

# OUR STRATEGY IS ROBUST IN CHANGEABLE MARKET CONDITIONS

The ability to act decisively and make informed decisions while remaining disciplined in deploying our capital into the marketplace is fundamental to our strategy.

## 01. Heightened loss activity and global socio-economic pressures

The industry has experienced several significant events and challenges in a relatively short time span, such as the COVID pandemic, the rapid rise and ongoing impact of inflation on prior year reserves and on claims costs, a run of above average losses from natural catastrophes, and the ongoing conflicts in Ukraine and the Middle East.

### Strategy alignment

We are well positioned in this new environment, as we can explore solutions in ever-changing market conditions, unhindered by legacy systems and issues.

## 02. Climate change

Climate change is increasingly impacting the market. The frequency and severity of natural peril losses are on the rise. The increasing use of 'named peril' coverage should enable a more realistic assessment of natural peril risk. In 2023, across the board, we saw a move towards greater transparency and clearer definitions in the reinsurance treaty market.

### Strategy alignment

Greater clarity around natural peril risk pricing and definitions helps us identify the relative value in the reinsurance product chain and technically underwrite a balanced and diversified portfolio: our core underwriting philosophy.

## 03. Inflation

Inflation and rapidly increasing interest rates, following a prolonged low interest rate period, has caused significant volatility in the investment markets and increased liquidity and credit risks. Resulting mark-to-market movements have been a notable feature in the (re)insurance industry, and wider financial markets, in recent years.

### Strategy alignment

Our strategy is to assume risk in our underwriting and to seek to protect our asset base to maximise solvency capital and, consequently, we will continue to invest conservatively, maintaining a lower-risk profile with high average credit ratings and relatively low duration.

## 04. Supply versus demand imbalance

A fundamental shift in the pricing and underwriting of risk is generating a supply versus demand imbalance, particularly in the shorter-tail risks, driving the market to embrace both a significant increase in premium rates and, crucially, an improvement in the terms and conditions being offered.

### Strategy alignment

As a pure-play reinsurer who is client, geography and product-neutral, with no conflicts of interest with our cedants, we are perfectly positioned to address this imbalance to generate long-term sustainable benefits for our stakeholders, thanks to the strength of our diversified portfolio.