



Reinsurance in Focus

The 2022 Insurance Value
Creators Report

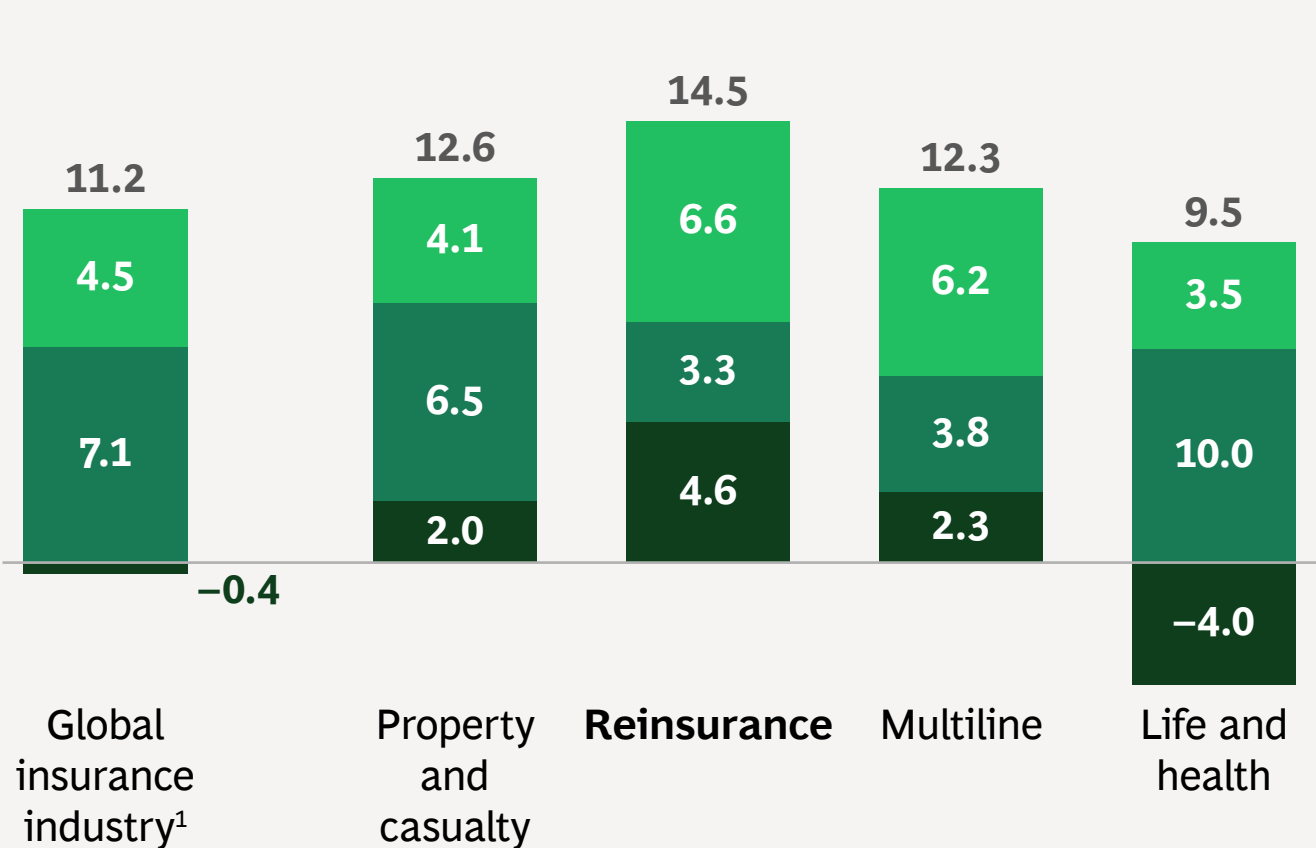
SEPTEMBER 2022



Reinsurers' average annual TSR has generally exceeded that of primary insurers over ten- and five-year horizons

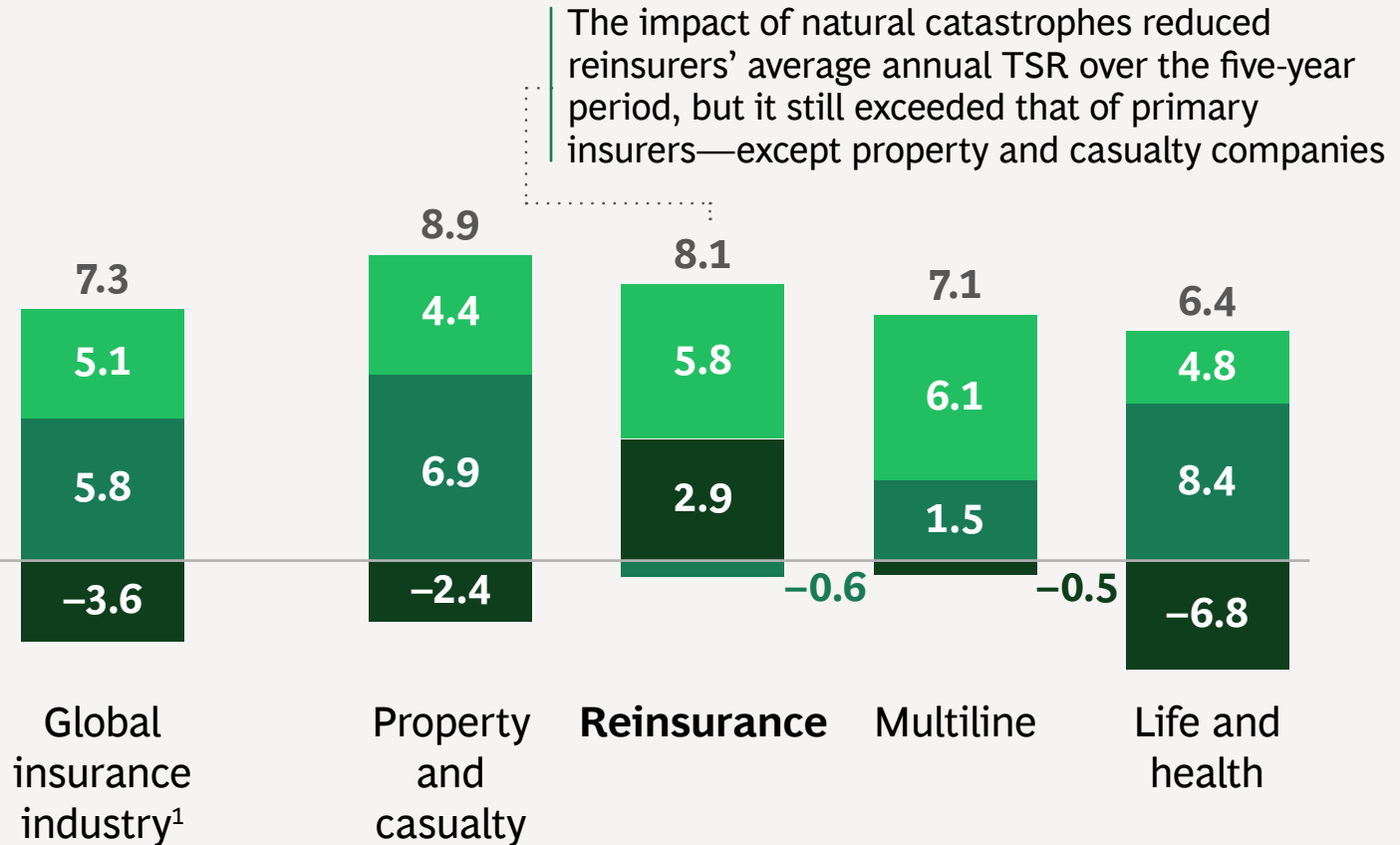
Ten years

TSR DRIVERS' CONTRIBUTION TO AVERAGE ANNUAL TSR, 2012–2021 (%)



Five years

TSR DRIVERS' CONTRIBUTION TO AVERAGE ANNUAL TSR, 2017–2021 (%)



● Cash flow contribution² ● Growth of TBV ● Change in P/TBV multiple

Sources: S&P Capital IQ; Refinitiv; BCG ValueScience Center; BCG analysis.

Note: For an explanation of BCG's TSR methodology, please see the last slide of the presentation. Components of TSR are multiplicative but converted and shown as additive, with remainders assigned to the multiple change field. Aggregation is based on market capitalization weights at the start of the year. TSR is calculated in each company's reporting currency. TBV = tangible book value; P/TBV = price to TBV.

¹Industry sample is 103 companies. The ten-year analysis uses the 89 companies from the sample with the highest market capitalization as of December 31, 2021, that were listed on a stock exchange as of December 31, 2011.

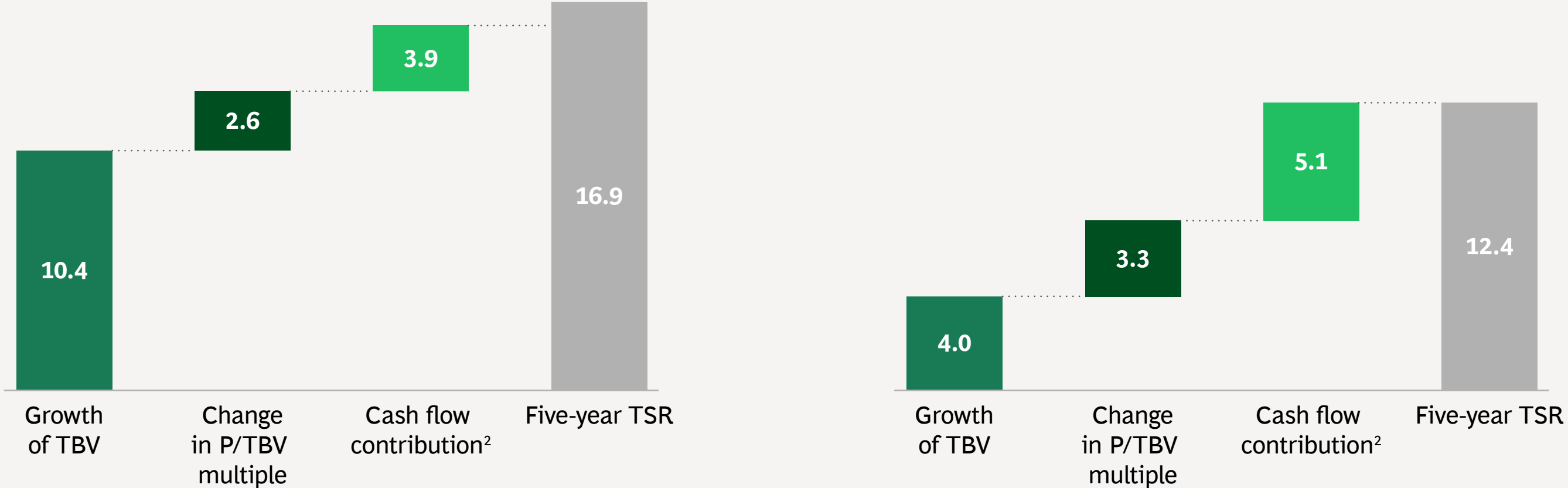
²Includes dividend contribution and share count change.

Growth boosts TSR for the top performers industrywide, whereas the contribution of TSR drivers is more balanced for reinsurers

TSR drivers' contribution to average annual five-year TSR, 2017–2021 (%)

TOP-QUARTILE PERFORMERS, GLOBAL INSURANCE INDUSTRY (N = 26)¹

TOP-QUARTILE PERFORMERS, REINSURANCE SECTOR (N = 3)¹



Sources: S&P Capital IQ; Refinitiv; BCG ValueScience Center; BCG analysis.

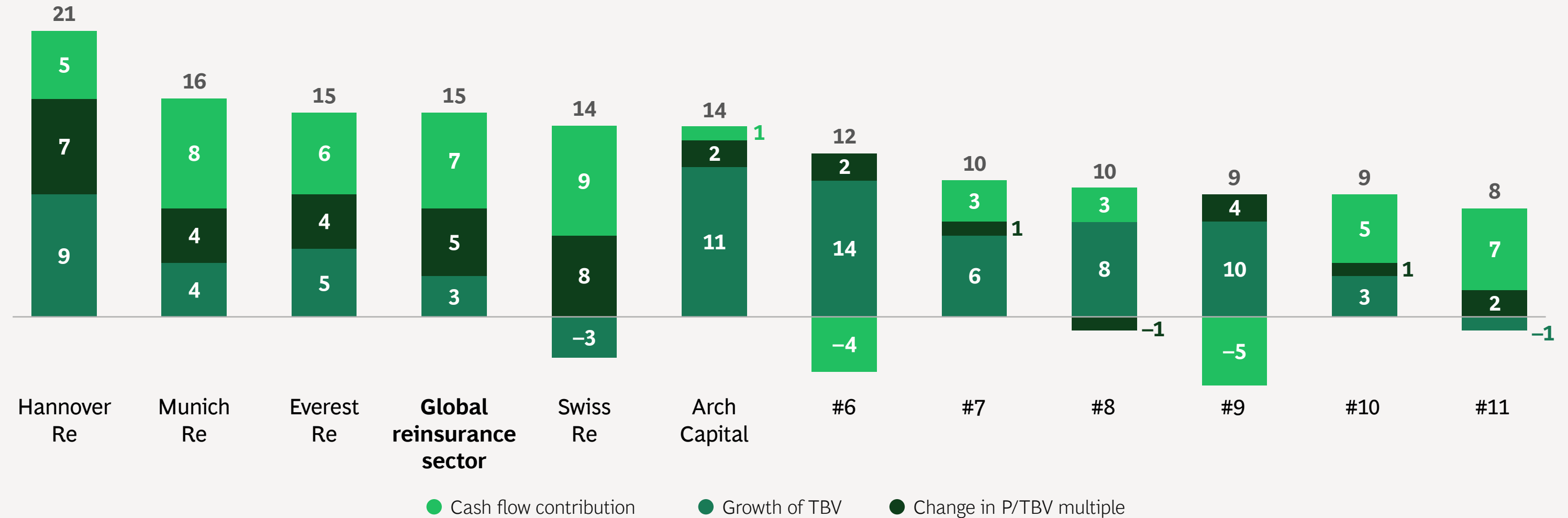
Note: Components of TSR are multiplicative but converted and shown as additive, with remainders assigned to the multiple change field. Aggregation is based on market capitalization weights at the start of the year. TSR is calculated in each company's reporting currency. TBV = tangible book value; P/TBV = price to TBV.

¹Industry sample is 103 companies, omitting brokers and companies with negative TBV.

²Includes dividend contribution and share count change.

Over ten years, the TSR performance of the largest listed global reinsurers was generally solid

TSR drivers' contribution to average annual ten-year TSR, 2012–2021 (%)

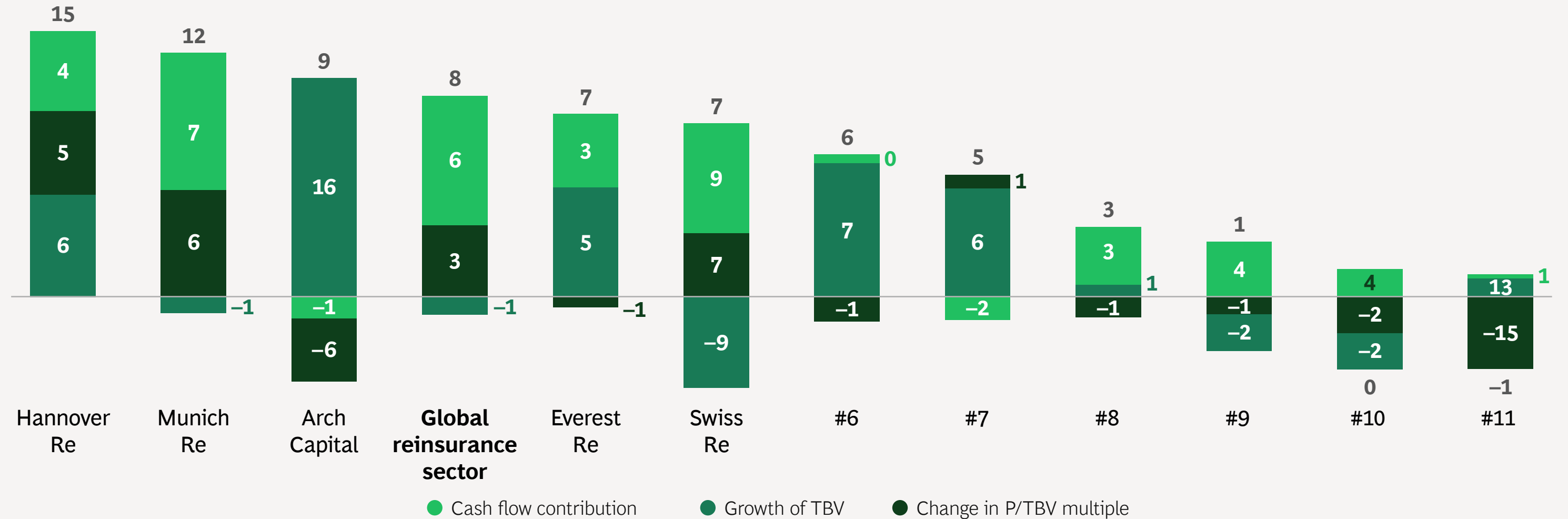


Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.

Note: TSR was measured from January 1, 2012, through December 31, 2021. Dividend contribution to cash return includes the investment of dividends and special dividends, compounded daily. Components of TSR are multiplicative but converted and shown as additive, with remainders assigned to the margin and multiple change fields. TBV = tangible book value; P/TBV = price to TBV.

The number of natural catastrophes that occurred during 2017 and 2018 depressed the five-year returns of the largest listed global reinsurers

TSR drivers' contribution to average annual five-year TSR, 2017–2021 (%)

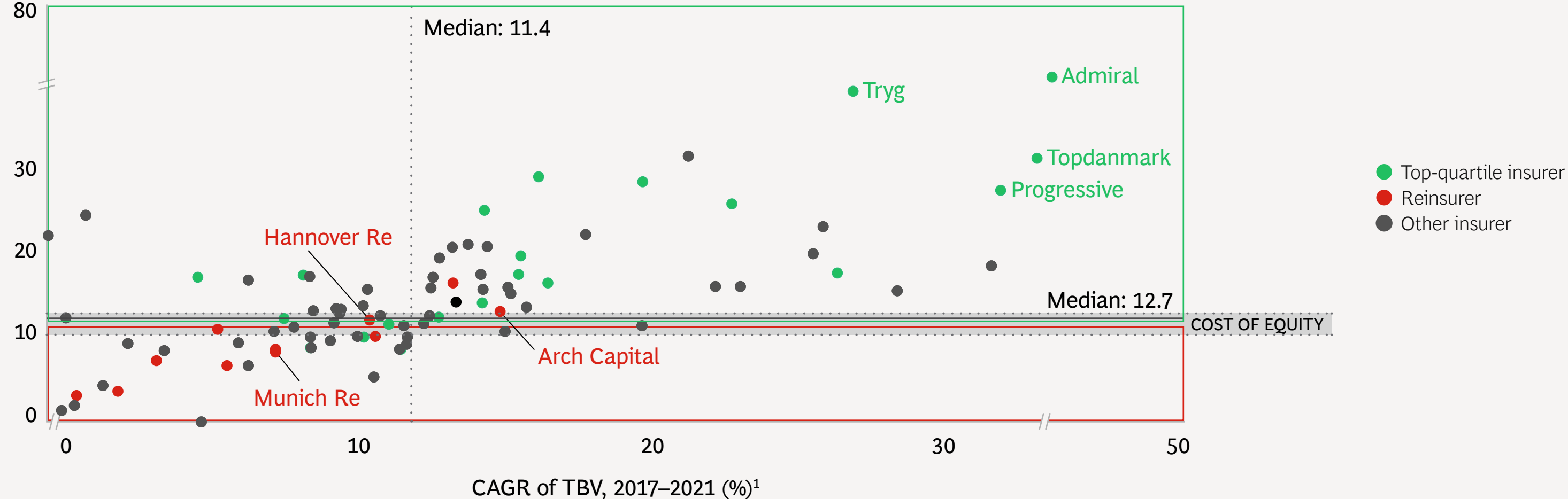


Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.

Note: TSR was measured from January 1, 2017, through December 31, 2021. Dividend contribution to cash return includes the investment of dividends and special dividends, compounded daily. Components of TSR are multiplicative but converted and shown as additive, with remainders assigned to the margin and multiple change fields. TBV = tangible book value; P/TBV = price to TBV.

Few reinsurers operate above their cost of equity

Average RoTE, 2017–2021 (%)

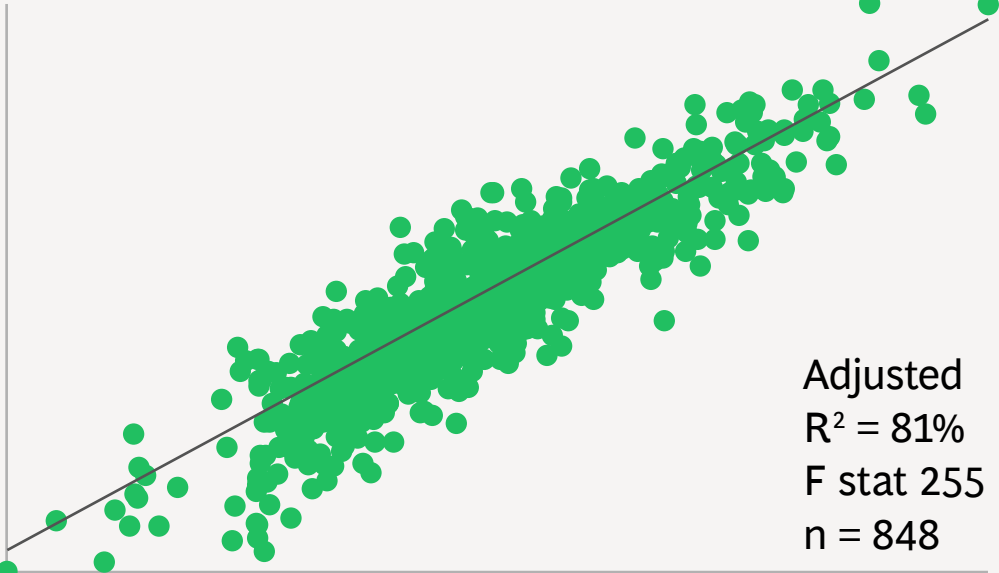


Sources: S&P Capital IQ; BCG analysis.
 Note: Industry sample is 103 companies. They are the largest stock exchange-listed insurers globally. RoTE = return on tangible equity; TBV = tangible book value.
¹The CAGR of TBV per share plus dividend per share from 2017 through 2021, excluding other comprehensive income.

Insurers' valuation multiples are mostly influenced by predicted RoTE and a concentration of the insurer in the property and casualty sector

Actual versus fit valuation

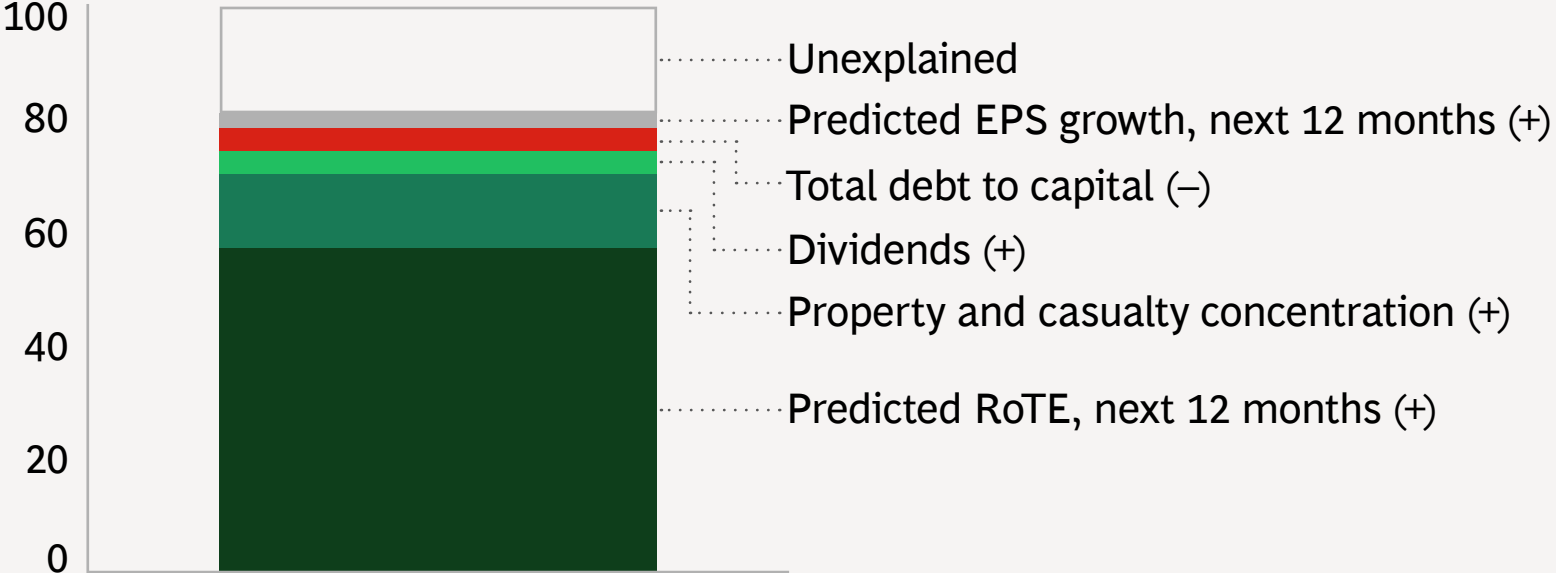
ACTUAL MULTIPLE



Predicted multiple

● Peers

About 81% of the variance in valuation is explained by five factors

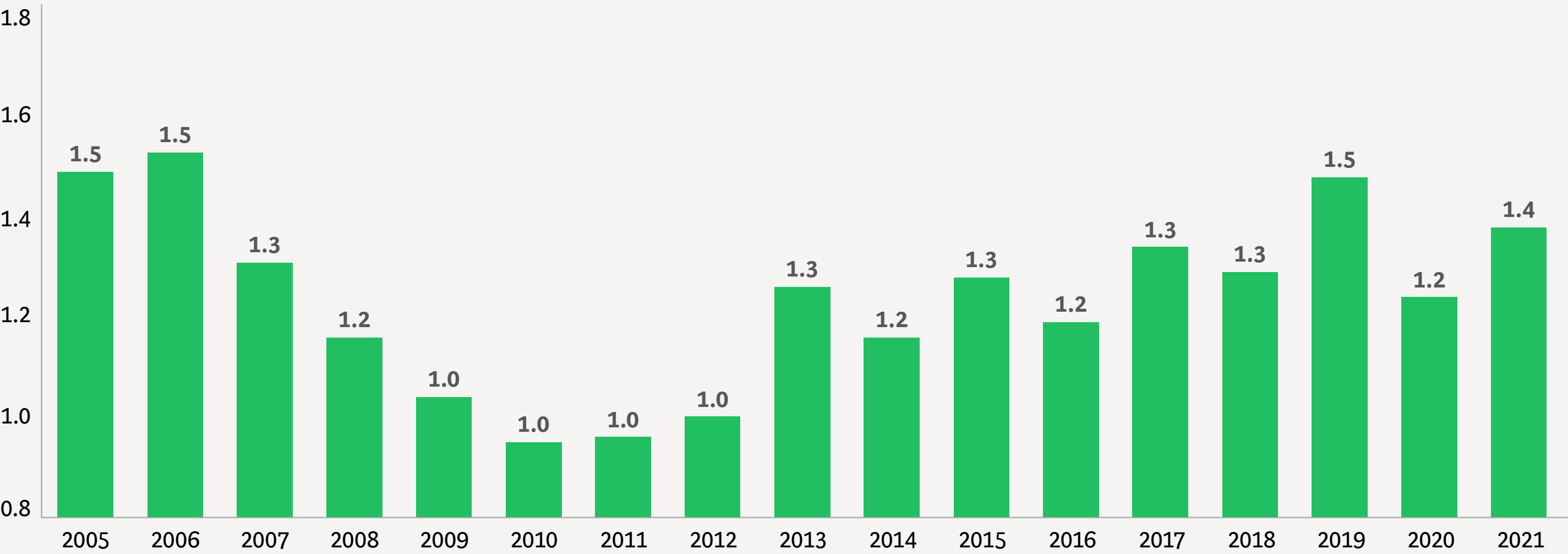


Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.

Note: Peers include 100 global insurance companies; outliers from FY2011 through FY2021 are excluded or normalized. EPS = earnings per share; RoTE = return on tangible equity.

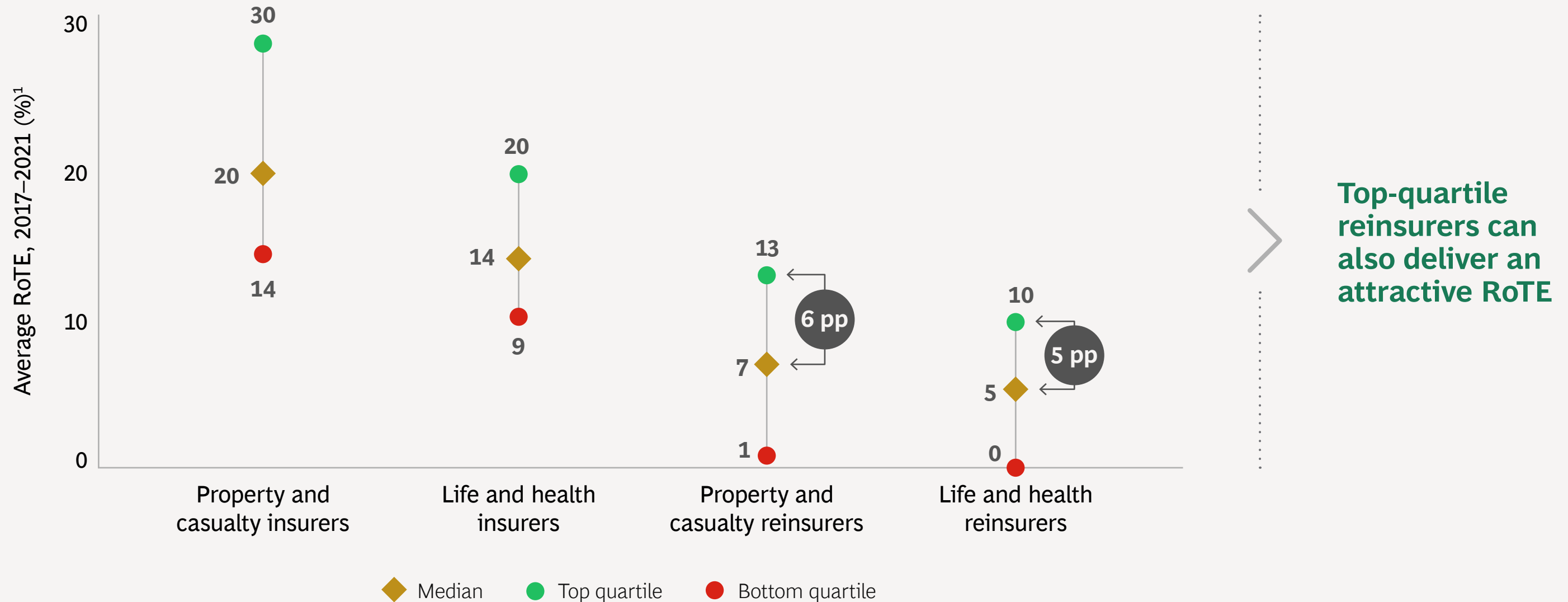
Reinsurance valuation multiples have oscillated well above 1.0

Weighted average of the P/TBV multiple



Sources: S&P Capital IQ; BCG analysis.
Note: P/TBV = price to tangible book value.

On average, reinsurers have a lower RoTE than primary insurers have

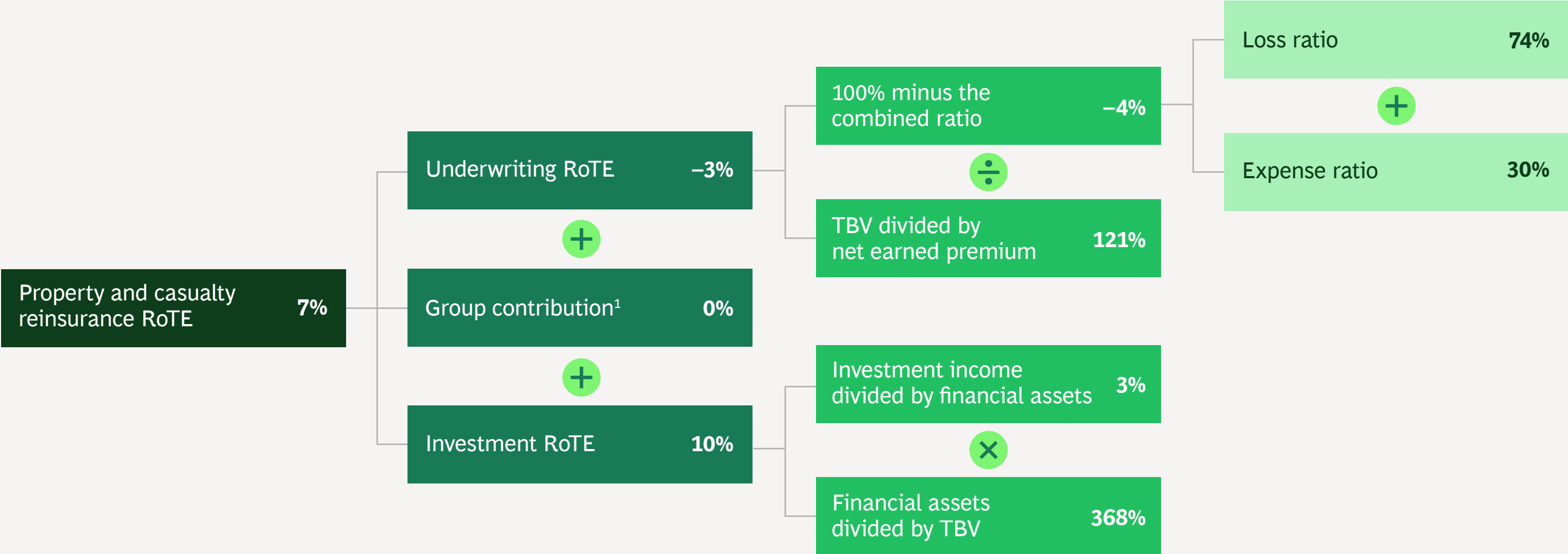


Sources: BCG's insurance RoTE benchmarking database; BCG analysis.

Note: The reinsurance sample for this analysis is 30 reinsurers, whereas the main TSR analyses include 11 reinsurers in the Insurance Value Creators sample of the 103 largest stock exchange-listed insurers. RoTE = return on tangible equity; pp = percentage point.

¹Operating profit before taxes divided by tangible book value allocated to each segment; average of median RoTE, 2017 through 2021.

For property and casualty reinsurance, the underlying factors driving reinsurers' RoTE reveal low underwriting margins and high capital intensity



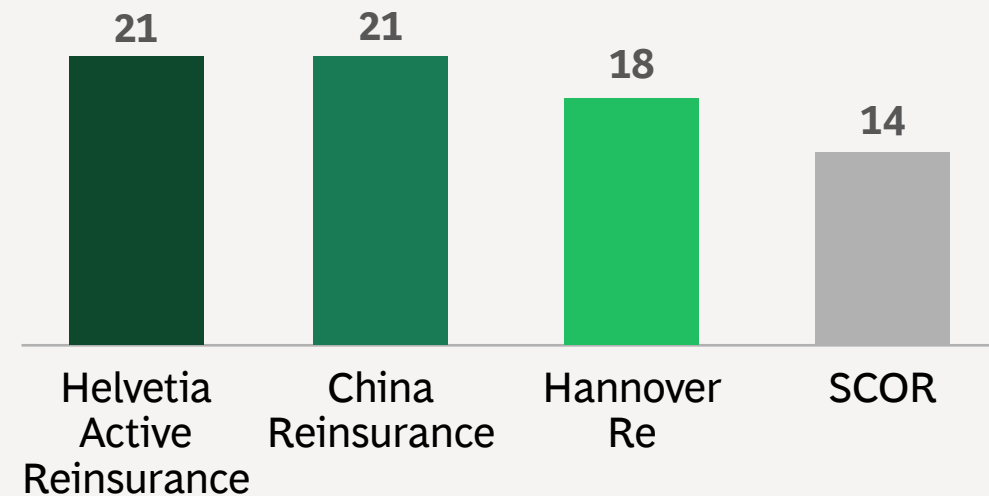
Sources: BCG's insurance RoTE benchmarking database; BCG analysis.

Note: The reinsurance sample for this analysis is 30 reinsurers, whereas the main TSR analyses include 11 reinsurers in the Insurance Value Creators sample of the 103 largest stock exchange-listed insurers. RoTE = return on tangible equity; TBV = tangible book value.

¹Property and casualty reinsurance share of centrally allocated buckets (for example, group functions, noncore business, and eliminations).

The top property and casualty reinsurers outperform mainly because of their high investment RoTE

AVERAGE ROTE, 2017–2021 (%)



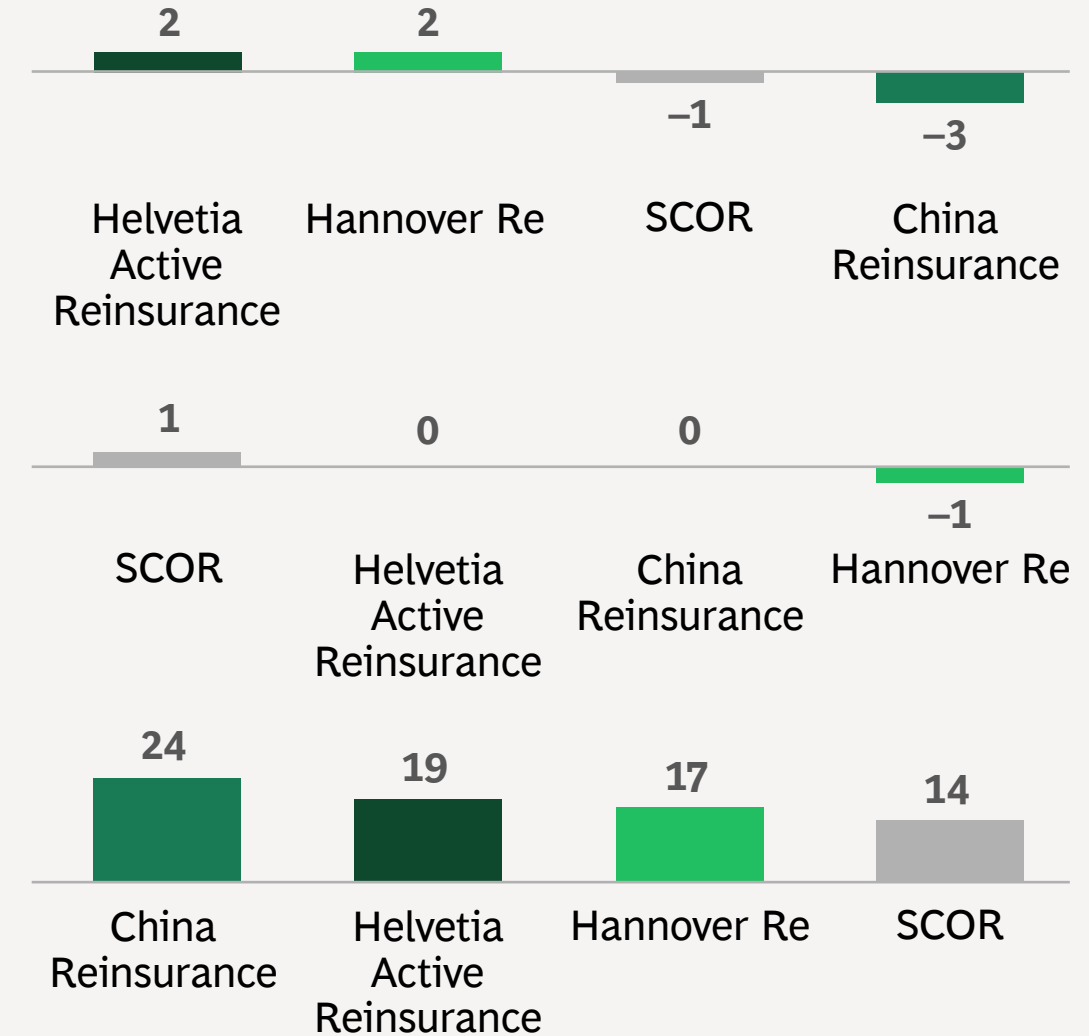
AVERAGE UNDERWRITING RATE 2017–2021 (%)



AVERAGE GROUP CONTRIBUTION 2017–2021 (%)¹



AVERAGE INVESTMENT RATE 2017–2021 (%)

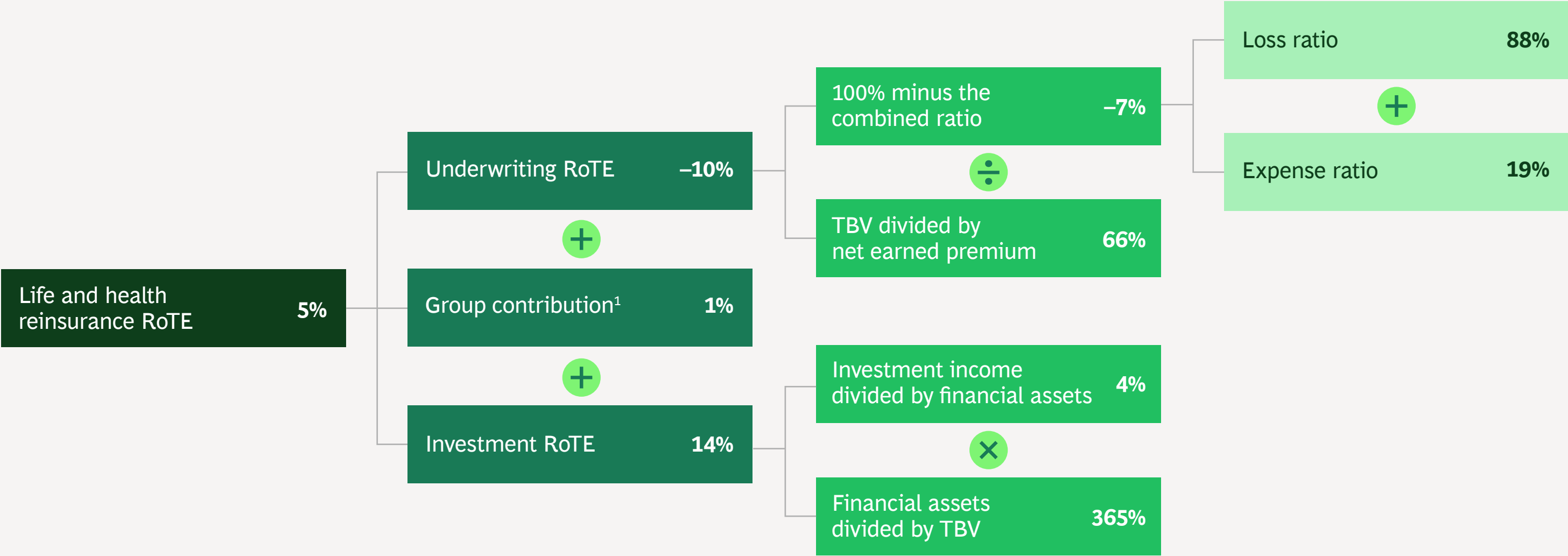


Sources: BCG's insurance RoTE benchmarking database; BCG analysis.

Note: The reinsurance sample for this analysis is 30 reinsurers, whereas the main TSR analyses include 11 reinsurers in the Insurance Value Creators sample of the 103 largest stock exchange-listed insurers. RoTE = return on tangible equity.

¹Property and casualty reinsurance share of centrally allocated buckets (for example, group functions, noncore business, and eliminations).

For life and health reinsurance, the factors underlying RoTE reveal extremely low underwriting margins mainly driven by the loss ratio

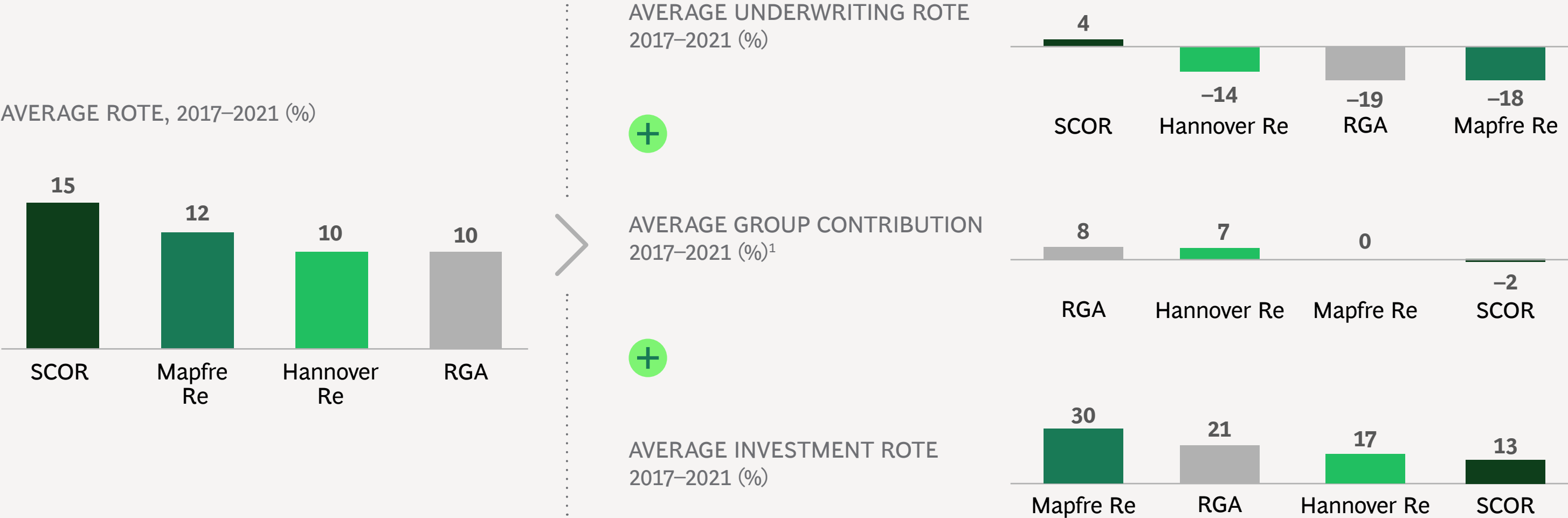


Sources: BCG’s insurance RoTE benchmarking database; BCG analysis.

Note: The reinsurance sample for this analysis is 30 reinsurers, whereas the main TSR analyses include 11 reinsurers in the Insurance Value Creators sample of the 103 largest stock exchange-listed insurers. RoTE = return on tangible equity; TBV = tangible book value.

¹Life and health reinsurance share of centrally allocated buckets (for example, group functions, noncore business, and eliminations).

The top life and health reinsurers also rely heavily on investment income



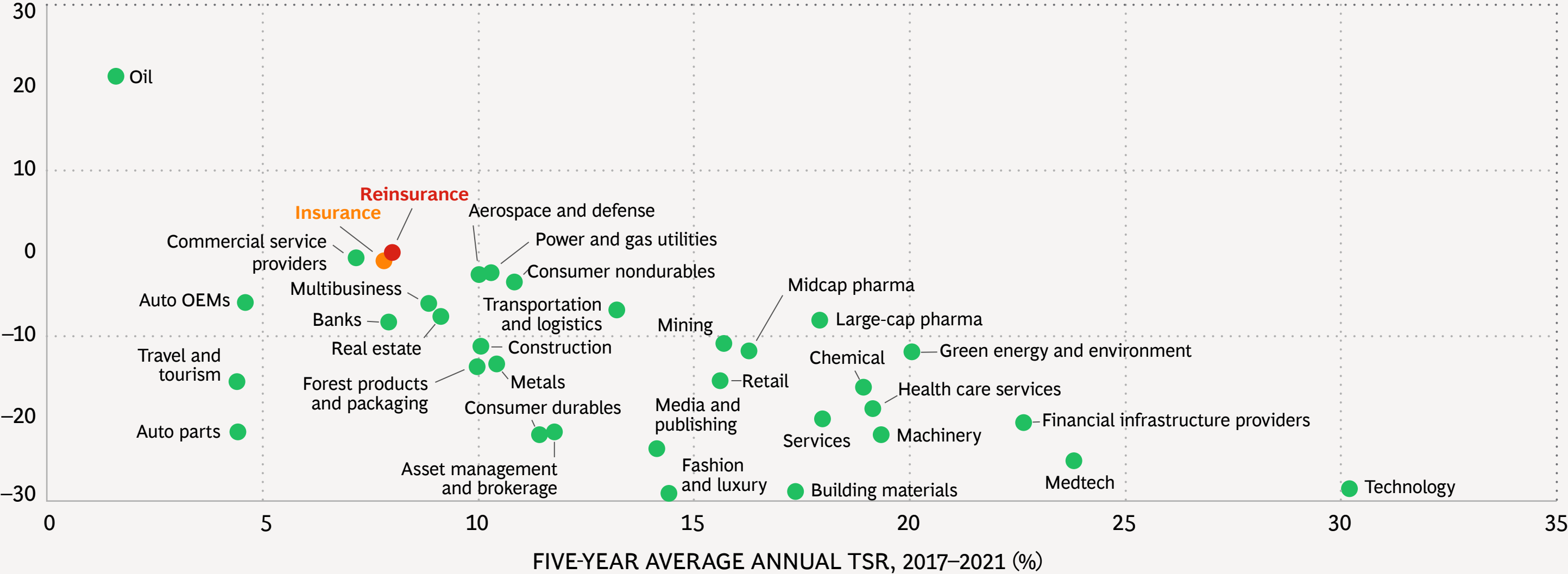
Sources: BCG’s insurance RoTE benchmarking database; BCG analysis.

Note: The reinsurance sample for this analysis is 30 reinsurers, whereas the main TSR analyses include 11 reinsurers in the Insurance Value Creators sample of the 103 largest stock exchange-listed insurers. RoTE = return on tangible equity.

¹Life and health reinsurance share of centrally allocated buckets (for example, group functions, noncore business, and eliminations).

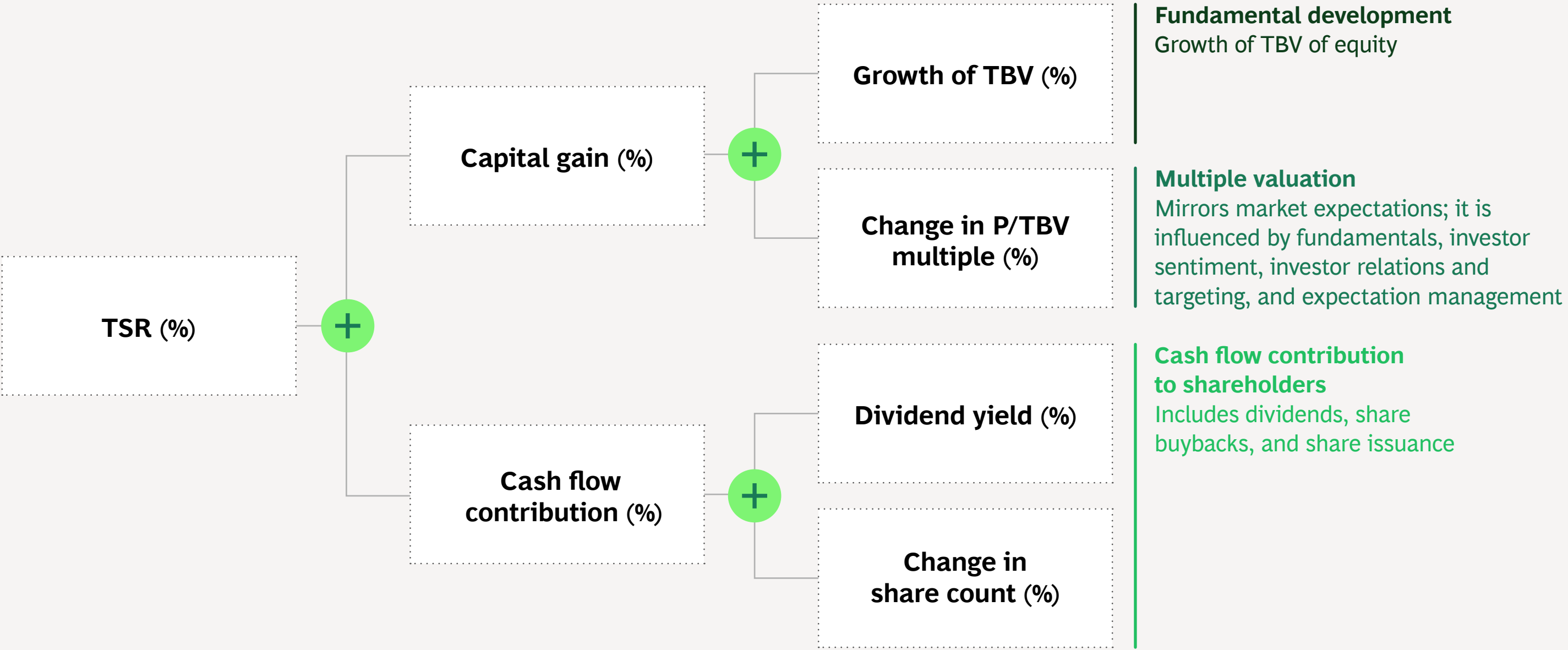
The reinsurance industry's TSR was relatively strong through the first half of 2022, but its five-year performance is among the worst

AVERAGE TSR, JANUARY 1, 2022–JUNE 30, 2022 (%)



Sources: S&P Capital IQ; Refinitiv; BCG ValueScience Center; BCG analysis.
 Note: Average TSR for each industry sample in BCG's 2022 Value Creators database; n = 2,339 companies. OEM = original equipment manufacturer. Companies that are headquartered in Russia or that have operations predominantly in Russia were omitted.

BCG's methodology to determine TSR—the key metric for value creation



Sources: BCG analysis.
Note: TBV = tangible book value; P/TBV = price to TBV.