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# STEPS 1/25

## SI Re uses market recovery for profitable growth

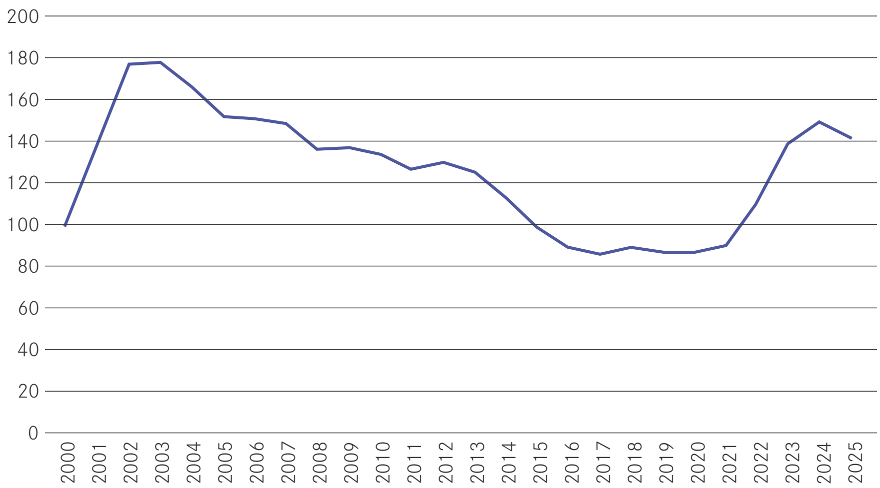
The Guy Carpenter Reinsurance European Property Catastrophe Rate on Line Index showed a 5.3 % fall relative to the previous year for the January 2025 renewals. Dedicated reinsurance capital rose to a new record level of USD 607 billion in 2024 due to good underwriting and investment results.[1] Both traditional and alternative reinsurance capital increased to the same extent.

The macroeconomic and geopolitical environment remained challenging in 2024. Growth stagnated in Europe while geopolitical tensions continued to rise. France and Germany had domestic political crises to contend with. On the contrary, falling inflation was a source of relief as it approached the 2 % target rate. The capital markets also performed well.

2024 was the warmest year since records began in 1850. Insured natural catastrophes triggered global losses totalling USD 154 billion. That is 27 % above the decadal average (2014–2023) of USD 121 billion.[2] In Europe, 57 % of insured losses stemmed from non-peak perils – including flooding, forest fires, hail and severe convective storms. These are increasingly occurring in regions with next to no previous history of such catastrophes.[3]

The market disciplining process, which started with the dislocation of the retrocession markets in 2022, continued and extended to the original markets in 2024. Falling inflation enabled insurers to finally push through risk-adequate rates among their clients and thus create sustainable conditions along the value chain. The markets' improved resilience means they can absorb high losses more effectively and recover faster. Meanwhile investor confidence recovered. The strong performance of the retrocession and ILS market in 2024

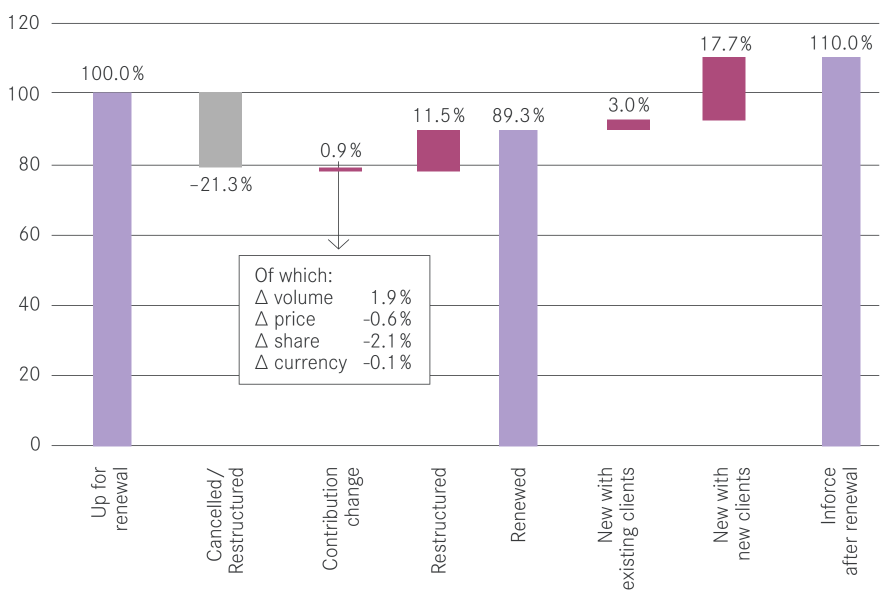
EUROPEAN PROPERTY CATASTROPHE RATE ON LINE INDEX
2000–January 2025




Source: Guy Carpenter

1 Guy Carpenter, Renewal Resource Center, January 1, 2025 Reinsurance Renewals
2 Gallagher Re, Natural Catastrophe and Climate Report: 2024, January 2025
3 Ibid

RENEWAL OF TOTAL BUSINESS AS AT 1.1.2025 (IN %)




grown in importance. This focus of the reinsurance book in alignment with the simultaneous expansion of operations in the ILS business, positions SI Re as a robust, flexible and forward-looking reinsurance company. We expanded geographically in the United Kingdom and deepened our client relationships in Germany, France and Central and Eastern Europe.

In the renewal 2025 we sharpened our position in the market and were again able to further diversify our book of business geographically and with risks from lines apart from Nat Cat.

also led to perceptible growth in retrocession capacity.

### Further diversification

SI Re used the stable market environment to expand its book of business and positioned itself for future growth. In addition to external factors, the upgrade by Fitch of the financial strength rating of SI Re to «A» with a stable outlook had a positive impact. This opened access to further clients and business opportunities.

Our book grew by about 10% to EUR 226.3 million during the renewals. Moreover, a significant share of the existing business was restructured. The growth mainly came from new business with new clients, who increased by over 8% as in the previous year. This growth in the non-group segment caused a reduction in the share of Group business to 21% – a clear indication of how successfully SI Re built up its external business and drove its own diversification during prior years.

This means SI Re can support the Group even more efficiently and make a material contribution to diversified and profitable growth at group level. The targeted restructuring of the book in specific markets, its optimised composition and significant new business at adequate conditions with existing and new clients again improved the quality of the book of business. The share of non-proportional business was increased by 3 percentage points. Consequently, SI Re gains greater control, strategically moving away from frequency. This enables the company to steer the book of business and its exposure with greater precision and a more targeted focus.

With this, we reduced our exposure towards risks, which had displayed high volatility in prior years. The share of property business in our book decreased by a notable 6%, mainly due to stronger growth in other lines and the abovementioned shift from proportional to non-proportional business.

In natural catastrophe (Nat Cat) business, SI Re maintained its focus in these renewals on remote layers with a low probability of occurrence to keep the frequency exposure at a low level. Given the shifts in the property segment the long-tail business has

# 20 years at SI Re – a look back over two decades of reinsurance history

SI Re has surmounted a succession of crises over the past two decades, which have made a lasting impact on the insurance markets. Looking back, we see that the biggest challenges to our sector and also to us stemmed from turbulence on the financial and capital markets and not so much from insured events. The insurance business experienced extended soft phases followed by shorter hard spells. On the financial markets, by contrast, we experienced severe crises, which brought lasting change to our industry. Our company did not emerge from these challenges unscathed. However, disciplined underwriting and risk management as well as forward-looking governance enabled us to manage major asset and insurance portfolio fluctuations successfully.


Bertrand R. Wollner, CEO from 2005 to April 2025

## When it all began in 2005

Against the backdrop of financial market turbulence following the bursting of the dot-com bubble in 2001 plus the hard market cycle, which set in after the 11 September 2001 attacks, our mission was to set up a reinsurer that would stand out through reliability and sustainable results and act independently of short-term capital market vagaries as the subsidiary of a mutual insurer. We accordingly focused mainly on sectors with lower volatility than short-term property business. This allowed us to avoid accumulation risks to a large extent during the initial phase.

## The «global» 2007–2008 financial crisis

The financial market turbulence, initially known as the subprime crisis, qualifies as one of the most serious shocks in modern financial history. The overheating of the US real estate markets, excessive risk appetite of financial institutions as well as the overly optimistic evaluations of mortgage-backed securities by rating agencies, exacerbated by the aggressive securitisation and restructuring of mortgage loans, triggered unprecedented financial market upheaval. This led to bank failures and a global recession, which prompted governments and central banks to adopt an expansionary monetary policy. This comprised a major expansion of the money supply and a low interest phase, which lasted de facto until 2022.

The crisis revealed profound systemic vulnerabilities in the insurance sector. Leading companies, such as AIG and Swiss Re, which held credit default swaps (CDS), incurred major losses.

AIG had to turn to the state for support, while Swiss Re also sustained substantial losses before finally regaining stability by virtue of a financial injection from investment conglomerate Berkshire Hathaway. Insurers and reinsurers responded by tightening underwriting guidelines, building up capital buffers and reviewing their investment strategies.

Our company was still young at the time and only marginally impacted by the crisis. The subprime crisis also spread to other securities classes and caused investment writedowns – which also affected our solvency over the short term. The rescue packages from the central banks enabled market values in our bond portfolio to recover gradually and return to their original level.

## The 2009–2015 euro area crisis: high government debt increases the risk appetite

The euro area crisis was an offshoot of the financial crisis. Several EU countries including Greece, Portugal, Ireland, Italy and Spain suffered under an enormous debt burden and warned that they would no longer be able to meet their loan payments. The EU, ECB and IMF prepared rescue packages attached to strict saving measures. This led to economic stagnation, social unrest and high financial instability in those countries.

The euro area crisis had major consequences for the financial and insurance sector, especially for companies with large European government bond holdings. Fortis, a big financial group from Benelux, experienced liquidity issues resulting in partial state ownership and the sale of its banking operations. Franco-Belgian bank Dexia also had to be bailed out by the state, which brought Belgian insurer Ethias into difficulty forcing it to turn to the Belgian government for a capital injection.

These events caused us to reposition our investment strategy. In response to the risks arising from the government debt, we incrementally transferred most of our investment portfolio to corporate bonds from the financial and industrial sector and accepted the associated higher credit risk.

The low interest rate environment that began in 2007 and lasted until 2021 obliged insurers to focus on the insurance business. However, the market failed to harden as quantitative easing flooded the industry with cheap capital preventing any tightening of insurance or reinsurance capacity.

## Entry into Insurance-Linked Securities (ILS) 2010 – our second pillar

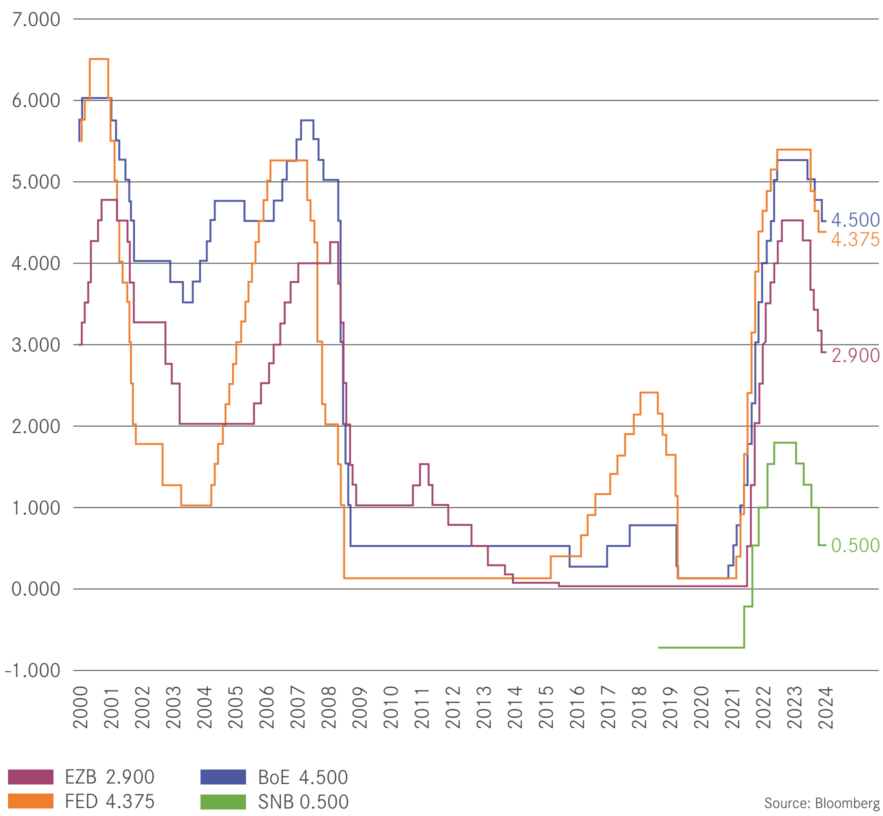
In traditional reinsurance, our strategy was focused on Europe from the outset. We complemented and diversified this deliberate restriction in our business scope from April 2010 with a comprehensive strategy of underwriting Insurance-Linked Securities – a major milestone in the further strategic development of our company.

The collapse of Lehman Brothers in September 2008 prompted a rethink in the ILS business, leading to the almost complete removal of credit and investment risks from the instruments. The new ILS issues allowed investors to assume explicit insurance risks. This development paved the way for us to enter the convergence market.

Today, the management of the ILS portfolio is conducted as a separate business unit under the name "SI Re ILS Markets" and forms the second pillar in the underwriting area alongside reinsurance.

Alongside the development of the ILS business, we have also expanded our

YIELD CURVE DIAGRAM BLOOMBERG




Source: Bloomberg

offering of cat capacity in the traditional reinsurance business within the framework of broad customer relationships – a step that is explicitly welcomed by our customers. We evaluate the exposures from reinsurance and the ILS business holistically and consistently. This approach allows us to achieve a high level of diversification and actively manage accumulation risks.

## The COVID-19 pandemic: a global shock

The pandemic that originated in China in 2019 caused massive economic disruption, overloaded health systems, led to extensive reductions in freedom of movement, interrupted supply chains and collapsed the global economy. This necessitated unprecedented state support measures.

The crisis triggered major uncertainty in the insurance sector. Many policies provided business interruption cover, but no-one had allowed for the state ordering the temporary closure of entire industries. This led to claims due to imprecise cover definitions in the policies. The pandemic also exacerbated market volatility and weighed on insurers' investment portfolios. On the plus side, motor losses were down as people were less mobile, and the digital transformation was accelerated.

Stimulus measures by central banks extended de facto the low interest rate environment. The interrupted supply chains made producer and commodity prices go up and weighed increasingly on profitability in exposed insurance areas. However, this effect failed to filter through to the consumer index and was factored into forecasts much too late despite economists' warnings.

The pent-up consumption made inflation soar to a level not seen for decades. The central banks, initially hesitant to respond, intervened with drastic interest rate hikes in 2022. This led in the same year to a situation that the insurance sector had not encountered since the financial crisis: its risk-bearing capacity contracted. According to Howden, risk capital fell by more than USD 50 billion to about USD 350 billion and solvency decreased from 130 % to below 100 %. Furthermore, the retrocession market dislocation accentuated massively, meaning the retrocession market disengaged from the reinsurance market and provided only limited capital to reinsurers – a development we had already warned about years earlier.

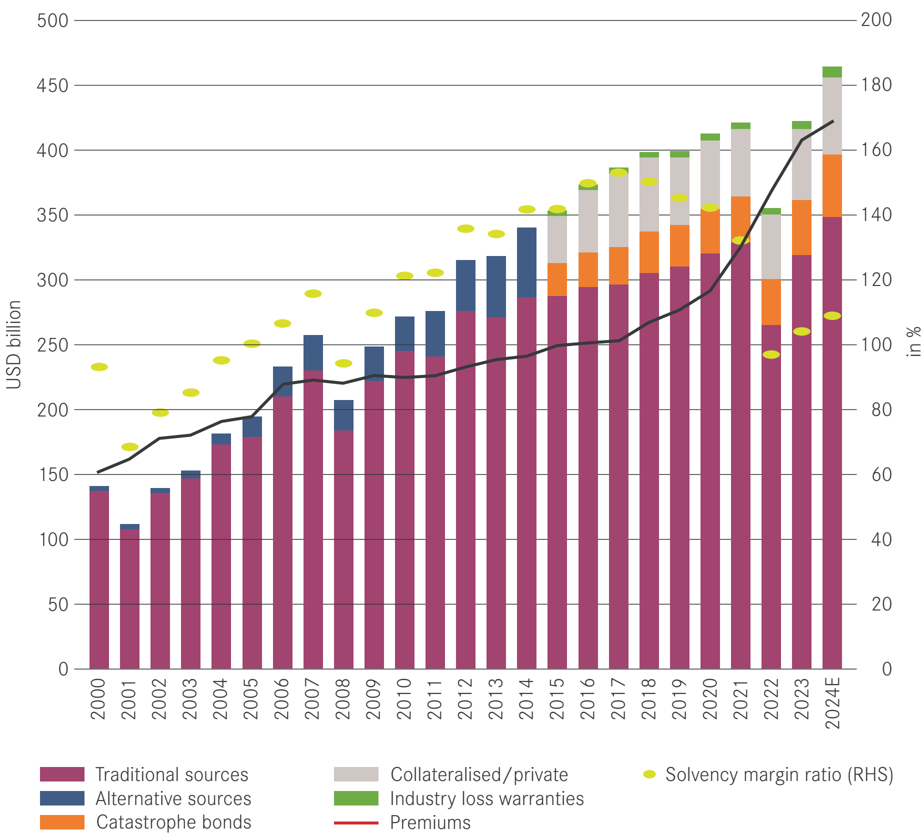
We were not spared from the effects of this development. The Group strengthened our equity base to keep our solvency ratio above the 200 % threshold. Nevertheless, market values soon recovered. Inflation also led to higher sums insured and strong demand for reinsurance. Our strengthened capital cover placed us in an optimal position for the pending hard market cycle.

## Climate change & post-COVID: the next challenge for insurers

Natural catastrophe claims have risen consistently over the past 20 years. However, this trend accelerated in the years after COVID-19 leading especially to much higher frequency claims from secondary perils, which are hard to predict and model. There was also an accumulation of these losses in Europe, especially from hail and flooding during the summer. This affected us as we had greatly expanded our property insurance business.

This combination of more frequent extreme weather events and rapidly rising inflation led to an abrupt con-

DEDICATED REINSURANCE CAPITAL AND GLOBAL GROSS REINSURANCE PREMIUMS (ALL LINES) 2000 TO 2024E




Source: Howden, Past the Pricing Peak, 2025 traction in the reinsurance market and a paradigm shift in the industry. Contract conditions, retentions and prices tightened massively and programmes were comprehensively restructured.

We used the massive market hardening to strengthen our profitability, build up our premium volume and to expand and diversify our portfolio.

Due to reduced reinsurance capacity and higher retentions this trend affected the primary insurance market. As a result, they raised prices for their customers and enforced improved risk management at the same time.

## From the laissez-faire approach of the '90s to tighter regulation after the crises

Each one of these crises induced tighter regulation, which brought lasting change to the financial and insurance sectors. The founding of FINMA in 2009, the introduction of Basel III in 2010 to stabilise the banking sector and the implementation of the Swiss Solvency Test (SST) in 2011 and of Solvency II in 2016 in the European Union led to much more stringent compliance requirements.

The UBS (2008) and Credit Suisse (2023) bailouts further increased regulatory controls in the financial sector. We strengthened our compliance and risk management structures proactively to ensure transparency and financial resilience.

## SI Re today: a resilient reinsurer prepared for the future

Looking back, we stayed true to our goals over the past 20 years and established a reinsurer, which despite or possibly because of its size measures up well against its peers. We wanted to create a partner for our cedants, which excels through reliability, low volatility and a finely balanced risk / return profile. We succeeded in doing that, as shown again this year through the sustained growth in our client base.

The company has grown organically over the past decades with a clear corporate structure, a prudent management team and a focus on sustained profitability. The ongoing five-year digital transformation plan including the conversion to a cloud platform is further increasing efficiency, market flexibility and productivity.

Through our sustainable growth, disciplined underwriting and risk management as well as consistent investment in our team and expertise, Fitch Ratings rated SI Re as «Core» within the Group and upgraded our financial strength rating by one grade to 'A'.

Having spent more than 20 years at the helm of SI Re, I look back on this moving and successful journey with deep gratitude. I would like to extend my sincere thanks to our parent company SIGNAL IDUNA, our Board and our long-standing Chairman of the Board of Directors and founder Dr. Klaus Sticker for his far-sightedness and support. I also thank our valued clients, brokers, partners and my outstanding team – without whose confidence, support and engagement this success would not have been possible.

It was an immense pleasure and honour for me to lead this company and play a key role in its development. I look back with pride on what we have achieved. Now I look forward to following SI Re's future progress along its growth path.

# Interview with Dr. Arnold Löw, designated CEO of SI Re

Dr. Arnold Löw will take over as CEO of SIGNAL IDUNA Reinsurance AG (SI Re) on 1 May 2025. In this interview, he outlines his vision of driving SI Re's strategic development with the SI Re team, as well as further improving client proximity and agile solutions.

Dr. Arnold Löw, designated CEO as of 1 May 2025

What motivates you to take on the leadership of SI Re?

My main motivation is the unique opportunity to work with a highly qualified team directly and without frictional losses on designing and continuously developing client-oriented reinsurance solutions. This opportunity to have that direct input is often heavily constrained in big companies because of their complexity as well as their rigid hierarchies and functional structures – changes are tiresome and take a long time to implement. A small, agile reinsurer like SI Re, on the other hand, can align the value chain more efficiently and pragmatically with its clients' needs. Time, energy and focus thus feed directly into client-related work. That creates the basis for customised solutions and facilitates close, targeted cooperation with clients. It is precisely these creative opportunities, client focus and direct involvement in operational processes that particularly attract me to the role of CEO at SI Re.

Balancing underwriting accuracy, market conditions and client needs has always fascinated me. I look forward to bringing this experience to SI Re – to build on existing value creation together with our clients and to develop solutions with lasting benefits. I don't focus solely on systems and processes, it's actually the people who matter most. I would like to create an environment in which every SI Re team member can achieve their full potential, as clear development prospects are the way to keep ambitious employees interested and promote their development over the long term.

Another motivational factor is the cultural fit with SI Re, which is defined by quality awareness, professionalism, reliability and the human touch. I do not just want to preserve these values as CEO but to develop them in a targeted way.

What are the strengths of SI Re?

I see SI Re as a highly precise clockwork instrument. The impressive results and developments of the past 20 years illustrate that. The outstanding quality of the employees, strong capital base and strategic connection to SIGNAL IDUNA Group – factors which Fitch just recently acknowledged with its rating upgrade to «A» are fundamental to that. SI Re is a reliable partner with its focused strategy and deep roots in the European core segment of mutual insurance companies. Furthermore, the high level of competence in dealing with natural catastrophes through ILS is another differentiating factor in the market.

### What do you see as your most pressing tasks?

SI Re is in excellent shape. My primary aim is to continue and sustainably strengthen the successful course we have embarked upon, focusing on sustained, strategic development to position SI Re as a successful and future-proof company over the long term. That especially requires consistent evolution rather than a fundamental realignment – the ongoing refinement of the strategy and operating model remains key to meeting the dynamic challenges of the changing risk landscape.

Coming in from the outside, my focus in the first days and weeks will certainly be on quickly understanding the SI Re system in all its internal and external dimensions. Although I know the reinsurance market well with over 20 years' experience, I still need to get to know SI Re from the inside and gain deeper insights into the strategy, structure, culture and, first and foremost, the people who shape the company.

Core issues like client benefit, underwriting quality, steering the book of business, technology and employee development are what interest me most in this regard. I particularly value direct exchange with clients to acquire an in-depth understanding of their challenges and how they see the role of SI Re. I especially want to make the most of the unique opportunity provided by the first visits, before the conference season and renewals start in the second half of the year.

### Rising natural catastrophe losses are increasing the pressure on reinsurance. What role will SI Re assume in this environment?

It's true that natural catastrophes are increasing in size and frequency, while the industry's forecasting capacity is not keeping up, especially for secondary perils. SI Re is not a large capacity provider because of its size. Instead it acts as a smart centre of competence through its ILS strategy. This enables targeted investments in natural hazard risks to balance the traditional reinsurance book with precision.

### How important is technology for the future of reinsurance in your opinion?

The reinsurance sector is undergoing an incremental technological transformation whereby technologies like IoT, Blockchain and AI offer major potential to increase efficiency and improve quality in risk analysis and underwriting.

Smaller companies like SI Re can benefit through access to vendor solutions, which allow them to make up ground on the big players in terms of technology and can significantly improve access to complementary risk-relevant data. At the same time ensuring data quality remains a crucial challenge, which is still taking up considerable resources.

### What would you like to pass on to SI Re's employees, partners and clients?

The words of Erich Kästner «Nothing good happens unless you do it» are the guiding principle behind my actions. I will always back pragmatic solutions conducive to shared progress. SI Re's valued client orientation remains fundamental and will be developed further – supported by first-class industry talent, which we acquire, cultivate and bring to its full potential in line with our requirements. The aim is to continue positioning SI Re as a reliable and agile partner, which stands out from the competition through its inherent quality and personal interaction.

### What do you find fascinating about reinsurance?

My enthusiasm for the insurance business began as a student and is based on three factors, which remain unchanged to the present day:

– Insurance is an essential economic catalyst. Many business operations would simply not exist were it not for insurance. From its early beginnings in Genoa and then Lloyd's to the latest manifestations of our industry, insurance is demonstrably the basis underpinning economic activity and innovation – an invisible but indispensable economic driver. Henry Ford made reference to that – he was convinced that he would not have been able to build up his company without insurance.

– The industry's purpose is clear and convincing. Insurance makes a fundamental contribution to managing major challenges, whether from natural catastrophes, infrastructure projects or demographic change. That is a daily source of motivation to me.

– The variety of disciplines and perspectives in our sector is unique. Every social and economic activity needs insurance. That's why it brings together experts from the most diverse areas. This interdisciplinary collaboration is a daily inspiration.

Finally, I would like to stress; as a reinsurer we bear a particular responsibility to analyse risks in detail and assume those risks sustainably – that is the challenge that makes our industry so unbelievably exciting and inspiring for me.

# SI Re strengthens its management team and expertise for the future

Dr. Robert Salzmann, Executive Board Member and CUO

## Expansion of SI Re's Executive Board

Besides the appointment of Dr. Arnold Löw as the new CEO SI Re has appointed Dr. Robert Salzmann as Chief Underwriting Officer (CUO) and Executive Board Member. Through this decision, underwriting management remains firmly embedded at Executive Board level and closely associated with SI Re's strategic direction.

Dr. Robert Salzmann was appointed to the Executive Board and nominated CUO in January 2025. Dr. Salzmann has held a number of key positions since joining SI Re as an actuary in 2014, including managing Pricing & ILS Analytics as well as ILS Markets & Retrocession. He has been in charge of the Underwriting function since 2023. His many years of experience combined with extensive expertise in risk management and quantitative analysis strengthens the technical competence of the top management and promotes innovation, transformation and thought leadership in reinsurance. Dr. Salzmann holds a Master's in applied mathematics and a doctorate from the Swiss Federal Institute of Technology Zurich (ETHZ). In March 2025, Dr. Salzmann completed his Executive MBA specialising in digital transformation at the University of Zurich. He is also an SAA-accredited actuary and Certified Extreme Event Modeler™.

## Strengthening the core areas for sustainable growth

In autumn 2024, headcount was increased in the core areas of Underwriting and Risk Management. That is a clear commitment by the company to strengthening its market position in a dynamic environment. By recruiting these extra staff, SI Re is focusing resolutely on client orientation and expert knowledge to meet the challenges of the market sustainably and successfully.

Jasmin Bonser, Underwriting Operations & Claims

Simon Müller, Pricing Actuary

On 1 September 2024, Jasmin Bonser assumed the new position created in Underwriting Operations & Claims. With her 20 years of experience in reinsurance, particularly in managing clients from the Asia-Pacific (APAC), Nordics and Netherlands regions, she brings valuable market knowledge and expertise in underwriting and claims management. She previously worked as a client manager at Peak Re, managed Peak Re's licensing process in Switzerland with FINMA and assumed the role of Board Secretary. Her new role emphasises SI Re's commitment to first-class operating processes and the highest client satisfaction. With her many years of experience in project management and working with ERP systems, Ms Bonser can strengthen Underwriting in a targeted way and especially drive digitalisation as well as business process automation.

Simon Müller has been strengthening SI Re as a pricing actuary since 1 October 2024. With a strong academic background and technical expertise in modelling natural catastrophe risks, he brings valuable analytical skills to the ongoing development of actuarial models.

He was responsible for aggregating natural catastrophe risks and performing customised analyses for the natural catastrophe portfolio at PartnerRe. His MSc in mathematics from the Swiss Federal Institute of Technology (ETH Zurich) and qualification as a prospective SAA-accredited actuary underline his competence in pricing and risk assessment. He applies his know-how to support SI Re strengthing the technical basis for sound decision-making processes.

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