Reinsurers run 105 percent combined ratio for 2017

The reinsurance sector posted a hefty 104.8 percent combined ratio last year as the market was stung by $144bn of losses from natural catastrophes, broker Willis Re has said.

SOURCE: WILLIS RE

Nevertheless, the sector still reported aggregate net income of $12bn driven by prior year reserve releases and realised investment gains. But that figure was significantly lower than 2016, when the industry posted a $26.6bn profit, the broker found.

On an underlying basis - stripping out the effects of last year's catastrophes and reserve releases - reinsurers were in the black with an ex-cat combined ratio of 94.6 percent.

That figure was broadly in line with 2016, however the result has deteriorated significantly over the past decade.

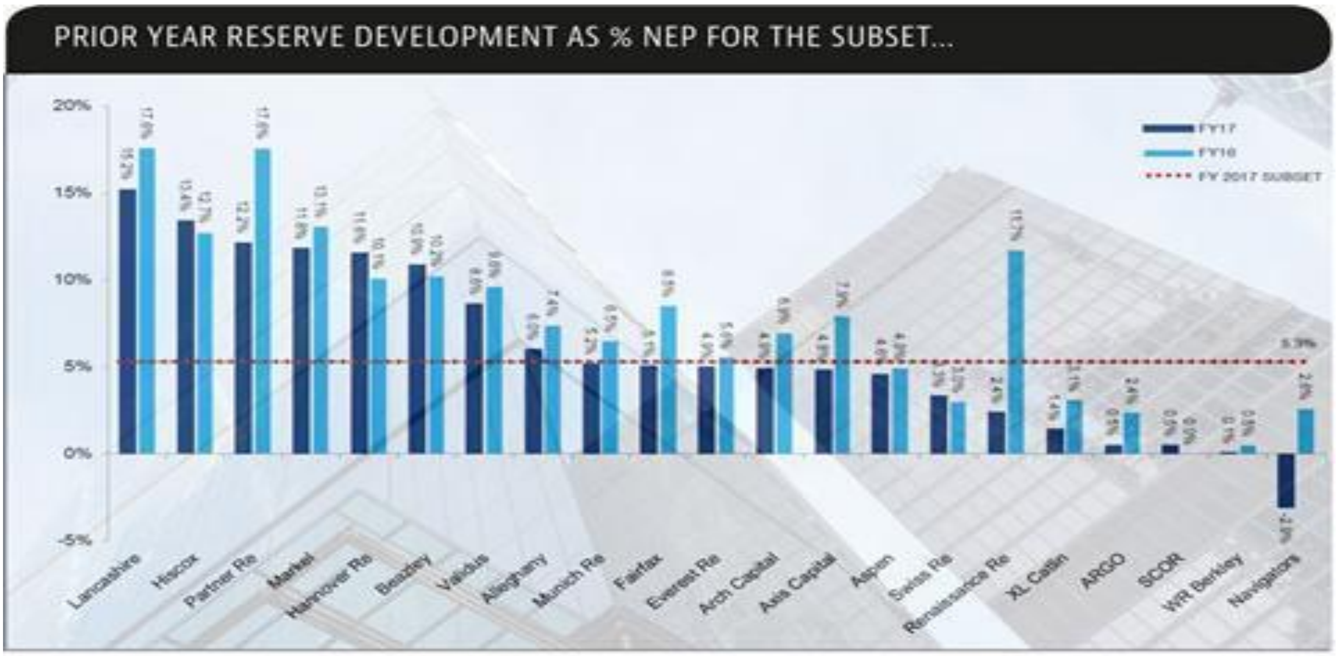
Willis Re compared cat losses in 2017 with other severe catastrophe years, including the year of the Thai floods in 2011 and 2005 which brought Hurricanes Katrina, Rita and Wilma.

Looking at a subset of reinsurers that break out their numbers in more detail, the broker found those carriers ran a combined ratio of 107.4 percent for 2017.

That figure was 108.2 percent in 2011 and 112.8 percent in 2005. The underlying ex-cat combined ratio for last year marked a sizeable increase from the 90.2 percent recorded for 2011.

“The ex-cat accident year comparison of only a 5 point increase from 2005 may be viewed as surprising given the years of rate reductions in the past decade,” said James Kent, the global CEO of Willis Re.

“The 2017 result was supported by the aforementioned reserve releases and investment gains which remains a concern and is why many reinsurers continue to try to push pricing on under-performing lines.”



SOURCE: WILLIS RE

Net written premium meanwhile climbed by 11.3 percent to $285bn for the year, with Willis Re identifying structured P&C, cyber, mortgage as well as life and health business as growth areas for carriers.

Reinsurance capital grew by $37bn over 2017 to reach $486bn, it estimated.

But Kent said ultimate capital levels had remained roughly stable when the trio of Atlantic hurricanes that battered parts of the US and the Caribbean among other disasters were factored in.

“2017 was one of the worst years on record for insured natural catastrophe losses,” he noted.

“However, today the global reinsurance market is able to deploy more capital than at the same time last year.”

“When a few exceptional transactions are considered, total reinsurance capacity is roughly stable, despite the hurricanes, earthquakes, wildfires, and other events which brought misery to millions of people in 2017,” he said.