



THE RT SPECIALTY PROPERTY COMMITMENT

“The excess and surplus lines (E&S) market is consistently growing each year and adapts quickly as the market changes. RT Specialty monitors these changes and utilizes our key resources, talent, and technology to capitalize on competitive solutions for our retail trading partners and their clients. Focusing on creativity, customization, and innovation; our commitment to excellence demands we remain diligent in navigating current challenges as well as those in the future,” says *Brenda (Ballard) Austenfeld, CEO & President of RT Specialty’s National Property Practice.*

US PROPERTY INSURANCE REVIEW

MARKET OVERVIEW

We continue to see a strong flow of business for property insurance into the excess and surplus lines (E&S) channel. Following rate stabilization and with no mega-catastrophe events in 2023, property underwriters’ appetite is strong, with recent rates offered below their peak as additional capacity enters the market. Underwriters carefully monitor their exposure accumulations, with concern over potential catastrophe events and in light of their higher net retentions. Secondary perils, including severe convective storms, continue to be strictly underwritten.

The excess and surplus lines arena has continued its upward trend through midyear 2024, according to an August report by WSIA (wsia.org) from the assembled data of the U.S. Surplus Lines Service and Stamping Offices. “Surplus lines premium reached \$39.5 billion from the 3.2 million items filed so far in 2024. These figures reflect a 10.1% increase in premium and a 10.8% rise in items compared to the same period in 2023. This follows 2023’s strong results with premium of \$35.9 billion representing growth of 15.9% as reported in the 2023 Midyear Report.” This reporting is from the 15 states with Surplus Lines Stamping Offices. Property policy count is up 13.6% and property premium is up 14.7%.

REINSURANCE

July 2024 renewals showed the property reinsurance market continuing to move in a positive direction for most carriers, with overall average rate changes flat to down mid-to-high single-digits for the sector. Risk adjusted rate changes, while positive in most areas of the market, have abated slightly versus the first two quarters of the year. Additional capacity has entered the reinsurance market in the latter months of H1 (first half of 2024), mainly via increases in third-party capital investment, ILS (insurance-linked securities) funds and other collateralized products, and from traditional markets redeploying capacity in sectors where they previously took a more cautious view.

AM Best stated in their August 2024 Market Segment Report that reinsurers are focusing more on capital protection than stabilizing earnings.

Several quarters of compounding rate changes, as well as greater diligence on the part of the primary companies to ensure proper insured valuation, have prompted greater optimism that reinsurers can begin to return healthy margins for their investors. However, significant headwinds remain as severe convective storm activity across the greater Midwest continues to trend higher than average adding upward market pressure as companies calibrate their underwriting. In addition, the nation’s leading long-term meteorological forecasters appear to unanimously believe that the U.S. is due for a very active hurricane season. Finally, inflation has not appeared to ease as much as originally anticipated, potentially driving replacement costs trends up further than expected. Continued diligence on underwriters’ view of ITV (insurance to value) will be critically important going forward.

Given this uncertainty on the loss / claim front, many expect the third quarter to be a wait-and-see period with little change in the expected market dynamics. Nevertheless, on June 9th, 2024, AM Best revised its sector outlook for the global reinsurance industry from “stable” to “positive” for the first time since December 2018 due to increased underwriting discipline, such as underwriters refocusing on technical profitability and tighter contract wording.

The August 2024 Best’s Market Segment Report shows reinsurance capital growth for the third straight year. Traditional reinsurance capital is expected to rise to \$515B this year plus an additional \$105B-\$110B of third-party capital, making the total industry capital exceed \$620B (see Figure 1). The rating agency said, “Renewals in 2024 have been smoother than in 2023, attributable more to better management of cedants’ expectations than to reduced demand.”

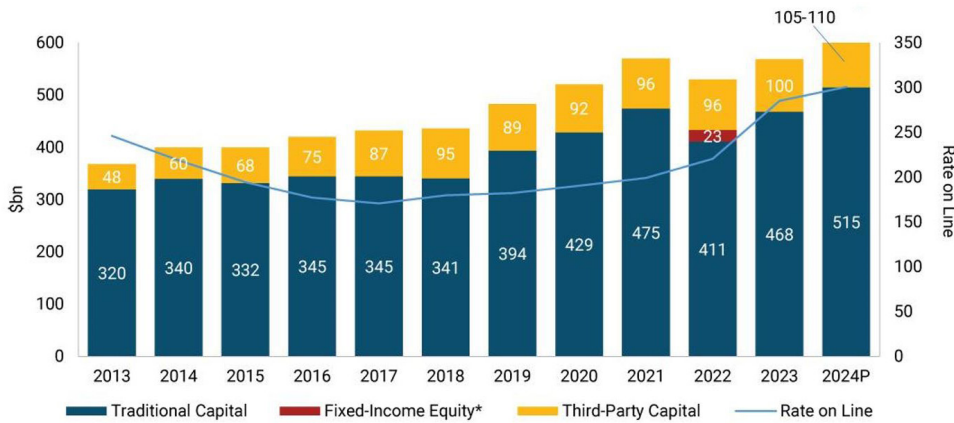
CONTACT

For more information, please contact your local RT Property broker.

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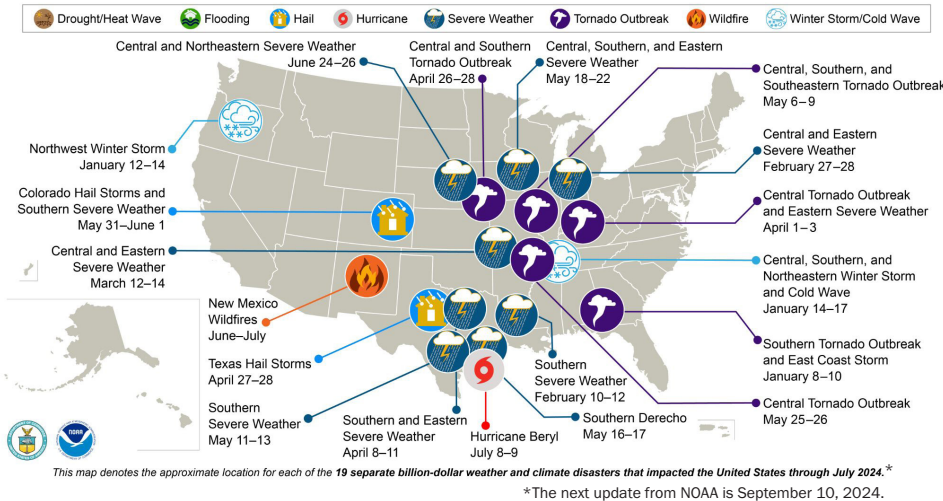
Figure 1: Global Reinsurance – Estimated dedicated reinsurance capital



P=Projected
 * For reinsurers that have ample cash liquidity to support potential shock losses, the fixed-income equity adjustment captures the amount of capital that AM Best anticipates will be recovered as bonds mature over time.

Source: AM Best data and research, Guy Carpenter

Figure 2: U.S. 2024 Billion-Dollar Weather and Climate Disasters



Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024)

Figure 3: Year-to-Date Wildfire Statistics

Period	Number of Fires	Number of Acres Burned
2024 (1/1/24 - 9/03/24)	34,126	6,459,301
2023 (1/1/23 - 9/03/23)	39,965	2,081,130
2022 (1/1/22 - 9/03/22)	48,720	6,207,854
2021 (1/1/21 - 9/03/21)	43,250	5,024,744
2020 (1/1/20 - 9/03/20)	40,528	4,434,509

Source: National Fire News | National Interagency Fire Center (nifc.gov)

CATASTROPHE EVENTS 2024

In 2023, a record twenty-eight confirmed weather / climate disaster events with losses exceeding \$1 billion each affected the United States. As of early August 2024, there have been nineteen events, including severe storm, tropical cyclone, wildfire and winter storm. See Figure 2.

SEVERE CONVECTIVE STORM: According to Swiss Re Institute estimates, H1 global insured losses from natural catastrophes are 62% above the ten-year average, primarily from U.S. severe thunderstorms, which accounted for 70% of global insured losses. The first half of 2024 is the second costliest on record, with \$42B, 87% higher than the ten-year average. As urban areas experience growing populations and higher property values, the increased vulnerability to hail damage is making multi-billion-dollar loss events from severe convective storms.

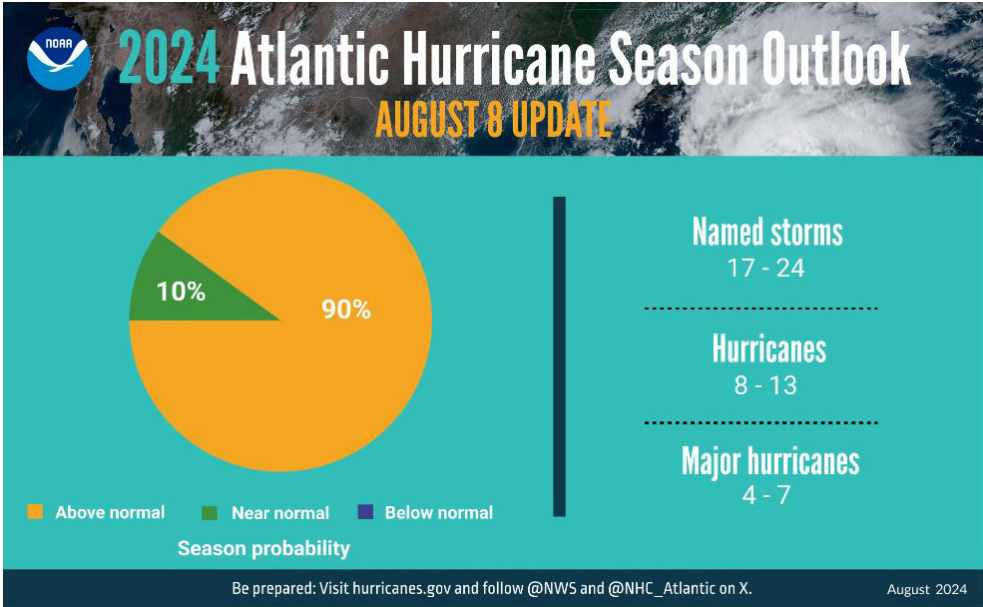
WILDFIRE: According to the National Interagency Fire Center, as of September 3, 2024, there are large wildfires active in nine states. While the number of fires from the same time period over the last five years is at its lowest, the number of acres burned is one of the highest on record. See Figure 3.

The largest single active fire this year is the Park Fire in California, which as of September 3, 2024 is 98% percent contained and affected 429,603 acres. The human-caused fire is currently the fourth largest fire in California’s history and involved Butte, Tehama, Plumas and Shasta counties.

HURRICANE SEASON: The National Oceanic and Atmospheric Administration (NOAA) advised on August 8, 2024, that due to near-record sea surface temperatures and the possibility of La Nina, the Atlantic hurricane season is likely to remain highly active.

August saw two Hurricanes, with Debby making landfall in Big Bend region of Florida as Cat 1, then making landfall as Tropical Storm in South Carolina. Hurricane Ernesto moved over Bermuda as Cat 1. NOAA National Hurricane Center’s September 1 Monthly Hurricane Summary stated,

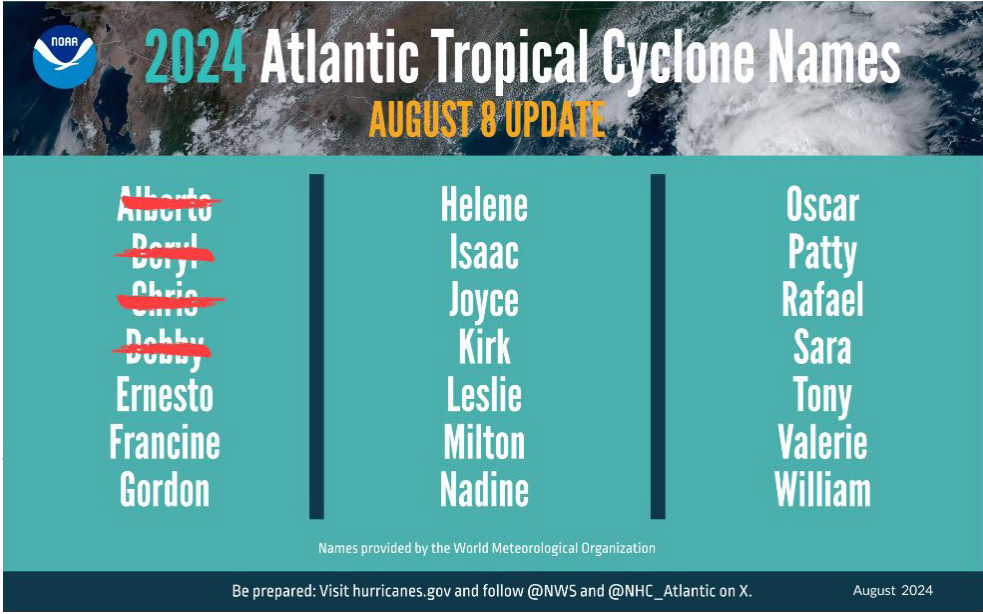
Figure 4: NOAA 2024 Atlantic Hurricane Season



“In terms of Accumulated Cyclone Energy (ACE), which measures the strength and duration of tropical storms and hurricanes, activity in the basin so far in 2024 is about 50 percent above the long-term (1991-2020) mean.” See Figure 4.

Hurricane Beryl's landfall in Texas on July 8 was as Cat 1, causing \$6 billion in economic damages, insured or uninsured, per NOAA National Centers for Environmental Information (NCEI). Prior to its U.S. Landfall, Beryl set the following records, as reported by NOAA Climate.gov on July 3, 2024*:

- “Farthest east that a hurricane has formed in the month of June”
- “First Category 4 hurricane to form in the month of June.”
- “Earliest Category 5 hurricane observed in the Atlantic on record”
- “Strongest July Atlantic hurricane on record, with winds of 165 mph”



Name	Dates	Max Wind (mph)
Tropical Storm Alberto	June 19 – 20	50
Major Hurricane Beryl	June 28 – July 9	165
Tropical Storm Chris	June 30 – July 1	45
Hurricane Debby	August 3 – 9	80
Hurricane Ernesto	August 12 – 20	100

NOTE: Ernesto became a Tropical Storm on August 12 and developed into a Hurricane two days later. Source: NOAA, NOAA predicts above-normal 2024 Atlantic hurricane season

Source: NOAA National Hurricane Center



THE RT SPECIALTY ADVANTAGE:

- Dedicated Claims Team
- Technical Resources
- Modeling / Analytics Team
- Broad Market Relationships & Scale
- Compliance / Legal Team
- Dedicated Retail Distribution Team

The RT Property Team is prepared to assist throughout all areas of this challenging property market. We continue to shine for our retail broker trading partners.

“Out-Think. Out-Work. Out-Execute. Repeat!”