IBNR Weekly

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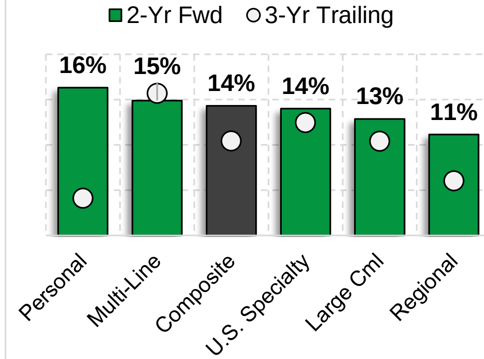
IBNR Weekly #7, 2025 **February 20, 2025**

Q4 Earnings Season Nearing Completion ... New/Interesting Data Points From The Week

Aside from Berkshire Hathaway (reporting this weekend) and several smaller cap companies, the Q4 U.S. (re)insurance "earnings season" is nearly complete on a market cap weighted basis (there's still 19 companies or ~33% by count in our universe still to report). Now ~5 weeks into the earnings season, the major themes are well known / fairly consistent = casualty loss trends / reserve development (we await the 10ks/Schedule Ps), CA fire loss exposure & market implications (our tally now ~$20B, and ultimate loss looking more likely to fall in upper 1/2 of our estimated range = >$40B), commercial lines pricing trends (property vs. casualty), & prospects for increased personal auto competition. Since earnings began (1/22) our underwriter composite is -0.6% while brokers are +3.6% as compared to the S&P financials +1.3% and S&P 500 +1.1%.

Total Value Creation @ Cost: 2-Yr Fwd vs. 3-Yr Trailing



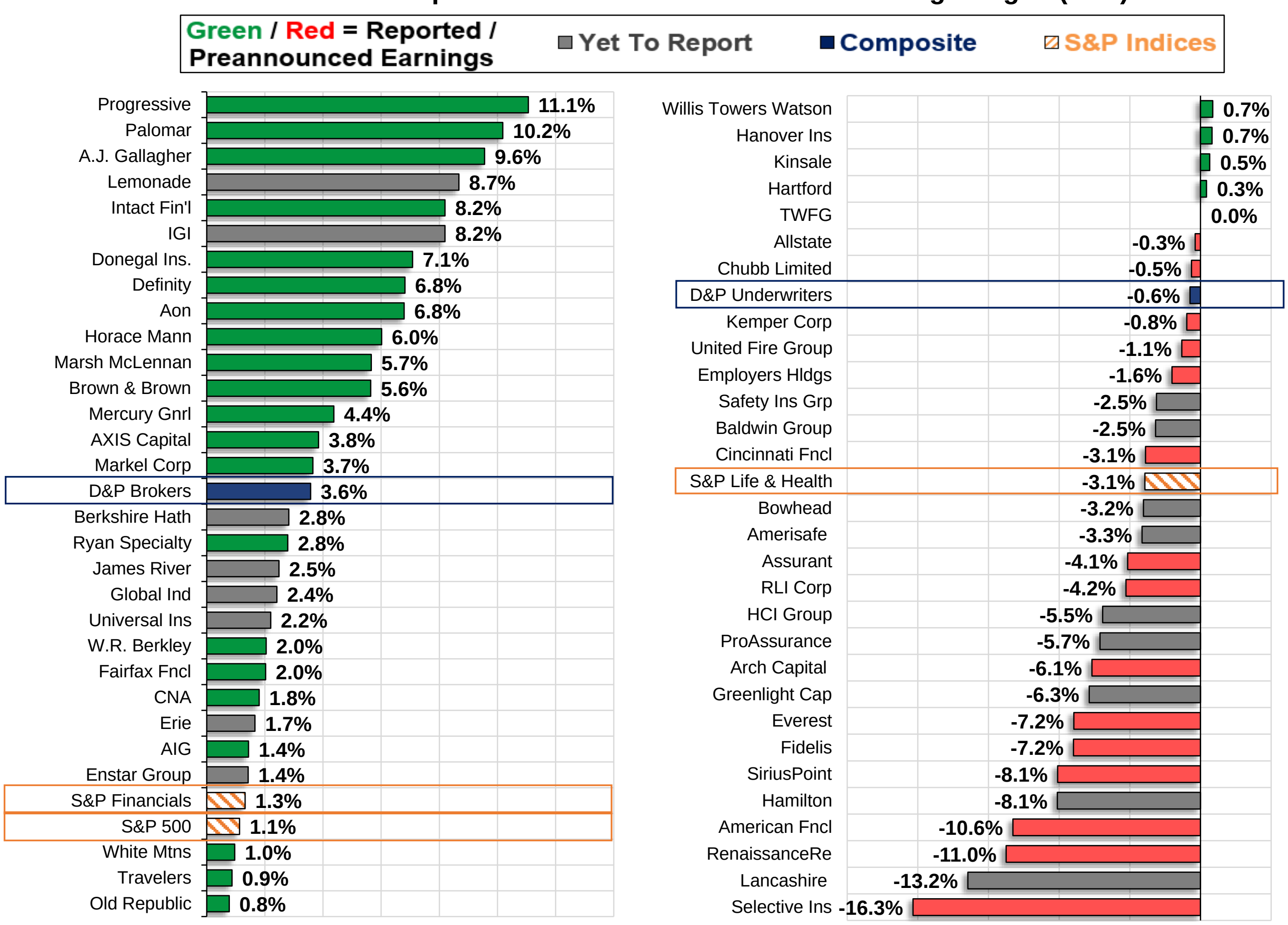
Source: Company Reports, D&P Analysis

HIGHLIGHTS FROM THIS WEEK'S EARNINGS / INTERESTING NEW DATA POINTS …

Aside from **Berkshire Hathaway** (reporting this weekend) and several smaller cap companies, the Q4 U.S. (re)insurance "earnings season" is nearly complete on a market cap weighted basis (there's still 19 companies or ~33% by count in our universe still to report). Now ~5 weeks into the earnings season, the major themes are well known / fairly consistent = casualty loss trends / reserve development, CA fire loss exposure & market implications, commercial lines pricing trends, personal auto competition, etc. As such, attention is now turning to the additional disclosures provided by 10-Ks (only a handful filed to date) and one step closer to the March statutory data bringing a more complete picture on reserve trends / strength (= Schedule P) and any notable market share shifts (we'll be most interested in the major commercial lines). ***Interesting takeaways from the week follow …***

Since earnings began (with Travelers on 1/22) our underwriter composite is down -0.6% while brokers are up +3.6% as compared to the S&P financials up +1.3% and S&P 500 of +1.1%. Performance has been led by **Progressive** up +11.1% since earnings began and up +2.2% the day of reporting January results. On the other end, **Selective**, **RenRe**, **American Financial**, **SiriusPoint**, **Fidelis** and **Everest** have performed the worst = all but RenRe and SiriusPoint recognized net adverse PYD in Q4 while RenRe was negatively affected by concerns related to general casualty trends + CA fire exposure. **Lancashire** and **Hamilton** (both yet to report Q4 results) join the worst performers with the former negatively affected by preannounced California wildfire losses.

D&P P/C Composite Price Performance Since Earnings Began (1/21)



Source: FactSet, D&P Analysis

California Wildfires …

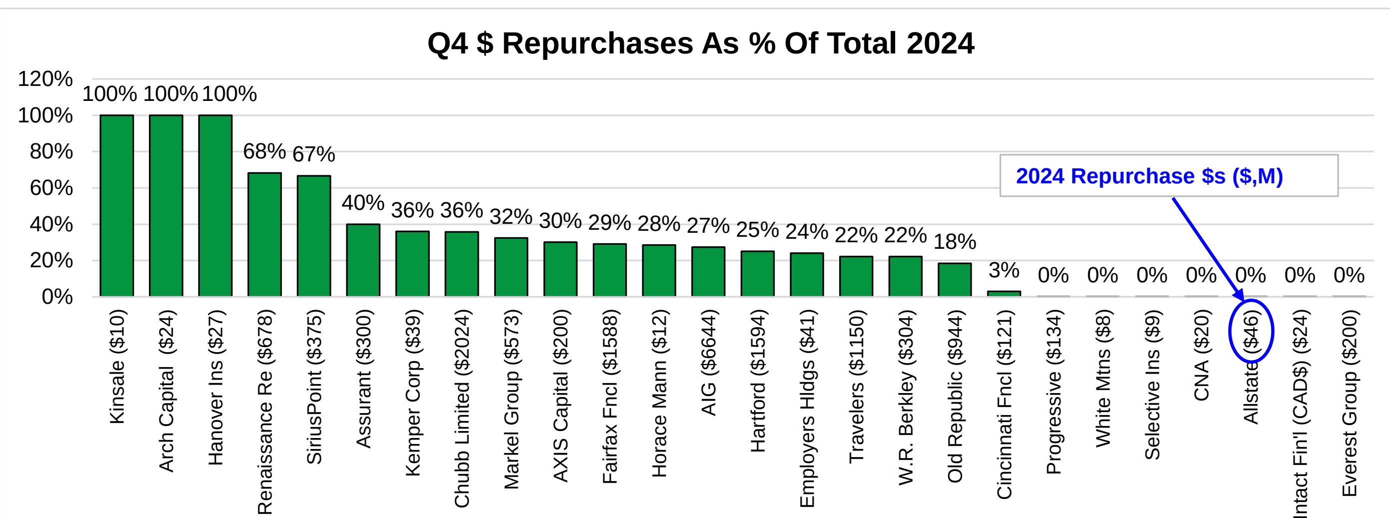
Now another week removed from the California Wildfires, loss estimates continue to accumulate with our initially published $30B to $50B range holding strong. **At this point, we have increased conviction that the ultimate loss will fall in the upper half of our estimated range (>$40B)**, *before the potential impacts of subrogation*. To date, **our industry tally for the event has now eclipsed ~$20B** with new headline figures from **Farmers** (~$850M loss, incl. reinstatements), **Zurich** (~$200M, incl. 8% share of Farmers QS), and reinsurance-focused losses from **Fidelis** ($188M to $224M p/t) and **Conduit Re** ($100M to $140M). See separate quickie.

Russia / Ukraine …

New this week, specialty (re)insurer **Fidelis preannounced $287M of net adverse PYD (9% of Q3-24 S/E) in its Aviation & Aerospace business relating to the ongoing Russia /Ukraine litigation** (to be booked in Q4:24 results to be released next week). The charge brings Russia/ Ukraine litigation, namely aircraft lessor exposure, back into the light as court trials have been ongoing and settlements are being entered into. "*The Company has strengthened reserves, in large part to make allowance for ongoing settlement discussions and also to reflect recent developments and new information received.*" See separate quickie.

Capital Management …

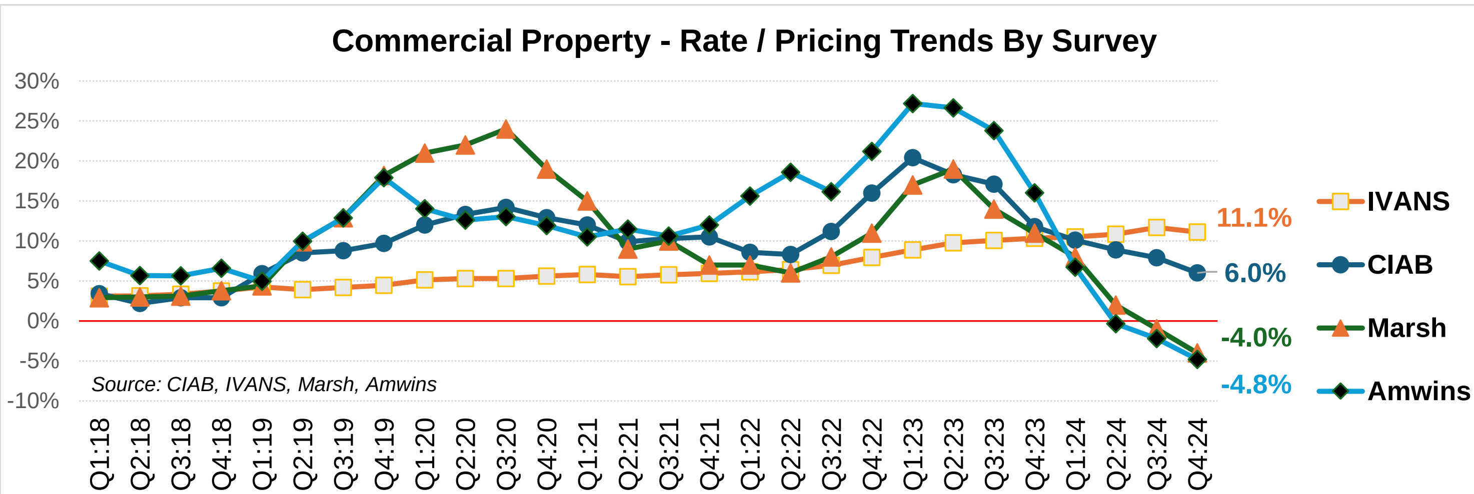
This week, **AXIS Capital** announced a new $400M share repurchase program. The company's previous repurchase program was exhausted following its $200M repurchase from an investment vehicle managed by Stone Point earlier this month. We have seen share repurchase activity increase across a number of companies over recent months, with several companies resuming buybacks for the first time in 2024 during Q4. We expect buybacks to be a more notable theme in 2025. Notably, we continue to await a new repurchase authorization from **Allstate**, with its prior program expired on 3/31/24; **Arch** resumed share repurchases in Q4 (small amount) after paying a $1.9B ($5.00/sh) special dividend in the quarter = likely to be more active in 2025; and while **Everest** repurchased no shares in Q4 as the company readied for its year-end reserve review/charge, mgmt "fully expects to be active this quarter." The exhibit below depicts the $ of repurchases in Q4 vs. 9M:24 for the (re)insurers who have reported Q4 results. We'll be looking more closely at buybacks once all 10K's are filed.



Source: D&P Analysis

Property Insurance Rate Divergence …

Commercial property insurance pricing has been a key area of focus in recent quarters as overall blended rates continued to moderate / decline though trends have varied widely by account size = most intense pressure on larger account, shared & layered business while smaller account business has continued to see rate increases. E&S specialist, **Kinsale**, highlighted the trends well on its call last Friday: "The larger layer [property] deals, are under some competitive pressure (down mid- to high-teens) after just seeing a tremendous inflation in rates over the prior several years. So we think that's normal evolution of that market. The returns have been extraordinary, and it makes sense. A lot of capital has flowed back into that space. Our small property divisions are still growing very rapidly, and we're getting positive rate increases there. So we're upbeat on property."



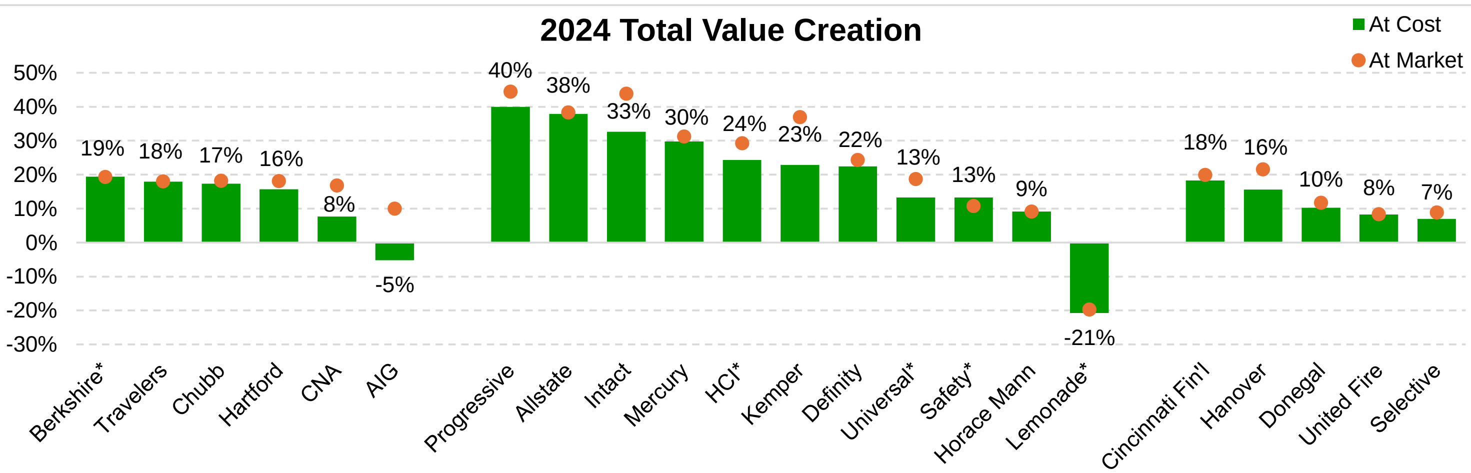
Reinsurance Renewal Commentary …

Pure-play reinsurer, **Conduit Re**, commented on the impact of the California wildfires at the March and April renewals, "… I'll comment on to the wildfires in a moment, that will undoubtedly drive rate change … it's a large loss. **And we're already seeing signs in the market for the March and April renewals. There's some significant rate increases that are being quoted in the reinsurance market … So property renewals in the states, I think it will have less impact than on more far reaching territories**. Japan is a large renewal season 1st of April. **A lot of our Japanese businesses renewed on the reinsurance side. I think we're unlikely to see any material rate change there driven by the impact of the California wildfires.** But it certainly reset the market. Certainly in the states, it's slowed."

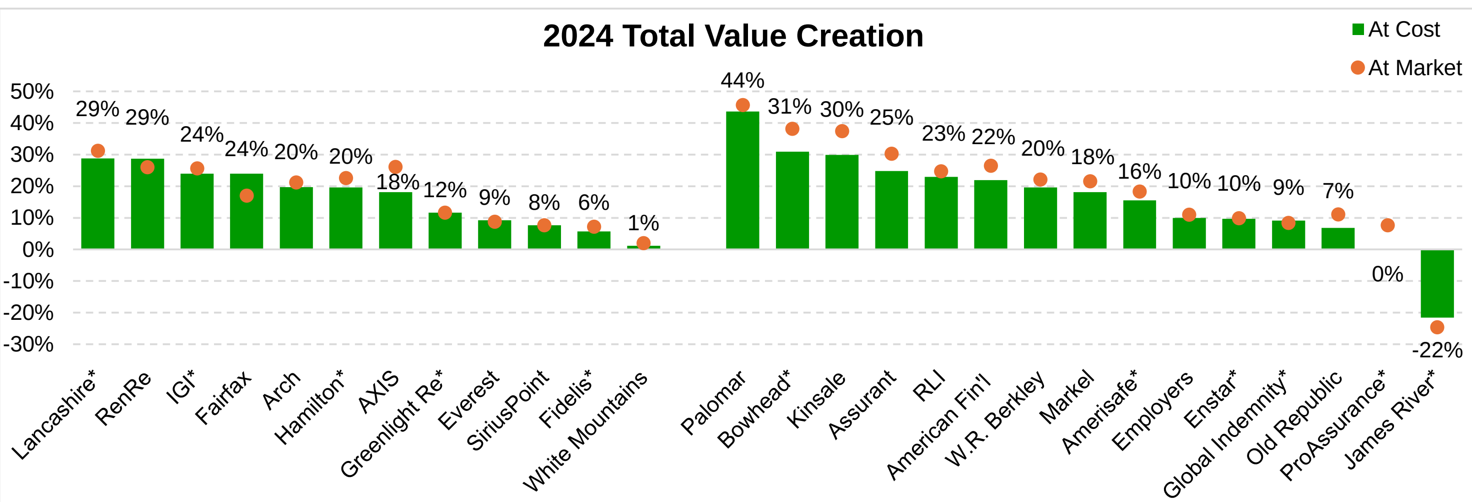
Notably, **Zurich's** U.S. cat cover renews at 4/1, and the company commented on reinsurers changing view of wildfire risk on their call this week: "So we'll see if and what impact the wildfires will have. **I think the interesting item in there is that for some reinsurers, the majority potentially of the reinsurers, they have been modeling wildfires as secondary perils. Now this event is getting the proportions of a hurricane or a major peril. So it will be interesting to see if and how they consider that in the modeling going forward.** We don't expect to make major changes to our reinsurance structure. But we've seen now at the renewals in 1/1 that we were able to, in most of the instances, actually enlarge coverage, keeping the prices in a stable fashion."

TVC SCORECARD … '24 COMPOSITE SIMPLE AVG = Up High Teens %. 2-Year Forward (Annualized) TVC @ Cost = ~14% Vs. ~11% Annualized Over Last 3 Years.

Our key investment thesis is that "success" for a property/casualty (re)insurance company is defined by growth in tangible book value per share + accumulated cash dividends (= "total value creation" or TVC) over the long-term (stock performance tracks with TVC over time). Our (re)insurance coverage composite broadly had strong performance in 2024 given continued favorable market conditions (despite the "noise" / concerns related to commercial liability reserve trends) and higher NII benefiting from the yield environment. **The simple average TVC for our underwriting composite was +19% in 2024**, ranging from +46% (**Palomar,** includes +16% accretion from their Q3 equity offering) and +44% (**Progressive**) to a low of -25% (**James River**). Our Personal lines focused composite saw the most significant rebound in 2024 vs. the recent past (last 3 years) given the "hard market" conditions that persisted through 2024 (earn through of rate increases combined with moderating loss cost trends) = simple average TVC @ cost of 20% in 2024 vs. 4% annualized for the last 3 years ('21-'24). That said, each sector saw higher TVC for 2024 relative to the 3-year annualized TVC ('21-'24). **Stripping out unrealized bond gains / losses, TVC @ cost for the overall composite was +17% (simple average) vs. +9% annualized for the last 10 years and +11% annualized over the last 3 years.** Note we include companies that have yet to report Q4-24 results in the exhibits below (based on our estimates; designated with a * in the charts below).

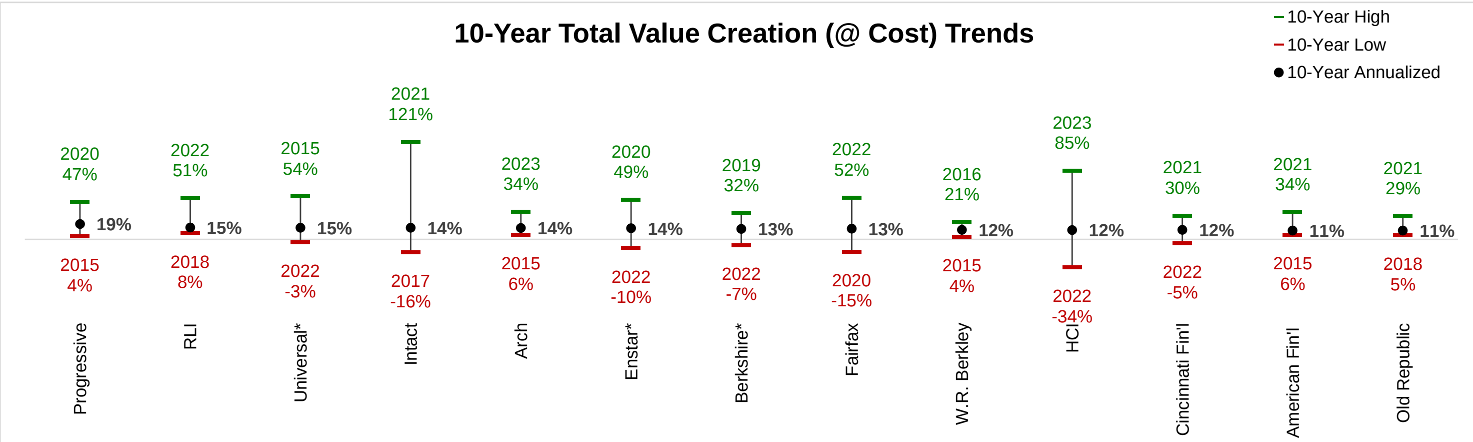


*Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis

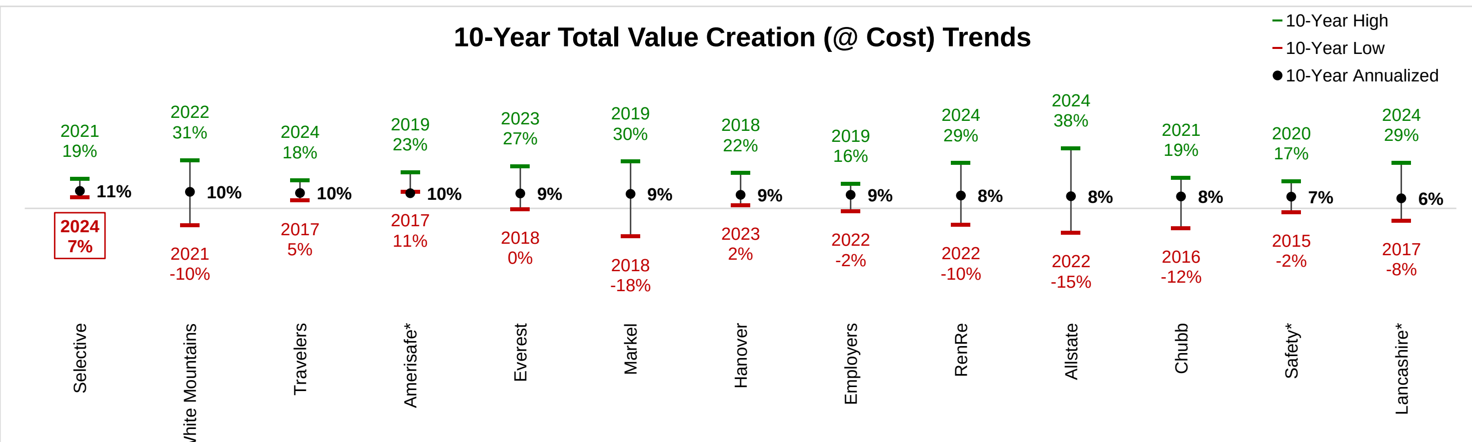


*Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis

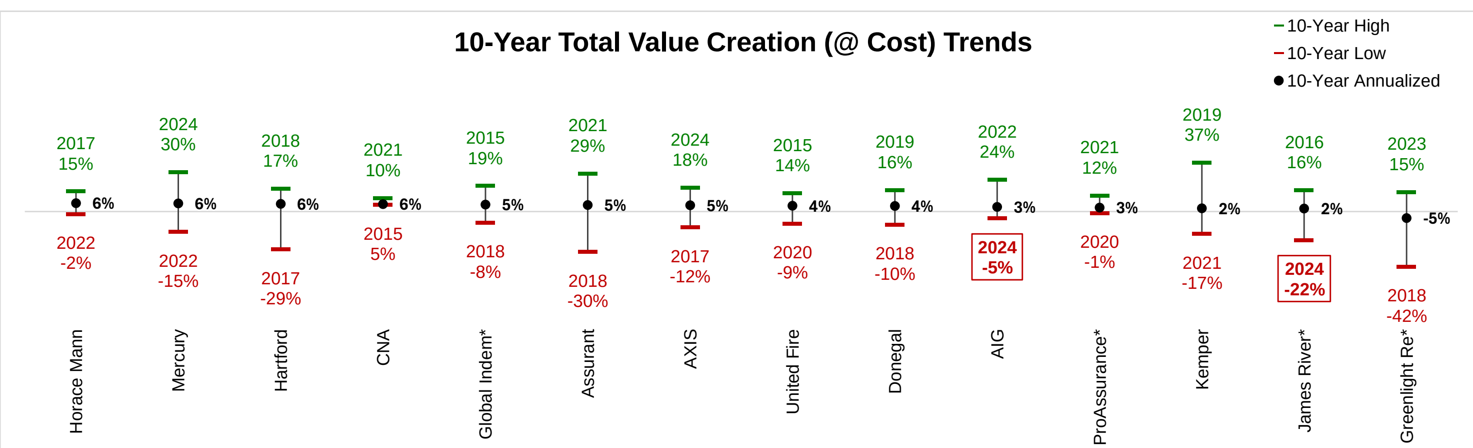
Below we look at the high and low years of TVC (@ cost) over the past 10 years in addition to the 10- year annualized figure. Note, figures can be materially impacted by M&A (= **Chubb**, **Hartford**, **Markel**, etc), capital raises (**Intact**, **Palomar**, **RenRe**, **HCI,** etc.) share repurchases (above or below BV) and other capital mgmt actions (e.g. **AIG**'s sell down and eventual deconsolidation of **Corebridge**, **AFG** selling Annuity ops in 2021, improving the return profile and returning $1.4B in special dividends, **RLI**'s sale of its stake in Maui Jim at a significant premium to carrying value, etc.).



Source: Company Reports, D&P Analysis

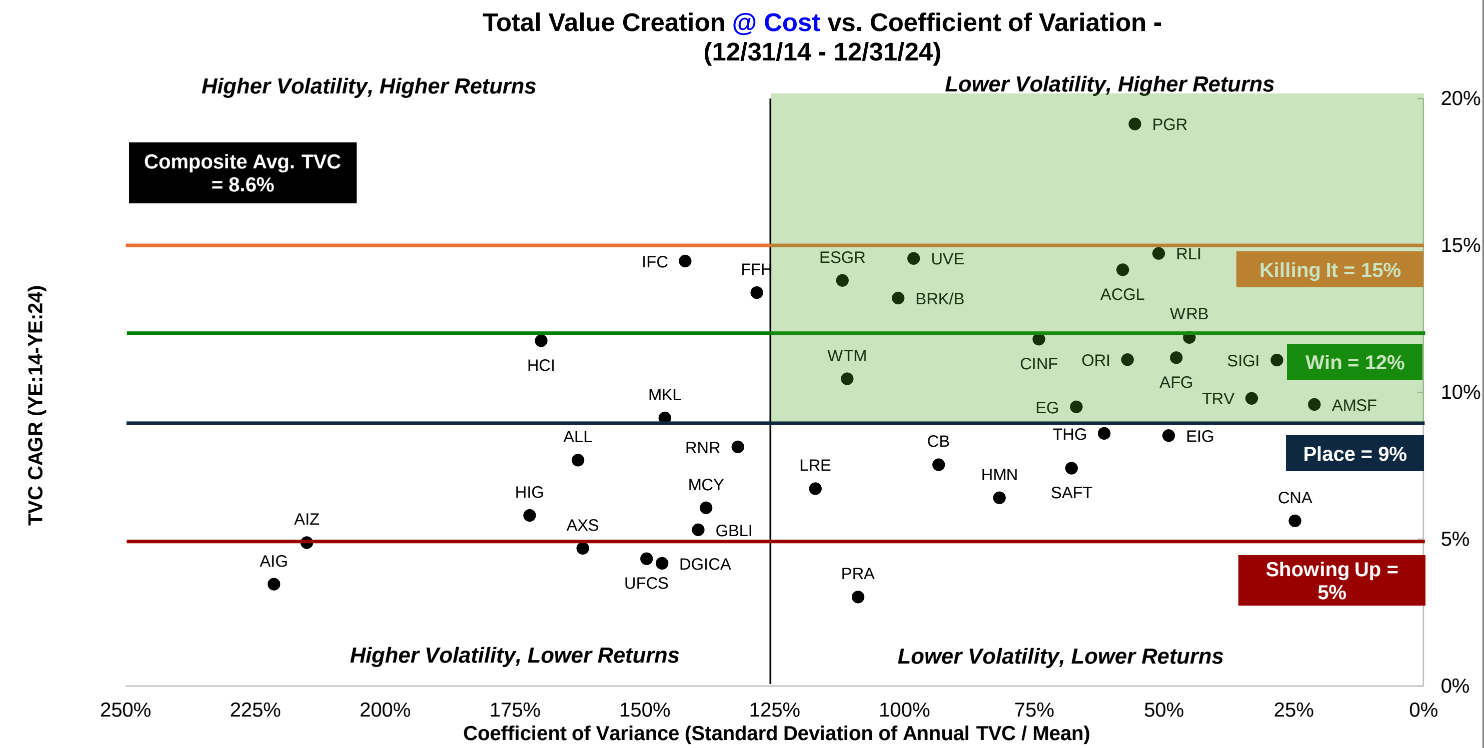


Source: Company Reports, D&P Analysis



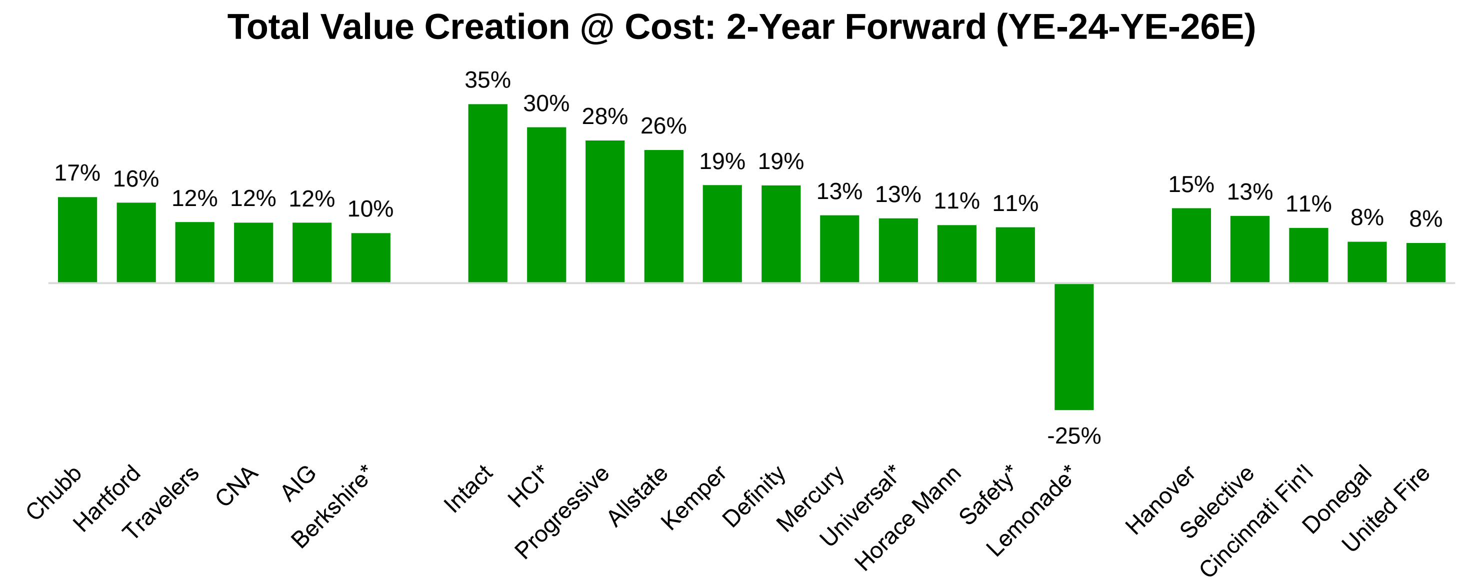
Source: Company Reports, D&P Analysis

Looked at another way, the exhibit below compares TVC @ cost vs. volatility (coefficient of variation = variability around the mean) over the past 10 years ending YE:24 (we've excluded companies where we don't have 10 years of consistent history) = of the group, **Progressive** has been in a class by itself generating TVC @ cost of 19.1% annualized over the period (next closest = **RLI** at 14.7%).

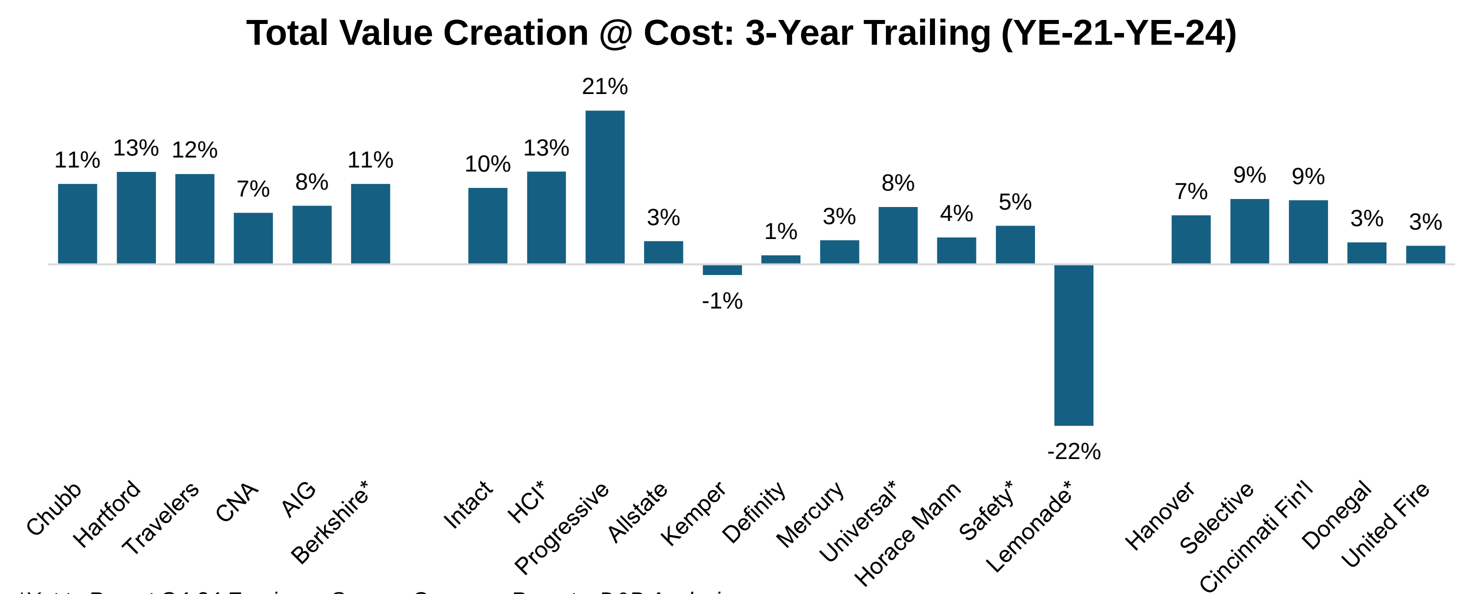


Ex. Greenlight Re (-4.9%, -572%), James River (2.3%, 783%) & Kemper (2.4%, 446%), as coefficient of variation exceeds 250% + Companies without 10-years of history;
Source: Company Reports, D&P Analysis

Taking a nearer term view, below and on the next page we compare recent history (**last 3 years; composite simple average = +11%**) vs. our forward outlook (**next 2 years; composite average = +14%**) for TVC at cost. Note, the 2-year forward estimates will be influenced by CA fire losses to be recognized in Q1. For companies that have already reported results and those that have preannounced fire losses (**Lancashire**), our forward estimates reflect these losses. Elsewhere, our models generally do not yet factor in the fire losses = likely most meaningful from a TVC perspective for the outstanding Bermuda / (Re)Insurers yet to report (**Greenlight Re**, **Hamilton** and **IGI = while Fidelis** preannounced $160-190M net a/t for the fires, our estimates have not yet been revised with the company set to report next week) and to a lesser extent (given its size), **Berkshire Hathaway**. We'll be publishing our usual long term TVC and components of '24 TVC once all 10Ks are filed.

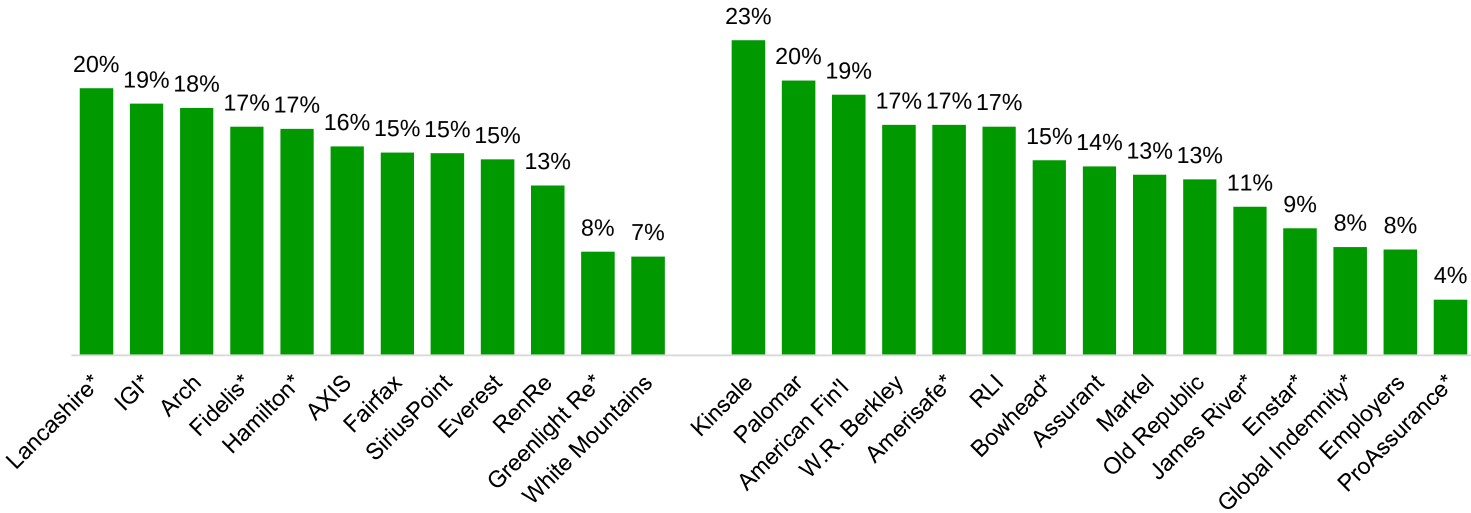


Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis



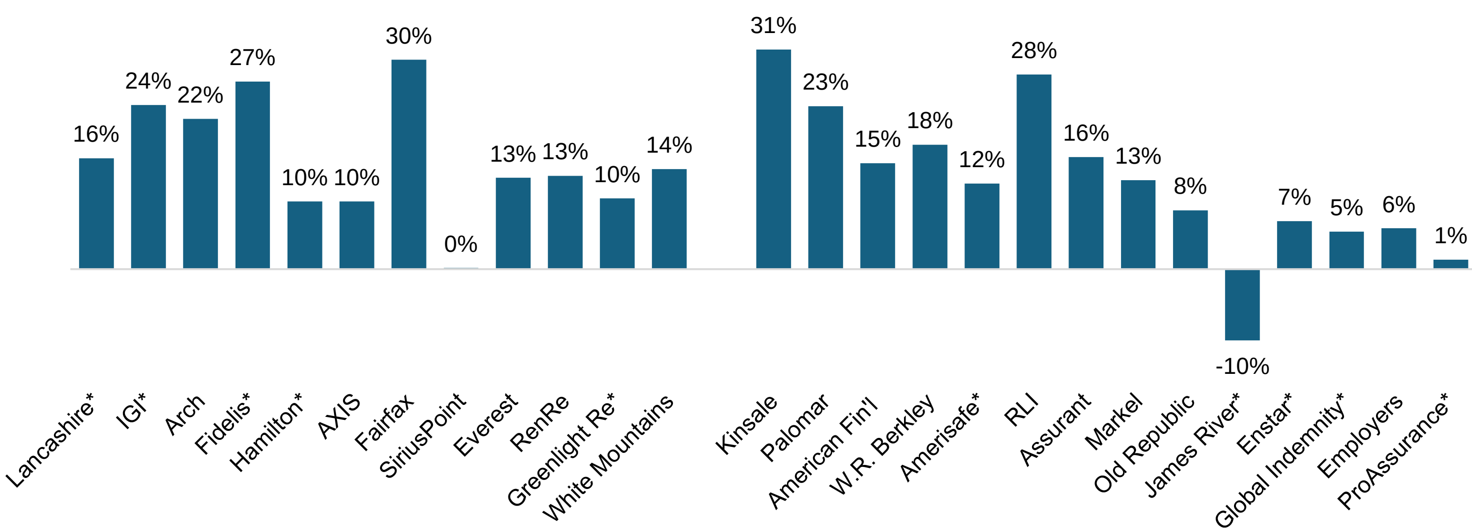
Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis

Total Value Creation @ Cost: 2-Year Forward (YE-24-YE-26E)



*Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis

Total Value Creation @ Cost: 3-Year Trailing (YE-21-YE-24)



*Yet to Report Q4-24 Earnings; Source: Company Reports, D&P Analysis

QUICKIES

California Wildfires: Increased Confidence In Upper Half Of Our Range, >$40B Ultimate. CDI Calls On State Farm To Justify Rate Increase … We've Seen This Story Before.

Now another week removed from the California Wildfires, loss estimates continue to accumulate with our initially published $30B to $50B range holding strong. **At this point, we have increased conviction that the ultimate loss will fall in the upper half of our estimated range (>$40B)**, *before the potential impacts of subrogation.* California is acting "as expected" with increased consumer protections coming at the expense of (re)insurers (see last week's IBNR #6), the Commissioner (unsurprisingly) is pushing for full limit payments of contents coverage without a complete detailed inventory (IBNR#5), among others.

Late last week, Commissioner Lara also fired back at **State Farm**, calling a meeting on 2/26 (to also include intervenor Consumer Watchdog) to "answer critical questions about its financial condition and its proposed rate hikes." Lara comments: "As the elected head of the Department, my primary responsibility is to the people of California. This situation highlights the voters' wisdom in having an independent, elected Insurance Commissioner making decisions to uphold market integrity in response to evolving threats, which today include climate change, rising global reinsurance costs, and a tightening national property insurance market." We note the omission of insurer insolvency and CA-specific property market dislocation from the Commissioner's list of "evolving threats" (see below).

To date, **our industry loss tally has now eclipsed ~$20B** with new headline figures from **Farmers** (~$850M loss, including reinstatements), **Zurich** (~$200M, includes 8% share of Farmers QS), and reinsurance-focused losses from **Fidelis** ($188M to $224M p/t) and **Conduit Re** ($100M to $140M) all meaningful contributors to the total. Of the more meaningful losses still to come are: **Berkshire** (reporting this weekend), **Liberty Mutual** (reporting on 3/6; press reports have cited a figure in the ~$1.4B range. Its 1/1/25 cat program = $2.8B x $1B), and **Lloyd's** = particularly interested on details surrounding specie losses. Next week, the European (re)insurers should also meaningfully contribute to our total = **Allianz** (2/28), **AXA** (2/27), **Munich Re** (2/26) and **Swiss Re** (2/27) are all due to report with **SCOR** reporting annual results on 3/5.

D&P CA Wildfire Loss Tally = ~$20B…

Note it's important to understand what is included in published numbers = not consistent, particularly with reinsurance reinstatement premiums, and most notably **Mercury's** decision to include subrogation recoveries from the utility. We separate out those with more significant reinsurance exposure from those with primarily insurance exposure.

Q1-25 California Wildfire Loss Disclosures (~$19.8B)

Fires Started 7-Jan; Implied based on 2023 stat figures (gross)

Reinsurance-Focused	Disclosure Date	Company (Net p/t) Disclosure ($, M)	Pts on 2025E C. Ratio	% Beg. Equity	10Y Cat Mean	10Y Cat Median	Market Share @ $30B	Market Share @ $50B	Cat-Exposed Market Share	Notes
RenRe*	28-Jan	~$750	10.5%	7.6%	18.4%	16.0%	2.5%	1.5%	-	~1.5% of $50B industry event
Hannover Re	6-Feb	$520 - $730	-	-	-	-	2.1%	1.3%	-	Industry loss estimate = $30B to $40B
Fairfax	14-Feb	$500 - $750	2.4%	2.1%	6.2%	5.8%	2.1%	1.3%	-	Primarily Reinsurance Event For FFH
Arch	10-Feb	$450 - $550	2.8%	2.2%	5.0%	4.1%	1.7%	1.0%	-	Industry loss estimate = $35B to $45B
Everest	3-Feb	$350 - $450	2.5%	2.1%	8.3%	7.1%	1.3%	0.8%	-	Industry loss estimate = $35B to $45B
Fidelis	19-Feb	$188 - $224	8.0%	7.6%	21.6%	24.1%	0.7%	0.4%	-	Industry loss estimate = $40B to $50B
Lancashire	13-Feb	$145 - $165	-	9.4%	-	-	0.5%	0.3%	-	
Conduit Re	19-Feb	$100 - $140	-	10.7%	-	-	0.4%	0.2%	-	
SiriusPoint	18-Feb	$60 - $70	2.6%	3.2%	4.1%	2.0%	0.2%	0.1%	-	

*Source: Company Reports, D&P Analysis; *Net negative impact; **Specialty P&C only for mean / median*

Q1-25 California Wildfire Loss Disclosures (~$19.8B)										
		Fires Started 7-Jan							Implied based on 2023 stat figures (gross)	
	Disclosure Date	Company (Net p/t) Disclosure ($, M)	Pts on 2025E C. Ratio	% Beg. Equity	10Y Cat Mean	10Y Cat Median	Market Share @ $30B	Market Share @ $50B	Cat-Exposed Market Share	Reinsurance-Focused Notes
State Farm	6-Feb	>$7,000	-	-	-	-	23.3%	14.0%	17.8%	Based on interim rate filing + D&P assumptions. Gross Loss
USAA	5-Feb	$1,800	-	-	-	-	6.0%	3.6%	4.8%	
Travelers	11-Feb	$1,700	3.8%	4.8%	5.1%	5.5%	5.7%	3.4%	4.4%	Incl. assesments
Chubb	28-Jan	$1,500	3.2%	1.9%	5.6%	5.2%	5.0%	3.0%	2.9%	Incl. assesments, ex. subro
Allstate	5-Feb	$1,070	1.8%	4.3%	8.4%	8.5%	3.6%	2.1%	5.3%	~$2.5B Gross Loss (incl. Fair Plan Assessments / reinstatements)
Farmers	18-Feb	$850	-	-	-	-	2.8%	1.7%	13.7%	Includes reinstatements, ex. share of FAIR losses
Cincinnati Fncl	11-Feb	$500 - $585	5.5%	3.1%	8.1%	7.7%	1.8%	1.1%	0.9%	Incl. $50-$60M of reinstatement premiums
AIG	11-Feb	$500	2.0%	0.9%	6.6%	4.9%	1.7%	1.0%	0.8%	Excludes reinstatement premiums
Hartford	10-Feb	$310 - $380	1.9%	1.7%	5.0%	4.7%	1.2%	0.7%	1.0%	Includes $10 - $30M of reinstatement premium
Mercury	11-Feb	$155 - $325	4.3%	9.7%	2.1%	2.0%	0.8%	0.5%	5.5%	Includes significant subro credit, excludes reinstatements premiums & assessments. Gross = $1.6-2.0B (before reinst./assessments).
Zurich		$200	-	-	-	-	0.7%	0.4%	0.8%	Includes 8% QS with Farmers
Assurant	11-Feb	~$150	1.5%	2.3%	2.2%	1.9%	0.5%	0.3%	0.8%	
Markel	5-Feb	$90 - $130	1.3%	0.5%	3.7%	1.9%	0.4%	0.2%	0.3%	
American Fncl	4-Feb	$60 - $70	0.9%	1.1%	2.0%	1.7%	0.2%	0.1%	0.2%	XOL Program = $55M x $70M
CNA	10-Feb	$40 - $70	0.5%	0.4%	3.8%	2.8%	0.2%	0.1%	0.1%	
AXIS	30-Jan	$30 - $60	0.7%	0.7%	8.6%	7.7%	0.1%-0.12%		0.1%	0.1%-0.12% of mkt shr (using $30-$50B range)
Progressive	19-Feb	$43	0.1%	0.1%	2.3%	2.3%	0.1%	0.1%	0.8%	
Heritage	29-Jan	$35 - $40	4.6%	11.3%	11.0%	9.7%	0.1%	0.1%	0.1%	
The Hanover	4-Feb	$30 - $40	0.6%	1.0%	6.9%	6.4%	0.1%	0.1%	0.1%	"Overwhelming Majority" of losses from CA Wildfires
Kinsale	13-Feb	$25	1.5%	1.3%	2.0%	1.3%	0.1%	0.1%	0.1%	
Old Republic	23-Jan	$10 - $15	0.2%	0.2%	NM	NM	0.0%	0.0%	0.0%	
Skyward	5-Feb	<$10	0.8%	1.0%	1.5%	1.2%	0.0%	0.0%	0.0%	
United Fire	11-Feb	$7 - $10	0.7%	0.9%	7.2%	6.5%	0.0%	0.0%	0.0%	
Horace Mann	6-Feb	$5 - $10	0.9%	0.5%	11.2%	11.2%	0.0%	0.0%	0.2%	

*Source: Company Reports, D&P Analysis; *Net negative impact; **Specialty P&C only for mean / median*

State Farm's Game Of Chicken With Commissioner Lara/CDI Continues...

Late Friday, Insurance Commissioner Lara issued a letter to State Farm regarding its emergency rate increase request (IBNR #5 - 22% for Non-Tenant homeowners, 15% for Tenants (Renters), 15% for Tenants (Condominium Unit owners), and 38% for Rental Dwelling, eff. 5/1/25) **suggesting it has not met the burden under Prop 103.** The letter set a **2/26 meeting with the Commissioner, State Farm, and intervenor Consumer Watchdog** to answer additional questions about State Farm General's (the separately capitalized CA property subsidiary) financial stability = **estimated stat surplus is $1.04B for YE-24** vs. $1.14B at 9/30; less than half of its value as of YE-22 and a quarter as of YE-16, justification for urgent relief, the consumer impact and whether SF General is considering financial support from its parent company. As previously noted, we view this as a "game of chicken" with the CA regulator = rather than down-streaming capital from the parent company, they are leveraging the weak position of State Farm General (and threat of a downgrade / its impacts) to get the rate increases they want / need. **Per its rate filing (see last week's IBNR Weekly), it is expected State Farm General's gross wildfire losses may top $7B.**

State Farm responded: "We are very disappointed the Commissioner ignored his department's recommendation to take the critical and necessary step to approve State Farm General's request for interim rate increases associated with our June 2024 filings. **This lack of approval sends a strong message to State Farm General about the support it will receive to collect sufficient premiums in the future to protect Californians** against the risk of loss to their homes, property, and other claims. We have gone to great lengths to clearly answer the questions outlined by the Commissioner. While we're positioned to handle all of the claims associated with the most recent wildfires, **State Farm General must seriously consider its options within the California insurance market going forward."**

We've seen this playbook before (in FL). In January 2009 (IBNR #4, 2009), following the Florida Office of Insurance Regulation's (OIR) rejection of its 47% homeowners rate request, **State Farm Florida**, the largest private homeowners insurer in Florida at the time (behind Citizens) with 15% market share, announced a complete withdrawal from FL property insurance (and surrender of its Certificate of Authority). Litigation followed and the highly publicized battle ultimately ended with a December 2009 Consent Order allowing State Farm Florida to increase rates 14.8%, eliminate/reduce certain discretionary discounts and drop 125K policies (~15% of its ~810K residential property policies). The company filed for another 27.9% increase in 2009 and was subsequently approved for a further 18.8% rate increase in April of 2010. While State Farm Florida ultimately "agreed" to remain in the state, its share has shrunk from 15% at the time to ~6.5% in 2023.

CA Commissioner: "Now Is The Time For Transformational Action" ...

Elsewhere, following last week's publication, Commissioner Lara announced 10 sponsored bill proposals which "focuses on three key goals: Consumer Protection, Climate Resiliency, and Market Strength." Commissioner Lara commented, "Now is the time for transformational action. I will not shy away from this moment and will continue to advocate for consumer protection and the restoration of our state's insurance market. Bold actions will yield bold results." We found the following most notable.

- **The California Safe Homes Act** - aims to provide state-tax-free funds to help residents purchase fire-rated roofs and develop non-ignition zones around properties, along with other "crucial mitigation measures" = net positive for both (re)insurers and citizens. *"These initiatives seek to safeguard lives and homes while enhancing eligibility for insurance discounts under Commissioner Lara's existing Safer from Wildfires regulation."*
- **The Business Insurance Protection Act** - this proposal aims to broaden the insurance non-renewal moratorium to include commercial policies, covering businesses, homeowners' associations (HOAs), condominiums, affordable housing units, and non-profits. *A net negative for (re)insurers.*
- **The Insurance Payment Protection Act** - AB 597 establishes a 15% cap on fees for adjuster-contracted work and prohibits any additional awards outside the contract. Currently, there is no limit on the fees that public adjusters can charge. *Positive for (re)insurers as public adjusters can inflate claims to receive increased compensation.*
- **Eliminate "The List" Act** - this bill requires insurance companies to pay wildfire survivors 100% of their contents coverage without needing a detailed inventory list. It also grants consumers additional time (at least 180 days) to provide proof of loss to their insurance company following a declared state of emergency. *Net negative for (re)insurers.*
- **The Insurance and Wildfire Safety Act** - the legislation requires future insurance commissioners to assess the need for updates to the regulation based on new fire science and public input. *Neutral for (re)insurers.*
- **The FAIR Plan Stability Act** - AB 226 would allow the FAIR Plan to access cat bonds through the California Infrastructure and Economic Development Bank. *Neutral / positive for (re)insurers.*

Russia / Ukraine Aviation Litigation Drives $287M Net Charge For Fidelis
UK High Court "Mega-Trial" Concluded 2/14 = Judgement Rendered In Coming Months

As discussed in our 2025 topics to watch, court causes involving aviation lessors/ insurers related to stranded aircraft from the Russia/ Ukraine war continued in 2025. The UK High Court "mega-trial," which included the largest aviation lessor, AerCap, was initially scheduled to run from 10/2/24-12/20/24 though ultimately concluded on 2/14/25 (after being delayed). Cases are/ were also being heard in Ireland as well as the United States with settlements reported globally over the past year+. Initial claim figures related to stranded aircraft were in the $10B+ range = settlements have and are expected to drive lower amounts, with a recent report from Howden estimating $6-8B of losses.

New this week, specialty (re)insurer **Fidelis preannounced Q4 reserve strengthening in its Aviation & Aerospace line of business of $287M net (9% of Q3-24 S/E)** = business underwritten in 2021/2022 relating to the ongoing Russia / Ukraine litigation. Court filings indicated Fidelis had a ~$335M gross line (across all risk and war risk policies) to AerCap, which had initially filed a $3.5B claim before entering into various settlement agreements. "*The Company has strengthened reserves, in large part to make allowance for ongoing settlement discussions and also to reflect recent developments and new information received.*"

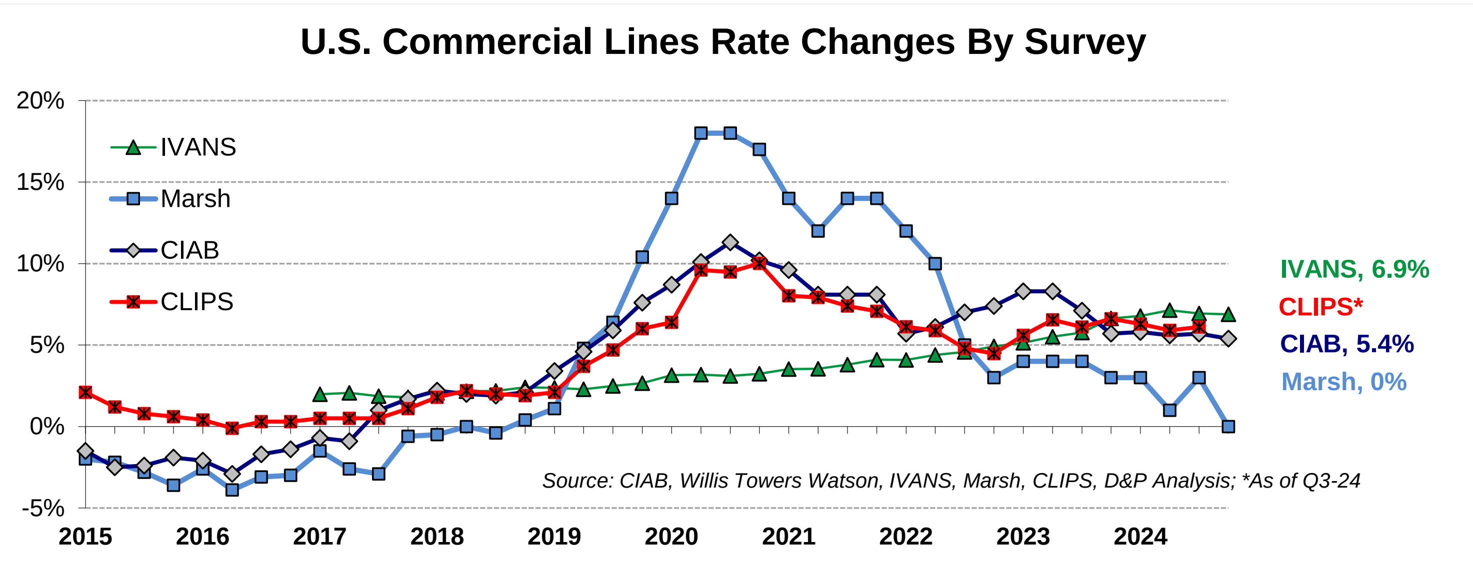
Fidelis commented, "**With the actions taken in the fourth quarter, we have meaningfully derisked our exposure to the complex and evolving Russia-Ukraine aviation litigation proceedings …** to date, the Company has successfully settled or is in various stages of settlement discussions for approximately two-thirds of the total exposure related to lessor policy claims currently in litigation. Of the remaining lessor policy claims in litigation, a significant portion of these claims relate to the English trial that commenced in October 2024, in respect of which the Company continues to hold reserves based on a probabilistic model of potential court outcomes, incorporating recent developments and updated information received. The English trial concluded February 14, 2025, and a court judgment will be rendered in the coming months."

Court filings indicate **AIG, Lloyd's, Fidelis, Swiss Re** and **Chubb** as named defendants (with other insurers also exposed) vs. AerCap and other lessors in the UK High Court case. Insurers have argued broadly that there is no coverage for several reasons, notably that a number of policies were cancellable (after a notice period; often between 7 and 30 days depending on the type of policy) but also due to sanctions on Russia preventing any coverage from being applicable for the aircraft, and the planes didn't suffer physical damage. However, **given the duration of litigation/ appeals we suspect Fidelis, and potentially the industry more broadly, will look to settle for a % of the total claim in order to avoid years of litigation.** We understand several settlements have already taken place, including with some claimants in the still ongoing Ireland court case (initially a €2.5B claim across a group of lessors, with reports of 2 of the largest lessors, Avolon and BOC Aviation, reaching settlements), while several trials in the U.S. (California, Florida, NY) have resulted in settlements or favorable rulings for the insurance industry.

It remains to be seen if (re)insurers broadly will disclose specific adverse development/additional reserves as the UK case concludes and others enter settlements, or will be absorbed within aggregate reserve movements.

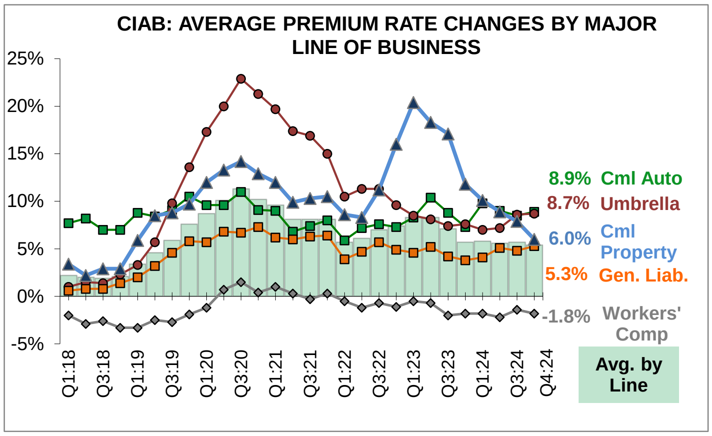
CIAB Market Index Moderates To +5.4% In Q4 (From +5.7% in Q3), With Deceleration In Cml Property Only Partially Offset By Acceleration In Cml Auto & Umbrella. Workers' Comp, D&O and Cyber Remain Negative.

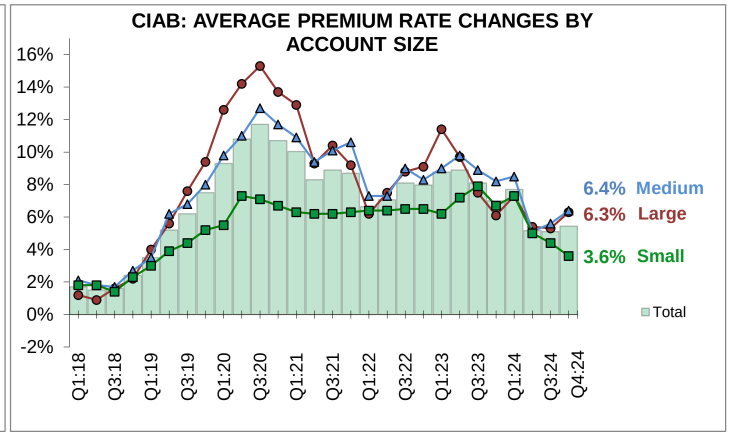
Brokers in the CIAB survey represent the large and middle commercial market with some small (but not "mom & pop") exposures. Directional trends are more interesting than reading into the pricing figures with precision, as brokers are asked to select ranges for price changes (i.e. flat, +1-10%, +10-20%, etc). Willis Towers Watson's CLIPS is our preferred source of tracking rate change (= based on both new and renewal data from carriers rather than agent "surveys"). We also continue to stress the diverging trends within the market as pricing across large accounts has moderated most substantially while small cml and the lower-end of mid market generally see rate acceleration.



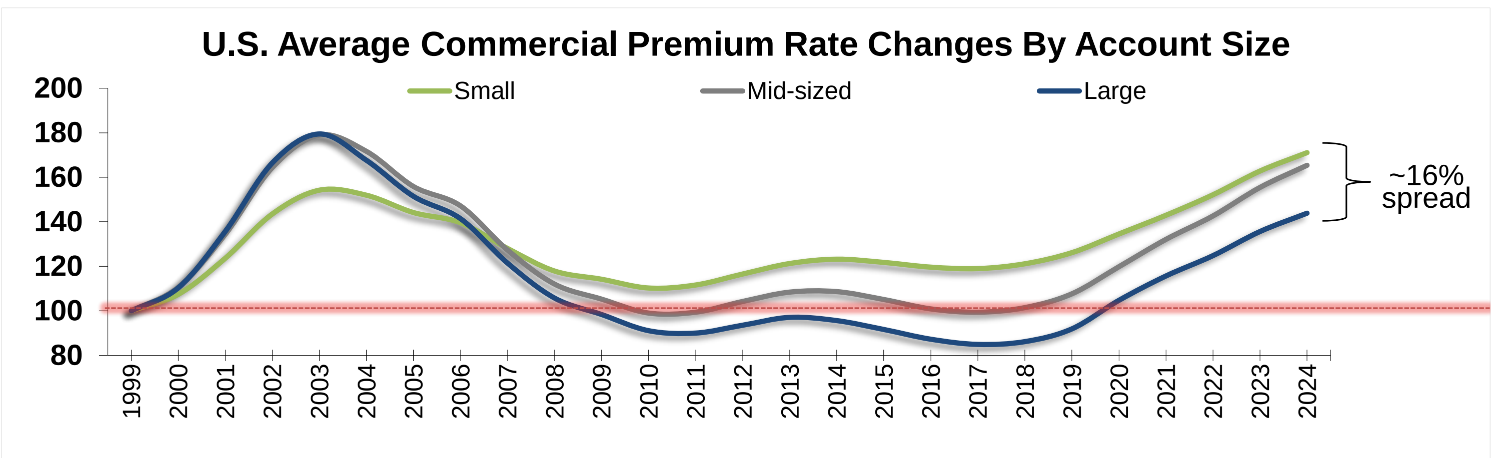
CIAB's Q4 Market Index moderated to +5.4% in Q4 vs. +5.7% in Q3 and +5.6% in Q2. Q4-24 marked the 29th consecutive quarter of premium increase. **By Account Size:** Small account sizes saw a continued moderation in Q4, while Medium and Large accounts both accelerated.

By Line … The index moderated sequentially as the continued deceleration in Commercial Property was only partially offset by continued increases in casualty / social inflationary lines (consistent with Q4 market commentary). Commercial Auto saw the largest increase, at +8.9% vs. +8.5% in Q3 (54th consecutive quarter of price increases), with 50% of respondents citing an increase in claims in Q4 and 41% seeing reduced capacity (lower limits) for the line among other factors (commercial driver shortages, fleet electrification, etc). Umbrella followed a similar trend after surpassing property last quarter, up +8.7% in Q4 (vs. +8.6% in Q3 and +7.2% in Q2). Commercial Property increases continued to decelerate to +6.0% (vs. +7.9% in Q3 and +8.9% in Q2) while General Liability accelerated in Q4 to +5.3% (vs. +4.8% in Q3) and Workers' Comp remained negative at -1.8% (vs. -1.4% in Q3). Similarly, D&O and Cyber saw continued decreases at -1.5% and -1.8% respectively (vs. -1.9% and -1.5% in Q3), with 64% of respondents citing increased Cyber u/w capacity (= 3rd consecutive quarter of decreases).

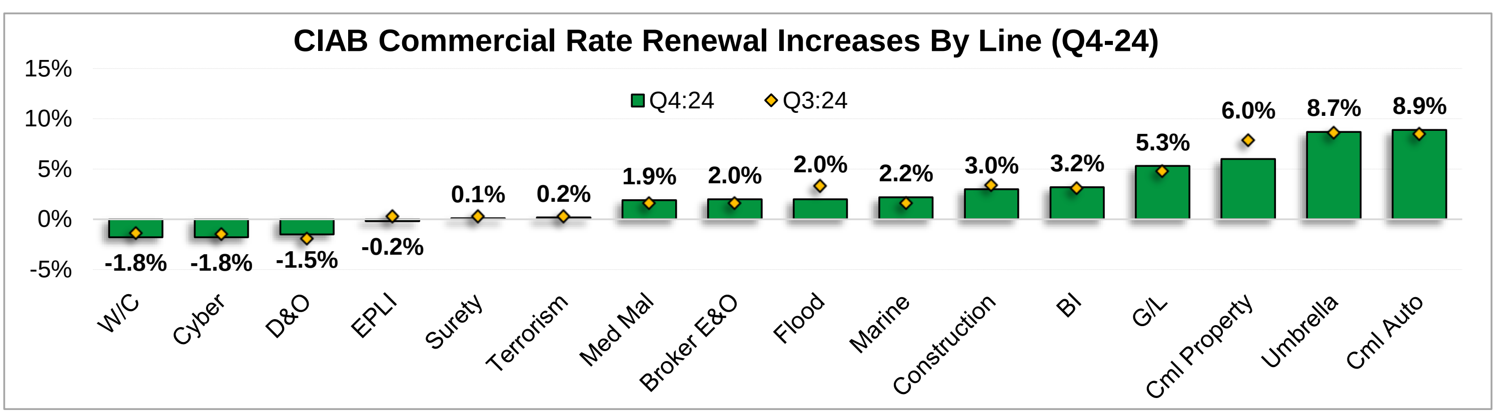




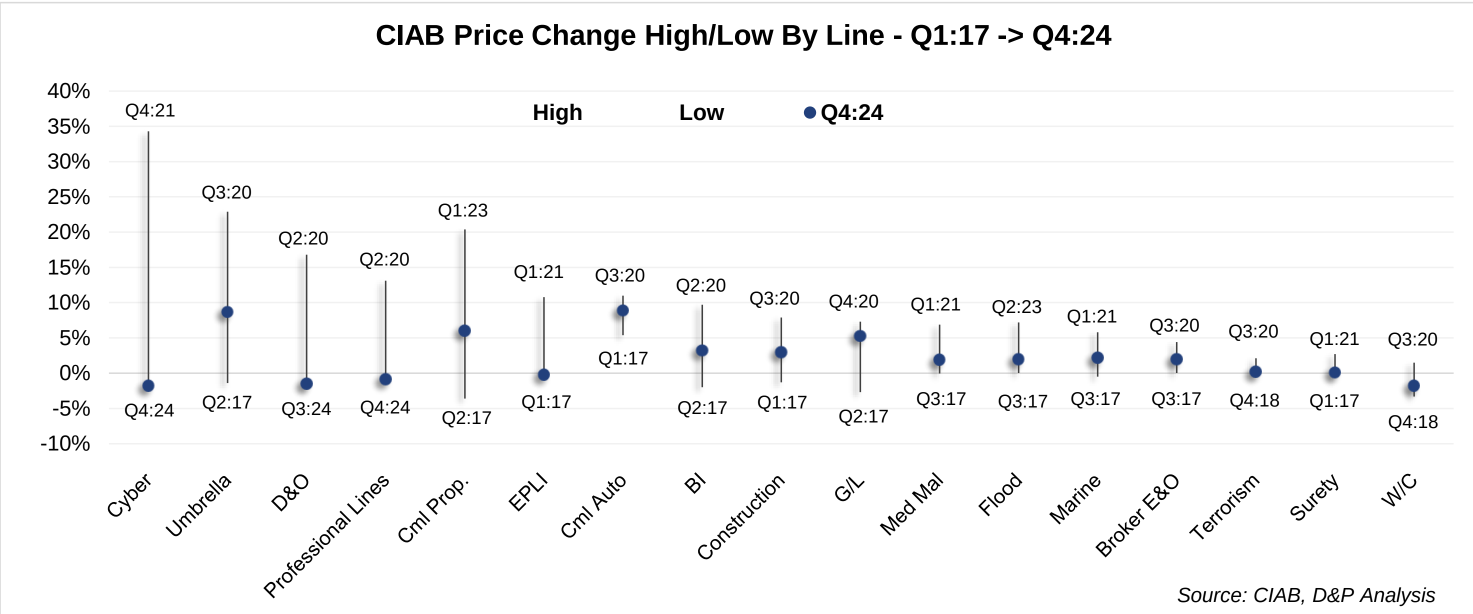
Over the longer term, the spread between premium rate change by account size has generally narrowed. Using 1999 as a base (first data point from CIAB), the spread between Small and Large accounts was 16% as of Q4-24, down ~13pts compared to the peak in 2018 and down -1pt YOY, with large accounts lagging.



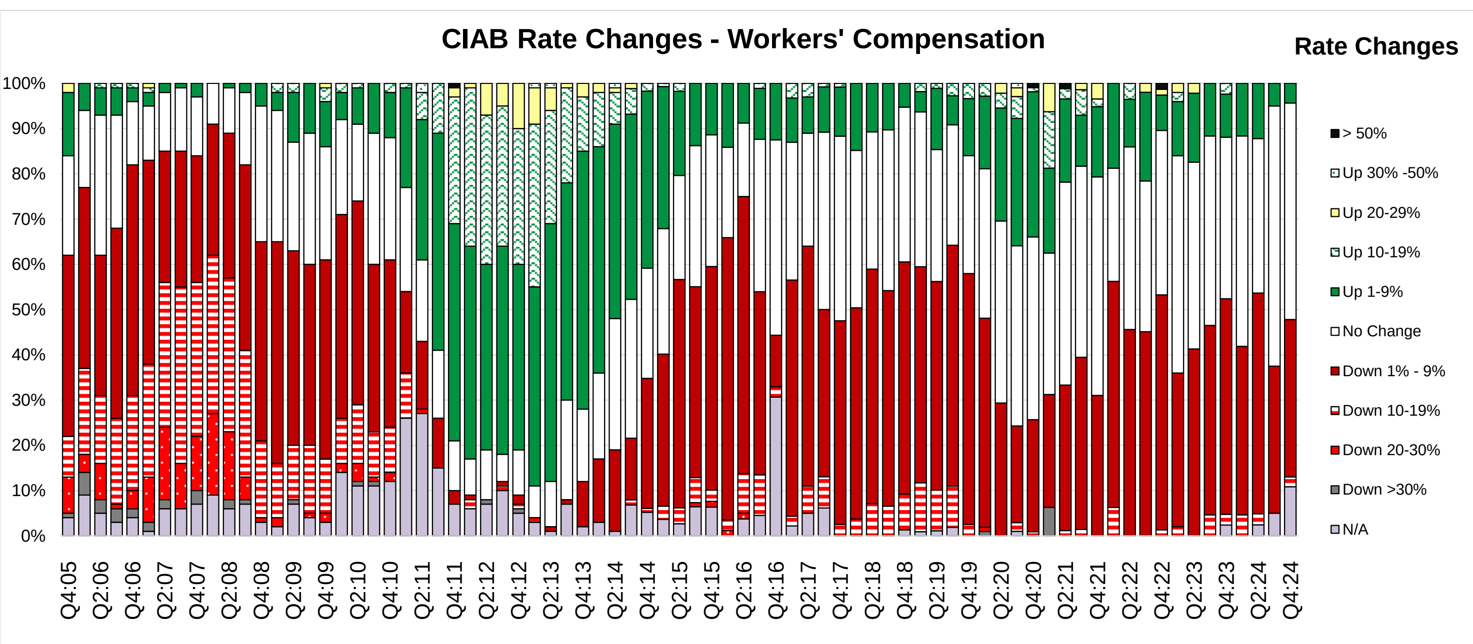
As mentioned, Commercial Auto saw the highest price increase, alongside Umbrella, both of which continue to outpace Commercial Property (Property was the primary driver of increases from Q4:22-Q1:24).



For additional perspective, the following compares high, low, and Q4-24 change over the last ~8 years. Cyber, Umbrella, and Commercial Property have the widest spread over this timeframe.

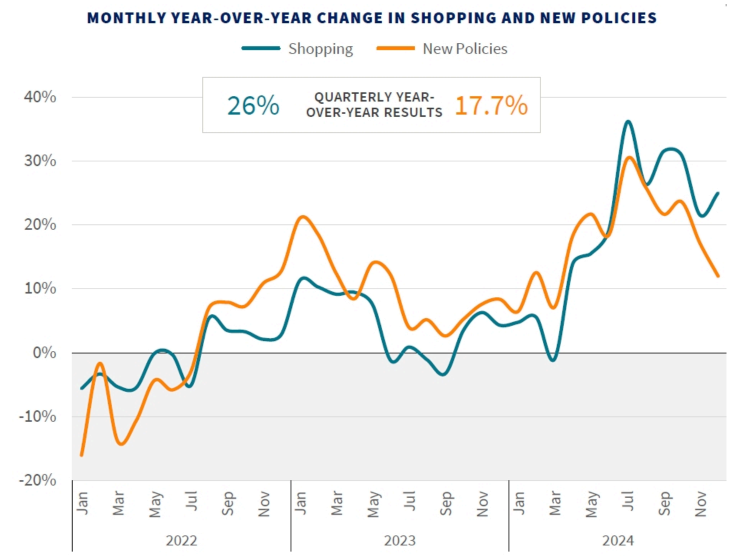


Workers' Comp remains an outlier. In Q4, the line was again negative at -1.8%. In recent years, the range of rate changes has generally contracted = now ranging from -19% to +9%, coinciding with a greater % of respondents reporting no change to their premium and only a small amount still reporting increases (predominately no change to down single digits). Note, this is a survey of brokers, which tends to provide less precision on market trends.

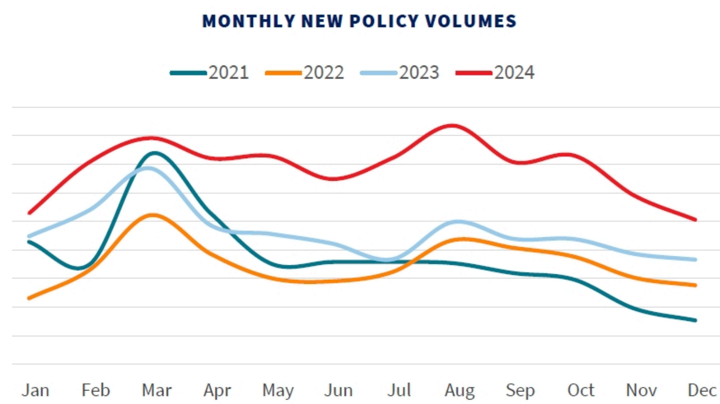


LEXISNEXIS Q4 PERSONAL AUTO SHOPPING UPDATE: Elevated Shopping Persisted Through Year-End. 45%+ of Policies Were Shopped At Least Once In 2024.

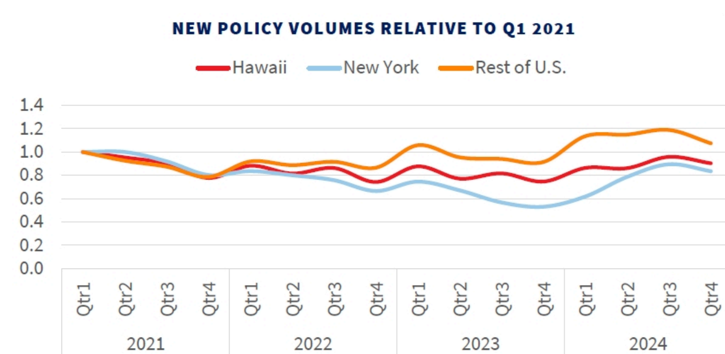
LexisNexis provided a read on Q4 shopping activity, highlighting sustained elevated shopping levels through year-end. This echoes the trends and comments shared by auto insurers' Q4 reports (i.e. continued new business increases and low retention levels). The YOY shopping growth in Q4 was +26% vs +5% in Q4-23. This follows elevated shopping throughout last year with +31% in Q3, +16% in Q2 and +3% in Q1. The record volumes of shopping were recoded throughout last year, even in the seasonally weaker months (e.g. November and December). LexisNexis estimates that **more than 45% of policies-in-force were shopped at least once in the last 12 months.**



While in H1 the elevated shopping resulted in high switch rate, this began to change in H2: "...the favorable premiums consumers sought out were often found. In many cases, this was due to carriers implementing rate increases at different times, making it easier for shoppers to find deals. That trend reversed in the latter half of the year, with shopping growth outpacing new business. By Q3, most carriers had implemented rate increases, which made it harder for consumers to find savings that were enticing enough to switch."



By state, much of the country moved in lockstep on shopping and new business trends, other than New York and Hawaii. "While overall, new policy growth started to stabilize industry-wide in 2023, New York saw the opposite occur. It dipped even further into negative territory as other states experienced positive numbers." This is in line with Q4 comments from **Allstate** which continued to call out New York (but also New Jersey) as the states with an ongoing rate need.



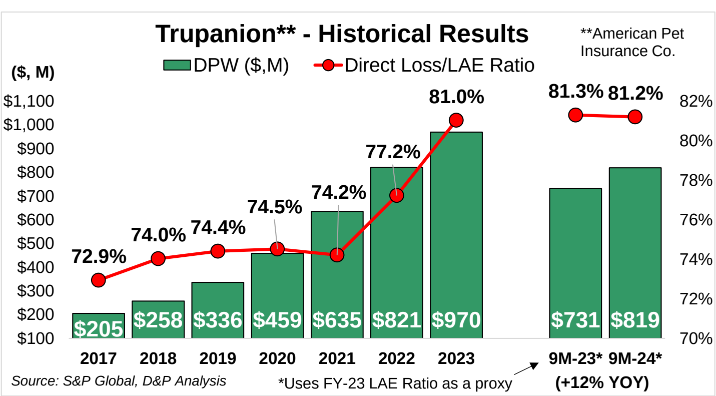
In the post-hard market environment with rate increases now largely implemented throughout the industry, advertising (targeted and brand level marketing) and segmentation (better pricing for over-priced customers) will become the key advantages in chasing growth.

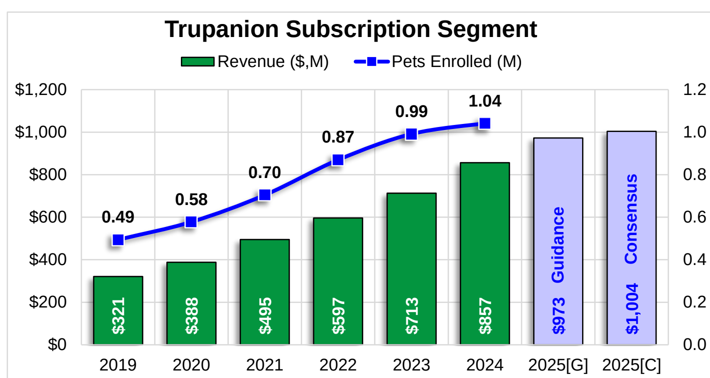
TRUPANION DISAPPOINTS WITH WEAKER THAN EXPECTED '25 FORECAST.
Focus Turns To Pet Insurance Competitor Lemonade's Q4/FY Results Next Week.

The pet insurance market has been a significant growth area over the past few years partially influenced by a surge in pet ownership stemming from the COVID-19 pandemic. The line has increasingly come into focus with publicly traded **Trupanion's** (2014) and **Lemonade's** (2020) IPOs. In addition, in 2024 **Chubb** acquired **Healthy Paws**, a U.S.-based MGA specializing in pet insurance, from **Aon** (effectively acquired the distribution / people = they already had the premium). Pet was in the news this week following the release of **Trupanion's** Q4/FY results, headlined by FY-25 subscription revenue guidance of $961-$984M (+14% YOY at the midpoint) which came in below market consensus of ~$1.0B. In addition, adjusted operating margins in 2025 are expected to be impacted by continued inflation (~15%; rate increases expected to remain >15%) with total adjusted operating income for FY-25 between $120-140M (+14% YOY; vs. consensus of ~$154M). Trupanion also recognized a ~$5.3M goodwill impairment charge = delayed launch of Trupanion Europe in Switzerland and Germany + putting on hold growth plans in Poland within PetExpert.

Mgmt added, "In 2025, we anticipate steady, sustainable growth in our subscription business. We expect margins to continue to expand and rate changes to normalize, driving increased profit per pet and improved retention. We'll step up our pet acquisition investment in tandem, gradually increasing spend as the year progresses. Our confidence in our margin trajectory is reinforced by recent trends in veterinary inflation, which continue to align with our expectations. Veterinarians typically raise prices at the start of the year, contributing to a seasonal step-up in costs that drives stronger margin performance in the second half of the year. While early into 2025, we're seeing this pattern play out and anticipate a similar yet improved margin journey throughout the next 12 months. At the same time, the progress made over the last quarter, increasing active hospitals and veterinary leads has reinforced our confidence in our team's ability to accelerate pet growth as we ramp up acquisition investment." **The stock fell -25% on the day after the release.**

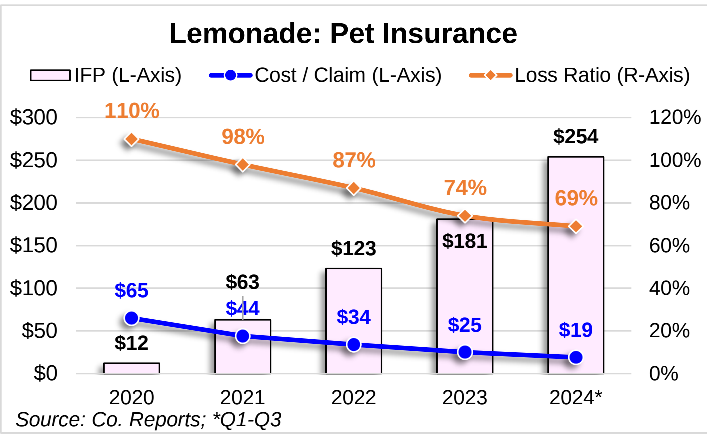
For additional perspective, we show Trupanion's annual subscription revenue over time along with Trupanion's DPW / Direct Loss/LAE ratio on a statutory basis through 9M-24 (via its American Pet Insurance Co. statutory sub).

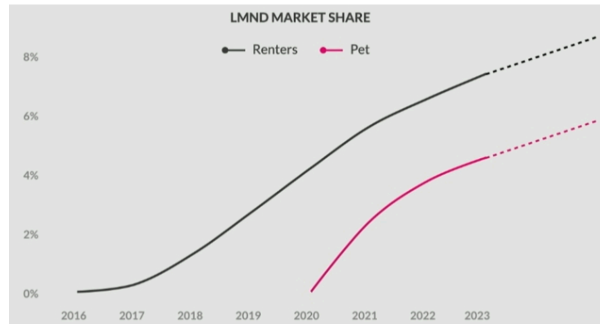


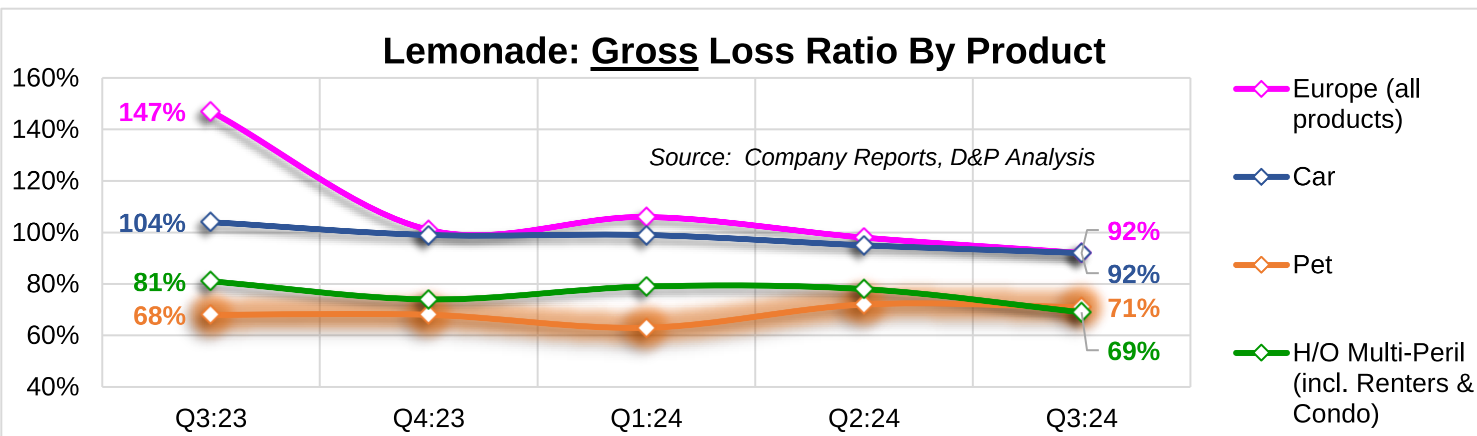


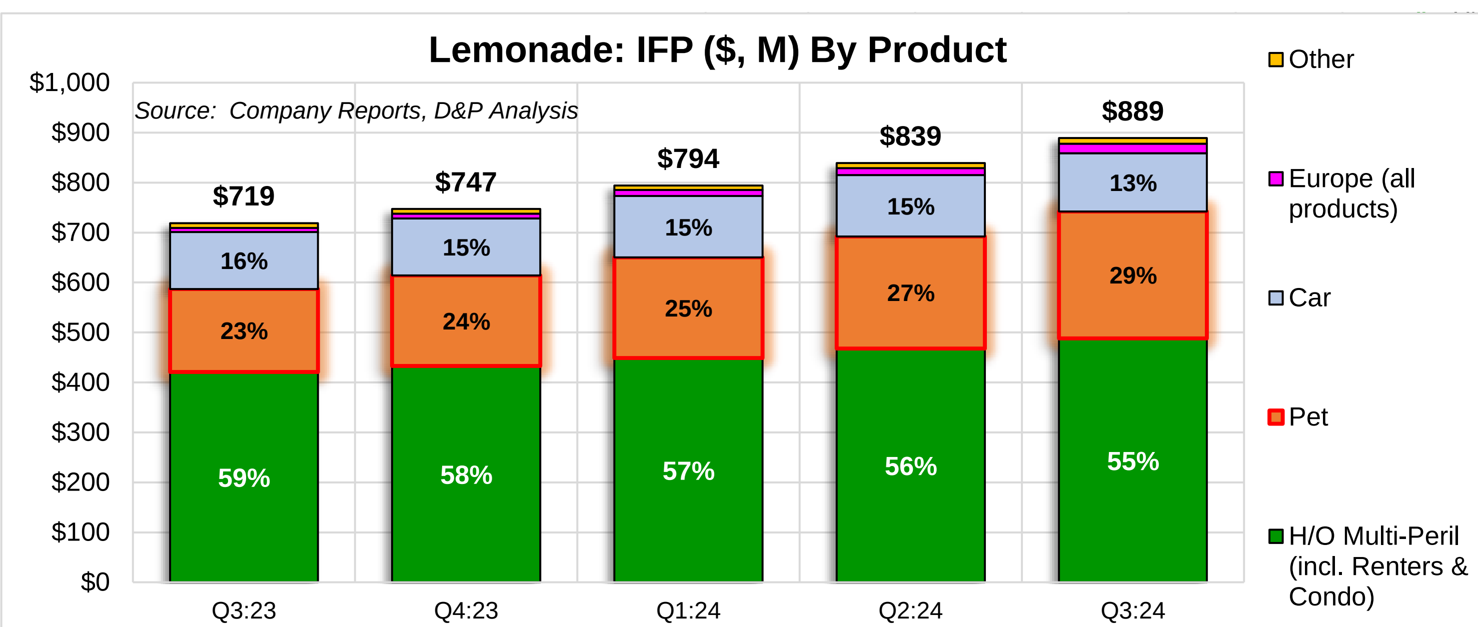
Note, pet insurance competitor **Lemonade** will report Q4/FY results next week (2/25) after the close. During the company's latest Investor Day (Nov-24), mgmt spotlighted continued opportunities across Pet where **pricing models + expense scaling are showing signs of success** = YTD gross loss ratio of 69% in the product vs. 74% in 2023 and 110% back in 2020. At the same time, the average cost per Pet claim has declined to $19 vs. $65 back in 2020.

“In May this year, we launched a new data science driven pricing technique. Since we launched it, our conversion rate… increased. At the same time our loss ratio… decreased. This means that we are becoming more attractive for profitable customers and less so for those that are more risky. This is exactly where we want to be for rapid growth, smart growth and an efficient growth... 40 points knocking off the loss ratio. And 70% more efficient.” As illustrated below, management expects to obtain ~6% pet market share (and 8%+ Renters share) moving forward (specific timeframes were not disclosed).









EARNINGS

Zurich Delivers Core ROE of 24.6% in 2024 With All Segments Contributing. P/C Underlying C.Ratio -0.3Pts To 92.7% (96.3% Undiscounted). CA Fires = $200M P/T For Zurich, $600M net P/T For Farmers. Reduces Farmers QS To 8% From 10%.

Zurich (ZURN-SWX, CHF575.20, NC) reported 2024 business operating profit (BOP) of $7.8B (up 5% from $7.4B YOY) and net income available to shareholders of $5.8B (up 34% from $4.4B YOY). Core ROE was 24.6% (vs. 23.0% YOY). S/E grew 2.5% in 2024 (+5.6% from H1:24) to $25.5B (= net income partially offset by $4.2B dividend and $1.1B buybacks).

Business Operating Profit ($, M)	2024	2023	Chg	Like-for Like
Property & Casualty	$4,204	$3,893	8%	8%
Life	$2,235	$2,060	8%	
Farmers	$2,286	$2,296	0%	
Group Operations	($870)	($830)	5%	
Non-Core	($104)	($38)	NM	
Total BOP (P-tax)	**$7,751**	**$7,381**	**5%**	**6%**
Net Income (A-tax)	$6,204	$4,717	32%	

Source: Company Reports

BV/sh ended the year at CHF162.23, up 8% from 6/30 and +12% YOY (stock at 355%). SST ratio stands at 252% vs. 224% at 9/30 and well above the floor of 160%. Proposed annual dividend is up 8% YOY to CHF28.00 (yield = 5%). Zurich will release its annual report on 3/5.

CA Wildfires: Farmers loss from the CA fires is $0.6B p-tax net of per-occurrence reinsurance (ex. Farmers share of FAIR Plan losses) + $0.25B of reinstatement premium payment. The gross loss "falls well within their reinsurance coverage." Effective 1/1/24 (latest available), Farmers per-occurrence cat reinsurance program was $2.4B x $500M (+ $500M aggregate x $1.5B). "The net impact for Farmers is manageable and the homeowner combined ratio of Farmers, it is still below 100% even after this. So they will take price actions whenever that -- the right moment will be. but they don't see, rightly so, reasons to discontinue anything." Zurich estimates its pre-tax impact is $200M including $48M from Farmers Re (Zurich sub) and the remainder from commercial exposures / builders (no HNW homeowners' exposure). For 2025, Farmers Re's participation in the Farmers all lines QS reduced to 8% from 10% in 2024 (overall QS is down to 30% from 33% in 2024, reflecting the 30%+ YOY growth in Farmers surplus). Other 2024 participants included **Hannover Re** (10%), **Swiss Re** (8%), **Munich Re** (4.5%) and **SCOR** (0.5%) = 23% from 3rd party reinsurers, which is reduced to 22% in 2025. FAIR Plan assessments are negligible for Zurich and in line with their 12% market share for Farmers = "it's also something that does not change the $600 million net of per-occurrence reinsurance that we've been publishing. So the number is absolutely manageable. And for everything that we know now, it's fully absorbed by the reinsurance structure."

Recall **new targets for 2025-2027** released at its Investor Day (IBNR #47) include achieving (1) Core EPS CAGR of >9%; (2) Core ROE >23% in 2027; (3) cumulative cash remittance > $19B over 3 yrs.

Zurich	2025-2027	2023-2025
Core ROE	>23%	BOPAT ROE >20%
Core EPS Growth	>9% CAGR	8% CAGR
Swiss Solvency Test (SST)	≥160% (floor)	≥160%
Cumulative Cash Remittances	>$19B	>$13.5B

Commercial	BOP >$4.2B in FY'27 ($3.6B in '23). Middle Market GPW >$10B in FY'27
Retail	Return to long-term profitability. Accelerate focus on customer loyalization.
Life	Grow Protection GPW by 8% CAGR (from ~$9.1B)
Farmers	Continue Transformation enabling sustainable growth.

Source: Investor Presentation

Shorter-term outlook for 2025 follows...

2025 Outlook

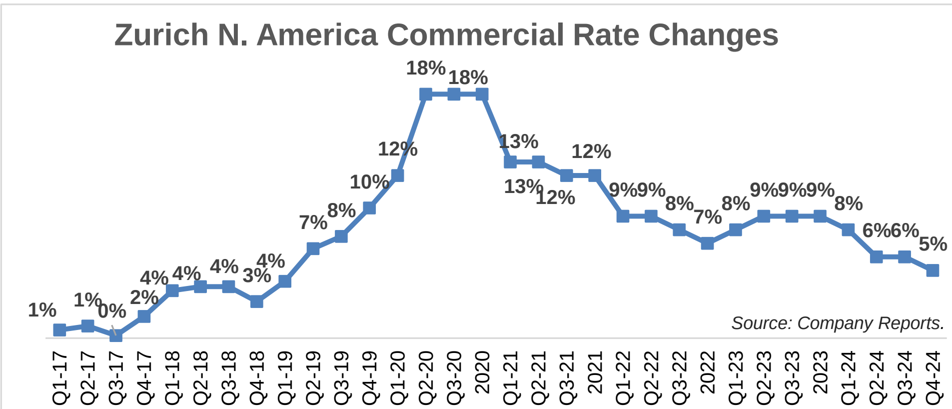
Property & Casualty	Insurance revenue growth by mid-single digit % YOY Favorable PYD of 1-2pts (unchanged) Nat cats of 2.5-3pts (unchanged) Finance expenses +$0.2B YOY
Life	BOP in line with FY-24 ($2.2B)
Farmers	Mid-single digit GPW growth at Farmers Exchanges FMS MGEP margin remains at 7% Farmers Re participation in all-lines QS of 8% (vs. 10% YOY)
Other	Group net expenses of $800-850M (no change) Effective tax rate of 25-27% (no change)

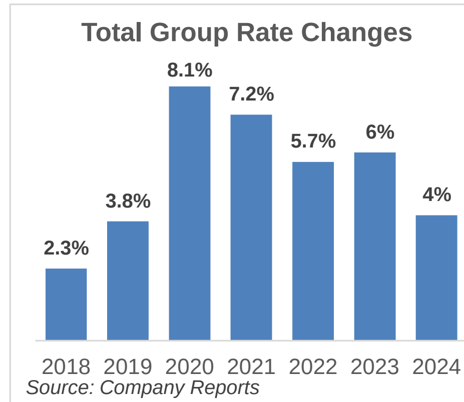
Segment Results…

P&C BOP was up 8% YOY (like-for-like) to $4,204M, driven by a strong performance at EMEA partially offset by higher cats in North America (totaling ~$400M). P&C GPW was up 5% on a like-for-like basis (adjusting for FX, acquisitions and disposals) and was up 7% ex. U.S. Crop. Commercial GPW were up 2%, with N. America flat (reflecting a $0.6B reduction in crop volume due to lower commodity price) and EMEA +7% driven by property. Retail GPW increased 11%, with EMEA +9%, Asia Pacific +16% and Latin America +14%. Overall rates were up 4% across the group (vs. +5% in 9M:24; Commercial +4%, Retail +5%) with N. America +5% for the year (vs. +6% in 9M), EMEA +4% (retail motor +8%), Asia Pacific +4% and Latin America +2%. Mgmt noted, "In commercial, we expect a positive rate momentum to persist across our portfolio, compensating for factors such as ongoing loss trends." In N. America, the pace of rate increases is moderating with significant differences between segments / lines of business. Rates continue to exceed loss cost trends in property, liability and commercial auto. At January renewals in the U.S., middle market property rates were +5%, while commercial auto rates were "just shy" of +20% (vs. +15% YOY) = "we believe that this is ahead of loss trends."

Property & Casualty	GPW ($, M) 2024	Chg	Like-for-Like	Rate Change 2024	Expected Trend	FY 2023	Insurance Revenue ($, M) 2024	Chg	Like-for-Like
EMEA	$19,615	9%	8%	4%	Stable	5%	$18,651	9%	8%
North America	$21,584	0%	0%	5%	Stable	9%	$20,985	2%	2%
Asia Pacific	$3,963	10%	12%	4%	Stable	3%	$3,793	10%	12%
Latin America*	$3,506	15%	12%	2%	Stable	6%	$3,162	12%	9%
Total	$46,624	5%	5%	4%	Stable	6%	$44,792	6%	5%

Source: Company Reports





P&C c. ratio improved 0.2pts YOY to 94.2%. Cats were (3.1pts vs. 3.0pts YOY and the guided range of 2.5-3%), while PYD was favorable at 1.6pts (within the indicated range of 1-2%) vs. 1.5pts YOY (discount benefit was unchanged YOY at 3.6pts). The underlying c. ratio improved 0.3pts YOY to 92.7%, with Commercial down 0.5pts YOY to 90.2% and Retail down 0.3pts to 97.0%. The undiscounted underlying loss ratio improved 0.6pts YOY to 67.6%, driven by an improvement across all regions. The expense ratio was up 0.4pts YOY to 28.6%, mainly due to an increase in commission expenses. Crop c. ratio was 101.8% in 2024 (< 100% on an AY basis). "And this year, I think we will confidently go below that."

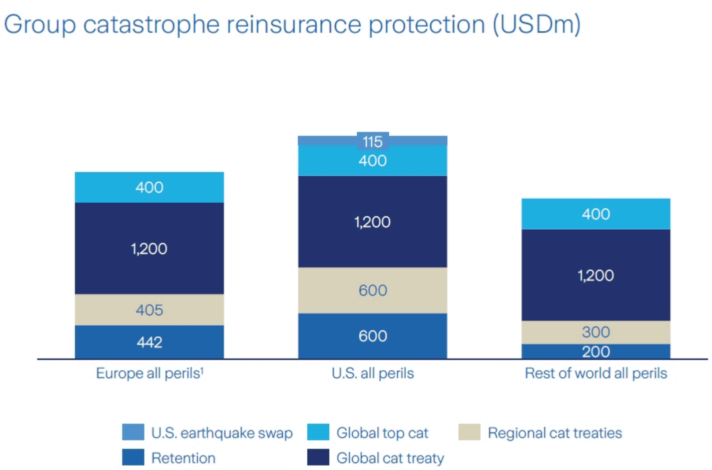
Zurich P&C By Segment	Gross Premium Written 2024	2023	Change	Business Operating Profit 2024	2023	Change	Combined Ratio 2024	2023	Change
EMEA	$19,615	$18,058	9%	$1,487	$816	82%	95.5%	98.0%	-2.5
North America	$21,584	$21,628	0%	$2,313	$2,647	-13%	92.8%	91.5%	1.3
Asia Pacific	$3,963	$3,612	10%	$343	$290	18%	92.9%	93.6%	-0.7
Latin America	$3,506	$3,039	15%	$223	$181	23%	95.1%	96.3%	-1.1
Group Re	$890	$869	2%	($162)	($42)	286%	NM	NM	
Eliminations	($2,934)	($2,805)	5%				NM	NM	
Total	**$46,624**	**$44,401**	**5%**	**$4,204**	**$3,893**	**8%**	**94.2%**	**94.5%**	**-0.2**
Cats							**3.1%**	**3.0%**	**0.1**
Prior Year Development							**-1.6%**	**-1.5%**	**0.0**
Ex. Cat AY C. Ratio							**92.7%**	**93.0%**	**-0.3**
Discounting Impact							**-3.6%**	**-3.6%**	**0.0**
Ex. Cat AY C. Ratio (Undiscounted)							**96.3%**	**96.5%**	**-0.1**

Source: Company Reports

P/Cat Renewal: Increased Global Top Cat Layer By $100M… Zurich renewed part of its cat reinsurance. Comparison of programs YOY is shown below. Europe Cat Treaty is unchanged at €390M x €425M. In addition to the main cat treaty, Zurich has a Global Property per risk, Global Surety XOL, and U.S. Liability QS treaties. The U.S. cat cover is renewed at 4/1: "So we'll see if and what impact the wildfires will have. **I think the interesting item in there is that for some reinsurers, the majority potentially of the reinsurers, they have been modeling**

wildfires as secondary perils. Now this event is getting the proportions of a hurricane or a major peril. So it will be interesting to see if and how they consider that in the modeling going forward. We don't expect to make major changes to our reinsurance structure. But we've seen now at the renewals in 1/1 that we were able to, in most of the instances, actually enlarge coverage, keeping the prices in a stable fashion."

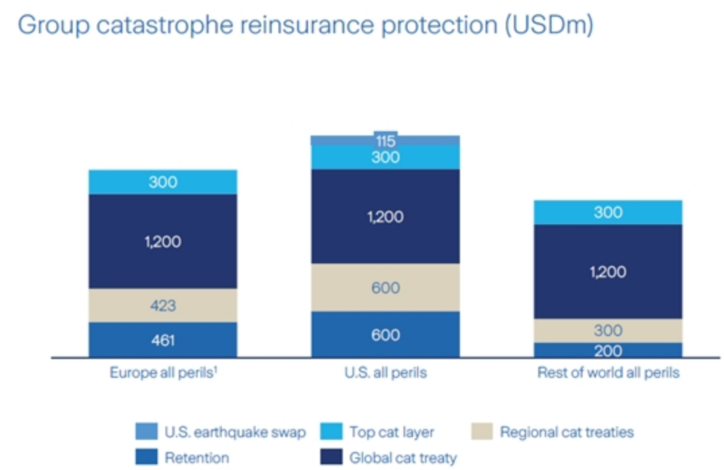
2025 Program



Source: Company Presentation

Europe Cat Treaty = €390M x €425M

2024 Program



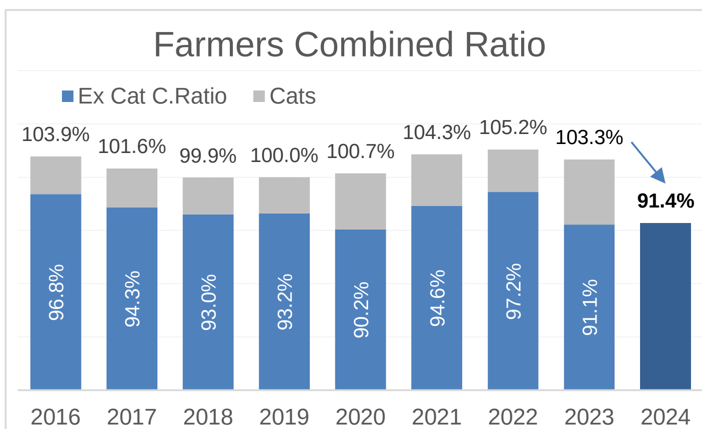
Source: Company Presentation

Europe Cat Treaty = €390M x €425M

Farmers Exchanges (not owned but managed by Zurich) produced GPW of $28.4B, up 4% YOY, with auto +2%, home +4%, specialty +11%, business insurance / other +2%. PIF declined 8% to 12.8M. The pace of PIF decline decreased "sensibly" in H2-24, with December seeing the lowest decrease of the year. While PIF declined in January, it is expected to start growing in H2-25. "We'll see how the situation evolves post wildfires." The reported combined ratio improved 11.9pts YOY to 91.4%, driven by earned rate (17.4pts), moderating loss cost trends and an improved expense ratio. The combined ratio was better than mgmt's expected 93-95% and improved vs. 93.5% at 9M:24. BOP contributed $2.29B, flat YOY. Surplus grew fully $2B YOY to $8B, increasing the surplus ratio to 42.4% from 33.6% YOY.

	Gross Written Premiums ($, B)		
Farmers Exchanges	**2024**	**2023**	**Chg**
Auto	$12.5	$12.2	2%
Homeowners	$8.5	$8.2	4%
Specialty	$4.1	$3.7	11%
Business Ins/Other*	$3.3	$3.2	2%
Total GPW	**$28.4**	**$27.3**	**4%**
PIF (M)	12.8	13.9	-8%
Surplus ($, B)	$8.0	$6.0	33.3%
Surplus Ratio	*42.4%*	*33.6%*	

** Ex discontinued ops. Source: Company Reports*



Source: Company Presentations

Farmers BOP was flat YOY at $2.3B, as higher results at Farmers Management Services and Farmers Re (improved u/w results at Farmers Exchanges and higher participation rate of 10% vs. 8.5% YOY) were offset by lower Farmers Life BOP following the 8/1/23 completion of the reinsurance transaction with Resolution Life for its individual life in-force book.

Farmers Management Services BOP increased 5% YOY driven by the higher GPE at the Exchanges and lower operating expenses, while its MGEP (margin on gross earned premiums of the Farmers Exchanges) margin was stable at 7%. Effective 12/31/25, Farmers Re reduced its participation in the Farmers Exchange all lines quota share from 10% to 8%. We'll know details when the Exchange files its 2024 statutory statements. For 2024 (IBNR #10), Farmers had a 33% all lines QS, including 10.0% from Zurich, 10.0% from Hannover Re, 8.0% from Swiss Re, 4.5% from Munich Re and 0.5% from SCOR.

Life BOP was +8% YOY (+9% like-for-like) to $2.2B driven by underlying growth and favorable experience, as well as ~$150M of one-time benefit in EMEA. Life gross premiums grew 4% (like-for-like) across all regions, with unit-linked +5%, protection +7% and savings & annuities down 12%. New business premiums (PVNBP) were +5% on a like-for-like basis driven by protection sales in EMEA (notably UK and Switzerland) and unit-linked sales through bank distribution partnerships in Latin America and Germany. New business added $1.09B to CSM, +5% YOY, reflecting higher sales volumes and "slightly" improved new business margin (6.5% vs. 6.3% YOY due to more favorable product mix). Short-term insurance contracts revenues were +7% YOY like-for-like, largely related to Latin America protection business. Fee revenue grew 10% YOY like-for-like to $717M benefiting from higher AUM.

BRIEFS / MGMT MOVES / RATINGS

Conduit's 2024 GPW increased 25% YOY to $1.2B, with an undiscounted combined ratio of 97.1% vs. 81.9% in 2023 (undiscounted LR 84.4% vs. 68.0% YOY). For the full year 2024, Property GPW was +30% to $606M, Casualty GPW was +8% to $298M and Specialty GPW was +39% to $259M, "*the non-catastrophe elements of both Property and Specialty in particular provided good opportunities for selective growth throughout the year.*" **The company noted risk-adjusted rate change, net of claims inflation at the January renewals was -3%**, "*but pricing and, importantly, underwriting terms and conditions remain at very attractive levels.*" Risk-adjusted rate change for the full year 2024 was +1% (Property +3%, Casualty -1%, Specialty +1%). **Conduit expects to incur $100-140M of net losses from the California wildfires (10-13% of YE:24 S/E)**. On the impact of the fires on 2025 renewals, "*From an industry perspective, we expect that the wildfires will impact rates in areas of the property portfolio which will flow through to an improved underwriting environment and provide continued opportunities for the Company.*" Stock trades at 73% of TBV/sh ($6.70).

Management Changes:

American Financial Group announced its Board of Directors has elected Craig Lindner Jr. (current President of AFG Real Estate Investments) and David Thompson Jr. (current Chairman of the Board, President and COO of Great American Insurance Company) as Directors. In addition, James Evans has notified the Board he will not stand for re-election at the 2025 annual shareholders meeting, but will continue to advise the company as Executive Consultant.

Rating Actions:

A.M. Best revised **Mercury's** outlook to negative from stable and affirmed the long-term ICR of "bbb" (good). The negative outlook and ratings affirmation reflects the "uncertainty of Mercury's net ultimate losses as well as uncertainty surrounding future reinsurance structure and costs stemming from the recent California wildfires that started on Jan. 7, 2025. Mercury has exposure to the Palisades and Eaton fires, with gross catastrophe losses estimated at $1.6 billion to $2.0 billion before reinsurance, subrogation, FAIR Plan assessments and recoupment of FAIR Plan assessments … The rating affirmations reflect AM Best's expectation that Mercury's capital position will withstand the impact of the wildfires after the company makes the full determination of its ultimate losses. **The outlooks are expected to remain negative until such time that AM Best can with certainty establish the impact of the ultimate net losses from the California wildfires on Mercury's capital, profitability, and future reinsurance costs.**"

Disclosure Appendix

IMPORTANT DISCLOSURES

The *IBNR Weekly* is written by the P/C staff of D&P which includes Jennifer Callahan, Patrick Christensen, Joe Christiana, John Collins, Julia Ferguson, CFA, Nicolas Iacoviello, Kyle LaBarre, Andrew Lemkuil, Dan Lukpanov, CFA, Anthony Mottolese, Jack Noble, Corbin Quesnel, Gary Ransom, and Brenna Sullivan. Information contained in this publication is subject to change without notice.

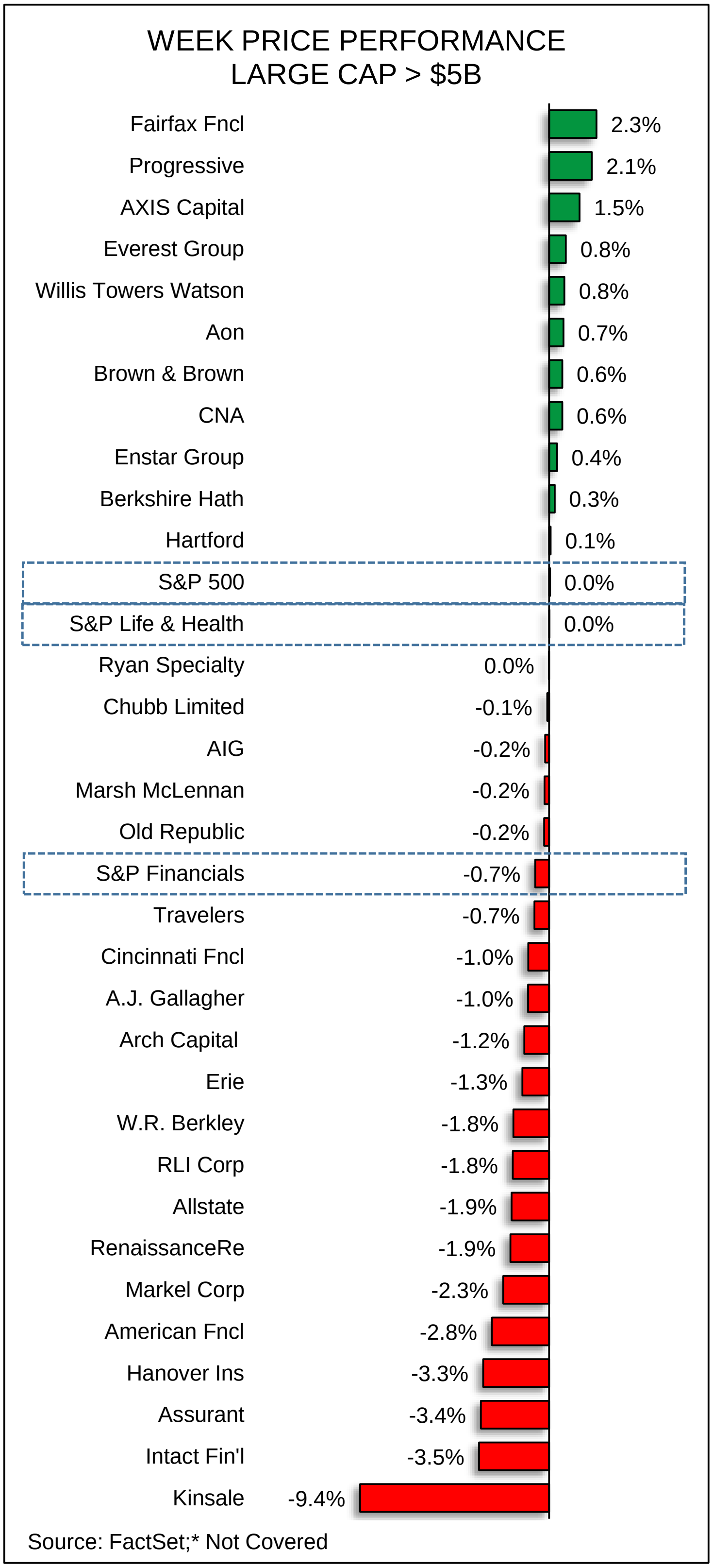
Additional Disclosures: Important disclosures regarding the companies discussed herein are contained on the Firm's disclosure website at https://dowling.bluematrix.com/sellside/Disclosures.action or may be obtained in writing at the address below. If any hyperlink is inaccessible, call 860-676-8600.

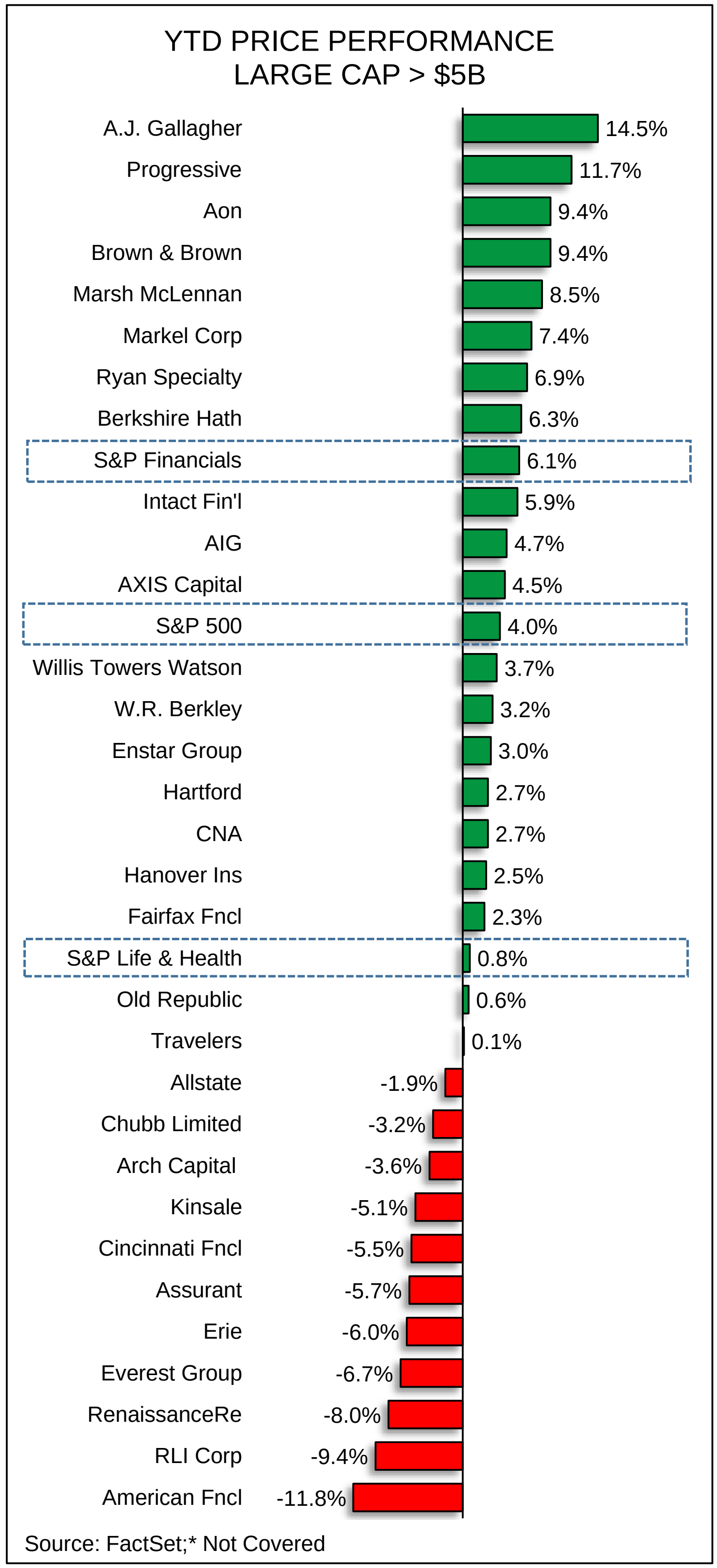
All pricing in this report is as of the market close on February 20, 2025, unless otherwise indicated.

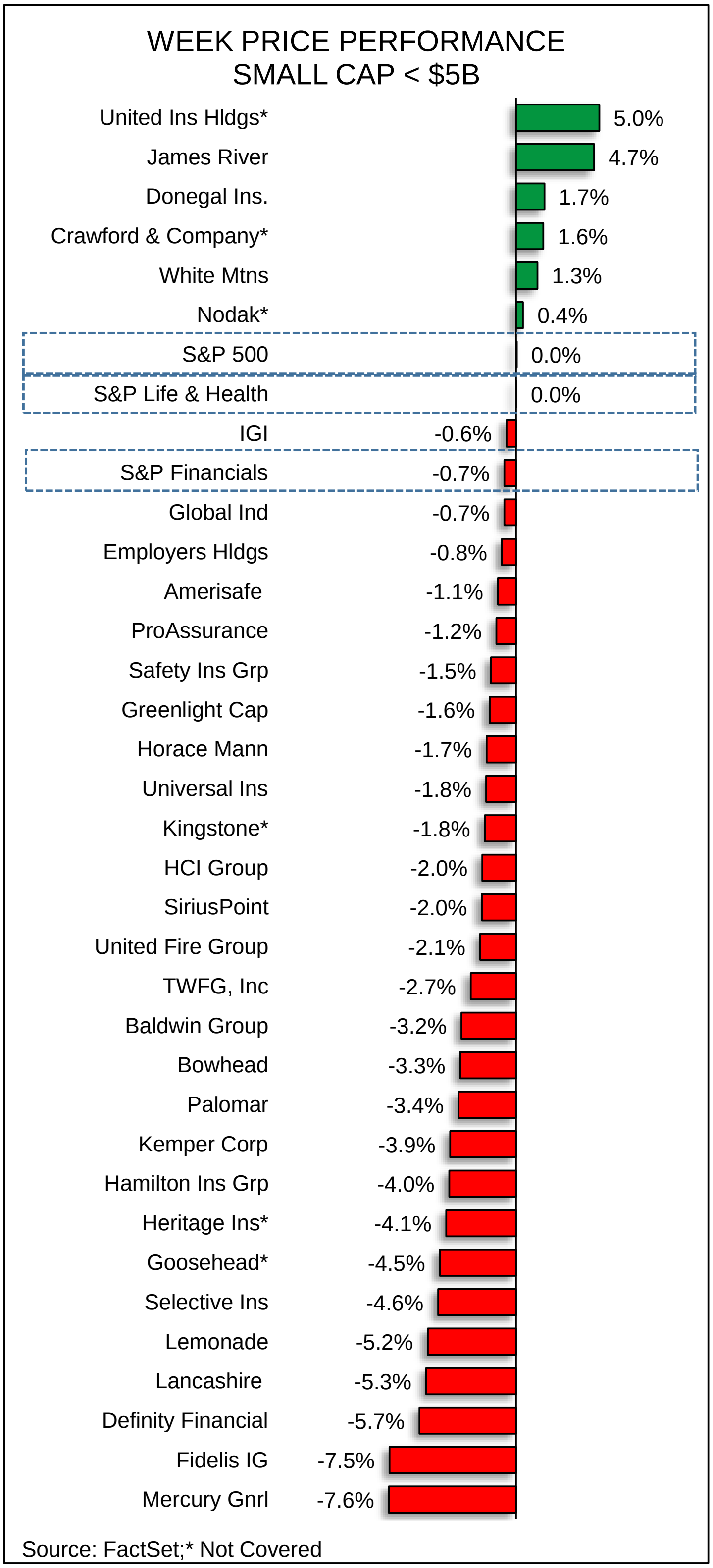
FIXED MATURITIES & EQUITY INDEX PRICING MOVEMENTS

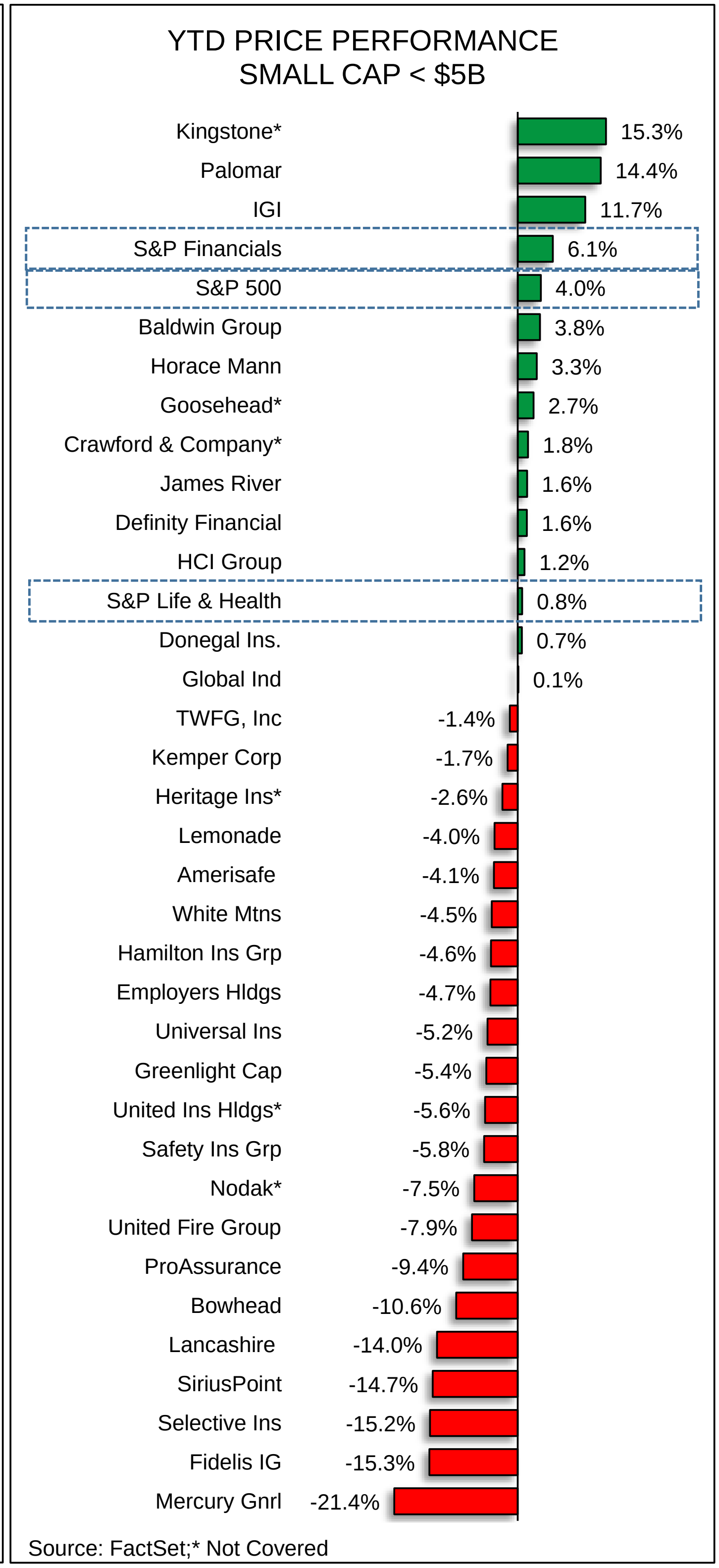
Type	Description	Week Chg	February Chg	Q1:25 Chg
		Index Pricing As Of Close On 2/20/2025		
CORPORATE	U.S. / AAA Rated 1-3 yrs	0.1%	0.0%	0.3%
	U.S. / AAA Rated 5-7 yrs	0.0%	0.0%	0.4%
	U.S. / AAA Rated 7-10 yrs	0.0%	0.2%	0.8%
	U.S. / AAA Rated 10-15 yrs	0.1%	0.5%	0.5%
	U.S. / AAA Rated 3-5 yrs	0.1%	-0.1%	0.9%
	U.S. / AA Rated 3-5 yrs	0.2%	0.0%	0.3%
	U.S. / A Rated 3-5 yrs	0.2%	0.0%	0.3%
	U.S. / BBB Rated 3-5 yrs	0.2%	0.1%	0.2%
MUNICIPAL	Municipals / AAA Rated	0.2%	-0.1%	0.0%
	Municipals / AA Rated	0.2%	0.0%	-0.1%
	Municipals / A Rated	0.2%	-0.1%	0.0%
	Municipals / BBB Rated	0.2%	0.0%	0.4%
	Municipals / 1-3 yrs	0.0%	-0.1%	0.2%
	Municipals / 3-5 yrs	0.1%	0.0%	0.3%
	Municipals / 3-7 yrs	0.1%	0.0%	0.3%
	Municipals / 7-12 yrs	0.2%	0.0%	0.4%
	Municipals / 12-22 yrs	0.3%	0.0%	-0.1%
AGENCY	U.S. Agencies / 1-3 yrs	0.1%	0.0%	0.2%
	U.S. Agencies / 3-5 yrs	0.1%	-0.1%	2.3%
	U.S. Agencies / 5-7 yrs	0.1%	-0.2%	-2.6%
GOVERNMENT	U.S. / 1-3 yrs	0.1%	-0.1%	0.1%
	U.S. / 5-10 yrs	0.1%	0.0%	0.5%
	U.S. / 10-15 yrs	-0.1%	0.3%	0.8%
	U.S. / 15+ yrs	-0.4%	0.5%	1.0%
MBS	U.S. / Mortgage Master Index	0.1%	0.1%	0.4%
CMBS	Fixed Rate / AAA Rated 3-5 yrs	0.1%	-0.1%	-0.1%
	Fixed Rate / AA Rated 3-5 yrs	0.1%	-0.1%	0.3%
	Fixed Rate / A Rated 3-5 yrs	0.1%	-0.1%	1.0%
	Fixed Rate / BBB Rated 3-5 yrs	0.2%	0.1%	1.9%
ABS	ABS Master Index / AAA Rated	0.0%	-0.1%	0.0%
	ABS Master Index / AA-BBB Rated	0.1%	0.0%	0.3%
	ABS, Automobiles / AAA-Rated	0.0%	-0.1%	0.0%
	ABS, Automobiles / AA-BBB Rated	0.1%	0.0%	0.1%
	ABS, Credit Cards / AAA-Rated	0.0%	0.0%	0.0%
	ABS, Credit Cards / AA-BBB Rated	0.0%	-0.1%	0.2%
Preferred Stocks	iShares S&P U.S. Preferred Stock Index	0.0%	0.5%	1.1%
High-Yield Bonds	iShares iBoxx U.S. High Yield Corporate Bond ETF	0.2%	0.1%	1.5%
S&P 500	Cap-weighted index of 500 stocks	0.0%	1.3%	4.0%
Russell 2000	Cap-weighted index of 2000 stocks	-0.9%	-1.1%	1.4%
FTSE-100	Cap-weighted index of 100 most cap cos on LSE	-1.2%	-0.1%	6.0%
NASDAQ	Cap-weighted index of NASDAQ Nat. Mkt + Small Cap	0.1%	1.7%	3.4%
Dow Jones	Price-weighted avg. of 30 blue chip stocks	-1.2%	-0.8%	3.8%
Private Equity (US)	S&P Listed US Private Equity Index	1.4%	-1.2%	5.7%
Private Equity (Euro)	S&P Listed European Private Equity Index	1.8%	-1.5%	5.0%

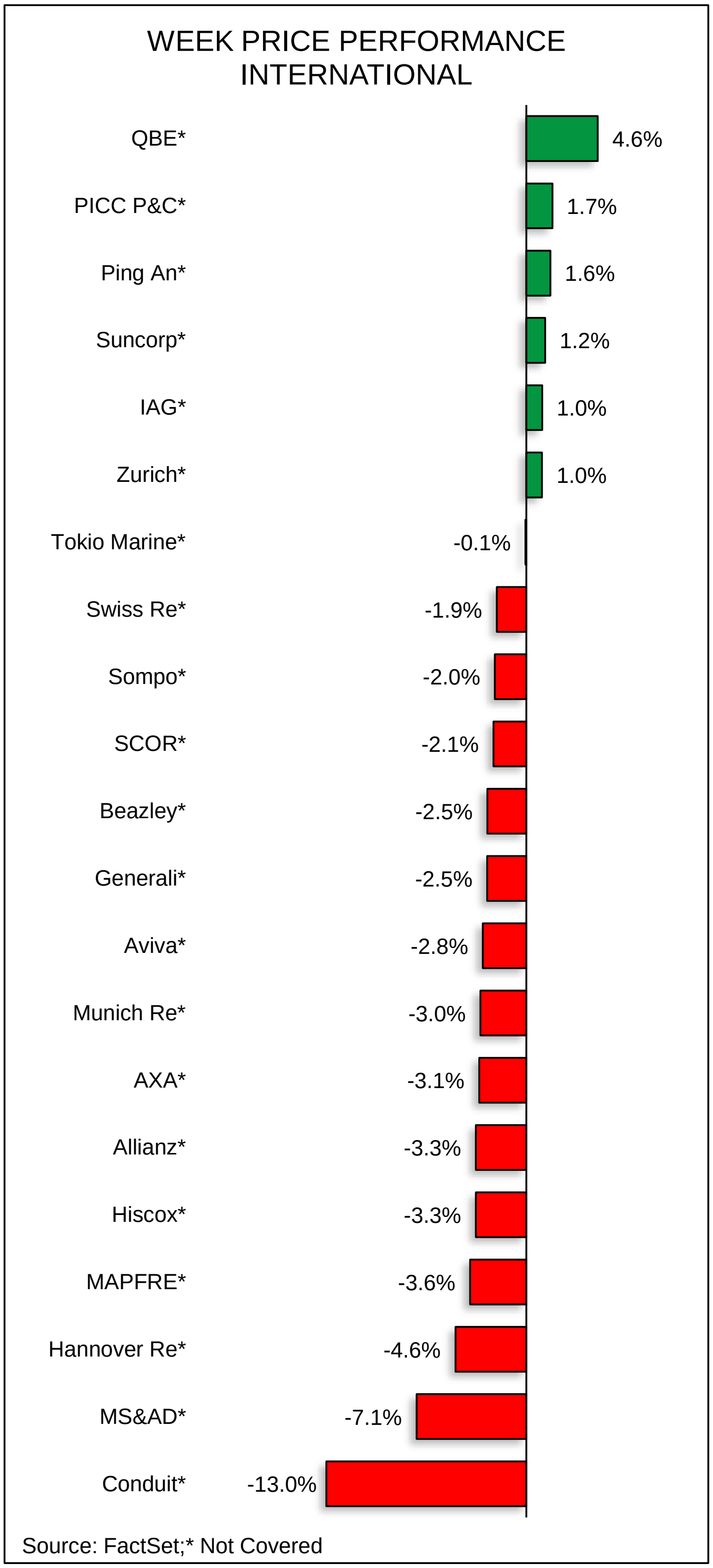
Source: Bank Of America Merrill Lynch, Bloomberg, FactSet

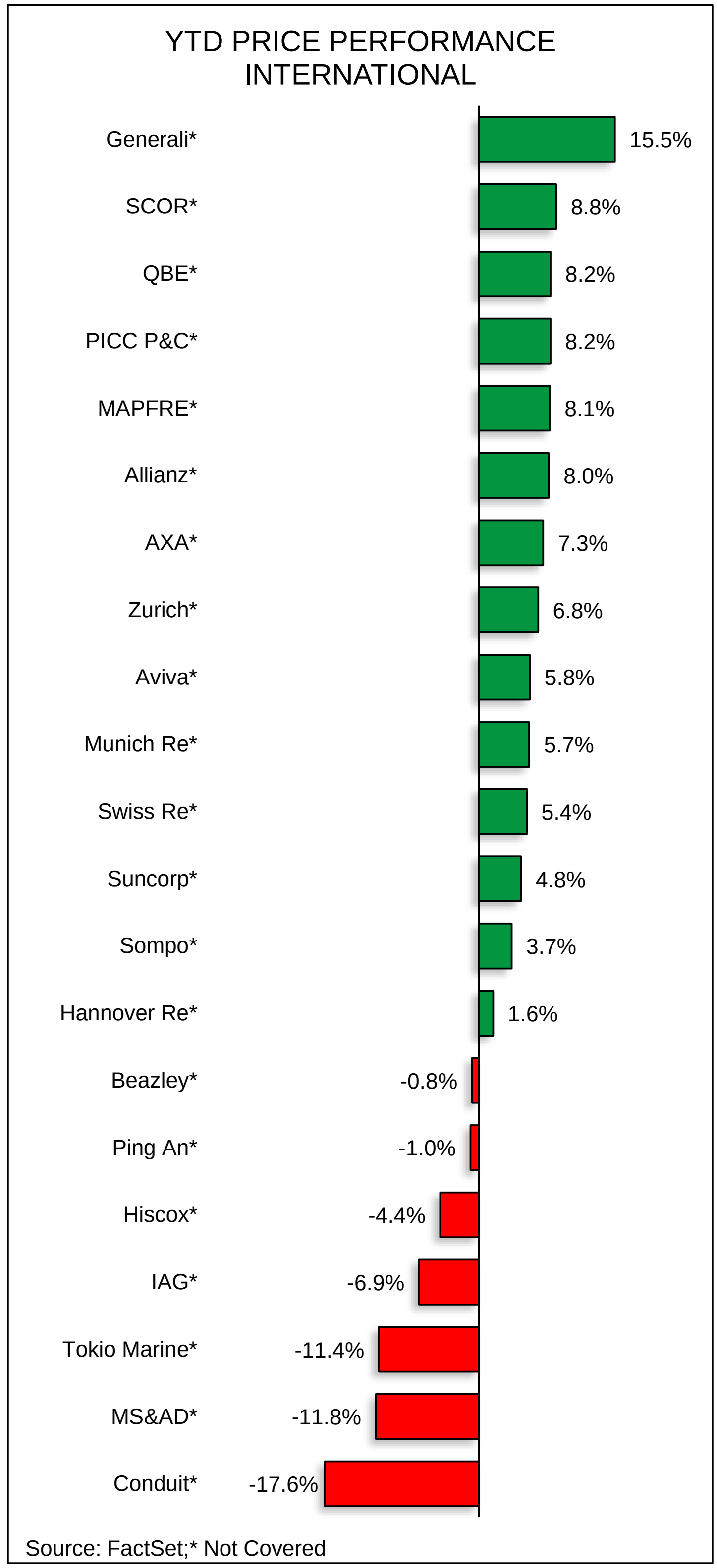

WEEK PRICE PERFORMANCE
LARGE CAP > $5B
Fairfax Fncl 2.3%
Progressive 2.1%
AXIS Capital 1.5%
Everest Group 0.8%
Willis Towers Watson 0.8%
Aon 0.7%
Brown & Brown 0.6%
CNA 0.6%
Enstar Group 0.4%
Berkshire Hath 0.3%
Hartford 0.1%
S&P 500 0.0%
S&P Life & Health 0.0%
Ryan Specialty 0.0%
Chubb Limited -0.1%
AIG -0.2%
Marsh McLennan -0.2%
Old Republic -0.2%
S&P Financials -0.7%
Travelers -0.7%
Cincinnati Fncl -1.0%
A.J. Gallagher -1.0%
Arch Capital -1.2%
Erie -1.3%
W.R. Berkley -1.8%
RLI Corp -1.8%
Allstate -1.9%
RenaissanceRe -1.9%
Markel Corp -2.3%
American Fncl -2.8%
Hanover Ins -3.3%
Assurant -3.4%
Intact Fin'l -3.5%
Kinsale -9.4%
Source: FactSet;* Not Covered


YTD PRICE PERFORMANCE
LARGE CAP > $5B
A.J. Gallagher 14.5%
Progressive 11.7%
Aon 9.4%
Brown & Brown 9.4%
Marsh McLennan 8.5%
Markel Corp 7.4%
Ryan Specialty 6.9%
Berkshire Hath 6.3%
S&P Financials 6.1%
Intact Fin'l 5.9%
AIG 4.7%
AXIS Capital 4.5%
S&P 500 4.0%
Willis Towers Watson 3.7%
W.R. Berkley 3.2%
Enstar Group 3.0%
Hartford 2.7%
CNA 2.7%
Hanover Ins 2.5%
Fairfax Fncl 2.3%
S&P Life & Health 0.8%
Old Republic 0.6%
Travelers 0.1%
Allstate -1.9%
Chubb Limited -3.2%
Arch Capital -3.6%
Kinsale -5.1%
Cincinnati Fncl -5.5%
Assurant -5.7%
Erie -6.0%
Everest Group -6.7%
RenaissanceRe -8.0%
RLI Corp -9.4%
American Fncl -11.8%
Source: FactSet;* Not Covered


WEEK PRICE PERFORMANCE
SMALL CAP < $5B
United Ins Hldgs* 5.0%
James River 4.7%
Donegal Ins. 1.7%
Crawford & Company* 1.6%
White Mtns 1.3%
Nodak* 0.4%
S&P 500 0.0%
S&P Life & Health 0.0%
IGI -0.6%
S&P Financials -0.7%
Global Ind -0.7%
Employers Hldgs -0.8%
Amerisafe -1.1%
ProAssurance -1.2%
Safety Ins Grp -1.5%
Greenlight Cap -1.6%
Horace Mann -1.7%
Universal Ins -1.8%
Kingstone* -1.8%
HCI Group -2.0%
SiriusPoint -2.0%
United Fire Group -2.1%
TWFG, Inc -2.7%
Baldwin Group -3.2%
Bowhead -3.3%
Palomar -3.4%
Kemper Corp -3.9%
Hamilton Ins Grp -4.0%
Heritage Ins* -4.1%
Goosehead* -4.5%
Selective Ins -4.6%
Lemonade -5.2%
Lancashire -5.3%
Definity Financial -5.7%
Fidelis IG -7.5%
Mercury Gnrl -7.6%
Source: FactSet;* Not Covered


YTD PRICE PERFORMANCE
SMALL CAP < $5B
Kingstone* 15.3%
Palomar 14.4%
IGI 11.7%
S&P Financials 6.1%
S&P 500 4.0%
Baldwin Group 3.8%
Horace Mann 3.3%
Goosehead* 2.7%
Crawford & Company* 1.8%
James River 1.6%
Definity Financial 1.6%
HCI Group 1.2%
S&P Life & Health 0.8%
Donegal Ins. 0.7%
Global Ind 0.1%
TWFG, Inc -1.4%
Kemper Corp -1.7%
Heritage Ins* -2.6%
Lemonade -4.0%
Amerisafe -4.1%
White Mtns -4.5%
Hamilton Ins Grp -4.6%
Employers Hldgs -4.7%
Universal Ins -5.2%
Greenlight Cap -5.4%
United Ins Hldgs* -5.6%
Safety Ins Grp -5.8%
Nodak* -7.5%
United Fire Group -7.9%
ProAssurance -9.4%
Bowhead -10.6%
Lancashire -14.0%
SiriusPoint -14.7%
Selective Ins -15.2%
Fidelis IG -15.3%
Mercury Gnrl -21.4%
Source: FactSet;* Not Covered


WEEK PRICE PERFORMANCE
INTERNATIONAL
QBE* 4.6%
PICC P&C* 1.7%
Ping An* 1.6%
Suncorp* 1.2%
IAG* 1.0%
Zurich* 1.0%
Tokio Marine* -0.1%
Swiss Re* -1.9%
Sompo* -2.0%
SCOR* -2.1%
Beazley* -2.5%
Generali* -2.5%
Aviva* -2.8%
Munich Re* -3.0%
AXA* -3.1%
Allianz* -3.3%
Hiscox* -3.3%
MAPFRE* -3.6%
Hannover Re* -4.6%
MS&AD* -7.1%
Conduit* -13.0%
Source: FactSet;* Not Covered


YTD PRICE PERFORMANCE
INTERNATIONAL
Generali* 15.5%
SCOR* 8.8%
QBE* 8.2%
PICC P&C* 8.2%
MAPFRE* 8.1%
Allianz* 8.0%
AXA* 7.3%
Zurich* 6.8%
Aviva* 5.8%
Munich Re* 5.7%
Swiss Re* 5.4%
Suncorp* 4.8%
Sompo* 3.7%
Hannover Re* 1.6%
Beazley* -0.8%
Ping An* -1.0%
Hiscox* -4.4%
IAG* -6.9%
Tokio Marine* -11.4%
MS&AD* -11.8%
Conduit* -17.6%
Source: FactSet;* Not Covered