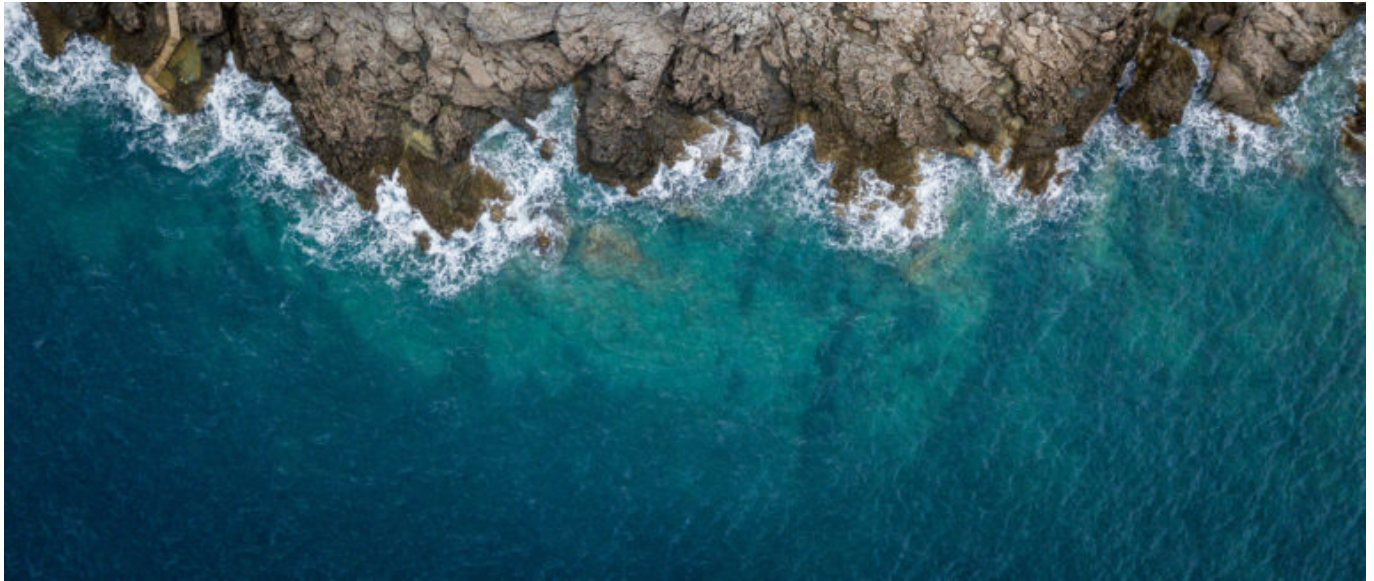


Japan Renewal Outlook - 1 April 2021

March 15, 2021



Consensus. Almost.

Context

The management of natural catastrophe exposures defines the P&C reinsurance industry in Japan, and 1 April is the most important renewal of the year.

The 1 April 2020 renewal saw significant pricing uplifts on CAT programmes, particularly for wind-related exposures, and price increases across most other lines.

Reinsurers have been clear on the need for further rate rises, with reinsurance brokers largely in agreement. Nevertheless it is not certain that insurers – exposed to the rationale for rising reinsurance costs – will be persuaded.

NMG Consulting's annual Global P&C reinsurance Study is currently live. We anticipate that early feedback received from insurers in Japan could be helpful in assisting reinsurance buyers to set their expectations ahead of 1 April 2021.

Outlook for reinsurance price movements - 1 April 2021

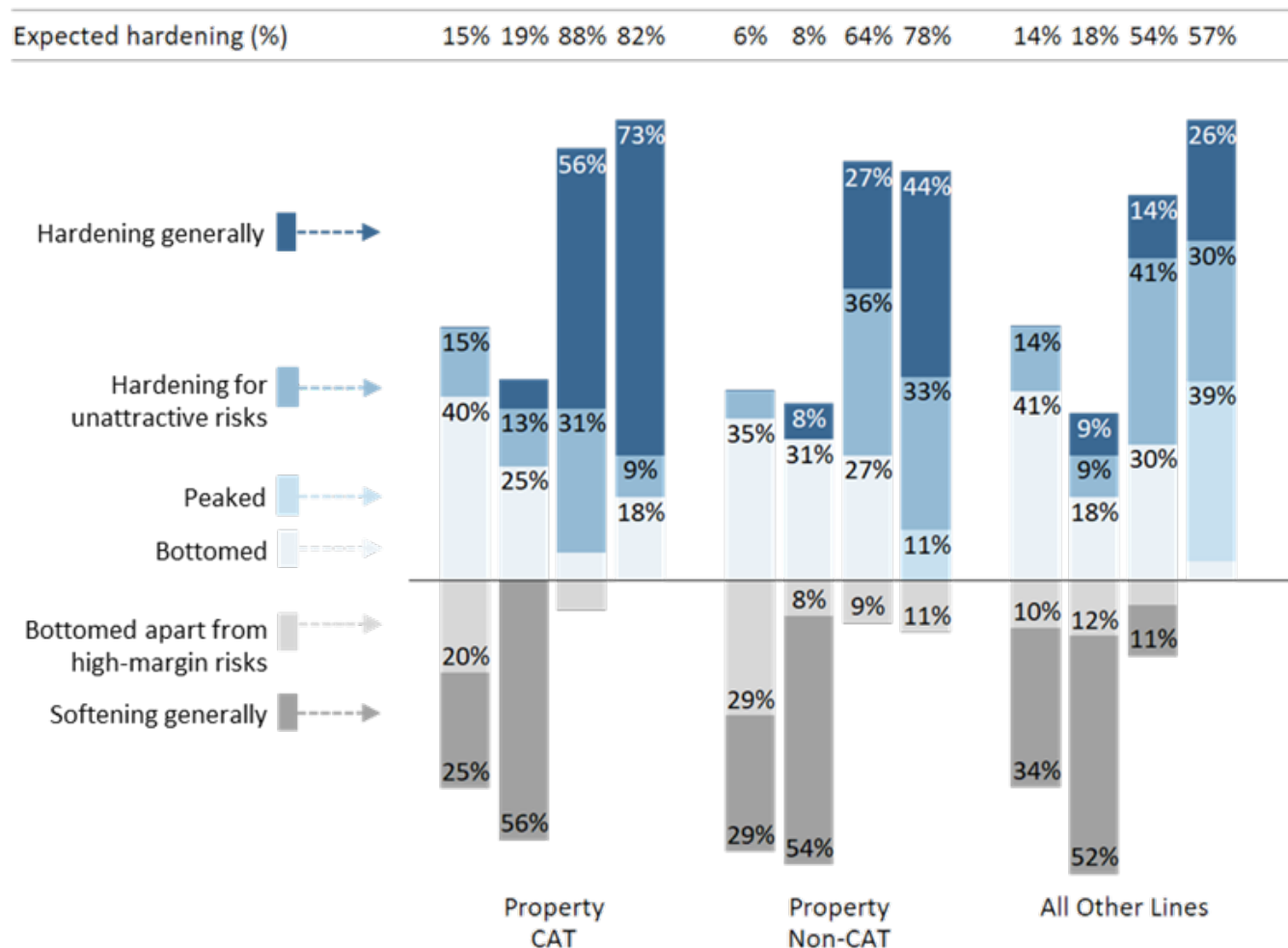
The aggregate views of one's insurance peers can be a valuable point of reference, as the views of a 'wise crowd' can be shown to be a useful statistical indicator. The views of insurers received over the past four weeks would indicate that another round of risk-adjusted increases are highly likely at 1 April 2021. Specifically:

- 80% of insurers expect an uplift in reinsurance premiums this year (in the 5-10% range)
- Of those expecting an uplift in reinsurance premiums, 'risk-adjusted increases' were identified as a driver in all cases (albeit not always exclusively, some insurers also referred to underlying portfolio growth and purchasing expanded coverage)
- Few insurers see any signs of softening. Generally expectations for further hardening are at least as firm heading into 1 April 2021 as they were a year ago (and much different from 2019 and 2018)

The views of insurers, reluctantly held perhaps, make for a consensus across all stakeholders that reinsurance rates will harden further on 1 April 2021.

Exhibit 1 - Outlook for reinsurance pricing (insurers)

Pricing Outlook (2018 | 2019 | 2020 | 2021)



Source: NMG Consulting – P&C Reinsurance Study

Remembrance

Last week was the 10th anniversary of the Fukushima disaster that shook Tokyo, Japan, and the

world. It is a stark reminder of the importance of the insurance industry, as well as how quickly time passes.



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