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Property market update 2025

To start by setting the scene; in 2017 after 10 years of soft market conditions post Katrina, the property market incurred over $135bn of Natural Catastrophe ('Nat Cat') losses driven by North Atlantic hurricanes Harvey, Irma and Maria. Since then, to varying degrees we experienced six consecutive years of hard market conditions.

The persistence of these conditions has been driven not only on account of carriers taking several renewals to re-underwrite their portfolio, reinstating more discipline on terms and conditions and returning to technical rating, but also due to a combination of a higher new norm of Nat Cat losses with many of these years over $100bn, COVID, inflation and a wider inadequacy of valuations and a 'generational' Treaty adjustment in 2023.

During this period however, we have seen a steady confidence build in the property markets, and on the back of positive results in 2023, in 2024 we experienced a meaningful shift in capacity both domestically and internationally. This is coming from several sources: renewed appetite from existing carriers with a new growth agenda and from new capacity entrants to the market.

Coming into 2024, markets were planning for a plateauing market but had thought that rate increases would remain in the single digits.

By contrast, the reality has been on average rate reductions in the region of –5-10% (varying by territory and occupancy), but with some accounts seeing much larger reductions where they had the most opportunity to leverage this increased capacity.

London Market efficiency

Since 2018 (pre pandemic) through to 2024, GWP has increased in Lloyd's from £35.9bn to £52.1bn – which is 45% of growth across all lines. This growth has also been seen from company markets in London, where GWP has grown from $30.5bn in 2018 to $48.4bn in 2024. This sustained growth highlights Lloyd's ability to adapt and thrive despite external challenges, including inflation, increased risk exposure, and significant global events like the COVID pandemic and geopolitical conflicts. Technology has also enabled trade to take place more effectively as a market.

New sources of capacity

New sources of capacity in the market have taken two forms; the entry of new 'traditional' underwriters (with numerous new syndicates starting up in recent years) as well as a new breed of 'smart follow' or tracker-type capacity - which we are seeing particularly in the London wholesale market. This type of capacity marks a meaningful shift in the traditional London subscription market with a vision to increase efficiency through both cost reduction and improved service standards. In theory, reducing the number of 'lead markets' required and in turn the number of actual underwriters and support staff etc. Some of this capacity is being offered on a 'blanket market' basis to all London brokers, while some is being built into proprietary broker solutions such as automatic quota share support for a broker's entire portfolio.

Examples include:

- **Ki – open to select brokers in London.** Ki is a hybrid of an algorithmic underwriter process but is also 'smart follow' in the sense it only supports 'approved' lead underwriters. It will offer capacity following a number of approved leads (hence 'smart follow') but it varies the capacity based on their proprietary underwriting algorithm which Ki continually develop based on appetite/performance and accumulations. As of 2023, Ki offer both their own capacity and now some partner capacities too, accessing the other smart follow capacities mentioned below.
- **InsurX – an MGA and another capacity open to select brokers in London.** They offer an auto follow line with access to 5-10 smart follow capacities depending on the product. Their main product is the auto follow line of any Atrium quote, a key lead excess market in Lloyd's, which provides a welcome increase in capacity on these excess layers. When combining Atrium, InsurX and Ki, a broker can easily turn a 10% line from Atrium into a 50%+ line combined with all these capacities included.
- **Various other smart follow capacities** such as AFB, QBE, Munich re to name a few which some London brokers, chiefly AON (ACT), Marsh (Fastrack) and Price Forbes (Lectio), have been able to build into proprietary Quota share/auto follow propositions. For a broker to be able to secure such capacity takes a high level of sophistication; a dedicated carrier management/portfolio team, excellent data management and a strong culture across the organisation to ensure anything that is built has an acceptable utilization rate to ensure it provides a stable long-term client solution.
- **Socius – a recently formed consortium** which is led by Ark with support from a number of markets both in Lloyd's and in the company market developing significant capacity. It is designed to target high excess layers which exclude critical CAT and can be 100% solution as part of a layer or can offer a portion of a layer. It can offer up to $265m of capacity and the minimum attachment point is $150m. Excluded occupancies are Food (meat/poultry), Class 'I' Rail, Waste, Sawmills, Petro refineries, Mining, Power generation.

Natural Catastrophe Results 2017–2024

- 2017 was one of the costliest on record for the global (re)insurance industry. Insured losses reached $134bn, the second highest ever recorded (second only to 2011). Of this the North Atlantic hurricanes, Harvey, Maria and Irma, amounted to circa $90bn in addition to flooding in China, wildfires in California and droughts in Southern Europe.
- 2018 saw high Natural Catastrophe losses again of $93bn, driven largely by the US and Canada, most notably including the wildfire fire events in California. There were also several large individuals account AOP (All Other Perils) losses that furthered the direction of the market across specific sectors such as food, energy and power.
- 2019, while marginally lower than 2018, estimated losses of $76bn, still saw global insurers - and Lloyd's - deliver poor results. Tropical cyclones (Bahamas, US, Japan, India) in H2 and other small to mid-sized events including wildfires in the US and Canada drove this result.
- 2020 again saw the effects of climate change drive volatile results with insured CAT losses estimated to have increased to $83bn (fifth costliest on record). Whilst there was an active hurricane season, this contributed to just $20bn of insured losses. What was perhaps most concerning to insurers was the balance resulting from secondary perils causing small to mid-sized losses, including further wildfire losses in the US and Australia. COVID losses affected Property business and several other directly affected classes such as Event Cancellation. The overall outcome is that most insurers again exceeded a 100% combined loss ratio.
- 2021 saw Natural Catastrophe losses increase to $105bn (the fourth costliest on record), Hurricane Ida was the main event ($30bn) but again secondary perils drove over half of these losses. Notably the US Winter storm Uri ($15bn), European flooding ($13bn), European storms ($4.5bn) and wildfires in the US and Canada.
- 2022 Natural Catastrophe losses rose to $133bn largely due to Hurricane Ian, with losses estimated at $50-65bn, with the balance from ever-increasing losses from secondary perils such as flood, wildfire and hail, which accounted for $50bn. Notably, flooding in Australia in early 2022 accounted for $4bn of losses which is the country's largest ever Natural Catastrophe. Meanwhile, European flooding in February led to losses of $3.7bn and hailstorms in France saw losses of €5bn - representing the most severe Hailstorms ever recorded.
- 2023 Natural Catastrophe losses reached $100bn, which, while down from $130bn in 2022, is still significant in the context of historical levels. This level was despite a benign US Hurricane season. Severe convective storms generated $70bn of losses (largely the US and Italy) - a dramatic change compared to the 5 year average and a sign of the go-forward trend. We also saw an active year in terms of secondary perils, wildfires in Maui recorded losses of $3.5bn, which was the highest loss ever recorded in the state of Hawaii. 2023 was also one of the warmest years on record, and we saw an active wildfire seasons in many parts of the world, notably Canada. Other notable losses included Hurricane Otis in Mexico, Flood/Cyclone in New Zealand ($2.4bn) and earthquakes in Turkey/Syria ($6bn).

- 2024 losses from Natural Catastrophes will exceed $135bn, up on the 2023 result and the 5th consecutive year exceeding $100bn annually. A more active US Hurricane season with Hurricane Helene and Milton drove this result with estimated losses approaching $50bn. Major floods in Europe and the Middle East amounted to $13bn of losses, in line with the wider concerns regarding the rising flood risk globally. Severe convective storms, whilst lower than 2023 at $51bn, were still well above recent averages and highlight insurers' increasing concerns from this peril. Outside of the US and Canada, the UAE and Central and Eastern Europe had particularly challenging years.
- 2025 has had an alarming start with the ongoing active wildfires in California with loss estimates currently in the range of $35-50bn. If the balance of the year proceeds in line with recent years, 2025 could be a very challenging year for insurers.

The growing prevalence of secondary perils in recent years; most notably flood, severe convective storm, wildfire and hail continues to be a major concern for underwriters. These are perils that have not been traditionally captured well by third party modelling tools, and therefore underwriters are having to adjust their rating to accommodate these growing exposures.

Treaty Market 2025

Treaty renewals at 1 January 2025 have like in 2024 benefited from a broadly improving market after the dramatic shift in 2023 which drove worsening pricing, terms & conditions and critically attachment point.

Hurricanes Milton and Helene, while significant events, were not of a magnitude to dampen reinsurer appetite for property reinsurance at the 1/1 renewal. Higher retentions have protected reinsurers from record high secondary peril activity while primary perils have remained manageable. Reinsurance capital has returned to historic levels after the reduction in 2022.

Property catastrophe typically saw single digit reductions for loss free programmes. More capacity is available, with some cedants investigating higher limits with top layers seeing intense competition. Per risk remained highly dependent on the individual cedants loss activity and underwriting approach but in general loss free programmes renewed flat to single digit increases.

However, driven by Nat Cat loss activity in their regions; cedants in Canada, CEE and UAE did see a more challenging renewal season than outlined. Canada in particular, the major exception to an otherwise favourable outcome; Ontario floods, summer wildfires (notably Jasper) and the Calgary Hailstorm contributed to Canada's highest losses on record. This ultimately led to single digit increases for the better performing cedants but with many experiencing substantially higher pricing.

Importantly however, despite favourable outcomes in most cases, there has not been a meaningful change in available attachment points. As such cedants remain uncomfortable after the dramatic changes in 2023 with having to retain far more risk and expose their balance sheet to greater volatility. This remains an area of potentially crucial importance, likely driving greater volatility in the D&F market in the event of a future major catastrophe event.

Opportunities in 2025 and how to maximise London capabilities

Despite the challenging Nat Cat losses in 2024, we anticipate 2025 will see much greater competition as capacity drives a softening marketplace. That said, in this increasingly complex marketplace we do expect meaningful variance based on the region and degree of critical Nat Cat exposure.

There is huge opportunity to re-look at the market approach and programme structure to bring meaningful efficiencies to the programme. This can include using new markets to drive competition and aggregating layers to bring programme efficiencies.

As ever the quality of the risk, renewal submission and market approach will be crucial. The market retains underwriting discipline and is looking to discern between risk managed relationship buyers and more transactional customers. Price Forbes recognises the importance of developing strategic relationships with key carriers whilst at the same time accessing the broadest global capacity to deliver the benefits of long-term partnerships whilst maximising market competition.

It is crucial to ensure an adequate timeline to allow wide-reaching marketing supported by good quality risk submissions and strategic engagement with key markets. Such an approach ensures we can work together to differentiate an Insured from its peers. Price Forbes is committed to working with its partners and clients to continue to navigate the market environment and deliver the best, most meaningful results.

As the leading independent broker in the London market, Price Forbes is uniquely placed to provide the service, expertise and, critically, capacity proposition that our clients require.

In the now consolidated Price Forbes Property practice we have over 100 colleagues and place $1.5bn premium into the market. We have deep expertise across each industry sector to ensure we are providing the right team for each client. With offices in London, Bermuda, Singapore and HK/China we have access to the widest sources of global capacity to support our clients.

Price Forbes has some of the strongest capacity/facility solutions in the London market which allow us to ensure we deliver the very best outcomes. These solutions include our Lectio product which provides Automatic Quota share support of 32.5% International/32% US up to $22.5m line via Lloyd's paper. This solution is a major differentiator; enabling us to push higher pricing off our placements to drive meaningful premium savings.

Secondly, we have our Global Property Facility which includes both Lectio and a number of additional automated capacity solutions to provide the strongest London market solution for mid-market clients benefitting from portfolio leverage, lower minimum premiums and improved service levels.

In conclusion, there is a huge opportunity for us in 2025 by working in partnership. By delivering our broadest capabilities we will deliver some profoundly meaningful client outcomes!

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