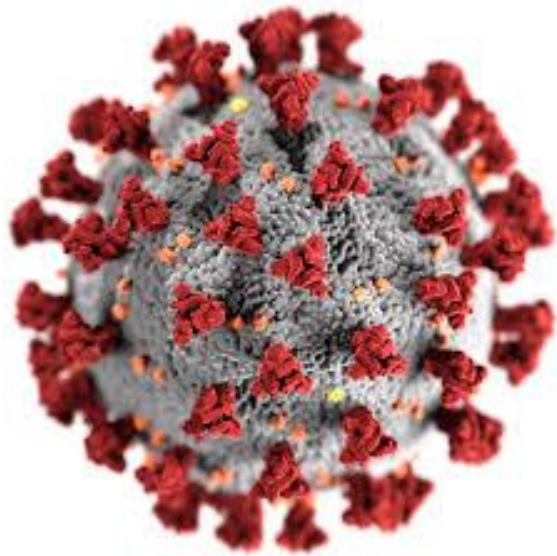


# PeriStrat®

Linking Strategic Advice & Execution



5/24/2021

all in m USD	37'381.0	tracked total	
By Company	Covid-19	Updated	Q
Lloyd's	4'955.5	31.03.2021	Q4
Swiss Re	4'493.0	30.04.2021	Q1
Munich Re	4'469.0	06.05.2021	Q1
AXA	1'830.0	04.05.2021	Q1
Hannover Re	1'631.3	05.05.2021	Q1
Allianz	1'576.0	12.05.2021	Q1
Berkshire	1'401.0	01.05.2021	Q1
Chubb	1'378.0	27.04.2021	Q1
AIG	1'133.0	06.05.2021	Q1
IAG	884.0	20.11.2020	H1
SCOR	883.1	28.04.2021	Q1
Zurich (P&C only)	821.0	12.05.2021	Q1
QBE	785.0	05.05.2021	Q1
The Hartford	728.0	22.04.2021	Q1
Fairfax	682.6	29.04.2021	Q1
Liberty Mutual	680.0	06.05.2021	Q1
MS & AD (incl MS Amlin)	605.8	20.05.2021	Q4
Mobiliar	579.4	13.04.2021	Q4
Mapfre Group	575.7	29.04.2021	Q1
Everest Re (Ins & Re)	511.0	28.04.2021	Q1
Hiscox	475.0	05.05.2021	Q1
Alleghany	433.0	06.05.2021	Q1
Partner Re	409.0	11.05.2021	Q1
Markel	379.0	29.04.2021	Q1
RSA	360.4	07.05.2021	Q1
Axis	360.0	14.04.2021	Q1
Renaissance Re	352.0	29.04.2021	Q1
Beazley	340.0	13.05.2021	Q1
Tokio Marine domestic & int	331.0	20.05.2021	Q4
Legal & General	280.0	10.03.2021	Q4
Arch	272.6	27.04.2021	Q1
Generali	256.7	18.05.2021	Q1
Travelers	250.0	20.04.2021	Q1
Talanx w/o Hannover Re	207.1	06.05.2021	Q1
CNA	195.0	03.05.2021	Q1
WR Berkley	192.7	20.04.2021	Q1
	Sirius	192.0	10.05.2021
Aspen	181.2	31.03.2021	Q4
Suncorp	164.5	09.02.2021	H1
QIC	141.0	16.02.2021	Q4
Aviva	138.4	04.03.2021	Q4
Helvetia	103.8	25.03.2021	Q4
American Financial	95.0	03.02.2021	Q4
Cincinnati Financial	84.4	28.04.2021	Q1
Enstar (Starstone & Atrium)	81.8	07.05.2021	Q1
Baloise	77.6	09.03.2021	Q4
ARGO	77.2	21.04.2021	Q1
CCR RE	59.0	14.04.2021	Q4
SiriusPoint (old Third Point Re)	49.5	10.05.2021	Q1
Fidelis	48.0	15.03.2021	Q4
Lancashire	42.0	29.04.2021	Q1
Sompo domestic & int	36.8	20.05.2021	Q4
Selective Insurance Group	33.8	29.01.2021	Q4
Trygg	22.8	16.04.2021	Q1
RLI	22.3	21.04.2021	Q1
The Hanover Ins Group	19.0	30.04.2021	Q1
ProAssurance	10.0	22.02.2021	Q4
Watford Re	5.2	09.02.2021	Q4

# Covid-19 - public loss estimates

Remarks:

1. Numbers might overlap as losses of insurers might not be reported fully net of reinsurance and therefore partially be reflected as well in reinsurers' reported losses due to reinsurance arrangements
2. Lloyd's Q4 2020 net numbers include a forward-looking statement about losses of GBP200m to come; overall 40% reinsurance recovery is assumed
3. Some companies' reported losses might overlap with Lloyd's market number as these companies operate at Lloyd's as well, e.g., Hiscox, Beazley, ARGO etc.
4. Generali: net effect from loss provisions, net investment income drops but offset by lower general claims fq, excl. EUR 100m Extraordinary International Fund for the pandemic emergency
5. Aviva: said that 63% of Covid-19 gross loss will be recovered from reinsurers. The loss estimate to the left considers the net loss only
6. Swiss Re: Q4 2020 numbers included a forward-looking statements about potential further Covid-19 losses up to USD 500m in 2021; with Q1 2021 reporting this number has been taken out.
7. Beazley assumes a return to normality in the H2 half of 2021, however, noted that if that doesn't happen, first-party claims could worsen by \$50mn in 2021. This is not included in PeriStrat's numbers yet as we believe that this assumption is the most common view of all players in this report.
8. Talanx numbers are net of Hannover Re's published numbers to avoid double counting
9. Munich Re, Swiss Re, Hannover Re, SCOR, Allianz and Berkshire numbers include L&H loss estimates.
10. Sompo, Tokio and MS & AD run their financial year from April 1<sup>st</sup> and number their quarters off-set by 1.

# Covid-19 – loss trends

Q1 2021 reporting season has shown so far significantly less Covid-19 upwards loss trend compared to previous quarters. As mentioned in our previous update not all insurers consistently report about their Covid-19 ultimate loss position. Motivation is unclear, but most likely materiality thresholds are applied. We will continue to monitor all (re)insurance companies on our report and update numbers whenever information becomes available.

Since our last edition on May 2<sup>nd</sup>, we added information from several companies ranging from AXA, Allianz, QBE, Zurich, Liberty, Talanx, Hannover Re, Munich Re and Partner Re plus a couple of others. The total movement since our last report is about USD 620m additional Covid-19 loss estimates. The annual report from FM Global for 2020 has been published but with no evidence about a Covid-19 loss number. A few companies report slight decreases in their previously reported Covid-19 loss estimates. The total of these decreases is still not material.

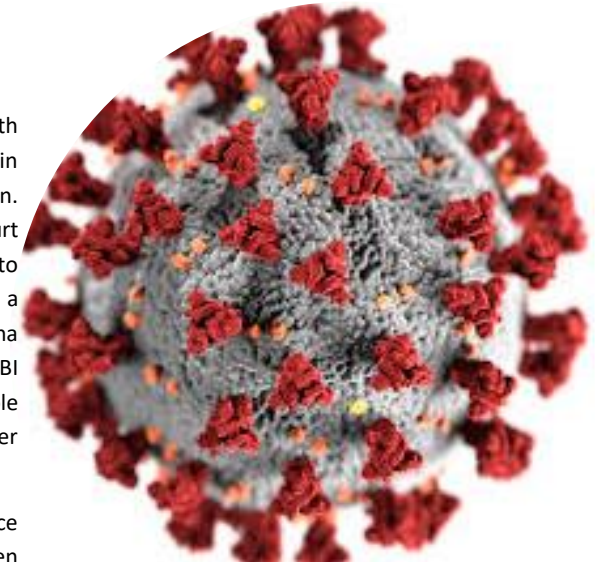
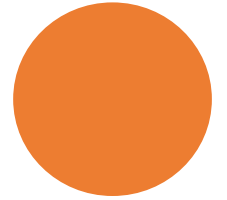
QBE and Lloyd's are included with forward-looking statements regarding further loss trends over the coming quarters. These trends have been included in our report. Beazley assumes a return to normality in the second half of 2021, however, noted that if that doesn't happen, first-party claims could worsen by \$50m in 2021. These USD50m are not included in PeriStrat's numbers yet as we believe that the assumption of a recovery in H2 2021 is the most common view of all players in this report which they apply to their reserving. As mentioned in earlier reports Aviva expects to recover 63% and Lloyd's about 40% of their Covid-19 gross loss from reinsurers.

Total tracked public loss estimates add up to USD37.4b compared to USD36.8b in the last edition. Therefore Covid-19 loss estimates increased compared to Q4 2020 by about USD1.9b.

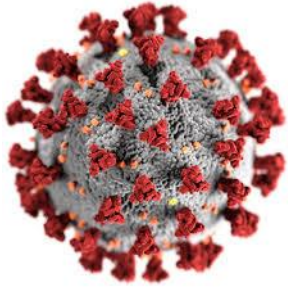
A common market loss estimates still ranges from USD30b to USD80b. Analysts of Berenberg recently lowered COVID-19 industry loss estimate to \$40bn – \$60bn which is in line with PeriStrat's estimate of up to USD50b mentioned since Q3 2020! The prolonged Covid-19 situation will drive further event cancellation covers to be triggered in 2021. Question marks remain over the Tokyo Olympics which were rescheduled in 2021. Potential GPL and D&O losses have not yet been greatly notified and will further extend the tail of the loss development pattern. The January decision by the Supreme Court regarding the FCA test cases in UK added final clarity to policy wordings and made its way into Covid-19 loss estimates. Further impact from court rulings was visible in Australia with increased loss estimates by Suncorp and IAG in November and December last year. Policy makers' interventions in US to eventually force BI insurances to respond to Covid-19 linked business interruptions became more unlikely. However wording ambiguities are still unclear. So far US courts have decided mostly in favor of insurers with a few exceptions. A little more serious appears a ruling against Cincinnati Financial which construe government orders had caused direct physical damage. This got amplified by Louisiana restaurant's lawsuit against Lloyd's underwriters which was not dismissed by court. On the positive side we could read that FM Global won dismissal of Ralph Lauren's \$700mn Covid-19 BI case. We believe uncertainties remain and further litigations will follow. Finally, we need to accept the fact that we are in the middle of a 2<sup>nd</sup> or 3<sup>rd</sup> wave, and we know about multiple variants of the Covid-19 virus. The loss event is ongoing and further losses will add to the overall Covid-19 bill. If PeriStrat's loss estimate of USD50b turns out to be right a potential further USD12b are hanging out for reporting. Please note that we continue to include Covid-19 loss estimates for L&H whenever available.

Allianz warned end of last year their cat reinsurers about a significant loss from Covid-19 BI losses. It will be interesting to see how Covid-19 losses will be settled under complex reinsurance arrangements which were deemed to be mostly exposed by nat-cat type of events. Dennis Kessler mentioned recently that arbitration is likely the tool to seek amicable resolution when opinion about coverage differs. Event aggregation language and extension clauses will provide wake-up calls regarding how the ongoing loss event will filter through into reinsurance.

Covid-19 is the unprecedented test case about performance uncertainty related to "silent coverages", i.e., unintended, unmanaged and non-priced loss exposures. It is triggered by wording ambiguities especially regarding non-physical policy triggers. The similar threat is associated with "silent cyber exposures". And fair discussion will be required in how far scenarios which turn independent risks into correlating risks are insurable.



# Market Headlines...



Losses begin to effect later stages of the risk management value chain

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Allianz warns cat reinsurers of possible EUR400mn-EUR600mn BI claim

Significant uncertainty because of silent pandemic cover due to wording ambiguities... likely leading into paradigm shift between pre-Covid and past-Covid contract wording language

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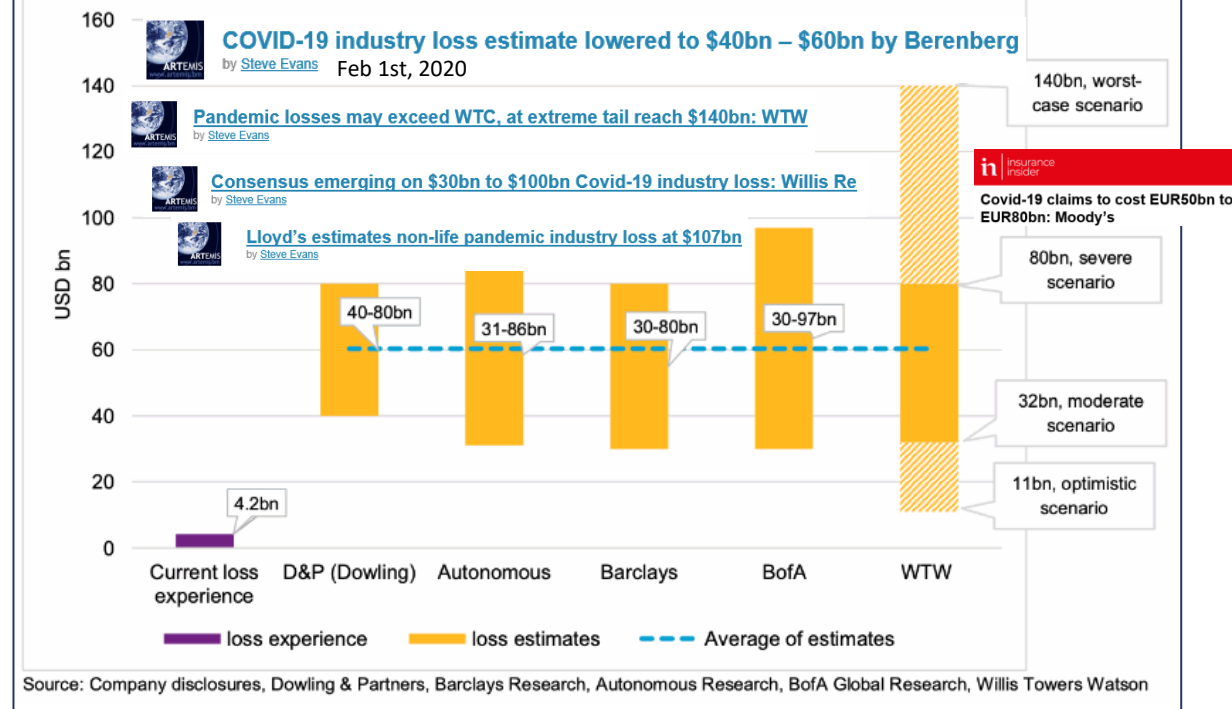


Kessler said reinsurers and ceding companies will resolve the issue through "a mix of personal relationships, commercial relationships and arbitration".

"We try to avoid [going] to court, because [these are] extremely specific and complex matters, and we believe that it's best to find arbitrators that know the business and how to read a contract and how to settle the issue," said Kessler, adding that arbitration was not an "abnormal" part of the process.

"We will abide by the contract, but a contract is full of words that must be interpreted."

Covid-19 announced losses versus top-down industry estimates  
Source: main graphic by WTW, headline additions by PeriStrat



The financial market rally after the stock market crash in March 2020 Covid-19 related investment impairments aren't any longer P&L relevant. Given current loss emergence we believe that the Covid-19 market loss likely will stay below USD50b. But we expect further significant upward movement during the Q4 reporting season.

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