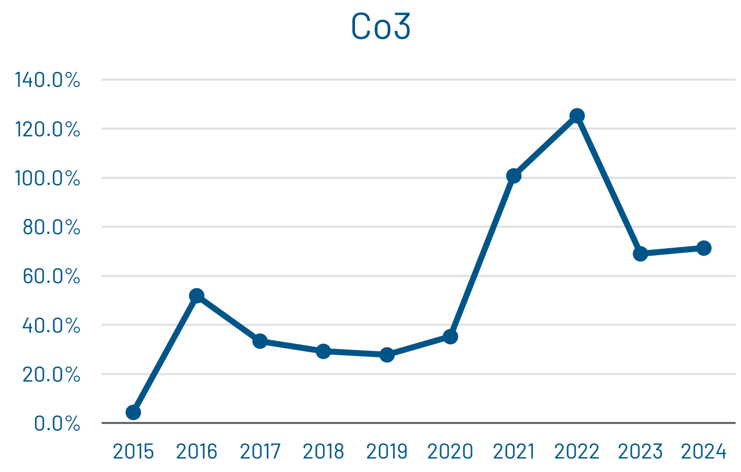
Source: Verisk, Gen Re Analytics

Commercial Umbrella Ultimate Loss Ratios

Mutual Companies





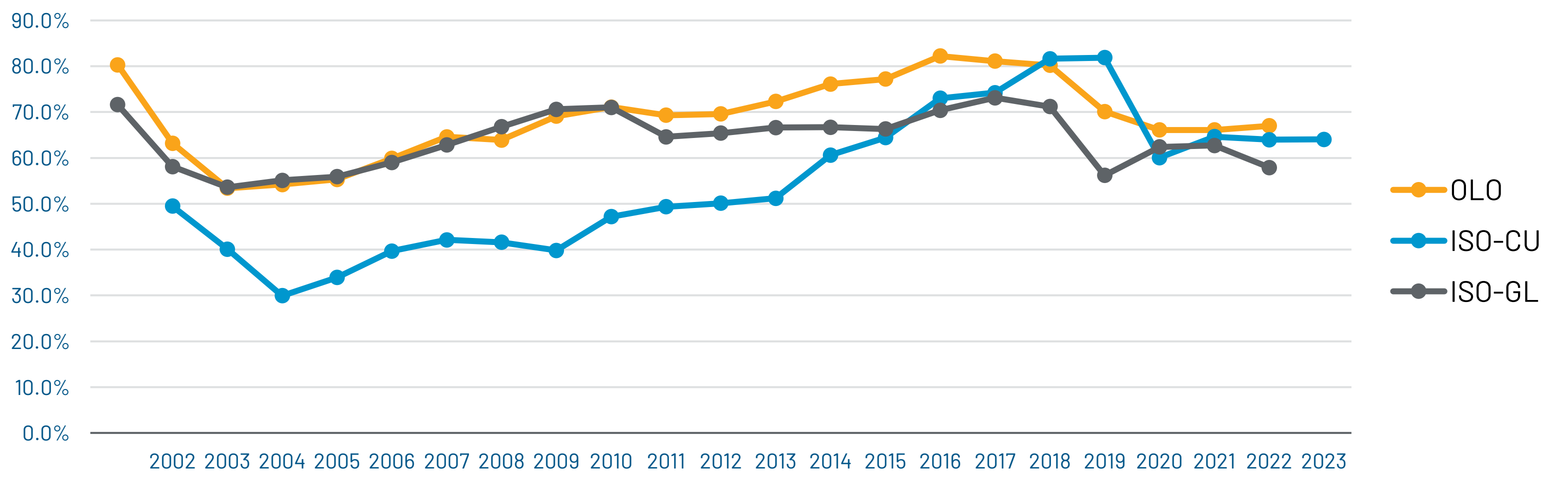


- These portfolios are much smaller than National companies
- Results are extremely volatile and not that similar to each other
- How would you select the projected loss ratio?
- What is a reasonable complement of credibility?
- What is happening in the broader commercial umbrella market?

Source: Verisk, Gen Re Analytics

Commercial Umbrella Ultimate AY Loss Ratios

Industry Results – ISO data from Size of Loss Matrix



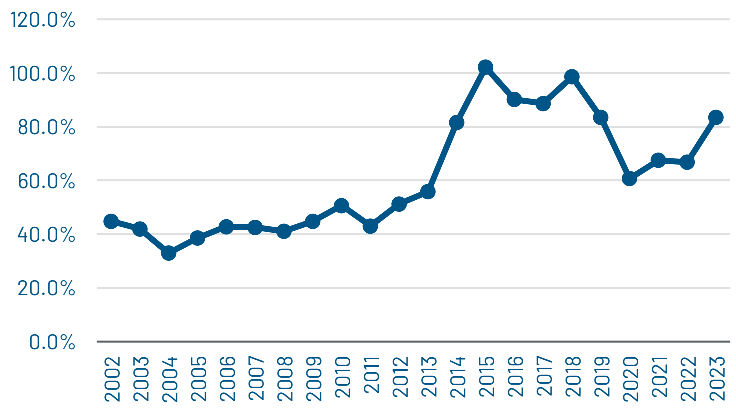
- Other Liability Occurrence (OLO) does not look similar to commercial umbrella
- OLO is similar to general liability
- OLO is a poor complement of credibility for commercial umbrella

Source: Verisk, Gen Re Analytics

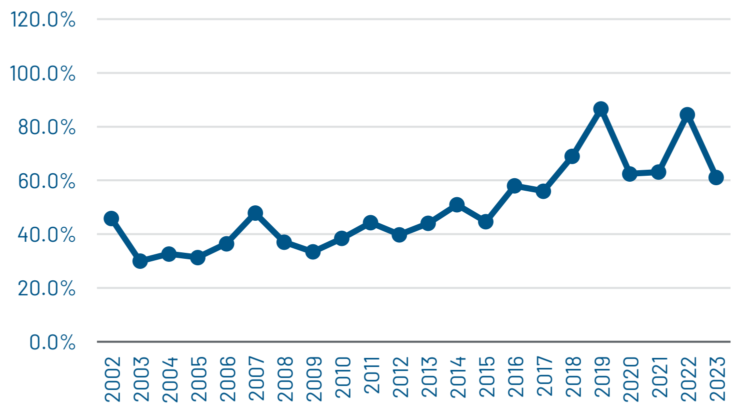
Commercial Umbrella Ultimate Loss Ratios

Industry Results by Type of Company – Data from ISO Size of Loss Matrix

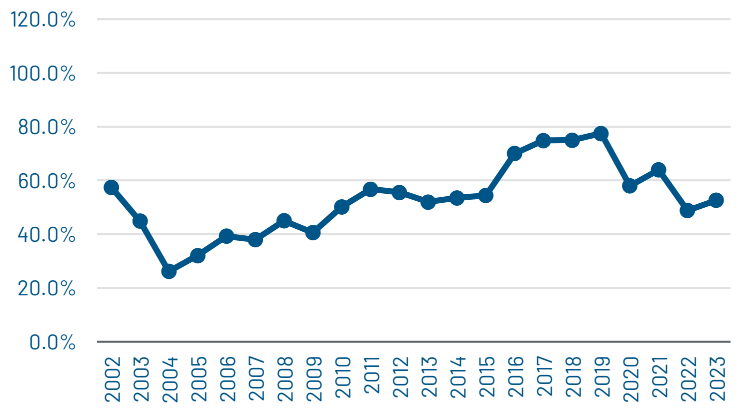
Regional



Super Regional



National

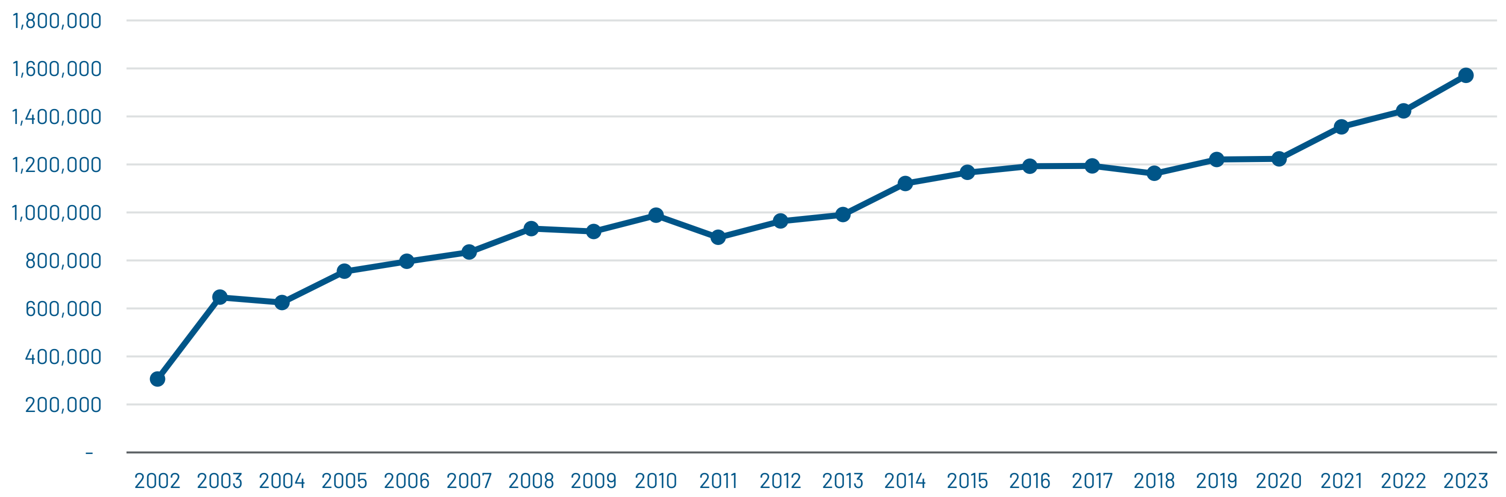


- Commercial umbrella loss ratios are very different by type of company
- National commercial umbrella appears to be improving
  - Does not include all business (E&S, high excess, etc.)
  - Large rate increases in recent years
  - Likely dominated by middle market business
- Regional and Super Regional loss ratios are getting worse

Source: Verisk, Gen Re Analytics

Commercial Umbrella Severity

Industry Results – Data from Size of Loss Matrix

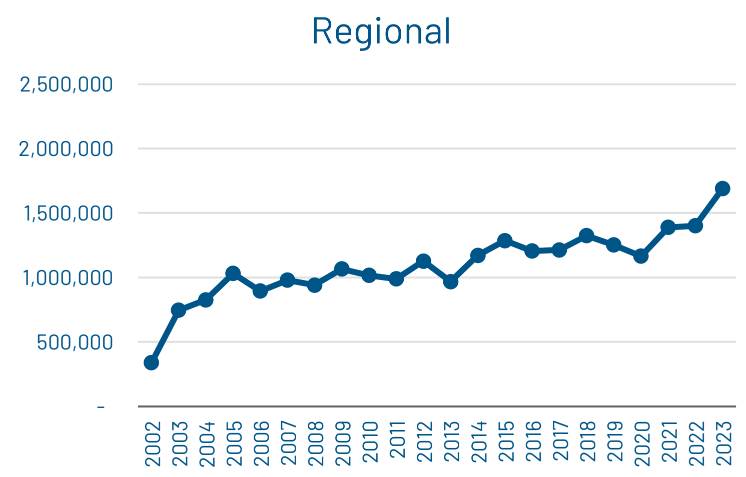


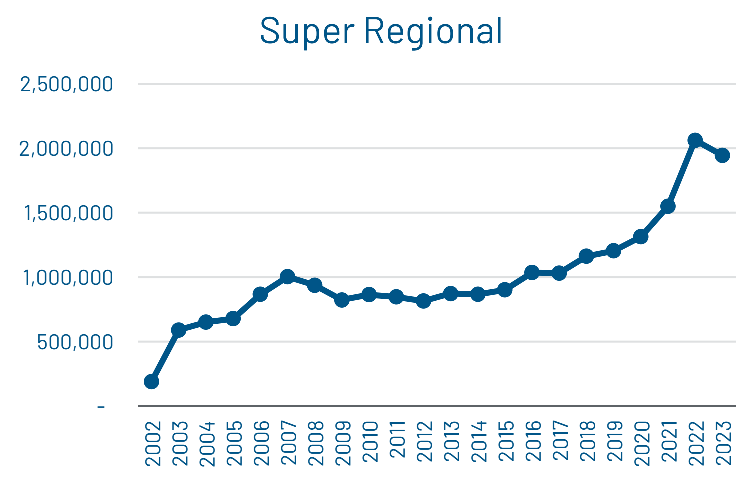
- Severity is increasing much faster in recent years
- Commercial umbrella trend could be understated
  - Losses are more likely to be at limits
  - More smaller claims because claims that were below umbrella attachment trend into the umbrella layer

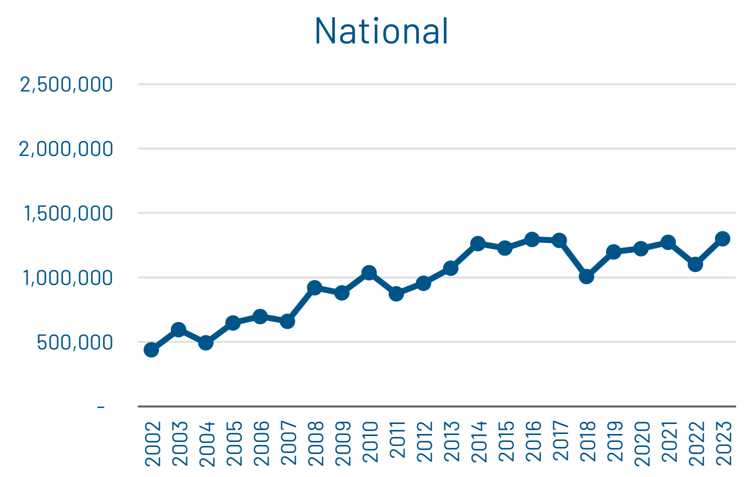
Source: Verisk, Gen Re Analytics

Commercial Umbrella Severity

Industry Results by Type of Company – Data from ISO Size of Loss Matrix





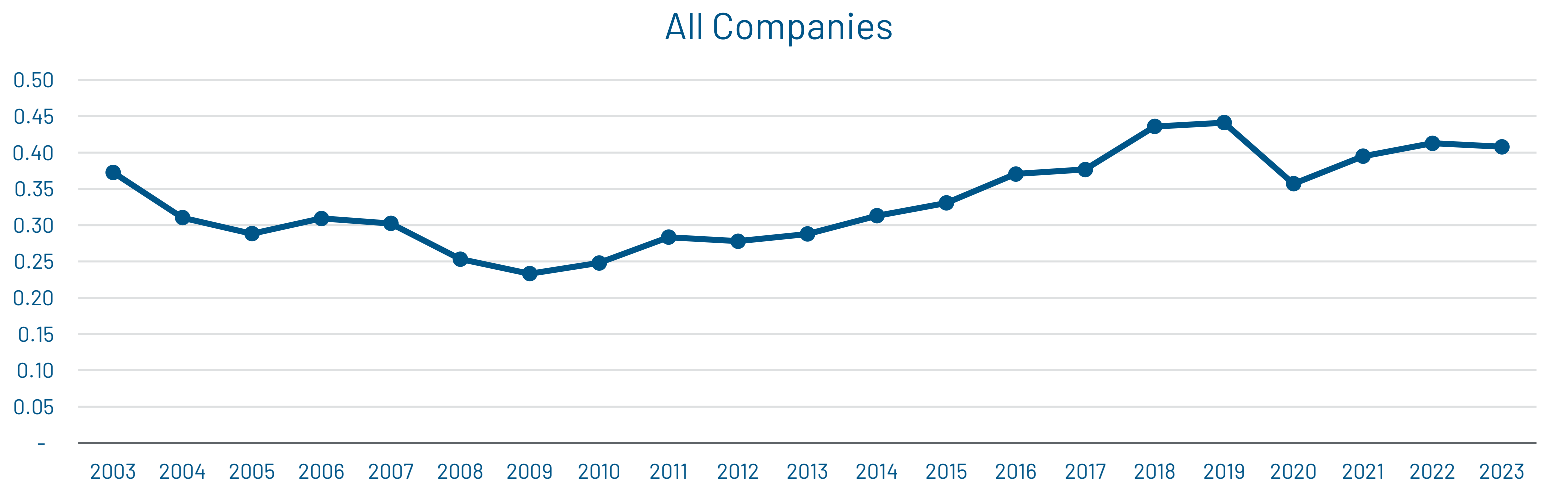


- Individual Regional and Super Regional companies likely do not have enough claims to calculate trends based on their own data
- Regional and Super Regional companies have large increases in trends in recent years
- It is important to consider these industry trends when projecting loss ratios, even if you don’t have enough data to see the trend

Source: Verisk, Gen Re Analytics

Commercial Umbrella Frequency

Industry Results – Data from Size of Loss Matrix

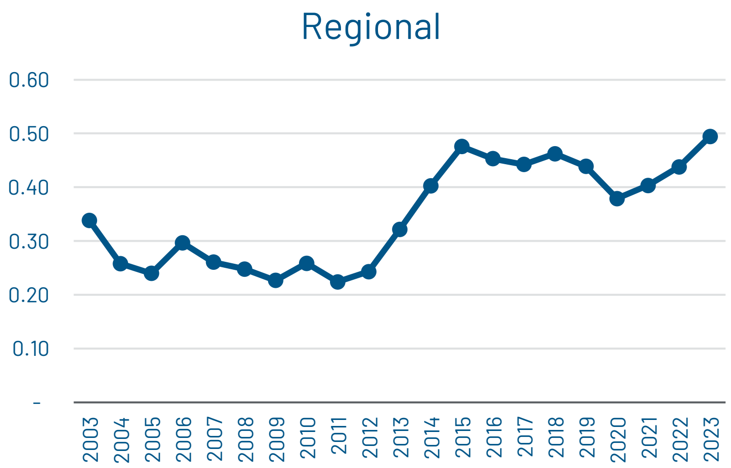


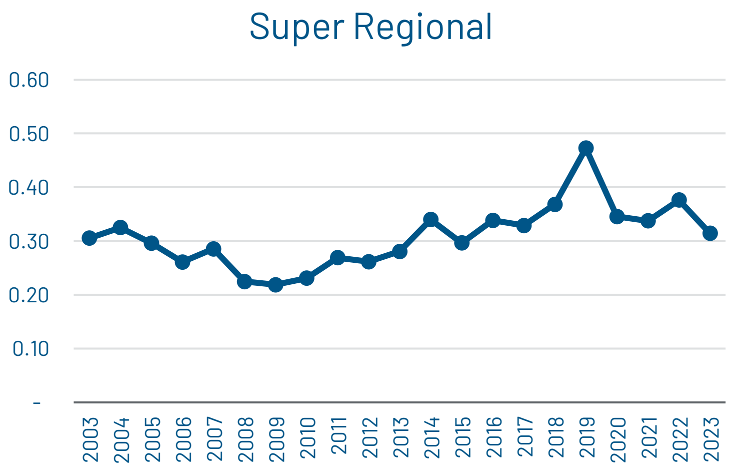
- Frequency shows a steady increase other than 2020 (Covid)
- The frequency increase is likely a combination of severity trend and increased litigation

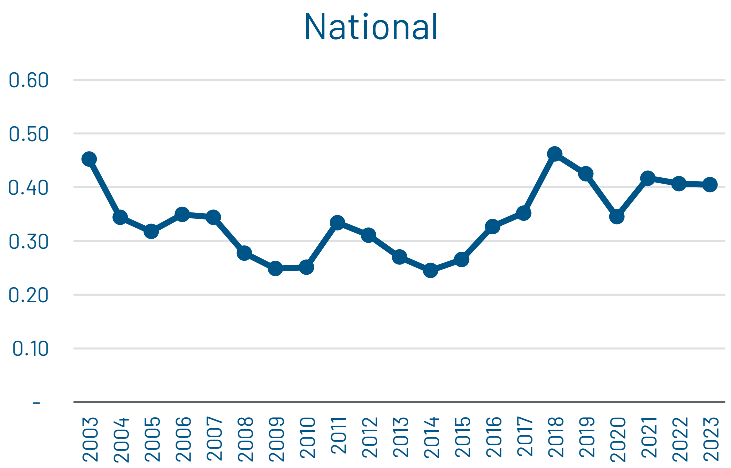
Source: Verisk, Gen Re Analytics

Commercial Umbrella Frequency

Industry Results by Type of Company – Data from ISO Size of Loss Matrix







- Individual Regional and Super Regional companies likely do not have enough claims to calculate trends based on their own data
- Frequency for Regional companies has been increasing dramatically since 2011

Source: Verisk, Gen Re Analytics

How Can Gen Re Help

- Regional and Super Regional could be trying to make decisions with limited information
- We can share our observations based on a broader set of data points
  - “My umbrella book is fine”
  - “I’m getting a rate increase in primary and it's flowing in my umbrella”
  - “I'm tracking rate changes for primary but not for umbrella”
  - “The industry data is not appropriate for my book’
  - “Limit reduction will hurt the growth”
- No one perfect answer, lots of things to consider in decision-making
  - Agency management
  - Territory, product, or segment strategies
  - Profitability vs growth goal
  - Limits management

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Thank you!

Kara Raiguel
kara.raiguel@genre.com