Q1 2025 Catastrophe Bond & ILS Market Report

Record start to 2025 drives cat bond market growth to 17% year-on-year

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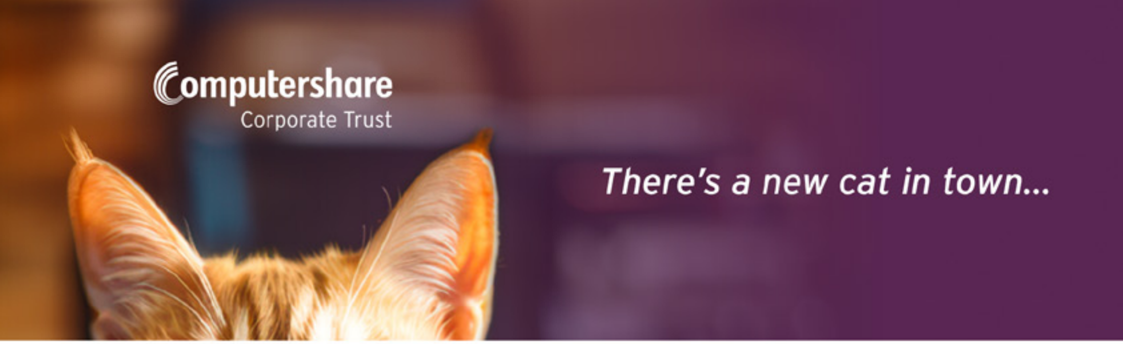

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INTRO

On the back of a record year for the catastrophe bond and related insurance-linked securities (ILS) market, 2025 has also started at a record pace with first-quarter issuance reaching a huge $7.1 billion. In this report, we dissect the record level of Q1 2025 issuance, which increased by more than $2.8 billion year on year.

Q1 2025 is now the second largest single quarter of cat bond issuance ever, behind only Q2 2024's $8.4 billion. It's also only the third time in the market's history that issuance has exceeded $7 billion in a single quarter and builds on the $17.7 billion of new risk capital brought to market in 2024.

Traditional 144A property cat bond issuance dominated the quarter, reaching $6.3 billion, which is surpassed only by Q2 2024 and Q2 2023 for total issuance in a single quarter for this type of deal. When you include other, non-cat risk, 144A transactions, Q1 2025 is the second largest quarter ever for Rule 144A issuance, at $7 billion.

This quarter's issuance came from a Q1 record 34 transactions comprised of 56 tranches of notes and featured repeat and new sponsors, some privately placed transactions, as well as a diverse mix of catastrophe and non-catastrophe perils in various regions.

The following pages also discuss pricing dynamics of the transactions placed in the quarter, revealing a continuation of the spread tightening witnessed in the final three months of last year, against a relatively flat average expected loss year on year, while the spread has fallen further, although still remains healthy.

Clearly, though, pricing dynamics are still attractive to investors as many of the tranches of notes on offer in the quarter increased in size while marketing. At the same time, sponsors benefited from strong execution on many deals, a continuation of the Q4 2024 trend.

The first three months of 2025 also saw $4.4 billion of deal maturities, so it wouldn't have been surprising if the market had shrunk from the end of 2024 given average Q1 issuance over the past decade was $3.6 billion. Instead, a record $7.1 billion of new risk capital entered the market, growing the outstanding cat bond market to a new end of quarter record high of $52.2 billion.

Transaction Recap

The majority of the 34 transactions (including seven privately placed Seaside Re deals that have been bundled together) listed below were from repeat sponsors of catastrophe bonds.

However, three new sponsors did enter the market in Q1 2025: TD Insurance, Flood Re, and Sutton National Group. Who combined brought $386 million of new risk capital to market, covering wildfire risks in California, UK floods, and both earthquakes and severe convective storms in Canada.

Outside of the debutants, QBE Insurance returned with its second cat bond and first since 2013, Tower Hill sponsored its second transaction, as did Core Specialty (StarStone). Another notable transaction is Hannover Re's second cloud outage issuance, which is larger than the first.

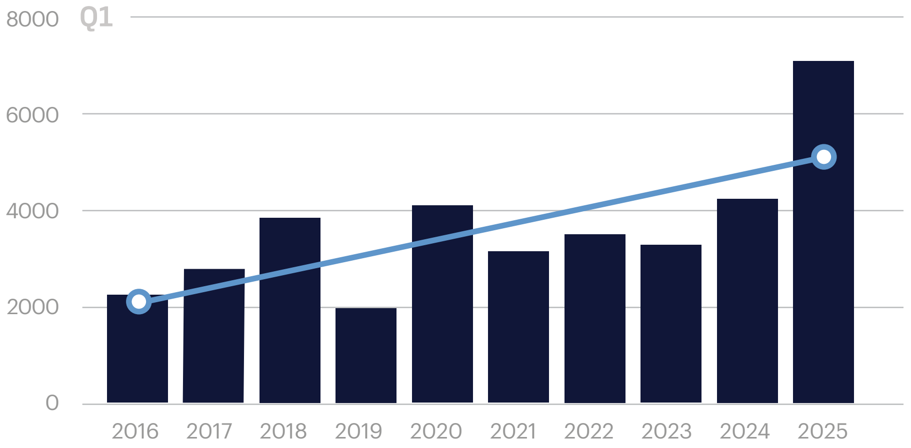
All of the other sponsors have entered the catastrophe bond market on numerous occasions, albeit some more than others, notably US primary insurer Allstate who returned with a $750 million transaction, the firm's joint largest.

ISSUER / TRANCHE	SPONSOR	PERILS	$M	DATE
Baltic PCC Limited (Series 2025-1)	Pool Re	Terrorism risk	130	Mar
Greengrove Re Ltd. (Series 2025-1)	Sutton National Group	California wildfire and fire-following earthquake	100	Mar
Sakura Re Ltd. (Series 2025-1)	Sompo Japan Insurance	Japan multi-peril	150	Mar
London Bridge 2 PCC Limited (Lapis 2025-1)	Brit Limited	International multi-peril	100	Mar
Sanders Re II Ltd. (Series 2025-1)	Allstate	US multi-peril	750	Mar
Yosemite Re Ltd. (Series 2025-1)	Core Specialty (StarStone)	US multi-peril	95	Mar
Northshore Re II Ltd. (Series 2025-1)	AXIS Capital	International multi-peril	200	Mar
Cumulus Re (Series 2025-1)	Hannover Re	Cloud outage	20	Mar
London Bridge 2 PCC Limited (Vision 2039 – 2025-1)	Flood Re	UK flood	181.3	Mar
Citrus Re Ltd. (Series 2025-1)	Heritage P&C Insurance	US named storm	200	Mar
Cape Lookout Re Ltd. (Series 2025-1)	North Carolina IUA	North Carolina named storm	600	Mar
Hestia Re Ltd. (Series 2025-1)	Kin Interinsurance Network	Florida named storm	300	Mar

ISSUER / TRANCHE	SPONSOR	PERILS	$M	DATE
First Coast Re IV Ltd. (Series 2025-1)	Security First Insurance	Florida named storm	250	Mar
Gateway Re Ltd. (Series 2025-1)	SageSure Underwriting entities	US named storm	520	Feb
Integrity Re III Ltd. (Series 2025-1)	American Integrity Insurance	Southeast US named storm	565	Feb
Ocelot Re Ltd. (Series 2025-1)	Hiscox	International multi-peril	200	Feb
Fidus Re Ltd. (Series 2025-1)	Build America Mutual Assurance	Financial guarantee risks	275	Feb
Ursa Re Ltd. (Series 2025-1)	California Earthquake Authority	California earthquake	400	Feb
Winston Re Ltd. (Series 2025-1)	Tower Hill Insurance Exchange	Florida named storm	175	Feb
Veraison Re Ltd. (Series 2025-1)	GeoVera Insurance	US earthquake	450	Feb
Seaside Re (Series 2025)	Unknown	US property catastrophe risks	84	Jan
Vitality Re XVI Ltd (Series 2025)	Aetna	Medical benefit claims levels	250	Jan
3264 Re Ltd. (Series 2025-1)	Hannover Re	Worldwide peak perils	200	Jan
Matterhorn Re Ltd. (Series 2025-1)	Swiss Re	International multi-peril	210	Jan
Montoya Re Ltd. (Series 2025-1)	Inigo Insurance (Syndicate 1301)	International multi-peril	115	Jan
MMIFS Re Ltd. (Series 2025-1)	TD Insurance	Canada multi-peril	104.3	Jan
Nature Coast Re Ltd. (Series 2025-1)	SafePoint Insurance	US named storm	200	Jan

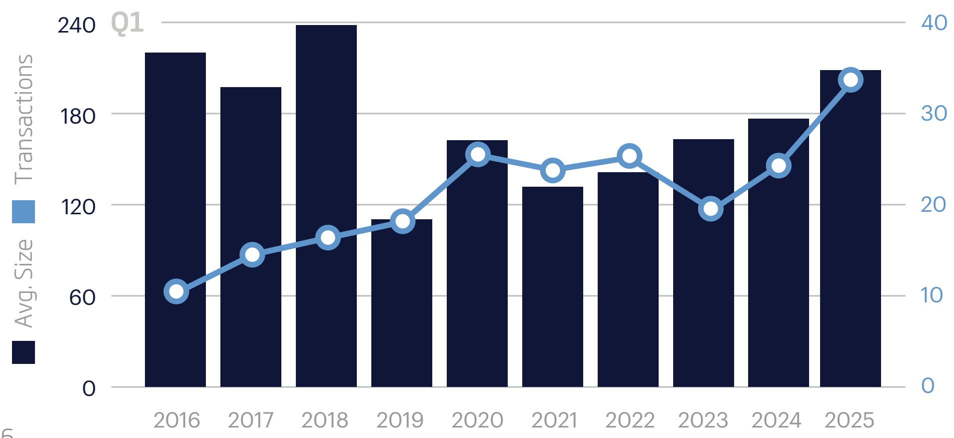
Q1 issuance by year ($M)

For consecutive years, Q1 issuance has set a new record, increasing on last year's $4.2 billion by 69% to a huge $7.1 billion, making it the second-largest quarter ever in terms of total issuance, according to Artemis' data. Issuance in a single quarter has only exceeded $7 billion twice before, and these were both Q2s, which makes this first-quarter total even more impressive. At $7.1 billion, Q1 2025 issuance is almost 100% above the average for Q1 issuance over the last decade of $3.6 billion.



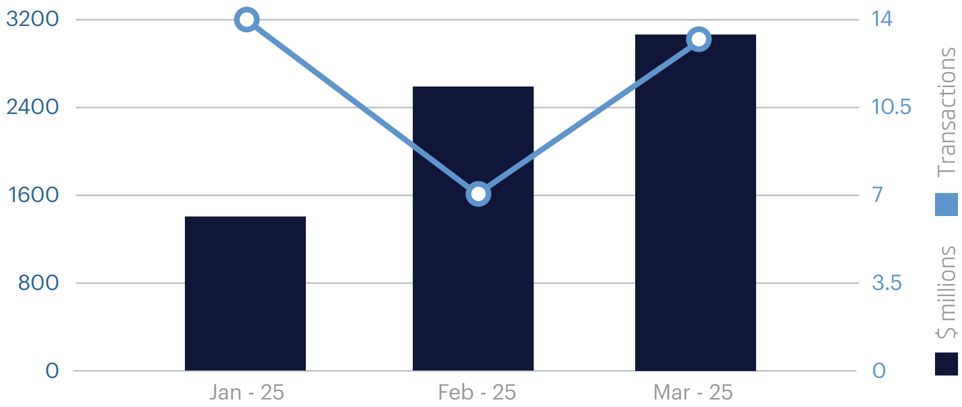
Q1 average transaction size & number of transactions by year ($M)

The 34 cat bond transactions issued in Q1 2025 sets a record for the period, up on last year's by 10 and above the 10-year average of 21 transactions for the opening quarter of the year. 2025 is the first time that more than 30 transactions were placed in Q1. Year on year, the average size of transactions issued rose 18% to $208 million from $176 million and is also above the 10-year average for the period of $175 million.



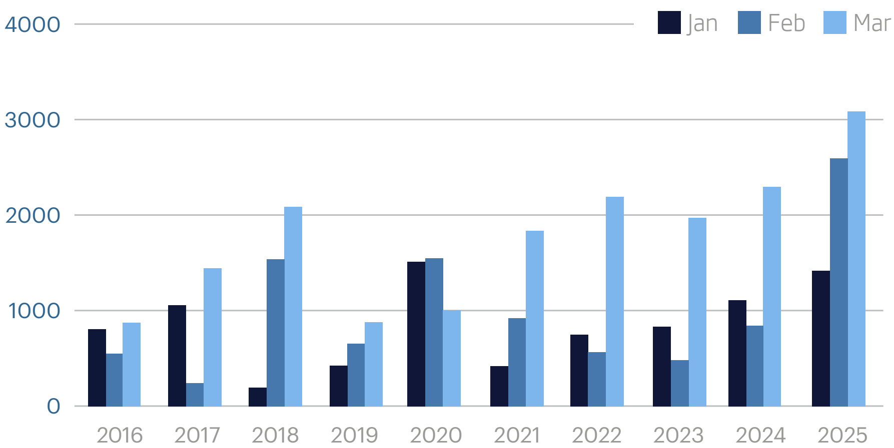
Number of transactions and volume issued by month ($M)

The more than $1.4 billion issued in January 2025 means the $1 billion milestone has now been breached for two years running in the month, and in four of the last 10 years. It was also the most active month for deals at 14.



Q1 issuance by month & year ($M)

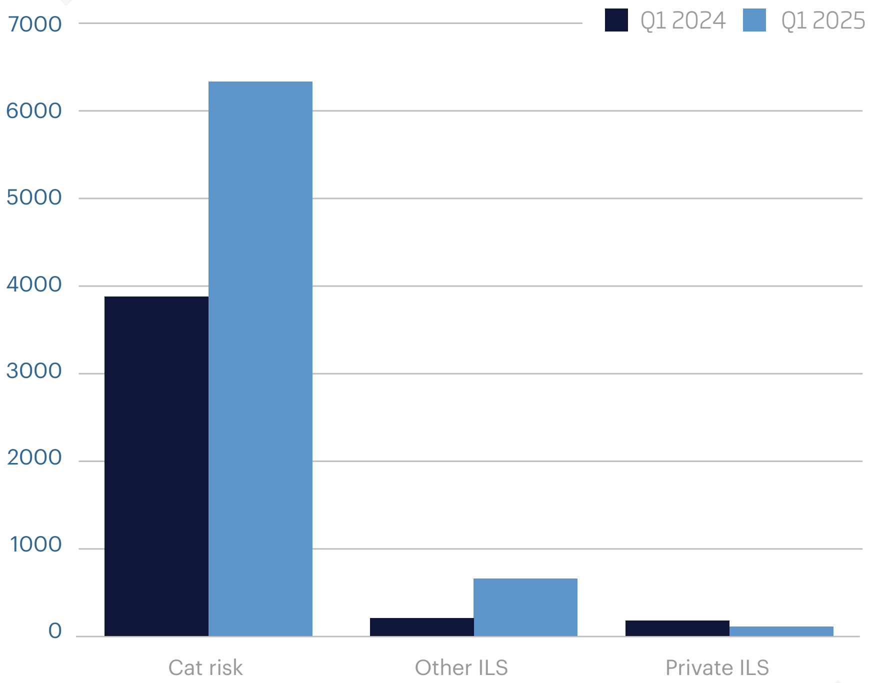
Since 2016, February issuance had only exceeded $1 billion twice and last year totalled $825 million, but in 2025 $2.6 billion of new risk capital came to market from seven transactions.
Each month of the quarter saw issuance far above their respective 10-year average, with new records set for both February and March, the latter being the busiest month of the quarter, in terms of total issuance, at $3.1 billion. The final month of the quarter ended strongly with 13 transactions.



Q1 issuance by type

89%, or $6.3 billion of total Q1 2025 issuance were traditional 144A property catastrophe bonds, which is up on last year's previous Q1 high of $3.9 billion by 59%, so a new Q1 record for these types of deals. In fact, Artemis' data shows that Q1 2025 is the third largest quarter ever for 144A property cat bond issuance, behind only Q2 2023 and Q2 2024. Over the past decade, average Q1 issuance for these types of deals stands at $3.1 billion, so at more than double that amount Q1 2025 is a far above-average quarter.

Year on year, the volume of risk capital issued covering non-catastrophe risks also increased, by 227% to $655 million in Q1 2025 from three transactions. Aetna returned with its largest-ever healthcare issuance, while Pool Re sponsored its third terrorism risk deal, and Build America Mutual returned with its largest financial guarantee risk placement. The 10-year average for Q1 non-cat risk deals is just $304 million.



Slightly offsetting the growth in total 144A issuance, just $104 million in privately placed, or cat bond lite transactions featured in Q1 2025, as seven Seaside Re transactions from an unknown sponsor brought some additional US property cat risk to market, and Hannover Re sponsored its second cloud outage deal. Year on year, private cat bond issuance is down by 35%, and below the first quarter 10-year average of $194 million.

APPLEBY

WITH EVERYTHING GROWING, ALL OF THE ILS WORLD WILL RISE TOGETHER: BRAD ADDERLEY, APPLEBY

It's been an exceptionally busy and record start to the year for the catastrophe bond sector, and with "everything happening" in the broader insurance-linked securities (ILS) and reinsurance markets, it's all going to rise together, according to Brad Adderley, Bermuda Managing Partner at Appleby.

When we last spoke with Adderley around the launch of our Q4 and full year 2024 cat bond and ILS market report, he suggested the start of 2025 would be extremely active for the space.

And how right Adderley was, with Q1 2025 cat bond issuance setting a new record for the period at roughly $7.1 billion, making it the second largest single quarter of issuance in the market's history.

Last year's Q2 issuance totalled $8.4 billion, the largest quarter in the history of the cat bond market, and with Q1 issuance so strong this year, it would be some feat for that record to be broken again this year.

"For my purposes, we've had January, February, and March, so it's our year-end, and this period for us has been excellent.

"As well as all of the cat bond quotes, we've been involved with a new large start-up, sidecars, and life re/insurers," said Adderley.

Thinking about where the ILS and reinsurance market is going to be at say July, Adderley told Artemis that he doesn't see anything slowing down.

"Do I think some of the sidecars I have will be done? Yes.

"Do I think people will raise more capital? Yes, I do.

"Do I think there'll be more cat bonds? Yes, I do.

"Do I think there'll be more people doing transactions in ILS platforms? Again, yes, I do.

"The list goes on, and I also expect there'll be more life reinsurers in Bermuda, as well as more direct life on the island. So, everything is happening, and as a result it's extremely busy for us," said Adderley.

Over 2023 and 2024, more than $1.5 billion of cat bond issuance covered non-cat risks, such as cyber and terrorism, and there's already been over $650 million of non-cat risk deal volume brought to market in 2025.

In light of this, we asked Adderley about the potential for more ILS transactions in areas like cyber and casualty other the coming months.

"I think we're going to see a mix of everything because more participants are getting more and more comfortable with cat bonds, and we keep getting new investors, which, once they get more comfortable won't be pigeon holed into one type of risk, they will naturally look at different things.

"So, in my opinion, with all of the market growing, it's all going to rise together," said Adderley.

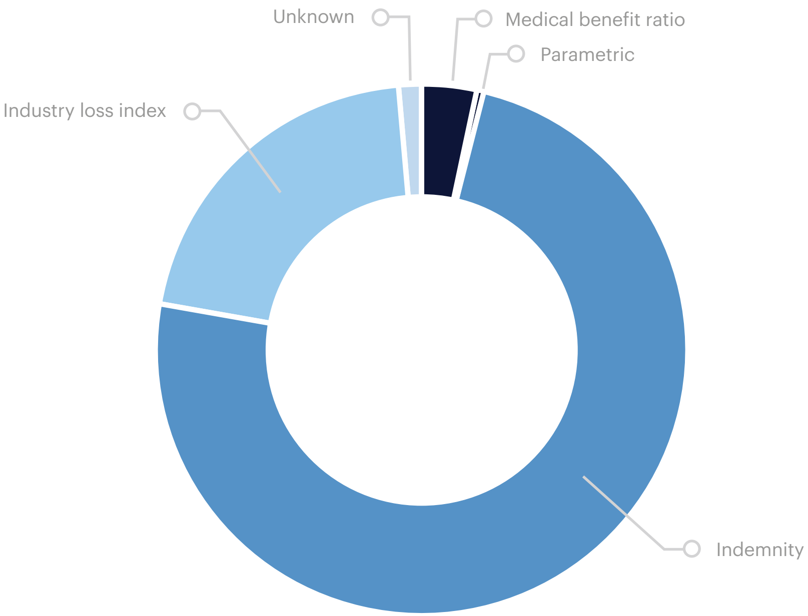
BRAD ADDERLEY

BERMUDA MANAGING PARTNER

Q1 issuance by trigger type

74%, or $5.3 billion of issuance in the quarter utilised an indemnity trigger structure. It's typical for the majority of Q1 cat bond notes to have an indemnity trigger, although the trigger's dominance does fluctuate having accounted for 83% of total issuance in Q1 2024 but just 52% in Q1 2023.

Year on year, the use of industry loss triggers increased substantially amid the higher overall issuance trend, accounting for 21%, or $1.5 billion of Q1 2025 issuance from eight transactions. In comparison, just two deals with a combined size of $350 million leveraged an industry loss trigger in Q1 2024.



Although small at just $20 million, the cloud outage transaction brought a slither of parametric trigger diversification to market.

Aetna's Vitality Re series of deals always bring some trigger diversification, in the form of a medical benefit ratio, to Q1 issuance, and this was the case in 2025 with its $250 million transaction, accounting for 4% of total issuance.

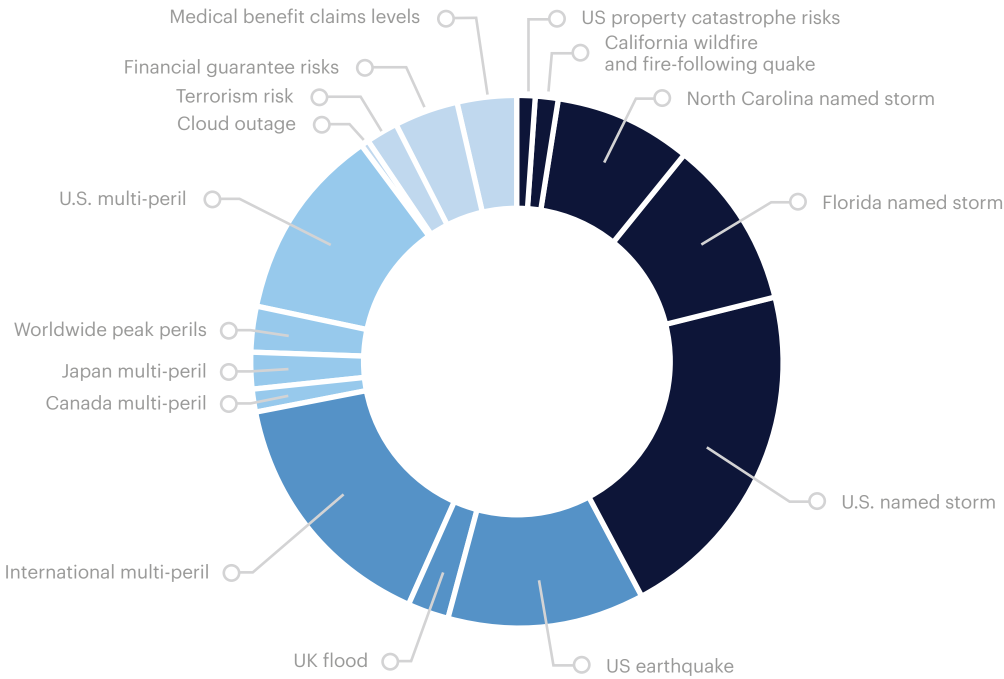
We do not have trigger information for $84 million of the privately placed cat bond transactions in Q1 2025.

Q1 issuance by peril

Once again, 144A US-focused property cat bond issuance dominated Q1 2025 issuance, accounting for 65% of quarterly issuance, rising to 82% when you include the international multi-peril deals, which all featured some US perils, and the $84 million of private cat bonds covering US property cat exposures.

Nevertheless, investors were treated to both peril and regional diversification during the quarter, including the first cat bond ever from a Canadian sponsor to be solely exposed to catastrophes in Canada, as these risks typically feature alongside US risks in international multi-peril deals.

A $150 million Japanese multi-peril transaction also came to market in the opening quarter of the year, as did a $200 million transaction covering worldwide peak perils, and $1.1 billion of deals covering a range of international perils.

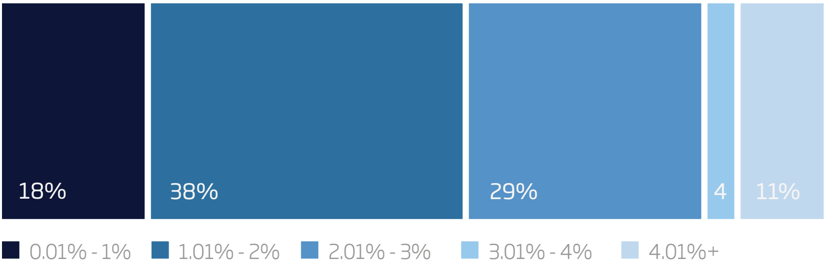


More than $181 million of UK flood risk also featured in Q1 2025, the first time a deal has solely covered this peril and just the second time UK flood risk has ever come to market, as state-backed Flood Re entered the market for the first time.

As well as the $250 million of healthcare issuance, $130 million of UK terrorism risk and a $275 million deal covering financial guarantee risks also featured, as well as another $20 million of cyber risk in the form of cloud outage, all of which added some welcomed non-cat risk diversification.

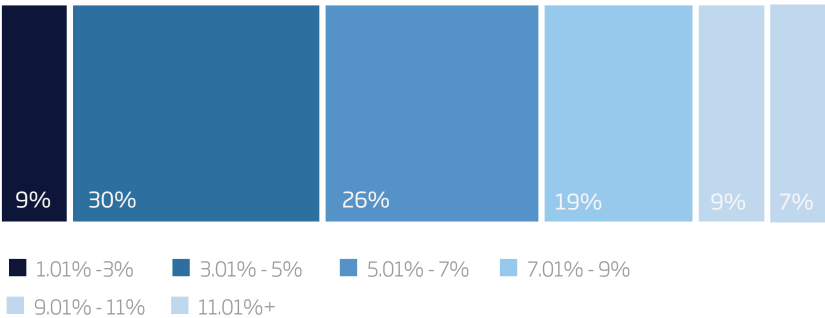
Q1 issuance by expected loss

56%, or $3.8 billion of Q1 2025 cat bond issuance had an expected loss of below 2%, with the majority of this, or $2.6 billion, having an expected loss of between 1.01% and 2%. Almost $2 billion of quarterly issuance had an expected loss of more than 2% but less than 3%, while $990 million of issuance had an expected loss of more than 3%, and 11% of total issuance had an expected loss above 4%. The Class A tranche of 3264 Re cat bond notes had the highest expected loss of the quarter at 7.5%, while the Class A tranche of Vitality Re XVI notes had the lowest expected loss, at 0.01%.



Q1 issuance by spread pricing

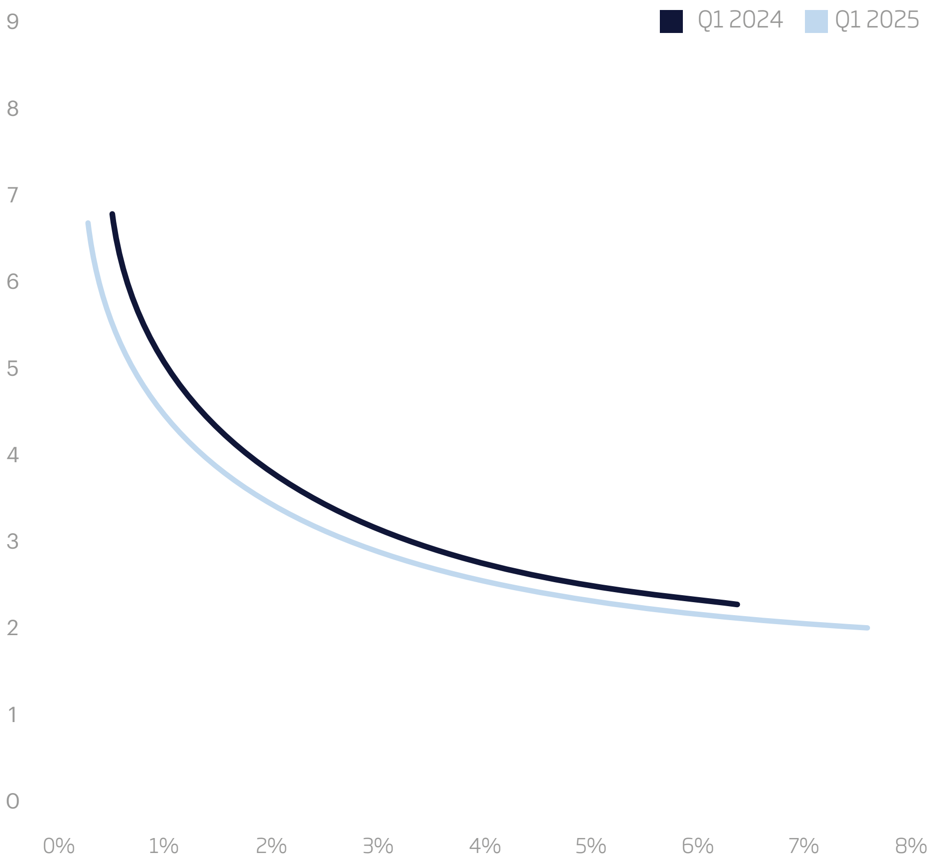
61%, or $4.1 billion of Q1 2025 issuance paid investors a spread of 5% or more, and over a third paid a spread of 7% or more, reflecting the fact returns are still very attractive for both investors and sponsors despite a reduction from the highs of 2023. Although 39% of cat bond notes issued in the quarter had a spread of less than 5%, just 9%, or $574 million paid a spread of 3% or lower. $488 million of Q1 2025 issuance paid a spread of more than 11%, with 21.25% the highest spread on offer, from the Class A tranche of 3264 Re notes. The Class A tranche of Vitality Re notes paid the lowest spread at 1.75%.



Q1 expected loss & multiple year-on-year

The chart below plots the expected loss against the multiple (spread divided by expected loss), revealing a similar trend to the prior year's Q1, being a tightening of spreads year on year, notably for the less risky tranches of notes.

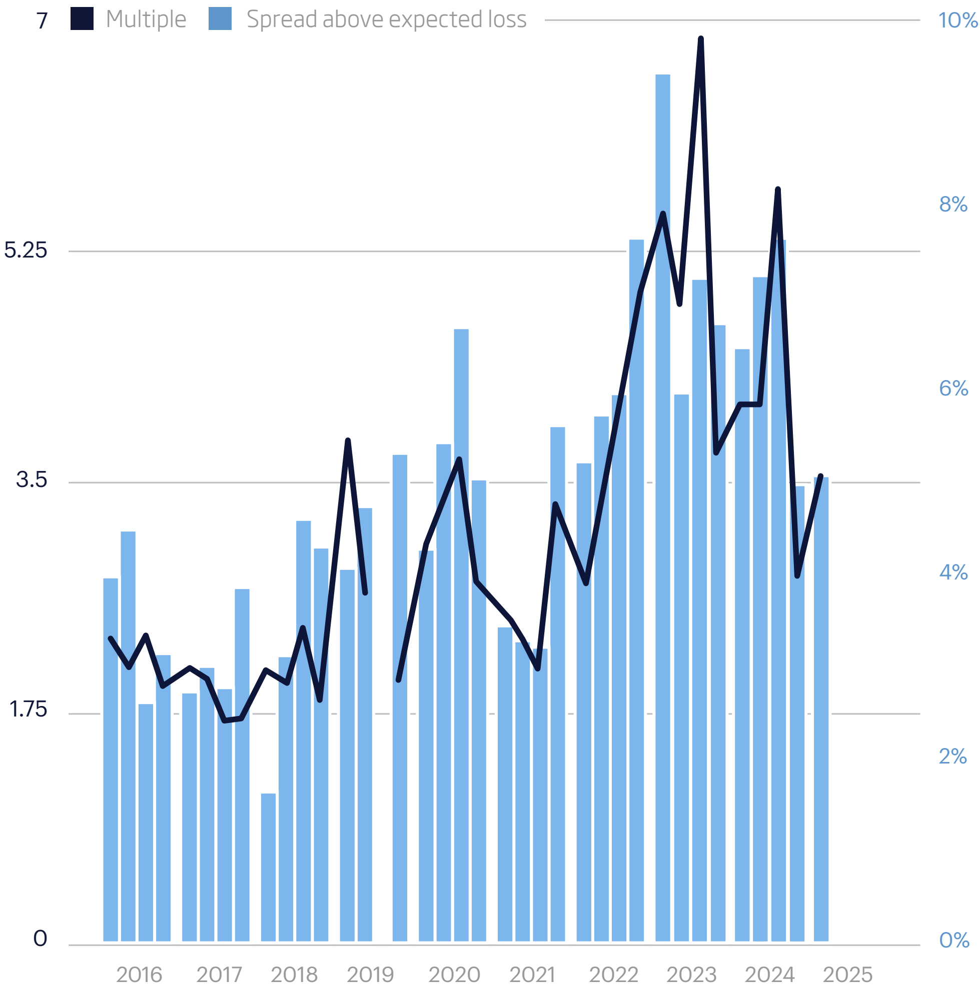
Both the average spread of 7.07% and expected loss of 2% of Q1 2025 issuance have come down from Q4 2024, although the multiple and spread above expected loss have both increased. Year on year, the average expected loss is also down and the spread further, leading to a reduction in both the average multiple and spread above expected loss compared to Q1 2024. Overall, it was a strong quarter for sponsors in terms of price execution, but pricing dynamics are clearly still favourable for investors, too, who for the most part continued to receive a higher multiple the lower the expected loss.



Multiple and spread above expected loss by quarter

The average multiple-at-market increased by 0.76 to 3.54 in Q1 2025 when compared with the previous quarter but is still lower than Q1 2024's 4.1 and all previous quarters until Q2 2022. But it is still up quarter over quarter and above the large majority of quarters between 2020 and 2022, before the average multiple and spread above expected loss elevated to new heights in 2023.

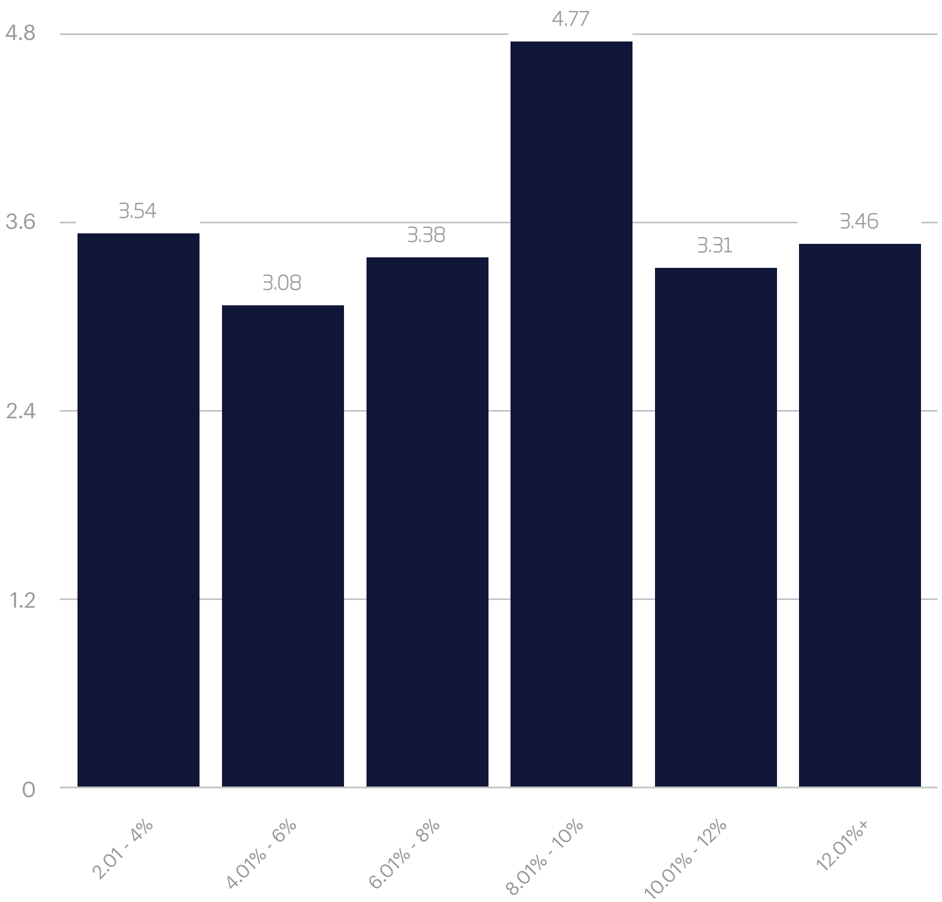
The average spread above expected loss of Q1 2025 issuance rose to 5.07% from 5.01% in Q4 2024 but again is down year on year from Q1 2024's 6.42%. It's a drop from the high of 9.41% two years ago, although this was a year of record spreads in the cat bond market, while investors are still taking advantage of favourable pricing in 2025 so far.



Q1 average multiple by spread pricing

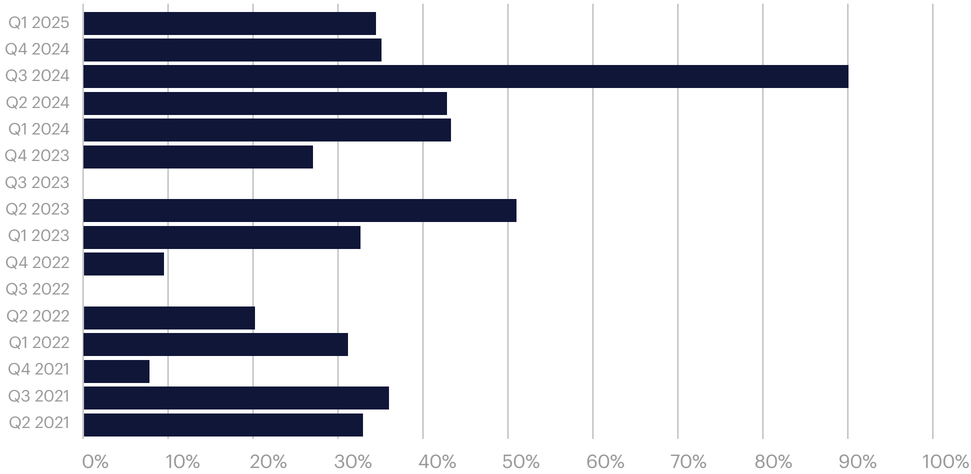
This chart plots the average multiple of Q1 2025 issuance by the range of spreads on offer, revealing that investors achieved a fairly steady multiple of above 3 regardless of the spread, which is slightly different from previous quarters when lower spreads, for the most part, achieved higher multiples.

In Q1 2025, there were some notably high spreads on offer, including five tranches of notes paying a spread of more than 10%, with two of these paying investors a spread of more than 20%. The average spread of Q1 2025 issuance is 7.07%, which is lower than the previous quarter's 7.82% and Q1 2024's 8.49%.

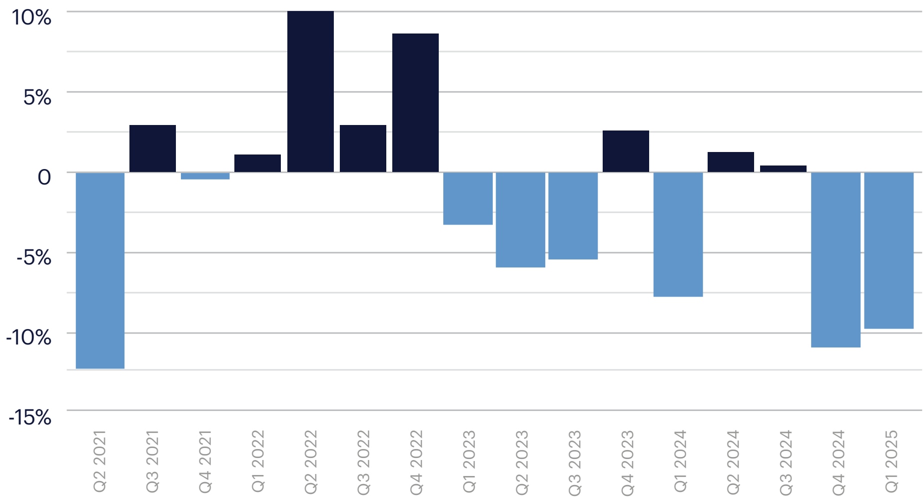


Issuance size and spread changes

Like last year, both investor and sponsor appetite was extremely strong in the first quarter of 2025, as record issuance of $7.1 billion more than offset the almost $4.4 billion of maturities in the period. What's more, while marketing, 24 of the 43 tranches of cat bond notes issued that we have data for increased in size, some by 100% or more. In contrast, 18 tranches of notes stayed at their initial size and just one tranche of notes reduced in size while marketing. All in all, tranches of notes on offer increased in size by an average of 33.6% in Q1 2025, which is in line with Q4 2024 but down on the prior year's Q1 of 43.3%.



On average, spreads declined from the mid-points of guidance by 9.6% for the tranches of cat bond notes that we have full pricing data for, which is less of a decline than Q4 2024's 10.8%, and slightly above Q1 2024's decline of 8.2%. Of the 43 tranches of notes, 35 saw their spread decline from the mid-point of initial guidance, three priced at the mid-point, and five tranches priced above the mid-point. Similarly to the previous quarter, sponsors took advantage of strong investor appetite and achieved strong execution on many deals.



Issued / Outstanding

As this report highlights, $7.1 billion of issuance is a remarkable start to the year for the cat bond and ILS sector. It's the second biggest quarter ever for total issuance, the third largest for 144A property cat bonds at $6.3 billion, and the second largest for total 144A issuance at $7 billion.

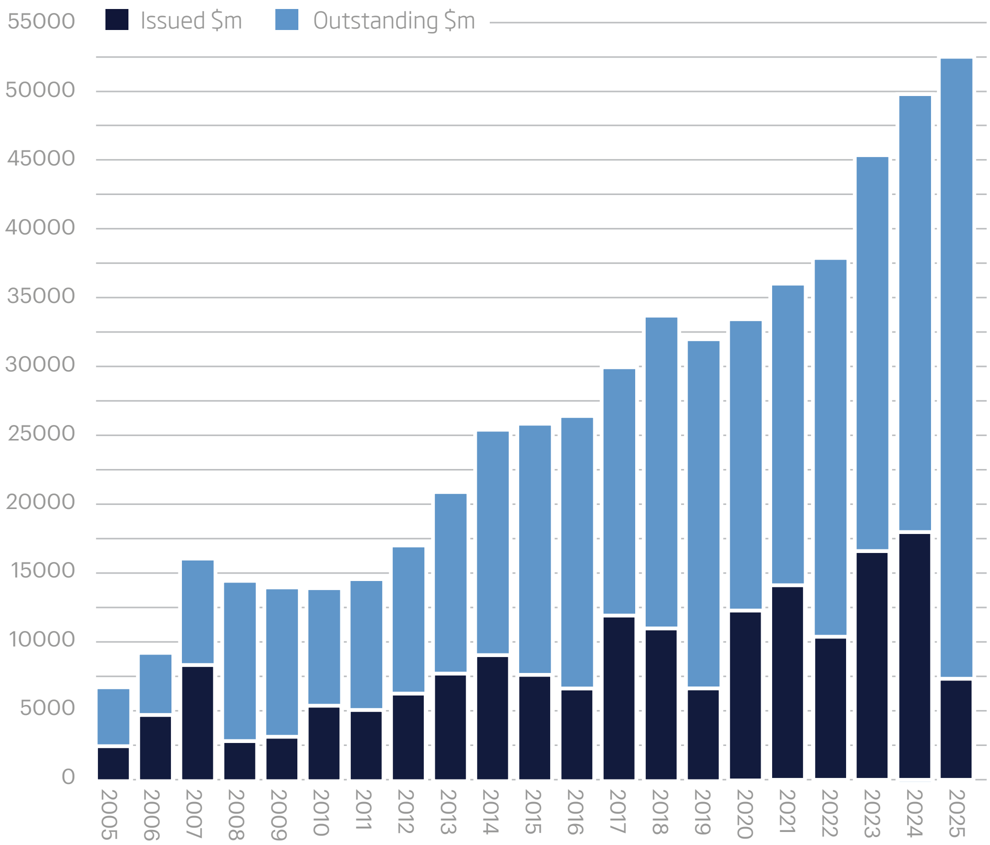
Year on year, Q1 issuance has increased by 69% and is 57% higher than Q4 2024 issuance, further highlighting how strong appetite is from sponsors and investors.

The total market size expanded by 5% from the end of 2024 to the end of Q1 2025 and is 17% higher than it was at the end of Q1 2024, with outright growth of more than $7.6 billion over that 12-month period.

It was going to take an above-average Q1 to achieve market growth as almost $4.4 billion in deal volume matured in the quarter. But Q1 2025 issuance ended up being $3.5 billion above the 10-year average, which resulted in the outstanding cat bond market size hitting a new record high of $52.2 billion.

There are nearly $5.9 billion in maturities scheduled for Q2 2025, and the 10-year average for issuance in the quarter is around $5 billion, meaning another above- average quarter is needed to sustain market growth at the halfway stage.

Q1 is typically the second largest quarter for issuance after Q2. However, Q2 2024 set a record for quarterly cat bond issuance at $8.4 billion, which will be tough to beat after such a strong opening of the year.



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/

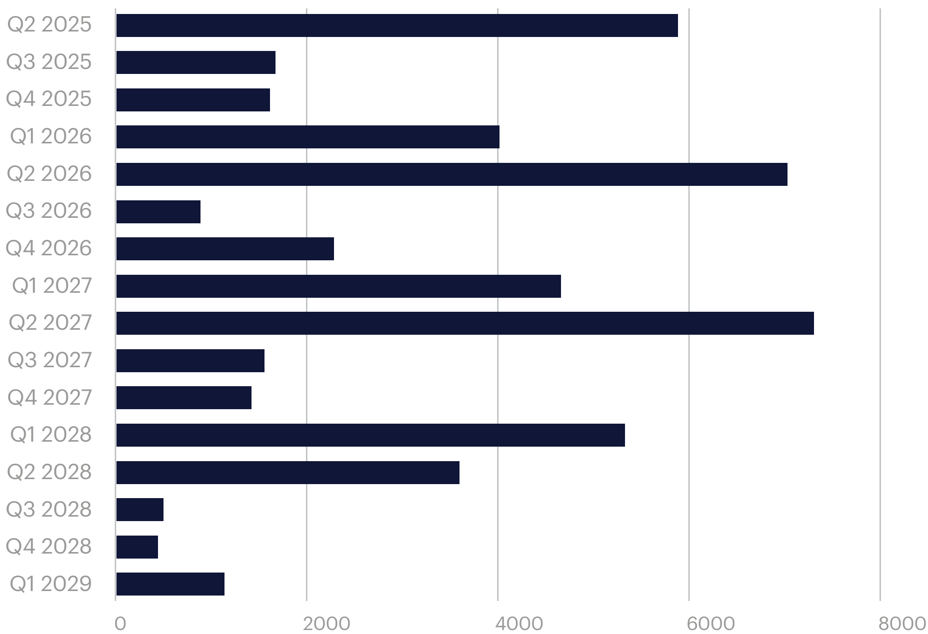
Upcoming maturities by quarter

This chart, based on data from the Artemis Deal Directory, plots upcoming catastrophe bonds and related ILS maturities by quarter, highlighting how much new issuance is required for the market to keep growing. As annual cat bond issuance has increased over the years the volume of maturities of course grows too, and Q2 2025 is one of the biggest, in terms of deal volume.

Q1 2025 issuance outpaced maturities by almost $2.8 billion, which drove the previously mentioned 5% growth in the size of the outstanding cat bond market over the past three months.

Almost $5.9 billion in deal volume is set to mature before the end of June, which means it's going to require an above-average Q2 to sustain market growth, with an average issuance of almost $5 billion over the past decade. Given how strong Q1 2025 issuance is, it's going to be very interesting to see if the market can sustain outright growth from the end of Q1 to the mid-year.

In the third and fourth quarters of this year the level of scheduled maturities is much lower, although at $1.7 billion in Q3 it is above the quarter's 10-year issuance average of $843 million. It's a different story for Q4 when maturities of $1.6 billion are scheduled, as the 10-year issuance average for the period is quite a bit higher at $2.8 billion.



Currently, there's more than $1 billion of issuance in the pipeline for April, and May is historically a very active month for the market given its proximity to the mid-year renewals and the start of the Atlantic hurricane season. January through March were extremely busy, though, and only time will tell if this leads to a less active second quarter.

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