

Heavy U.S. losses drive a costly quarter

The insurance market experienced a costly first 2025 quarter, with more than USD 50 billion total insured losses, far above the 10-year average and significantly higher than USD 20 billion of 2024. The loss almost exclusively came from the US, and more precisely from the Los Angeles wildfires in January, accounting for USD 35-40 billion dollars. Additionally, this year's severe convective storm season in the US resulted another USD 10 billion in losses. No other major individual events have occurred since the end of the first quarter.

Breakdown of insured loss by peril and by region



Source: AON Catastrophe Insight 2025, Gallagher Re, data as of the end of Q1 2025. "Others" includes Winter Weather, European Windstorm, Tropical Cyclone, Earthquake, Flooding, Drought and other perils

Convective storms on the rise

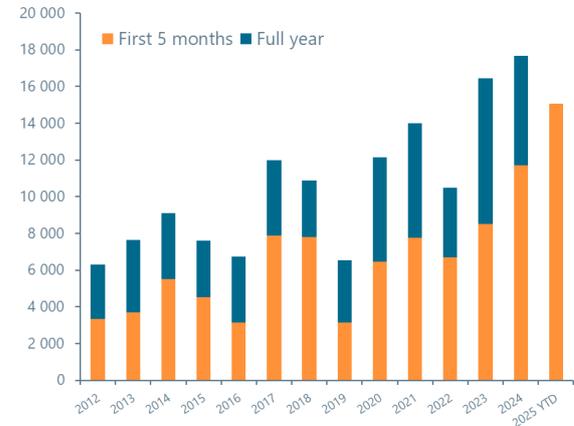
When focusing on convective storms and examining the 2025 year-to-date figures, it appears that what began as a relatively normal start of the season until mid-March has developed into a highly active one. Indeed, the total number of tornadoes recorded has risen sharply in recent weeks, reaching over 1,100 as of June 8, 2025, significantly higher than the long-term average of 850. This is now the third consecutive year with such elevated convective storm activity, in line with what has been observed in recent years.

Exhaustive data on the corresponding loss figures is not yet available, but estimates already place the total between USD 25-30 billion, and the season is far from over. This year, severe convective storms are likely to represent significant share of global annual insured losses.

Catbond market hitting new highs again

After a record-breaking activity in 2024, 2025 also started at a record pace with USD 15 billion issued as of the end of May, bringing the outstanding catbond market to a record USD 53 billion size. It significantly exceeds the previous record for issuance at the start of the year and is already approaching the full-year totals seen over the last two years.

Property catastrophe bond & ILS risk capital primary volume



Source: SCOR Investment Partners, Artemis as of 31.05.2025

This extremely active primary market is supported by both repeat and new sponsors. Since the start of the year, 12 new sponsors from the US and Europe have entered the market. This strong demand for capacity is mainly driven by two factors. First, sponsors shift toward ILS market for protection since they see the benefit of more balance between traditional reinsurance market and capital market after some hard renewal in 2022. The second factor is the need for extra capacity from sponsors on both peak and emerging perils. Market dynamics continue to evolve, accompanied by ongoing shifts in the market.

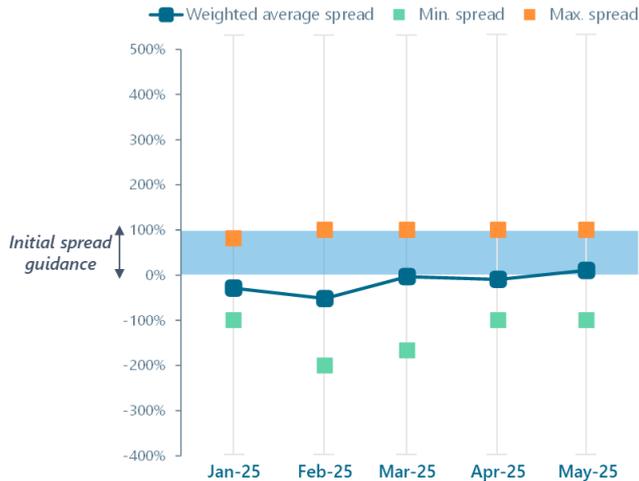
From an excess capacity to a more balanced situation

While demand for capacity has been strong in the first half of the year, market dynamics continue to evolve over time due to the discretionary nature of maturity schedules, something that has been consistently observed for past years. At the start of the year, substantial capacity was available among ILS investors, largely driven by the expiry of numerous catbonds. However, this capacity gradually diminished as new bonds were issued, resulting in a shift in the market dynamics over the past few months.

For January and February, investor appetite remained strong, with catbonds pricing below the initial spread range. Since March, however, the trend shifted, and catbonds started to price higher, in average within the spread guidance, showing an equilibrium between supply and demand of capacity. The curve is relatively flat, indicating more stable market conditions. This is

mainly due to some sponsors who decided to enter the market earlier to take advantage of the extra capacity available at the start of the year.

Primary catbond pricing vs. initial spread range¹



Source: SCOR Investment Partners research. Statistics based on 87 new catbonds issues since from January 2025 through May 2025

¹Average spread relative to initial spread range, weighted by final issue size, by month of issuance

If we compare the primary catbond final size versus its initial size, it can be observed that all catastrophe bonds were placed at or above their initial offering size, as of end of May 2025. On average, the transactions are significantly upsized over the months throughout the months.

Primary catbond final size vs. initial size²



Source: SCOR Investment Partners research. Statistics based on 87 new catbonds issues since from January 2025 through May 2025

²Final size relative to initial size, weighted by final issue size, by month of issuance. A value of 100% indicates that the final issuance matched the original offer. Interpretations should consider that this metric reflects market demand at the time of issuance

These two graphs reveal how investor appetite evolved since the beginning of 2025.

A change in catbonds pricing dynamic

Spreads in the secondary market have been widening since the beginning of the year, mainly because of the strong primary market activity and the seasonality effect as the hurricane season approaches.

We believe that the market now stands at attractive levels, with spreads returning to those seen at the start of 2024. In addition, the new bonds entering the market still offer slightly higher coupons than the bonds they replace, most of which were issued in 2021 and 2022, when spreads were lower. This will contribute to higher coupon rates for investors.

Secondary market: average spread over expected loss³



Source: SCOR Investment Partners, as of 31.05.2025

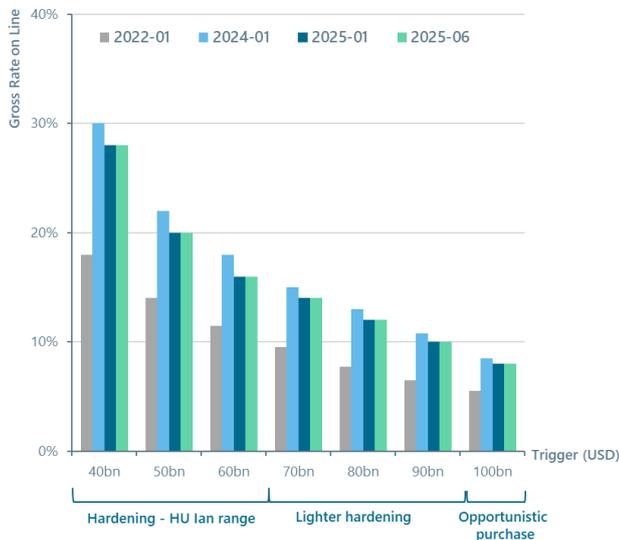
³Catastrophe bonds weighted average discount margin over expected loss, excluding distressed and short terms. The graph demonstrates the average risk adjusted spread based on the actual market prices of cat bonds

Stable rates shown in ILW market

Over the past three years, the ILW market has experienced several phases. After the peak in 2023 and 2024, largely driven by the aftermath of Hurricane Ian, the market began to soften slightly.

The beginning of 2025 saw a gradual softening between 6–7% compared to the start of 2024 and the California wildfires in January 2025 were expected to reverse this softening trend. The current excess capacity has been offset by an increased appetite from existing insurers and new ones looking to enter the ILW sector. As a result, prices have stabilized since the beginning of the year. For instance, a USD 50 billion ILW paid around 20% in January, and in recent weeks, the same contract has maintained that level, remaining close to the January 2024 peak. Interest also persists for remote layers beyond USD 90 billion, up to USD 120 billion, with little to no spread reduction.

ILW market: Average Gross Rate-on-Line %
US Hurricane & Earthquake Occurrence



Source: SCOR Investment Partners' internal research, Howden

Recovery almost complete in the reinsurance market

The alternative capital continues to grow, reaching a record USD 115 billion as of end of 2024, representing an increase of 6.5% compared to the end of 2023. The traditional capacity has also expanded, supported by a strong participation coming from reinsurers. Insurance companies have generally purchased more protection, and this increased demand has been well met by both traditional and alternative capital. Recent placements completed on June 1st showed average rate reductions in the single digits, with a clear contrast between loss-free programs (down around 10%) and loss-affected programs, particularly aggregate programs which saw increases of 10 to 30%. Overall, US premium rates remain close to their 2023 peak.

Global Reinsurer Capital vs US Property cat Rate-on-Line
In USD billion



Source: SCOR Investment Partners, Aon (Reinsurance Market Dynamics, April 2025), Guy Carpenter (data as of 27.05.2025)

H2 2025 market outlook

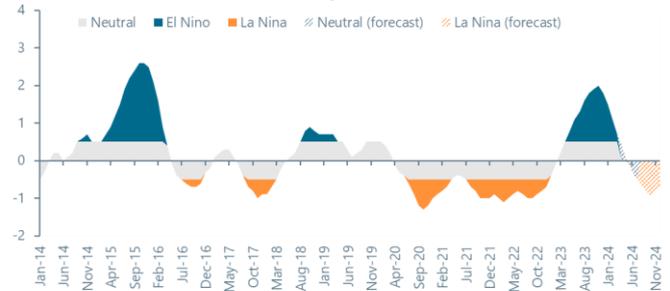
To conclude, with the active primary catbond market of USD 15 billion year-to-date, we expect to break last year's record and reach, or even exceed, the USD 20 billion mark by the end of the year. Catbonds spreads remain at attractive levels in the coming months, as we they will be underpinned by a persisting high demand for protection for the rest of the year. On the OTC side, premium rates are observed to move in a significant way in the more balanced supply-demand context. As has historically been the case, all of this is subject to the outcome of the hurricane season.

Current US hurricane season forecasts

According to the Colorado State University, Tropical Storm Risk and the US weather administration (the NOAA), they forecast an average of 16-17 tropical storms with 8 hurricanes and 4 major hurricanes. These figures are in line with the 10-year average of 18 but are slightly above the 30-year average of 14.

The El Nino/La Nina forecast leads to indicate a neutral environment for this summer.

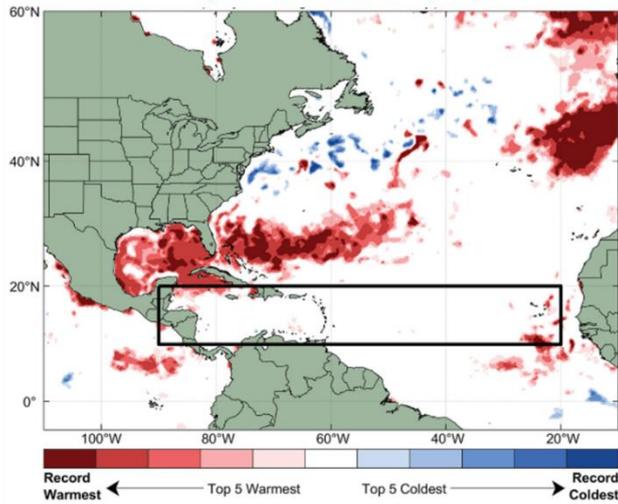
Historical El Niño and La Niña episodes



Source: SCOR Investment Partners, Artemis.bn and Climate Prediction Center (CPC) / National Oceanic and Atmospheric Administration (NOAA). Forecasts issued in May 2025. Monthly probabilities refer to 3-months rolling averages, based on a threshold of +/- 0.5°C for the Oceanic Niño Index (ONI) computed using ERSST.v5

On the other hand, it can be observed that the Gulf of Mexico is warmer than average and most parts of the Caribbean Sea and the tropical Atlantic Ocean, including the main development regions where most of the strongest hurricanes form are close to average. These indicators give a slightly above neutral signal, bearing in mind that this remains a forecast.

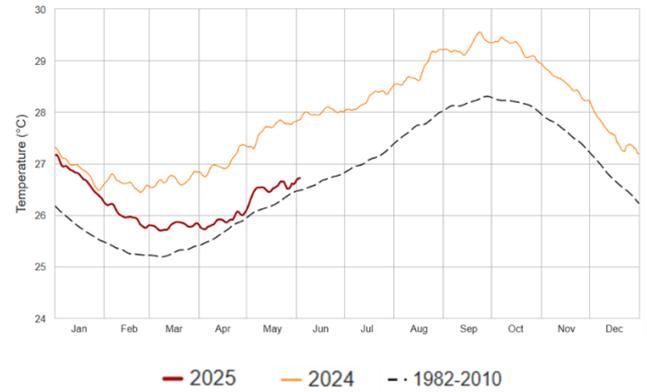
Record Water Temperature Anomalies | May 28-Jun03, 2025



Data: NOAA OISST v2.1 | Analysis and image credit: Michael Lowry | Period of record: 1981-2024

Daily SST

Atlantic Main Development Region (MDR)



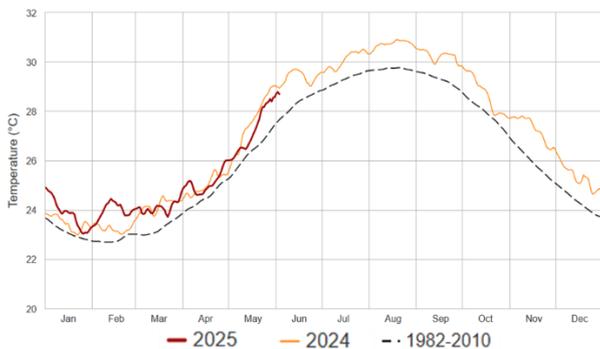
Source: Climate Change Institute, University of Maine, based on NOAA OISST data

Sea Surface Temperatures (SST), a contrasting situation depending on the region

In the Gulf of Mexico, it can be observed that the temperatures in 2025 were close to the average in April but they increased quicker than usual in the last few weeks, just like in 2024.

Daily SST

in the Gulf of Mexico



Source: Climate Change Institute, University of Maine, based on NOAA OISST data

In contrast, in the Atlantic main development region, Waters have cooled down since the beginning of the year, coming down from the record level of last year, to a level close to the long-term average. Today, the situation is better than last year. However, as the data illustrates, these conditions are highly volatile and can change from one month to another.

Overall, slightly warmer than average sea surface temperatures and a probable neutral ENSO context for the summer lead to slightly higher than average activity forecasts.

CONTACT

Client Service
+33 (0)1 53 64 65 50

scorip.sales@scor.com
www.scor-ip.com

Head Office
5, Avenue Kléber, 75016 Paris, France

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