



# Market Update

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# U.S. P&C Underwriting Trends

## AM Best Insurance Expense Exhibit

Product Line	Earned Premium	Calendar Year Combined Ratios						
		Actual					Estimates	
		2020	2021	2022	2023	2024	2025E	2026P
Total All Lines	\$ 951	98.8	100.0	103.1	101.9	97.1	95.0	96.9
Medical Professional Liability	11	113.6	107.9	102.5	109.8	103.1	106.0	107.0
Commercial Auto	63	101.8	98.8	105.4	109.2	107.2	103.5	103.0
Private Passenger Auto	359	92.5	101.4	112.2	104.9	95.3	92.0	96.0
Other & Products Liability <sup>1</sup>	104	105.0	97.1	96.2	100.2	110.0	108.0	107.5
Commercial Multi Peril	59	109.8	106.2	105.5	107.1	99.7	97.5	99.0
Homeowners & Farmowners	159	107.3	103.4	104.6	110.9	99.7	96.0	98.5
Fire & Allied Lines <sup>2</sup>	56	103.2	98.9	95.6	92.7	83.0	81.0	83.0
Inland Marine	20	98.0	86.9	86.1	82.3	81.2	81.0	82.0
All Other Lines <sup>3</sup>	73	95.3	95.4	88.5	87.4	89.4	94.5	90.0
Workers Compensation	46	91.1	92.2	87.8	87.5	87.8	93.0	94.0

\*E= Estimated, P= Projected

1. Other Liability includes professional liability, D&O, excess casualty/umbrella, environmental/pollution, general liability, and EPLI.

2. Fire & Allied Lines includes earthquake, multiple peril crop, and federal flood.

3. All Other Lines includes accident & health lines, mortgage guaranty, financial guaranty, ocean marine, aircraft, fidelity, surety, burglary & theft, boiler & machinery, credit, international, excess of loss reinsurance and miscellaneous.



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Medical Professional Liability	11	113.6	107.9	102.5	109.8	103.1	106.0	107.0
Commercial Auto	63	101.8	98.8	105.4	109.2	107.2	103.5	103.0
Other & Products Liability <sup>1</sup>	104	105.0	97.1	96.2	100.2	110.0	108.0	107.5
Other Liability – Occurrence	67	104.0	96.7	100.1	102.5	112.0	110.4	
Other Liability – Claims-made	32	93.7	90.1	85.5	82.9	82.8	86.6	

\*E= Estimated, P= Projected

1. Other Liability includes professional liability, D&O, excess casualty/umbrella, environmental/pollution, general liability, and EPLI.

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# Industry Experience – Calendar Year Development

## Prior Year Development by CY in Millions of Dollars

	2020	2021	2022	2023	2024	2025
Workers' Compensation	(6,465)	(5,924)	(5,716)	(6,041)	(6,379)	(5,661)
Commercial Auto Liability	2,071	705	2,107	3,048	3,773	1,834
Private Passenger Auto	(671)	(1,963)	5,232	960	(505)	(6,473)
Homeowners and Farmowners	(916)	(212)	559	65	(1,209)	(4,096)
Commercial Multiple Peril	681	(43)	(94)	1,636	1,022	691
Other Liability – Claims Made	451	545	1,522	(1,460)	(1,373)	(555)
Other Liability – Occurrence	3,533	2,341	2,517	6,379	9,977	7,291
Nonproportional Assumed Liability	(208)	234	223	1,081	1,706	19
Medical Prof. Liability – Claims Made	299	(146)	(281)	547	30	56
Medical Prof. Liability – Occurrence	(178)	(168)	(189)	(204)	(360)	39

*“Blue good guys, red bad guys.”*



# Prior Year Development – Workers' Compensation

## P&C Industry – Reserve Change by AY in Millions of Dollars

AY	CY 2022	CY 2023	CY 2024	CY 2025
Prior	(2,054)	(2,239)	(1,971)	(2,463)
2016	(540)	(526)	(353)	(278)
2017	(723)	(534)	(439)	(336)
2018	(644)	(819)	(642)	(448)
<b>Accident Year</b> → 2019	(513)	(569)	(765)	(487)
2020	(718)	(719)	(801)	(725)
2021	(524)	(463)	(678)	(219)
2022		(172)	(482)	(335)
2023			(249)	(345)
2024				(26)
<b>TOTAL</b>	<b>(5,716)</b>	<b>(6,041)</b>	<b>(6,379)</b>	<b>(5,661)</b>

# Loss Ratio – Workers Compensation

## P&C Industry – Ultimate Loss Ratio – Net

NPE (\$B)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
48.5	2018	71.6%	69.1%	67.0%	65.1%	63.8%	62.0%	60.7%	59.7%	-12%
47.6	2019	72.6%	70.9%	69.3%	68.3%	67.0%	65.4%	64.3%		-8%
43.2	2020	74.7%	72.3%	70.6%	68.9%	67.1%	65.3%			-9%
43.2	2021	74.9%	73.2%	72.2%	70.6%	70.1%				-5%
47.0	2022	70.9%	70.2%	69.1%	68.4%					-3%
48.0	2023	71.2%	70.4%	69.5%						-2%
46.6	2024	71.9%	71.5%							0%
46.0	2025	73.7%								

# Prior Year Development – Commercial Auto

## P&C Industry – Reserve Change by AY in Millions of Dollars

AY	CY 2022	CY 2023	CY 2024	CY 2025
Prior	60	52	72	(34)
2016	121	61	26	22
2017	215	157	115	16
2018	414	298	297	5
2019	853	640	280	(124)
2020	121	277	273	(87)
2021	323	606	789	135
2022		959	1,146	575
2023			775	1,052
2024				273
<b>TOTAL</b>	<b>2,107</b>	<b>3,048</b>	<b>3,773</b>	<b>1,834</b>

# Loss Ratio – Commercial Auto Liability

## P&C Industry – Ultimate Loss Ratio – Net

NPE (\$B)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
25.2	2018	76.5%	79.7%	82.5%	83.8%	85.5%	86.6%	87.8%	87.8%	+11%
28.0	2019	77.5%	80.4%	82.4%	85.4%	87.7%	88.7%	88.3%		+11%
29.1	2020	71.8%	69.7%	70.1%	71.1%	71.9%	71.6%			0%
33.2	2021	73.6%	74.2%	75.9%	78.3%	78.7%				+5%
37.7	2022	75.6%	77.8%	80.7%	82.3%					+7%
40.8	2023	79.8%	81.6%	84.1%						+4%
45.2	2024	79.7%	80.1%							0%
49.4	2025	80.3%								

# Loss Ratio – Commercial Auto Liability

## Fronting Companies – Ultimate Loss Ratio – Gross

GPE (\$M)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
391	2018	66.3%	71.6%	79.6%	90.1%	94.8%	97.2%	99.9%	97.8%	+32%
552	2019	65.4%	71.5%	83.9%	94.4%	101.3%	100.7%	100.5%		+35%
721	2020	61.5%	72.8%	81.0%	88.7%	91.9%	89.4%			+28%
1,035	2021	64.9%	73.5%	88.2%	100.6%	98.3%				+33%
1,263	2022	70.3%	80.5%	92.1%	95.9%					+26%
1,324	2023	72.6%	94.3%	107.8%						+35%
1,637	2024	72.0%	97.9%							+26%
1,941	2025	73.5%								

# Prior Year Development – Other Liability (Occurrence)

## P&C Industry – Reserve Change by AY in Millions of Dollars

AY	CY 2022	CY 2023	CY 2024	CY 2025
Prior	1,379	1,297	2,467	1,023
2016	271	415	122	218
2017	545	831	514	428
2018	646	1,072	835	569
2019	534	1,124	728	597
2020	(464)	525	590	279
2021	(394)	724	1,751	1,013
2022		391	1,838	1,445
2023			1,132	1,401
2024				319
<b>TOTAL</b>	<b>2,517</b>	<b>6,379</b>	<b>9,977</b>	<b>7,291</b>

# Loss Ratio – Other Liability (Occurrence)

## P&C Industry – Ultimate Loss Ratio – Net

NPE (\$B)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
35.8	2018	69.1%	70.3%	71.8%	72.6%	74.7%	77.5%	79.8%	81.5%	+12%
38.2	2019	70.8%	71.7%	72.8%	74.9%	77.2%	79.2%	81.0%		+10%
41.6	2020	71.7%	70.3%	69.9%	70.5%	72.0%	72.8%			+1%
48.4	2021	66.8%	66.3%	67.1%	70.9%	73.0%				+6%
56.4	2022	66.7%	66.3%	69.6%	72.3%					+6%
60.7	2023	69.6%	71.2%	73.7%						+4%
64.5	2024	74.2%	74.5%							+0%
70.2	2025	75.8%								

# Loss Ratio – Other Liability (Occurrence)

## Travelers – Ultimate Loss Ratio – Net

NPE (\$B)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
2.1	2018	63.5%	66.3%	68.1%	69.8%	91.0%	77.3%	79.4%	80.9%	+17%
2.2	2019	66.4%	69.5%	69.3%	93.0%	78.9%	79.5%	81.5%		+15%
2.3	2020	66.2%	62.8%	100.2%	68.5%	68.7%	69.6%			+3%
2.5	2021	63.0%	71.8%	65.8%	69.5%	70.7%				+8%
2.8	2022	64.2%	64.0%	71.6%	76.3%					+12%
3.1	2023	68.0%	70.3%	74.1%						+6%
3.4	2024	72.2%	71.3%							-1%
3.5	2025	78.6%								

### Travelers Earning call 1Q26:

- We have not seen attorney rep rates slow down.
- We have not seen severity increases slow down.
- We have not seen payout patterns return to their pre-covid patterns. It's an extended payout pattern that has, if anything, continued to slightly extend.

# Loss Ratio – Other Liability (Occurrence)

## Fronting Companies – Ultimate Loss Ratio – Gross

GPE (\$M)	AY	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Change
479	2018	55.1%	59.5%	59.4%	62.2%	65.8%	76.9%	88.9%	97.8%	+43%
565	2019	56.0%	56.9%	59.2%	65.2%	70.4%	83.1%	97.5%		+42%
677	2020	56.8%	59.7%	61.7%	69.3%	80.6%	93.4%			+37%
872	2021	59.2%	63.7%	73.9%	86.5%	99.4%				+40%
1,156	2022	58.8%	63.3%	73.6%	84.7%					+26%
1,616	2023	59.6%	62.4%	66.2%						+7%
2,357	2024	62.7%	60.7%							-2%
3,328	2025	61.3%								

# What Comes Next?

# 2, 4, 6, 8, ...?

# 10?

Average 4 years:

5

Average of last 3:

6

Average of last 2:

7

Ex High and Low:

5

Average of all above methods:

5.75

# Trend – Impact of Rate Increases (Low-Inflation Environment)

## Combined Ratio

### YEAR 0

Loss Ratio	=	65%
Expense Ratio	=	30%
<hr/>		
<b>Combined Ratio</b>	=	<b>95%</b>

+3% Rate Change  
in Year 1

+3% Rate Change  
in Year 2

### YEAR 1

Frequency \ Severity	1%	2%	3%
2%	94.1%	94.8%	95.4%
4%	95.4%	96.1%	96.7%
6%	96.7%	97.4%	98.0%

### YEAR 2

Frequency \ Severity	1%	2%	3%
2%	93.3%	94.6%	95.9%
4%	95.9%	97.2%	98.6%
6%	98.5%	99.9%	101.3%

# Trend – Impact of Rate Increases (High Severity)

## Combined Ratio

### YEAR 0

Loss Ratio = 65%

Expense Ratio = 30%

---

**Combined Ratio = 95%**

+3% Rate Change  
in Year 1

+3% Rate Change  
in Year 2

### YEAR 1

Frequency \ Severity	1%	2%	3%
6%	96.7%	97.4%	98.0%
8%	98.0%	98.6%	99.3%
10%	99.2%	99.9%	100.6%

### YEAR 2

Frequency \ Severity	1%	2%	3%
6%	98.5%	99.9%	101.3%
8%	101.2%	102.6%	104.1%
10%	103.9%	105.4%	106.9%

# Trend – Impact of Rate Increases (High Severity)

## Combined Ratio

### YEAR 0

Loss Ratio = 65%

Expense Ratio = 30%

---

Combined Ratio = 95%

+3% Rate Change  
in Year 1

+3% Rate Change  
in Year 2

### YEAR 1

Frequency \ Severity	1%	2%	3%
8%	98.0%	98.6%	99.3%
10%	99.2%	99.9%	100.6%
12%	100.5%	101.2%	101.9%

### YEAR 2

Frequency \ Severity	1%	2%	3%
8%	101.2%	102.6%	104.1%
10%	103.9%	105.4%	106.9%
12%	106.7%	108.2%	109.8%

# Trend – Impact of Rate Increases (High Severity)

## Combined Ratio

### YEAR 0

Loss Ratio = 65%

Expense Ratio = 30%

---

**Combined Ratio = 95%**

+7% Rate Change  
in Year 1

+7% Rate Change  
in Year 2

### YEAR 1

Frequency \ Severity	1%	2%	3%
8%	94.3%	95.0%	95.6%
10%	95.5%	96.2%	96.9%
12%	96.8%	97.4%	98.1%

### YEAR 2

Frequency \ Severity	1%	2%	3%
8%	93.8%	95.1%	96.5%
10%	96.3%	97.7%	99.1%
12%	98.9%	100.3%	101.8%

# Loss Ratio – Trend and Rate

Assumptions	
Current Expense Ratio	30.0%
Current Trend	10.0%
Target Combined Ratio	95.0%
<b>Current Combined Ratio</b>	<b>110.0%</b>

If trend is **10%**  
and you get  
**15%** rate increases,

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you will reach your target  
combined ratio in  
**3 years**

If trend is **10%**  
and you get  
**12%** rate increases,

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you will reach your target  
combined ratio in  
**4 years**

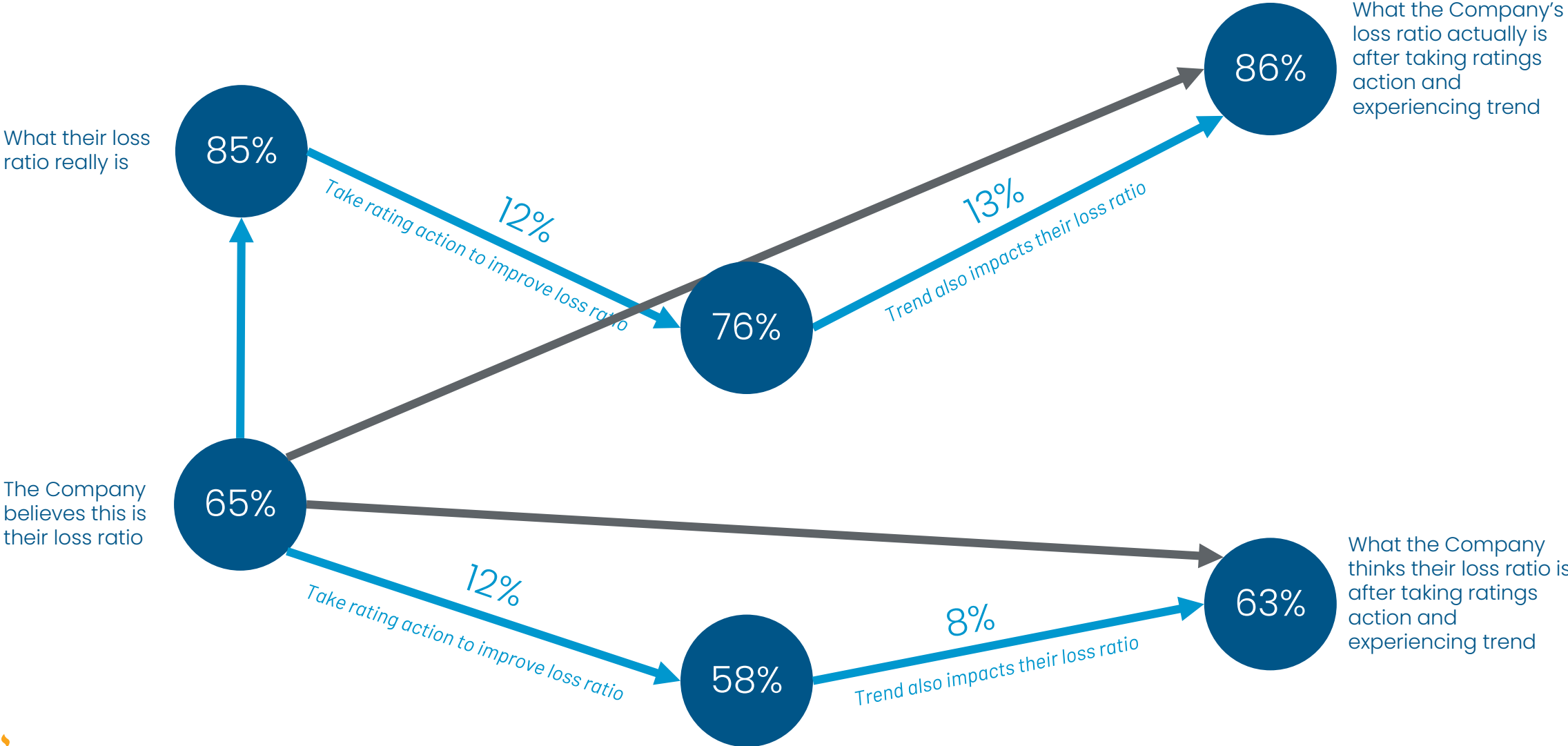
If trend is **10%**  
and you get  
**10%** rate increases,

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you will **never**  
reach your  
target combined ratio



# Loss Ratio – Trend and Rate



# What I Worry About

- **Everybody is looking for growth in all directions**
  - **Property pricing is in a downward spiral**
  - **Weather unknowns**
    - What is the frequency for Cat 3+ to hit US coast?
    - Wildfire, SCS, Derecho, Windstorms – How should these be aggregated or priced?
  - **Model Evolution** – Google Deep Mind performed very well on short-term prediction of track and intensity
    - However not a model designed to formulate loss cost
    - More to come on market clearing pricing views
  - **Casualty trend fatigue** – '21+ loss picks
    - Continue underestimating persistency of trends – How much are we off?
- **Global direction** – Will it revert to the mean or swing farther both directions? Venezuela, Iran, Cuba, Greenland,+?
  - **U.S. Economy** – ?? / redeployment of assets
  - **M&A heating up** – More to come (when you can't grow you buy)
  - **Autonomous vehicle premium hit feels more real** – Within next 5? Growth impact?
  - **What does Private Equity owning so many pieces of the food chain mean to the industry?**
  - **How is private credit driving different strategies?**
  - **AI** – How does it impact everything we insure, our partners, and how we run our companies?



Thank You

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