Q4 2024 Catastrophe Bond & ILS Market Report

Records fall once again as outstanding cat bond market nears $50bn

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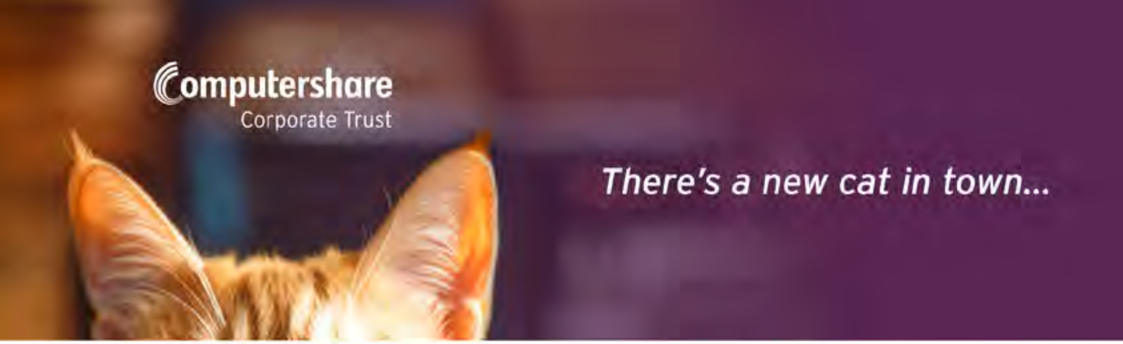

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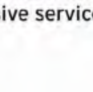

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INTRO

The Artemis Q4 and full year 2024 catastrophe bond and related insurance-linked securities (ILS) market report examines another record-breaking year for the space, as the second-largest fourth quarter in history took annual issuance to a record $17.7 billion from 93 transactions.

The $4.5 billion of new risk capital issued in Q4 is second only to Q4 2023 and ensured the annual issuance record was exceeded once again despite a very quiet third quarter for the marketplace.

Nevertheless, H2 2024 issuance surpassed $5 billion for just the second time ever and combined with a record H1 of more than $12.6 billion, 2024 issuance far outpaced maturities and resulted in the outstanding cat bond market ending the year at a new high of $49.5 billion, representing year-on-year growth of 10%.

The records don't stop there. In terms of 144A property cat bond issuance, 2024 has set a new record of $16.6 billion, up 11% on the previous high in 2023. Total 144A cat bond issuance, which includes 144A cat bonds covering other lines of re/insurance business such as cyber and terrorism, also hit a new high of $17.2 billion. Private, or cat bond lite issuance, did contribute in Q4 and full year 2024 but fell year-on-year for both periods.

In Q4, four first-time sponsors entered the catastrophe bond market, bringing the total number of new sponsors for the year to 13, as insurers and reinsurers increasingly turned to the capital markets to augment their reinsurance and retrocession needs.

Alongside the triggers, perils, and size of the transactions issued in the quarter and full year, this report examines the pricing metrics of deals. Strong demand from the investor base saw the large majority of tranches upsize while marketing, helping sponsors achieve strong execution on deals as all but three tranches of notes saw their final spread decrease from the mid-point of initial guidance. This indicates a softer market, so investors will be looking for price stabilisation in 2025.

Artemis is the leading, freely accessible source of timely, relevant antd authoritative news, analysis, insight and data on the insurance-linked securities, catastrophe bond, alternative reinsurance capital and related risk transfer markets. The Artemis Deal Directory is the leading source of information, data and analysis on issued catastrophe bond and insurance-linked securitization transactions.

Transaction Recap

Debutant sponsors GAREAT, Talanx, MapfreRe, and Taiping Re came to market in Q4 2024, bringing a combined $365 million of risk capital to market, covering a range of risks, including terrorism, Chile and China quake, and US wind. These new sponsors, together with the host of repeat and a couple of unknown sponsors, issued 20 transactions comprised of 33 tranches of notes in Q4 2024.

The table below, based on data from the Artemis Deal Directory, shows that 144A property cat bonds dominated issuance in the final quarter of the year, with GAREAT, the French terrorism risk pool, sponsoring the only slice of non-catastrophe risk.

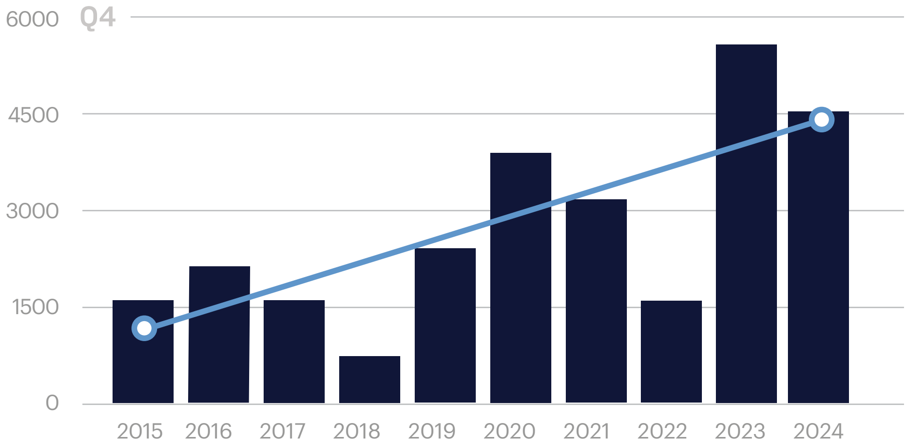
Beazley, Liberty Mutual, Fidelis, RenRe, and Ariel Re all returned with deals covering multiple international perils, as American Coastal, Allstate, Progressive, American Family Mutual, USAA, Hannover Re, and Prologis sponsored US-focused deals, covering wind exposures, quakes, and wildfires.

NN Group's third European multi-peril deal came to market in Q4, while a small private deal added some Japanese peril diversification, and larger private deals cover property catastrophe risks.

ISSUER / TRANCHE	SPONSOR	PERILS	$M	DATE
Silk Road Re Limited	Taiping Reinsurance	International multi-peril	35	Dec
Herbie Re Ltd. (Series 2024-2)	Fidelis Insurance	International multi-peril	375	Dec
Mystic Re IV Ltd. (Series 2025-1)	Liberty Mutual	International multi-peril	325	Dec
London Bridge 2 PCC Limited (Fuchsia 2 – 2024-1)	Beazley	International multi-peril	200	Dec
Armor Re II Ltd. (Series 2024-2)	American Coastal Insurance	Florida named storm	200	Dec
Sanders Re II Ltd. (Series 2024-3)	Allstate	U.S. multi-peril	650	Dec
Bonanza Re Ltd. (Series 2024-1)	Progressive	U.S. multi-peril	345	Dec
Four Lakes Re Ltd. (Series 2024-1)	American Family Mutual Insurance	U.S. multi-peril	275	Dec
Recoletos Re DAC (Series 2024-1)	Mapfre Re	U.S. named storm	125	Dec
Mona Lisa Re Ltd. (Series 2025-1)	RenRe and DaVinci Re	International multi-peril	350	Dec
Maschpark Re Ltd. (Series 2024-1)	Talanx	Chile earthquake	100	Dec
Athéna I Reinsurance DAC	GAREAT	Terrorism risk	105	Dec
Artex Axcell Re (Series FE0001)	Unknown	Japanese peril	4	Nov
Titania Re Ltd. (Series 2024-1)	Ariel Re	International multi-peril	325	Nov
Residential Reinsurance 2024 Limited (Series 2024-2)	USAA	U.S. multi-peril	450	Nov
Orange Capital Re DAC (Series 2024-1)	NN Group	European multi-peril	79.6	Nov
Acorn Re Ltd. (Series 2024-1)	Hannover Re	U.S. earthquake	450	Oct
Eclipse Re Ltd. (Series 2024-8A)	Unknown	Unknown property cat risks	5	Oct
Logistics Re Ltd. (Series 2024-1)	Prologis	U.S. earthquake	95	Oct
Mangrove Risk Solutions Bermuda Ltd. (Series 2024-C)	Unknown	Unknown property cat risks	14.35	Oct

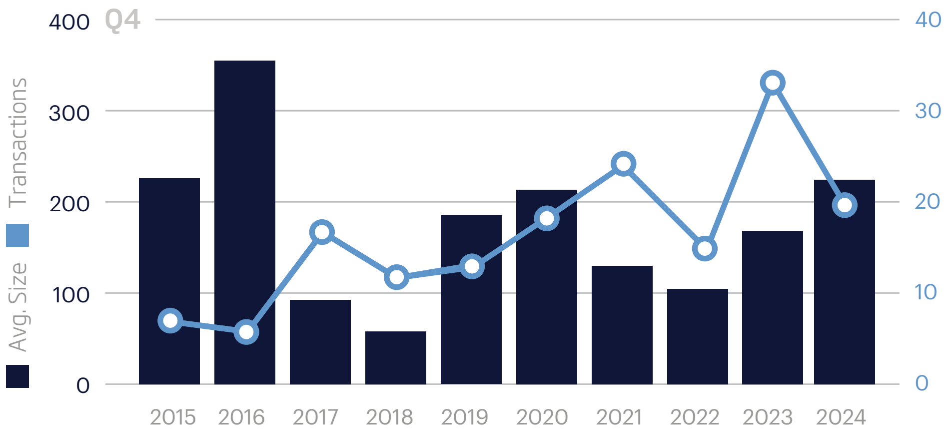
Q4 issuance by year ($M)

Although the second strongest Q4 on record, at $4.5 billion, issuance is down by almost 19% year-on-year from last year's $5.6 billion record for the period, but still robust and above the previous 10-year average of $2.7 billion by a significant 67%. While the fourth quarter is always a busier time for the market than the third, given the proximity to the January reinsurance renewals, in both 2023 and 2024, issuance really picked up in the final three months of the year as both sides of the market looked to capitalise on favourable conditions for cat bond deal execution.



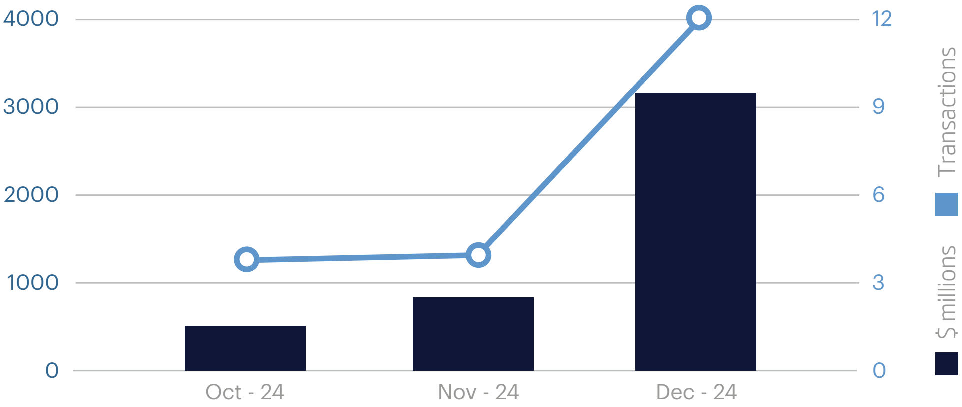
Q4 average transaction size & number of transactions by year ($M)

Over the past decade, on average, more than 16 transactions have been issued in the final quarter, so below the 20 seen this year and also the record 33 witnessed in Q4 2023. However, the average size of transactions issued in Q4 2024 hit $225 million, which is well-above last year's $168 million and the 10-year average of $176 million, reflecting the comparable lack of private deals, which are typically smaller, and the strong demand from the investor community which enabled sponsors to upsize transactions.



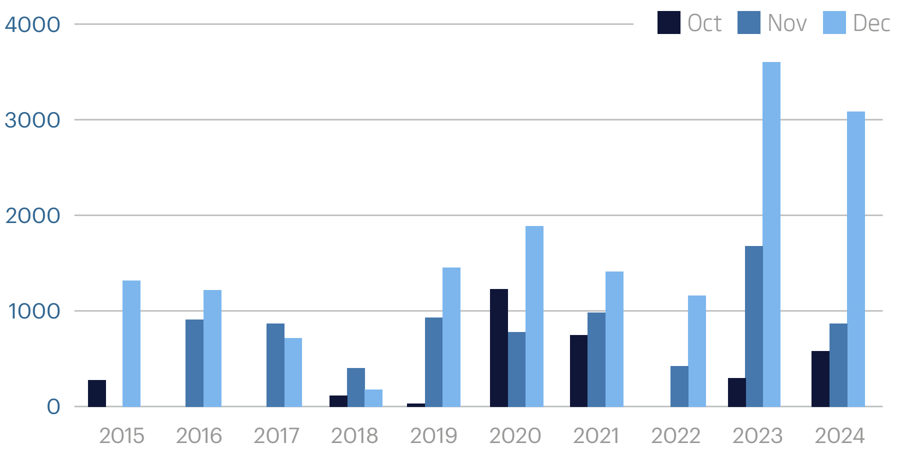
Number of transactions and volume issued by month ($M)

In each month of Q4 2024, issuance exceeded the 10-year average. In both October and November, four transactions were issued, bringing $564 million and $859 million of new risk capital to market, respectively. Typically, issuance levels rise month over month in Q4, peaking in December, and this was the case in 2024 as the final month of the year saw $3.1 billion of issuance from 12 transactions.



Q4 issuance by month & year ($M)

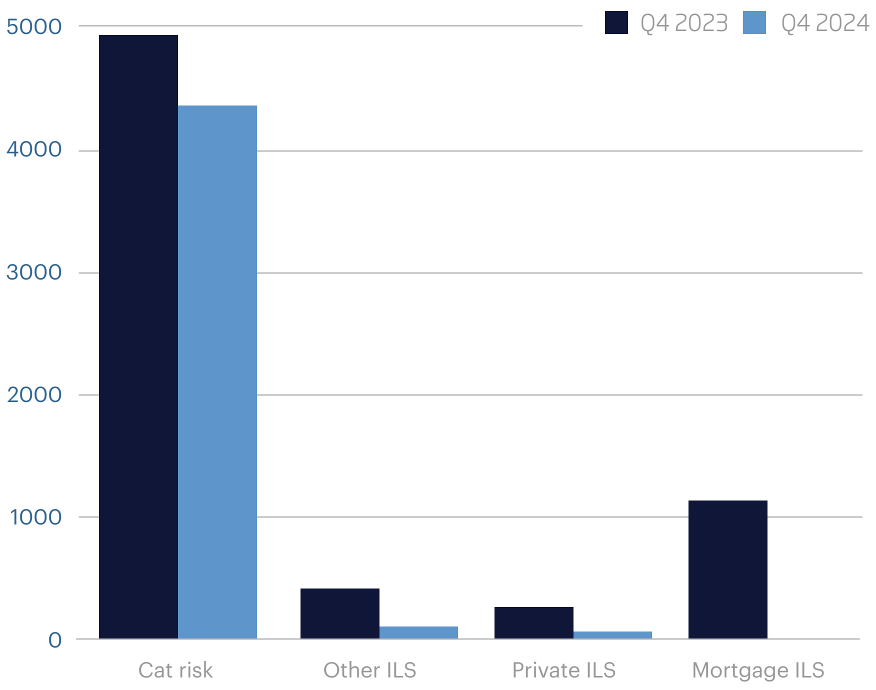
In fact, December 2024 issuance is 93% above the 10-year average for the month of $1.6 billion, despite coming in 14% below the $3.6 billion recorded last December, which is a record for the month. Artemis' data shows that December became the third month of the year to experience more than $3 billion in issuance, compared to only two months in 2023.



Q4 issuance by type

More than $4.3 billion of 144A property cat bond issuance occurred in Q4 2024, which is very strong for any quarter, although is down on the $4.9 billion seen in the comparable prior year quarter.

Only one deal issued in the quarter covers non-catastrophe risks, the GAREAT-sponsored terrorism risk deal, which, together with property cat bonds, took the total 144A issuance for the period to over $4.4 billion. Again, this is really strong for these types of deals, but is 16% lower than the $5.3 billion recorded in Q4 2023.



Quarterly issuance also featured more than $58 million of cat bond lite or privately placed issuance from four transactions, which is quite the dip from the $246 million of private cat bonds issued last year. No mortgage ILS deals featured this quarter, while over $1.1 billion of mortgage risk was issued in Q3 2024, although these deals don't feature in our headline market stats anyway.

APPLEBY

EXPECT A CRAZY START TO 2025 AFTER ANOTHER RECORD YEAR: BRAD ADDERLEY, APPLEBY

Annual catastrophe bond issuance hit new heights for the second year running in 2024, and according to Brad Adderley, Managing Partner at law firm Appleby's Bermuda office, it looks set to be a very busy start to 2025 for the insurance-linked securities (ILS) and broader reinsurance marketplace.

Year-on-year, cat bond issuance increased by over $1 billion in 2024 to a new annual high of $17.7 billion, as the extremely active first half of the year and final quarter more than offset a quiet third quarter for the space.

It's the second consecutive year in which annual cat bond issuance has set a new record, and also another year which saw activity levels swell in the final quarter ahead of the January 1st renewals.

In light of this, we spoke with Adderley about what to expect in the opening months of 2025.

"Clearly, issuance in 2024 has been very impressive and strong. But, is 2025 going to be busy? All I can tell you is that every day we are sending out a quote for a new cat bond. It's crazy, and it's showing no sign of slowing down," said Adderley.

Like any asset class, the catastrophe bond product is in a constant cycle of supply and demand, and changes in the size of deals and the ultimate pricing of cat bond notes in the final quarter of the year shows that both supply and demand for the product remains very solid.

In fact, almost all of the tranches of cat bond notes issued in the period upsized while marketing, while the large majority of notes issued also priced down from the mid-point of initial price guidance, by almost 20% in some instances. This points to strong demand from the investor base, while sponsors in the primary market have benefited from strong execution on deals.

"So, what we're seeing is a flooding of the market, but as there's also better investors in the market to buy the product, the issuers can decrease price because everyone is saying please give it to me, please give it to me. And, by doing that, the sponsors keep on saying, I'll give you a lower quote," explained Adderley.

"Really, it's just in a constant cycle. We saw at the start of last year a couple of cat bonds failed to get over the line, and let's be honest, the prices are never too low. So, again, it's just a constant cycle between supply and demand. And, let's not forget that one or two of the largest ILS players in the market now are just cat bond funds, so they must be all over every single transaction," he added.

As well as a busy pipeline for cat bond issuance, Adderley stressed that the anticipated "crazy" start to 2025 will also be characterised by new life reinsurer formations and sidecars for life, casualty or general business.

"I have enough new formations that will slip into the new year along new structures waiting to be started which will begin in January and submitted soon thereafter," said Adderley.

"I think that what we're going to see next year is a lot of new issuances and structures. Then I think you're going to see some announcements of sidecars, which is great, and some of these could be quite large.

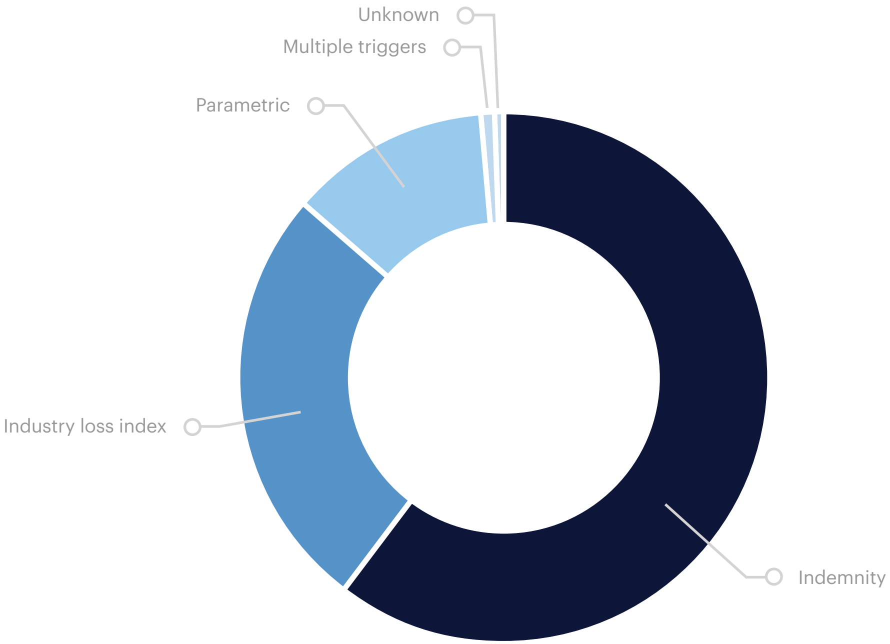
"So, for me, I see as many interesting, complicated, transactional structures in the first two months of 2025. Whether or not March is busy or quiet, we'll have to wait and see," he said.

BRAD ADDERLEY
BERMUDA MANAGING PARTNER

Q4 issuance by trigger type

As the chart shows, indemnity triggers once again dominated issuance in the fourth quarter of 2024, although as a percentage of total issuance, fell year-on-year from 67% to 60%, accounting for more than $2.7 billion of issuance.

The slight decline in the contribution of indemnity structured deals is attributable to the growth in parametric triggers this quarter when compared with last year, as two transactions, including a $450 million U.S. earthquake deal, leveraged a parametric trigger, accounting for 12% of issuance. In Q4 2023, just 0.7% of issuance had a parametric trigger.



It is somewhat rare for multiple triggers to be used, but in Q4 2024, one of the private deals was structured with both an industry loss and a parametric trigger.

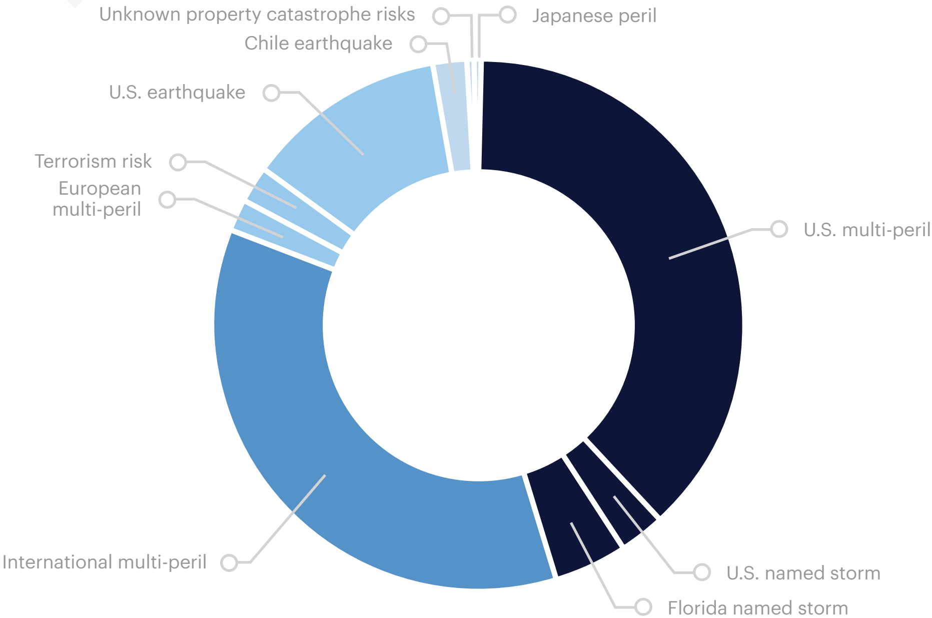
Four transactions used an industry loss index trigger in Q4 2024, amounting to almost $1.2 billion and accounting for 26% of total issuance in the quarter, which is in line with last year. We do not have trigger information for $23.4 million of cat bond lite issuance.

Q4 issuance by peril

Almost 58%, or $2.6 billion, of Q4 2024 issuance covers U.S. perils, including named storms, quakes, severe thunderstorms, winter storms, wildfires, and more. The quarter also featured $1.6 billion of international multi-peril risks, and all of these deals include U.S. quake and/or storm protection, highlighting the dominance of the region in the cat bond market.

The international multi-deals also cover Canada, Puerto Rico, U.S. Virgin Islands, and Caribbean named storm and quake exposure, providing welcomed geographical diversification to quarterly issuance.

For the third time since 2021, NN Group brought $80 million of European windstorm and severe thunderstorm risk to market in Q4 2024, although this was the only deal to cover perils in Europe, compared with four deals in Q4 2023.



The first ever cat bond to benefit Germany's Talanx AG came to market in Q4, as the firm secured $100 million of protection against quakes in Chile and the surrounding region of neighbouring South American countries Peru, Bolivia, and Argentina.

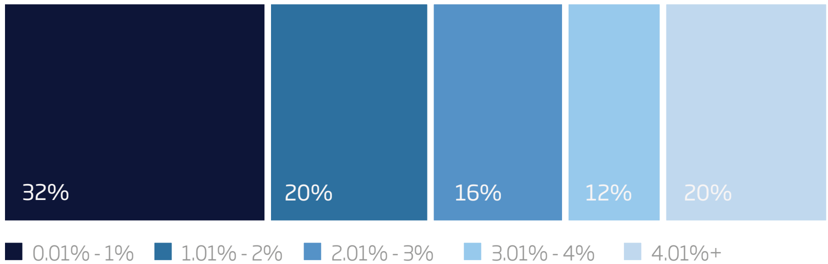
The French terrorism risk pool, GAREAT, opted to secure $105 million of retrocession protection from the capital markets for the first time in Q4. The transaction covers physical property damage from terrorism events in France and its territories.

For the first time since December 2022, a Chinese peril featured as Taiping Re's $35 million debut and privately placed transaction provides protection against both China quake and US named storms.

The remainder of quarterly issuance came from privately placed deals, one of which, sized at $4 million, covers Japanese perils, and the rest unknown property catastrophe risks.

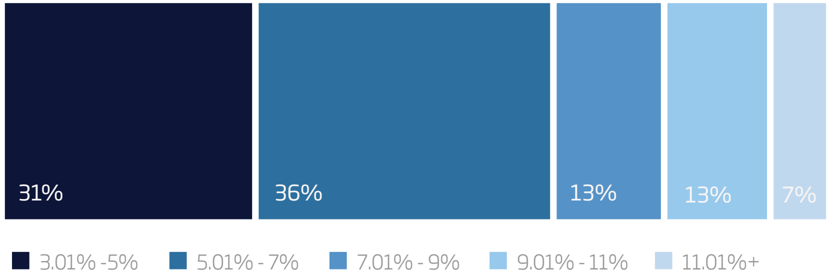
Q4 issuance by expected loss

52%, or $2.3 billion of the $4.4 billion of issuance in the fourth quarter that we have expected loss data for, had an expected loss of below 2%. Of this, the large majority had an expected loss of less than 1%, with the single tranche of Armor Re II 2024-2 cat bond notes offering the lowest expected loss, of 0.59%. $1.2 billion, or 28% of Q4 issuance, had an expected loss above 2% but less than 4%. Reflective of some high spreads in the quarter, 20% of issuance had an expected loss of more than 4%, with the highest being 10.42% from the Class C tranche of Herbie Re 2024-2 notes. The average expected loss of quarterly issuance rose year-on-year from 2.5% to 2.81%.



Q4 issuance by spread pricing

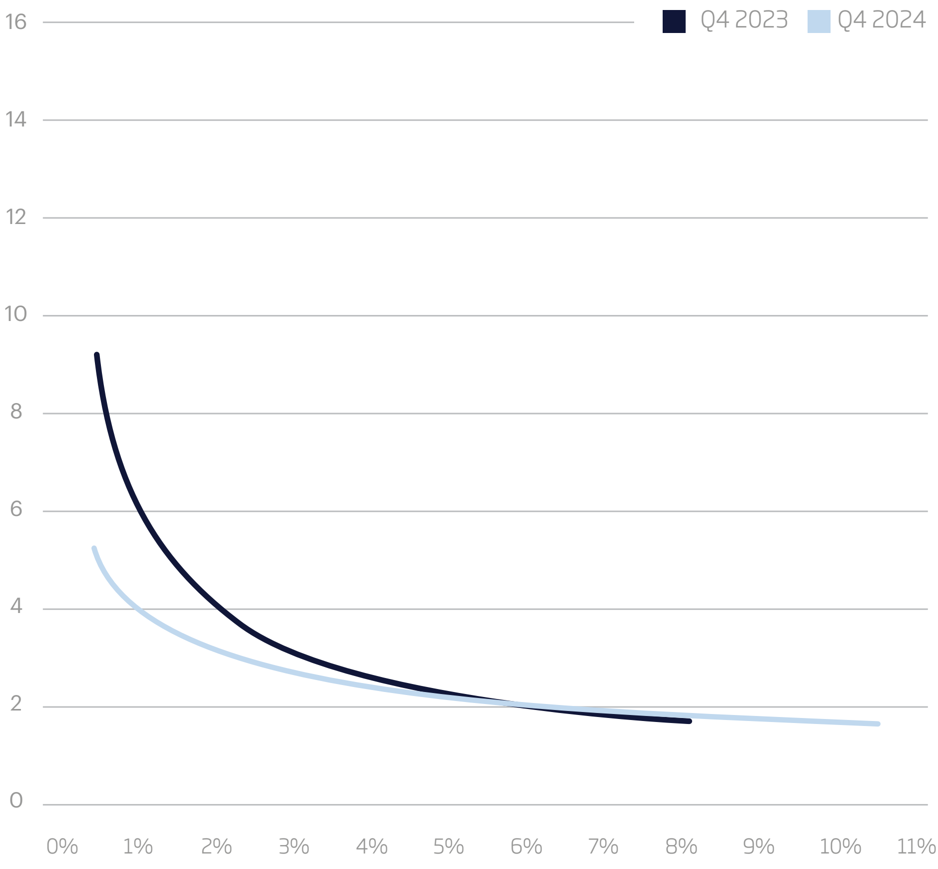
We have pricing data for $4.4 billion of Q4 2024 issuance, and of this, 67%, or $3 billion, paid a spread of between 3.01% and 7%, with $1.6 billion of the total being in the 5.01% to 7% range. Both tranches of Acorn Re 2024-1 notes paid a spread of 3.1%, the lowest on offer in the period. At the other end of the spectrum, 33% of total Q4 issuance paid a spread of more than 7%, with three tranches of notes paying investors a spread of more than 10%, including the Class C tranche of Herbie Re 2024-2 notes, which paid the highest spread of 23%. In contrast to the expected loss, the average spread of issuance has declined year-on-year from 9.2% to 7.82% in Q4 2024.



Q4 expected loss & multiple year-on-year

This chart plots the expected loss against the multiple (spread divided by expected loss) of the tranches of notes issued in Q4 2023 and Q4 2024, with the dark blue line representing the former and the lighter line the latter. Throughout both quarters, sponsors achieved strong execution on deals, but seemingly not at the expense of investors, who demanded and secured higher multiples the lower the expected loss on offer.

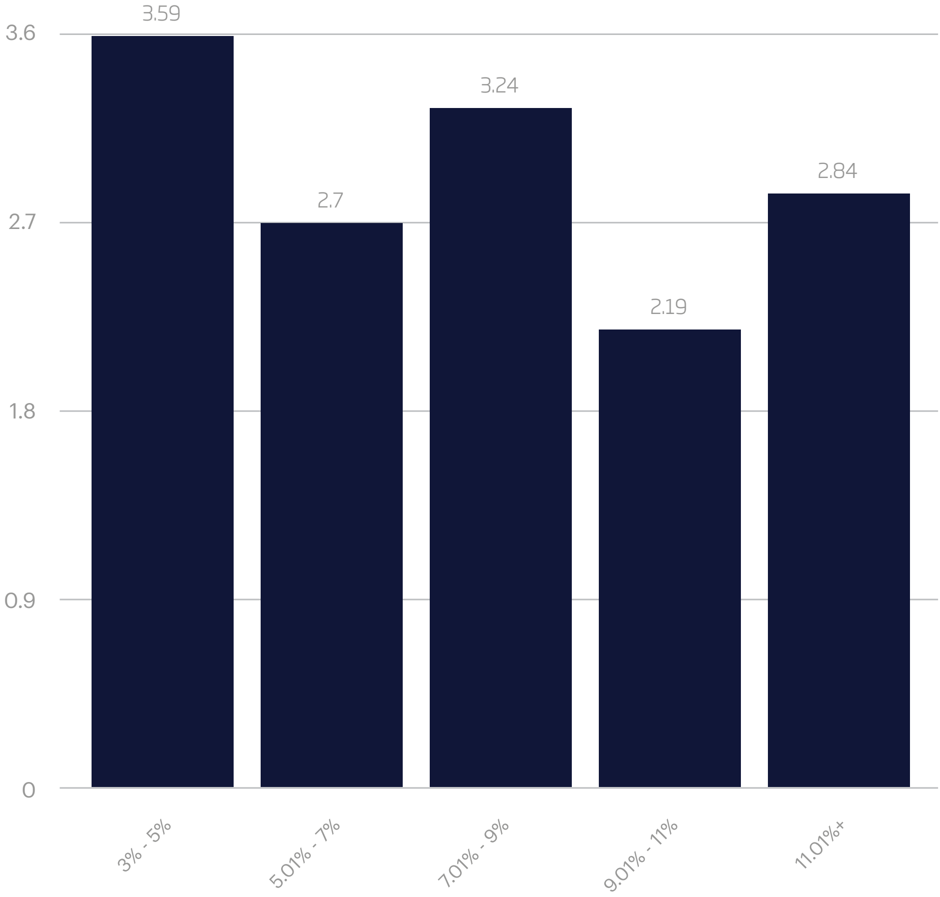
Last year, the Q4 average multiple fell to 3.68 from 4.93 and has fallen further to 2.78 in 2024, the lowest it's been since the first quarter of 2022, according to Artemis' data. This points to an even softer pricing environment from the highs of last year and throughout this year, but importantly, pricing metrics remain strong enough for investors who will be pleased the average multiple remains well-above 2.



Q4 average multiple by spread pricing

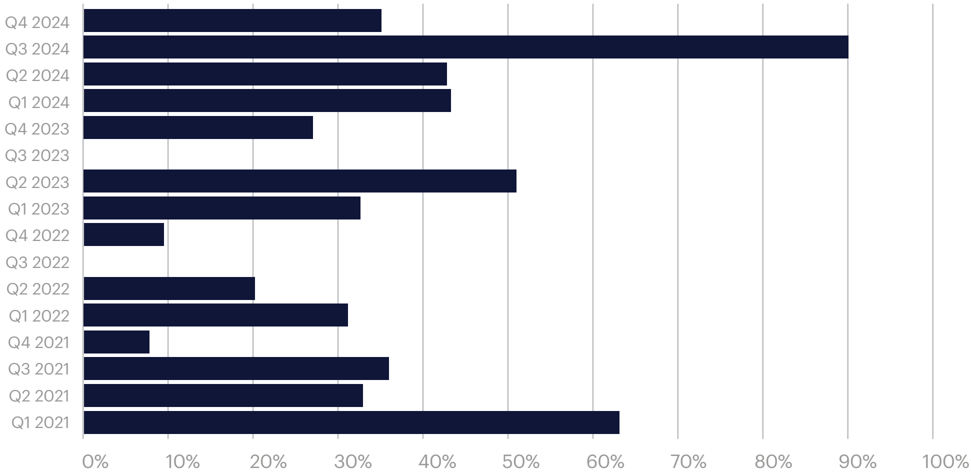
In Q4 2024, both the average spread of 7.82% and the average multiple of 2.78 have fallen from 9.2% and 3.68, respectively, in Q4 2023, which is indicative of the softening witnessed in the market over the past 18 months or so. Still, pricing is clearly still attractive to investors and beneficial for sponsors, both old and new, as strong execution was achieved on placements during the quarter. Going forwards, investors will be watching the market closely for the trajectory of pricing though.

As you can see from the chart, on average, the lower the spread, the higher the multiple, although some of the higher-priced deals went against the trend and also had fairly high multiples, suggesting investors continue to push for robust risk-adjusted returns despite market softening.

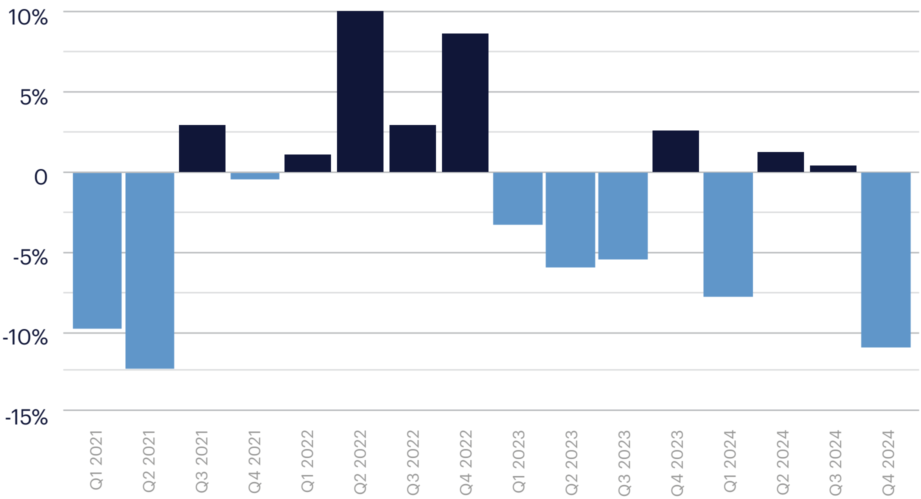


Issuance size and spread changes

Two key characteristics of this quarter's issuance are the upsizing of deals while marketing and the decline from the mid-point of initial spread guidance to the final spread. On average, across the 29 tranches of notes that we have full pricing data for, cat bond notes increased in size by 34.1% while marketing, with numerous tranches doubling in size as companies took advantage of robust appetite. This is a higher average increase than Q4 2023's 27% and is in line with the quarterly average since the start of 2020.



For the same 29 tranches of notes, all but three saw their final spread come down from the mid-point of initial guidance, resulting in an average spread change of -10.8%. This is the steepest decline since Q1 2024 and the second steepest since the start of 2020. It's quite the reversal from Q2 2024, when spreads increased by an average of 1.3%, and Q4 2023 when they increased by an average of 2.7% while marketing, but it does reflect current pricing dynamics, which are clearly attractive to sponsors.



Issued / Outstanding

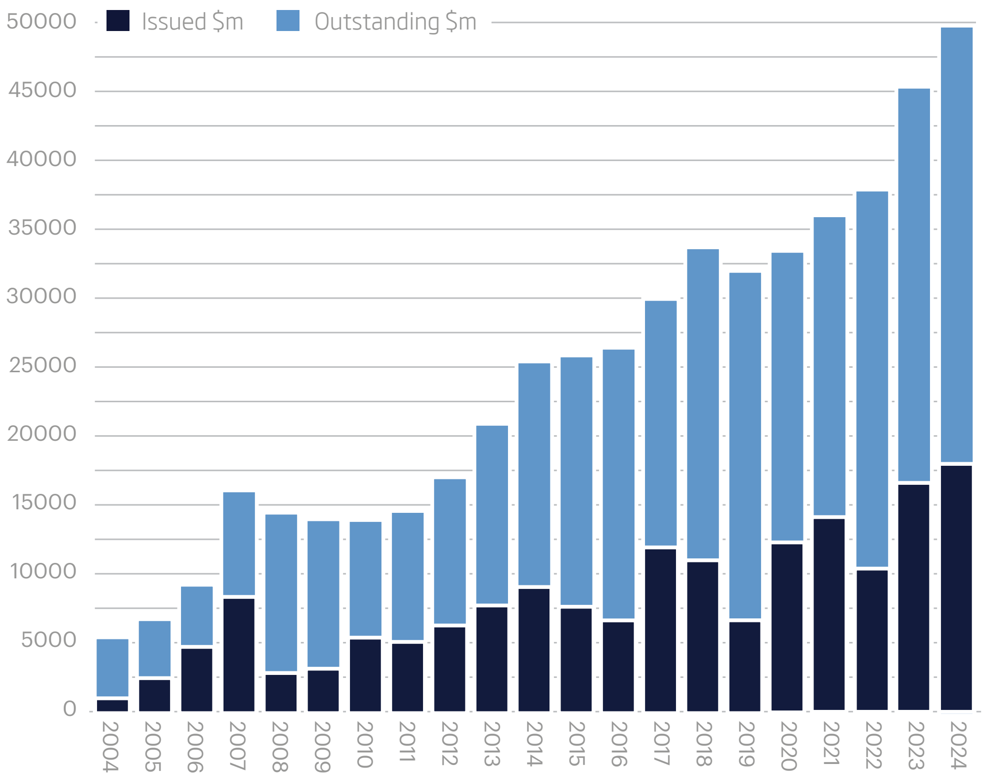
The second largest Q4 ever, in terms of deal volume, ensured that on the back of a record year for cat bond issuance in 2023 of $16.4 billion, issuance increased by 8% in 2024 to a new annual high of $17.7 billion. Over the past decade, annual issuance has fluctuated but ultimately trended higher, averaging $11.5 billion, and exceeding $10 billion in all but one year since 2017.

This year, 72%, or $12.6 billion, of total cat bond issuance occurred in the first half of the year, which is a record for the H1 period. Still, by no means was it a quiet second half, despite a muted third quarter, as H1 issuance of $5.1 billion has been beaten only once before, in 2023, when H2 issuance topped $6.1 billion.

The record level of issuance in 2024 came from 93 transactions, which is the second most witnessed in a year after 95 last year.

The high level of activity throughout 2024 has also taken the outstanding cat bond market to a new high of $49.5 billion, reflecting outright market growth of 10% from the end of 2023. On average, the size of the outstanding market has risen by around 8% each year over the past decade, with growth occurring in each year but 2019, when it contracted slightly. At the end of 2014, the outstanding market size was $25.3 billion, so it has almost doubled in 10 years.

According to Artemis' data, over $4.3 billion of issuance is scheduled to mature in the first quarter of 2025, and the 10-year average issuance for the quarter is $3.1 billion. So, it is going to take another record opening quarter to sustain market growth. Although, the Artemis Deal Directory does already show $555 million of issuance in the Q1 2025 pipeline.



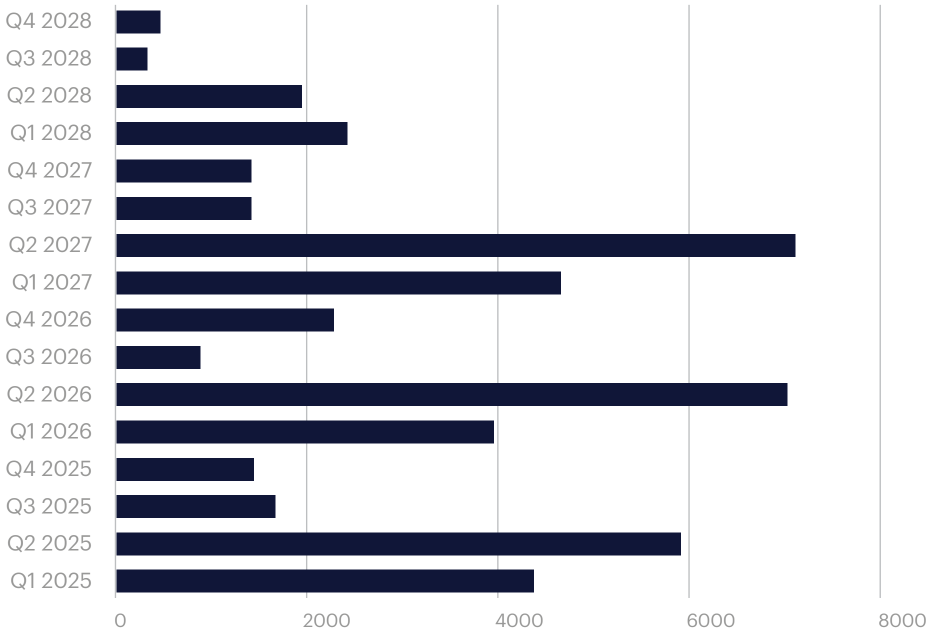
If you want to see full details of every catastrophe bond and ILS transaction included in the data in this report please visit www.artemis.bm/deal_directory/

Upcoming maturities by quarter

Based on data from the Artemis Deal Directory, the chart below plots upcoming catastrophe bonds and related ILS maturities by quarter over the next four years. It's a good way to gauge how much new issuance is needed to sustain the market's impressive growth rate.

Since the market's inception more than 25 years ago, only twice has first half issuance surpassed $10 billion, in both 2023 and 2024, but $10.2 billion of in-force volume is set to mature in the first six months of 2025. 43% of this matures in Q1, and 57% in Q2, and the data shows that it's going to take above-average issuance for both quarters to avoid any market contraction in H1 2025 from the new high of $49.5 billion.

For the second half of next year, it's a different story. Just $3.1 billion of maturities are scheduled between July and the end of December, and the 10-year average for H2 issuance is $3.5 billion, a figure that's been surpassed in three of the past five years. The market may shrink slightly between Q2 and Q3 2025, as Q3 maturities of $1.7 billion is a fair amount higher than the quarter's 10-year issuance average of $838 million. But in the final quarter, just $1.4 billion in deal volume is set to mature, against average Q4 issuance of $2.7 billion over the past 10 years, so that presents a good chance for the market to expand again.

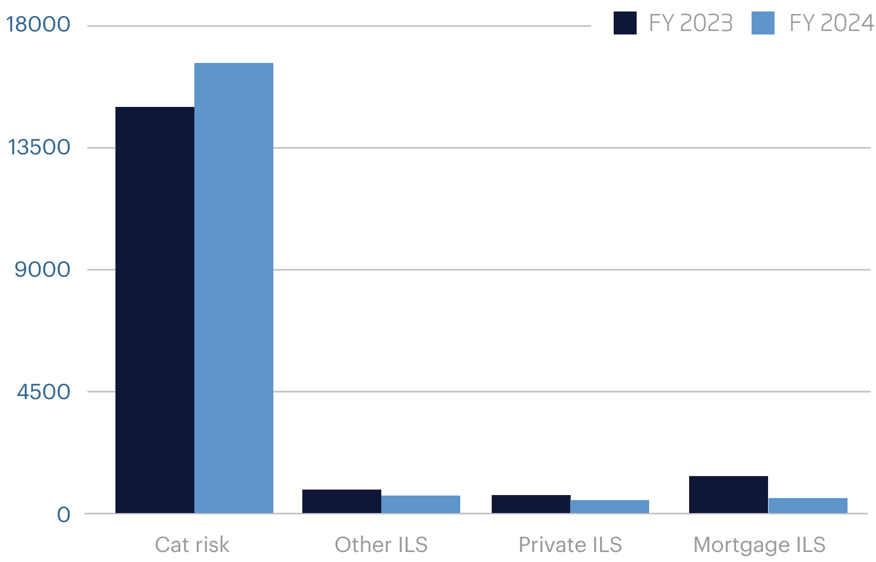


This year, new issuance outpaced maturities by around $4.5 billion, leading to robust market growth of 10%. Overall, $13.34 billion of cat bond notes are up for maturity in 2025, which, although more than the average annual issuance of $11.5 billion since 2015, has been beaten in three of the past four years and by a comfortable margin this year and last.

Full-year ILS issuance by type

Full year 2024 144A property cat bond issuance of $16.6 billion is a new annual record for these types of deals, and also a higher volume of issuance than total cat bond and related ILS in any year but 2024. 144A property cat bond issuance rose 11% year-on-year in 2024 and has now exceeded $11 billion in four of the past five years, averaging a solid $10 billion per year since 2015. So, while the market has expanded and new, non-catastrophe risks are increasingly finding their way to the market, 144A property cat bond issuance continues to rise.

This year, other 144A ILS issuance, so transactions covering non-catastrophe risks such as cyber, terrorism, and other lines fell to $675 million from $832 million, but is slightly above the 10-year average for these types of deals. Together with the aforementioned property cat bonds, total 144A cat bond and related ILS issuance hit a massive $17.2 billion in 2024, up 9% year-on-year and another record for the marketplace.



As highlighted earlier in this report, private, or cat bond lite issuance is 30% lower in 2024 than in 2023 at $456 million but remains healthy. These less costly, streamlined structures continue to be utilised regularly, covering a broadening range of perils.

The only two mortgage ILS deals to feature this year came in the third quarter, amounting to $527 million. In terms of deal volume and the number of deals, this is the least since 2017, with at least $1.1 billion of mortgage ILS issuance occurring in the years 2018 through 2023.

Private ILS issuance

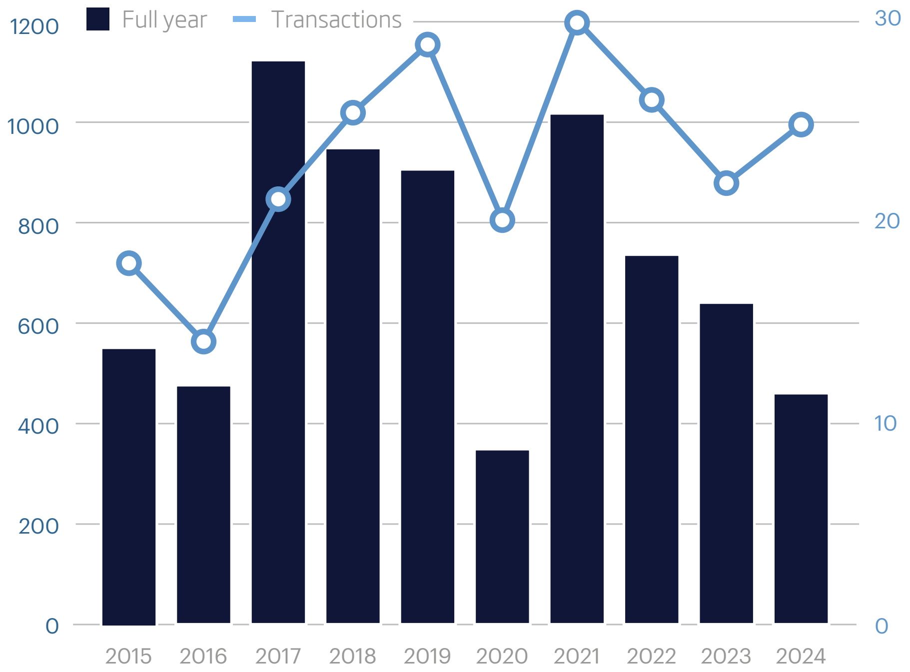
Since 2021, cat bond lite issuance has failed to exceed $1 billion and has actually declined, in terms of annual issuance, every year since then, totalling $456 million in 2024, which is 37% below the 10-year average.

However, in terms of the number of transactions, privately placed annual issuance has been above 20 since 2017, peaking at 30 in 2021 and averaging 23 transactions over the past decade. In 2024, the $456 million of private cat bond issuance came from 25 transactions, which is more than last year's 22, although their combined size was higher at $642 million.

The cat bond lites to feature this year were brought to market by some unknown sponsors but also debutant Taiping Re, and repeat sponsors Mercury Insurance and Hannover Re.

In terms of perils, the majority of 2024 cat bond lite issuance covers unknown and U.S. property catastrophe risks, but some China quake and Japanese perils also featured this year, as did California wildfire risk and some cyber exposure in the form of cloud outage, a novel transaction from large European reinsurer Hannover Re.

Privately placed cat bonds remain a useful and popular structure for the marketplace, providing cedents with a means to test the market, potentially ahead of a full 144A issuance.



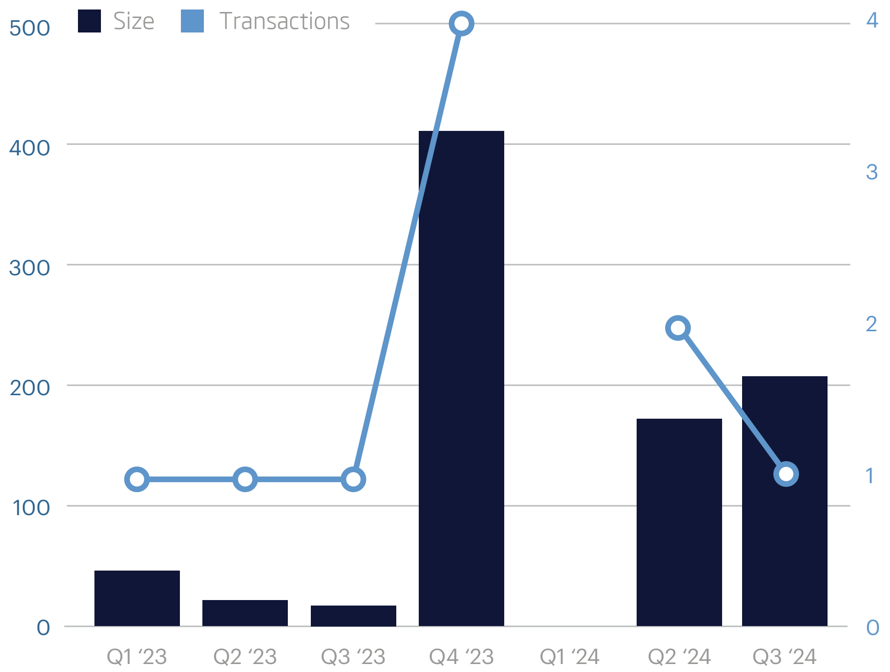
Cyber cat bond issuance

The first cyber cat bonds were brought to market early last year. Specialist insurer Beazley tested the waters with three smaller, private deals, before sponsoring, alongside re/insurers AXIS Capital, Chubb, and Swiss Re, its first full 144A cyber cat bond later in the year. Together, these seven transactions brought $497 million of cyber risk to market.

This year, just three cyber cat bonds were placed, including two more PoleStar Re transactions from Beazley, the $160 million PoleStar Re (Series 2024-2) and the largest cyber cat bond so far, the $210 million PoleStar (Series 2024-3). The other, a $13.75 million private placement from large reinsurer Hannover Re, covers cloud outage risks, an area of the cyber reinsurance market where coverage is seen as lacking.

Currently, Beazley, a prominent writer of cyber risk, is the only cedent to sponsor multiple cyber cat bonds. All in all, the London headquartered carrier has brought $492 million of cyber risk to market, accounting for 56% of total cyber cat bond issuance to date.

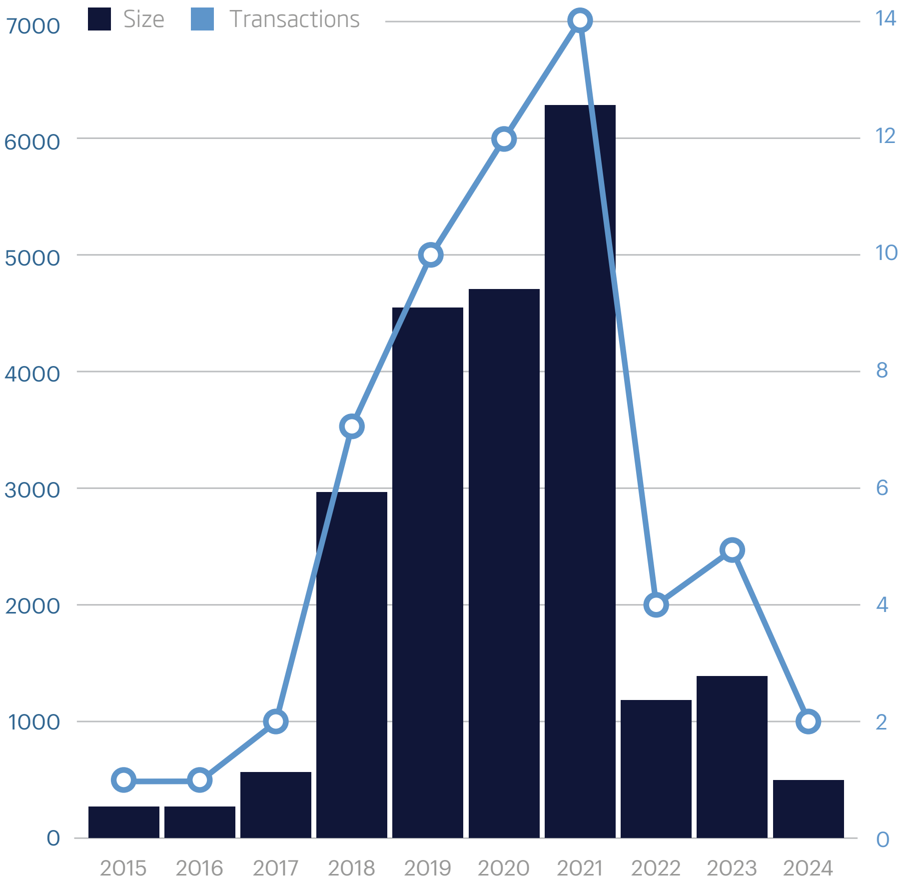
By all accounts, these cyber cat bonds have been well received by the investor community, and the fact deals have increased in size suggests the demand is there. The cyber insurance and reinsurance markets are poised to expand in the coming years, and there's an opportunity for the ILS world to play an important role.



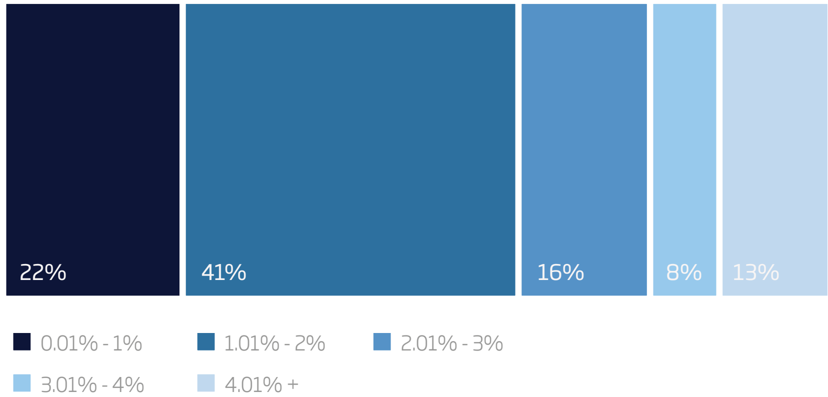
Mortgage ILS issuance

The volume has fluctuated over the years, but since the first mortgage ILS transaction in 2015 from United Guaranty (AIG), there's been at least one deal every year. The years 2019, 2020, and 2021 were the busiest years for the mortgage ILS segment, with each year seeing at least 10 transactions and at least $4.5 billion in deal volume, peaking in 2021 when 14 transactions brought $6.3 billion of mortgage risk to market.

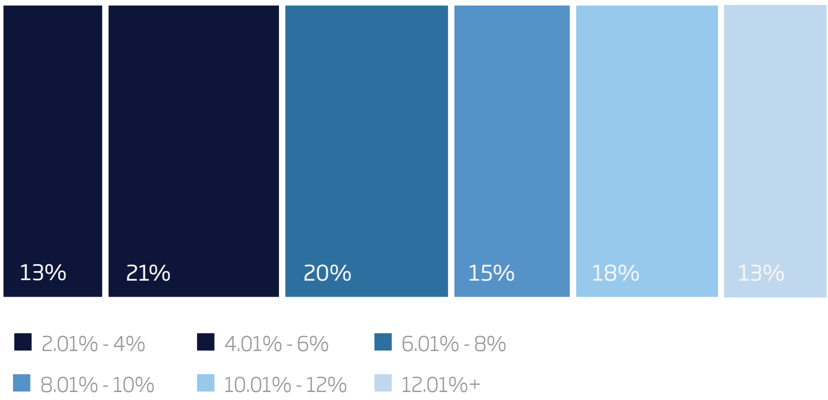
2024 has been a pretty quiet year for the mortgage ILS space, with just two deals issued in the third quarter amounting to $527 million. This is the quietest year for the sub-sector since 2017, and down on last year's $1.4 billion from five transactions.



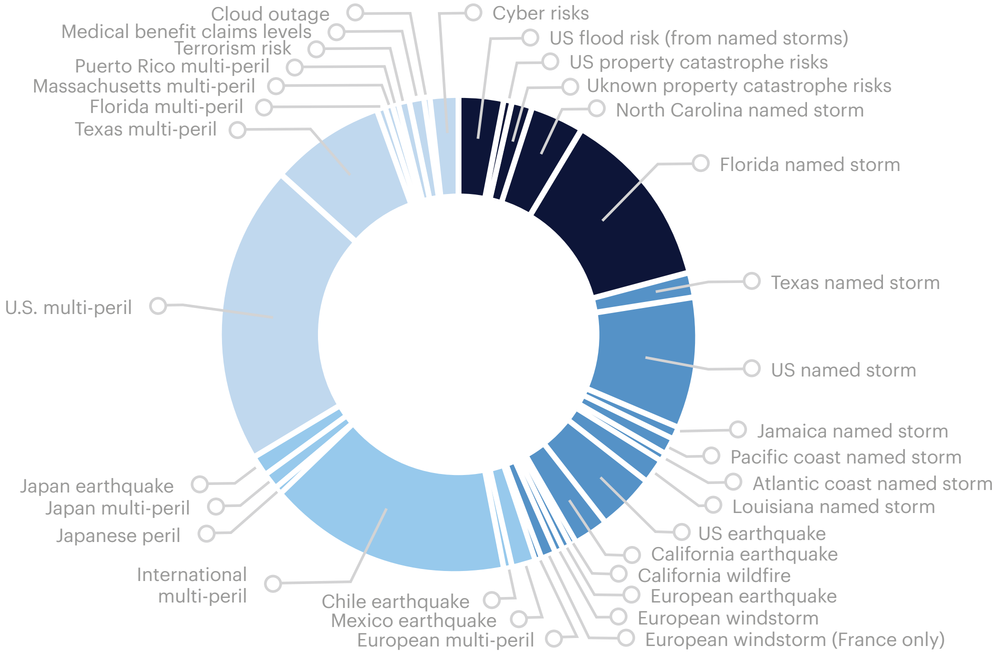
Full-year 2024 ILS issuance by expected loss



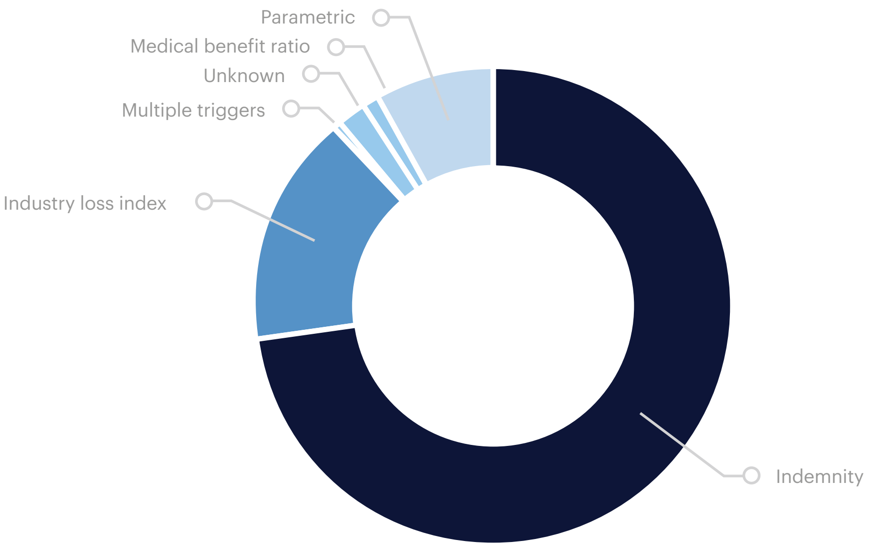
Full-year 2024 ILS issuance by coupon pricing



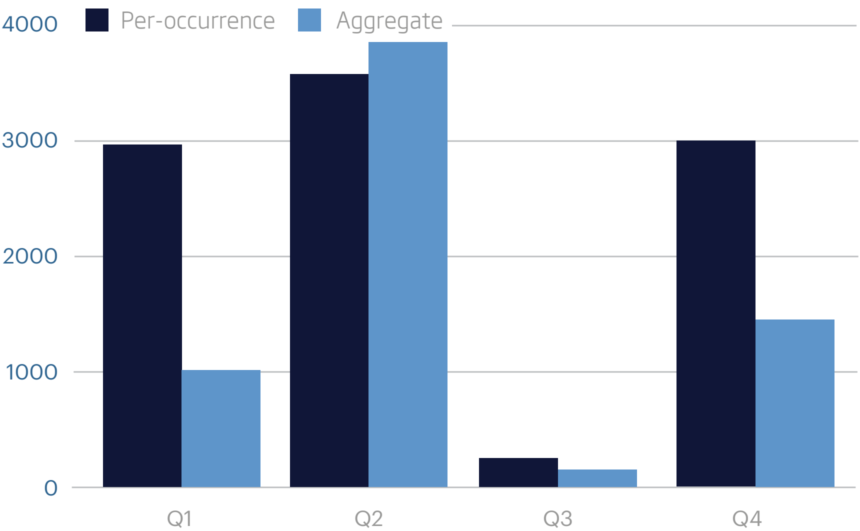
Full-year ILS issuance by peril



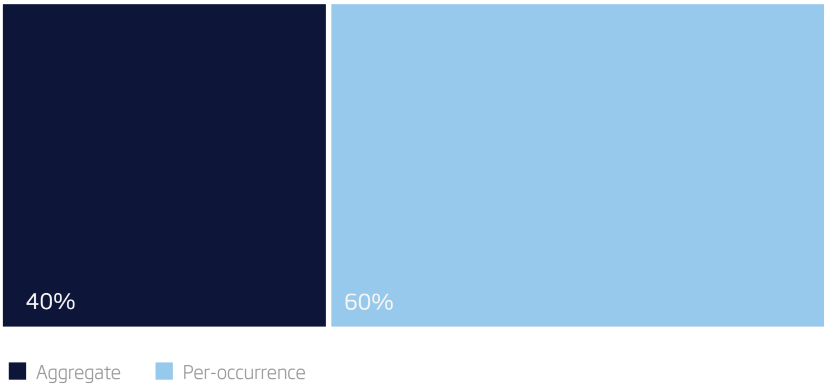
Full-year ILS issuance by trigger



2024 ILS issuance per-occurrence vs aggregate split by quarter



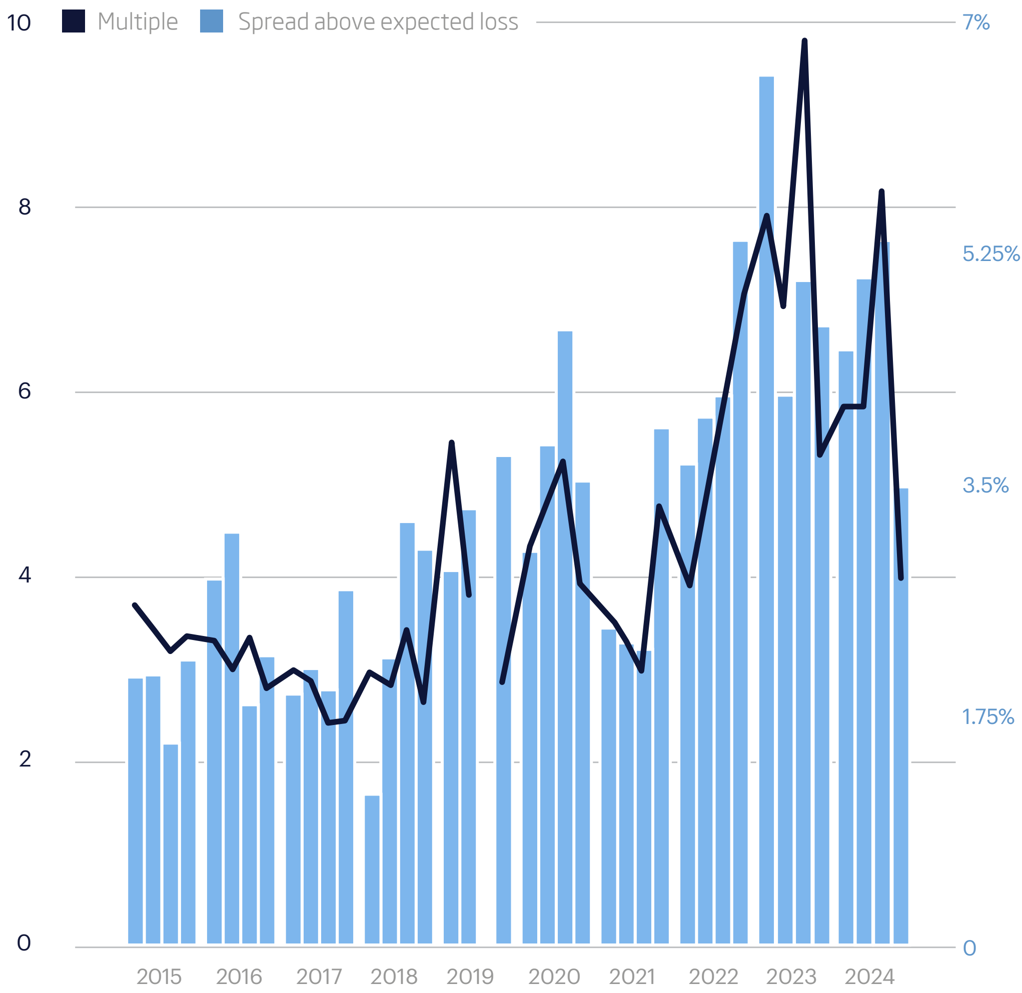
Full-year 2024 ILS issuance per-occurrence vs aggregate split



Multiple and spread above expected loss by quarter

The average multiple (spread divided by expected loss) of Q4 2024 issuance came down to 2.78 from 5.71 in Q3, 4.12 in Q2, 4.1 in Q1, and 3.68 in Q4 2023. It's the lowest average multiple in a quarter since Q1 2022 and reflects the softer pricing environment when compared with the highs of last year.

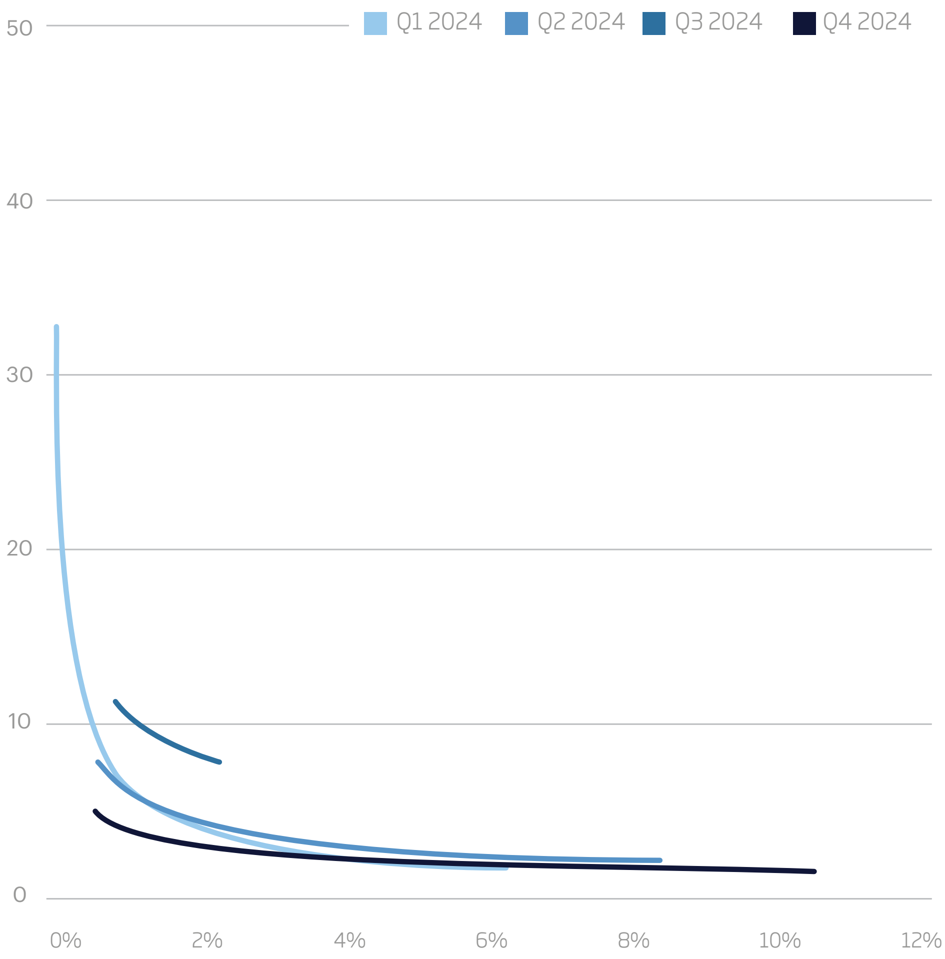
Similarly, the average spread above expected loss of issuance fell to 5.01% in Q4 2024 from 7.63% in Q3, 7.26% in Q2, 6.42% in Q1, and 6.7% in Q4 2023. It's actually the lowest average since Q3 2021 but is now the 13th consecutive quarter with an average spread above the expected loss of more than 5%.



Quarter by quarter expected loss & multiple

This chart plots the expected loss against the multiple of quarterly issuance through 2024, with the lightest blue line representing Q1, the next lightest Q2, then Q3, and the darkest line Q4. Although the reinsurance and retrocession pricing environment has clearly softened, investors consistently demanded and achieved robust pricing, generally benefiting from a higher multiple the lower the expected loss.

Reflecting this, the average multiple came down to 2.78, the lowest of the year, as the average expected loss of Q4 issuance increased to 2.81%, the highest of the year.

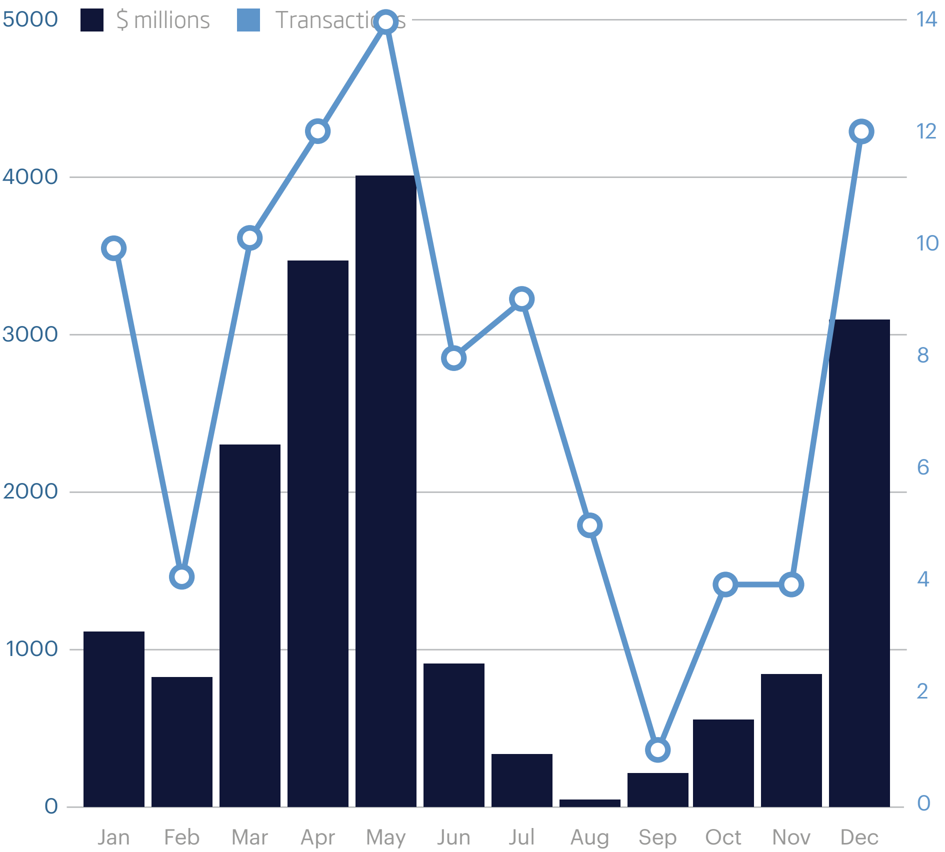


Full-year 2024 number of ILS transactions and volume issued by month

For the second year in a row, more than 90 catastrophe bond and related ILS transactions were placed in 2024, with the 93 coming close to last year's 95 deals. The majority, 58 of these, were issued in the first half of the year, with March, April, and May being particularly busy months with a combined 36 transactions and $8.4 billion of new risk capital.

H2 2024 was always going to struggle to match H1 issuance, but even after a lull in Q3, it is the second largest H2 ever at $5.1 billion from 35 transactions.

Historically, May is the busiest month of the year for new cat bonds, and in 2024, the month lived up to its reputation, setting a new monthly issuance record of a little more than $4 billion from 14 transactions. 10 or more transactions also featured in January, March, April, and December, with at least four new deals placed in all other months except September, the least active month with one deal sized at $210 million.

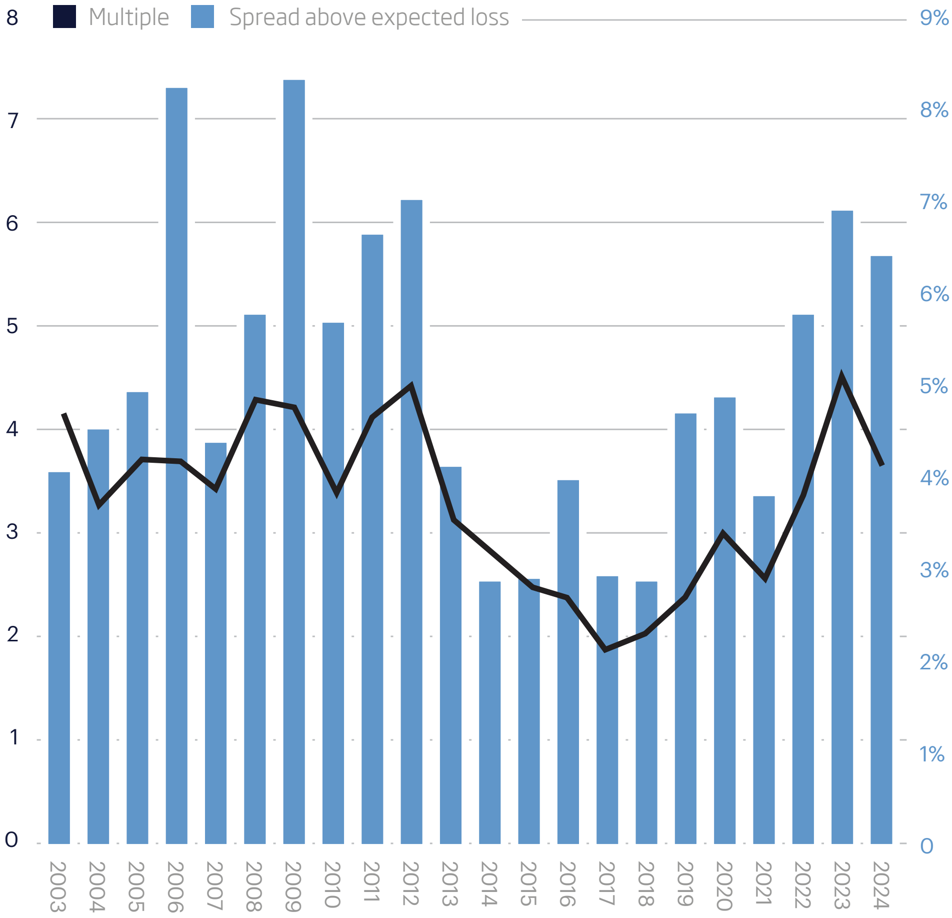


Average multiple and spread above expected loss by year

Across all tranches of notes we have full pricing data for, the average multiple of 2024 cat bond issuance is 3.71, which, although lower than last year's 4.54, the highest average multiple since 2002, is higher than any year between 2013 and 2022.

Last year, the multiple paid peaked following the influence of Hurricane Ian in 2022 and the elevated cat experience in the following years on reinsurance and retrocession rates. But while multiples have trended lower in 2024, there is stability in the market, and deals are clearly getting over the line.

The average annual spread above expected loss hasn't been above 6% many times since the first deals in 1997 but remained at 6.44% in 2024 after increasing to 6.94% in 2023, the highest average spread above expected loss since 2009.



All catastrophe bond and ILS issuance data sourced from the Artemis Deal Directory.

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