



# Q4 2023 Catastrophe Bond & ILS Market Report

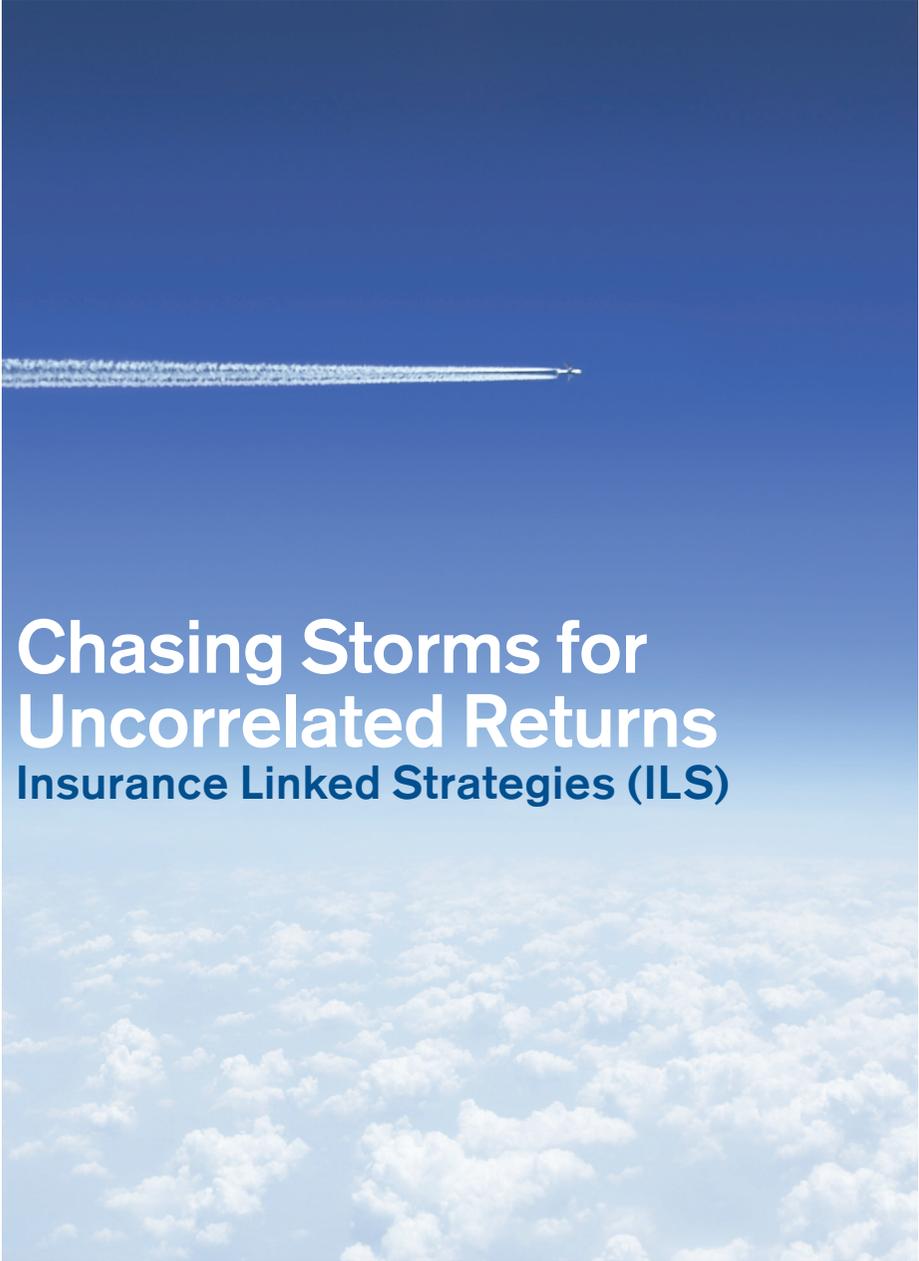
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# INTRO

This report dissects a record-breaking final quarter and full year 2023 for the catastrophe bond and related insurance-linked securities (ILS) market, as a host of new and repeat sponsors took advantage of favourable market conditions, issuing a record 95 transactions.

The Artemis Q4 2023 catastrophe bond and ILS market report picks apart \$5.6 billion of issuance across full 144A cat bond transactions, cat bonds covering non-catastrophe risks, such as cyber and mortality, and privately placed deals.

It's one of the busiest quarter's ever for the market and the busiest fourth quarter on-record, which takes total issuance for the year to more than \$16.4 billion, beating the previous record from 2021 by roughly \$2.5 billion.

2023 is also a record year for full 144A property cat bond issuance at \$15 billion, which was supported by a healthy volume of private deals and the arrival of the first 144A cyber cat bonds ever seen. In Q4 alone, five new sponsors entered the cat bond market, taking the number of first-time sponsors for the year to 14, which is the joint highest of any year alongside 2021.

Across the transactions issued in the quarter that we have full pricing data for, the size increased by an average of 27% while marketing. Across these same deals, the average price change of issuance was +2.7%, which suggests that pricing is stabilising somewhat after three consecutive quarters with a negative average price change.

As this report shows, sponsors took advantage of favourable market conditions in the final quarter of the year ahead of the January renewals, and investor appetite for the cat bond product was extremely strong in 2023, with the market growing 19% to \$45 billion in size.

Artemis is the leading, freely accessible source of timely, relevant and authoritative news, analysis, insight and data on the insurance-linked securities, catastrophe bond, alternative reinsurance capital and related risk transfer markets. The Artemis Deal Directory is the leading source of information, data and analysis on issued catastrophe bond and insurance-linked securitization transactions.

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# Transaction Recap

The deals listed in the table below are based on data from the Artemis Deal Directory. Excluding the four mortgage ILS deals, the quarter saw a mix of 33 144A property cat bonds, alongside cat bond deals covering other risks, and cat bond lites, making it the second most active quarter in the market's history, in terms of the number of deals issued.

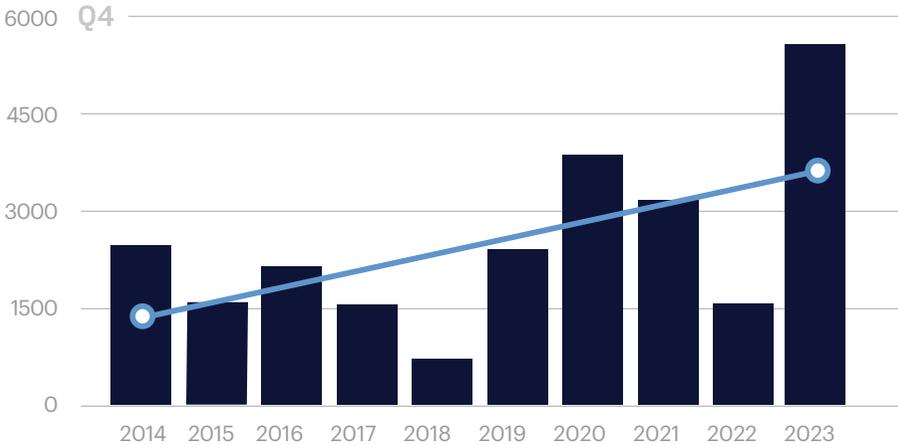
VKB Re, Beazley, Selective Insurance, Pacifica, and North Carolina Farm Bureau all sponsored their first 144A transactions in the quarter. Over the course of 2023, a joint record 14 new sponsors entered the cat bond market for the first time, and issuance was also supported by the return of some other sponsors after a long hiatus.

ISSUER / TRANCHE	SPONSOR	PERILS	\$M	DATE
East Lane Re VII Ltd. (Series 2024-1)	Chubb	Cyber risks	150	Dec
Ocelot Re Ltd. (Series 2023-1)	Hiscox	International multi-peril	125	Dec
Matterhorn Re Ltd. (Series 2023-1)	Swiss Re	Cyber risks	50	Dec
Foundation Re IV Ltd. (Series 2023-1)	Hartford Fire Insurance	US multi-peril	200	Dec
Bonanza Re Ltd. (Series 2023-2)	ARX Holding Corp.	US multi-peril	70	Dec
London Bridge 2 PCC Limited (Fuchsia 2023-1)	Beazley	International multi-peril	100	Dec
Easton Re Ltd. (Series 2024-1)	Hamilton Re	International multi-peril	200	Dec
King Max Re DAC 2023	VKB Re	Germany multi-peril	192	Dec
PoleStar Re Ltd. (Series 2024-1)	Beazley	Cyber risks	140	Dec
Mystic Re IV Ltd. (Series 2024-1)	Liberty Mutual	International multi-peril	300	Dec
Blue Sky Re DAC (2023-1)	Allianz	European windstorm	273	Dec
Four Lakes Re Ltd. (Series 2023-1)	American Family Mutual Insurance	US multi-peril	175	Dec
Galileo Re Ltd. (Series 2023-1)	XL Bermuda	International multi-peril	375	Dec
High Point Re Ltd. (Series 2023-1)	Selective Insurance Company	US multi-peril	325	Dec
Ursa Re Ltd. (Series 2023-3)	California Earthquake Authority	California earthquake	650	Dec
Taranis Reinsurance DAC 2023	Pacifica (Crédit Agricole)	European multi-peril	172.6	Dec
Eclipse Re Ltd. (Series 2023-9A)	Unknown	Unknown property cat risks	100	Dec
Orange Capital Re DAC (Series 2023-1)	NN Group	European multi-peril	82	Nov

ISSUER / TRANCHE	SPONSOR	PERILS	\$M	DATE
Nature Coast Re Ltd. (Series 2023-1)	Safepoint Insurance Company	U.S. named storm (Florida, Louisiana)	195	Nov
Long Walk Reinsurance Ltd. (Series 2024-1)	AXIS Capital	Cyber risks	75	Nov
Blue Ridge Re Ltd. (Series 2023-1)	North Carolina Farm Bureau	North Carolina named storm	400	Nov
2001 CAT Re Ltd. (Series 2023-1)	Allied World Assurance Company	International multi-peril	275	Nov
Residential Reinsurance 2023 Limited (Series 2023-2)	USAA	US multi-peril	400	Nov
Triangle Re 2023-1 Ltd.	Enact Mortgage Insurance	Mortgage insurance risks	248	Nov
Hexagon IV Re Ltd. (Series 2023-1)	Covéa Group	European windstorm	157	Nov
Eclipse Re Ltd. (Series 2023-3A-8A)	Unknown	Unknown property cat risks	91.2	Nov
Bellemeade Re 2023-1 Ltd.	Arch Capital Group	Mortgage insurance risks	186.6	Oct
Asagao VII - White Rock Insurance (SAC) Ltd.	Unknown	Japan earthquake	40	Oct
Home Re 2023-1 Ltd.	MGIC Investment Corporation	Mortgage insurance risks	330.2	Oct
Ursa Re Ltd. (Series 2023-2)	California Earthquake Authority	California earthquake	230	Oct
Eagle Re 2023-1 Ltd.	Radian Guaranty	Mortgage insurance risks	353.08	Oct
LI Re (Series 2023-1)	Unknown	California earthquake	15	Oct

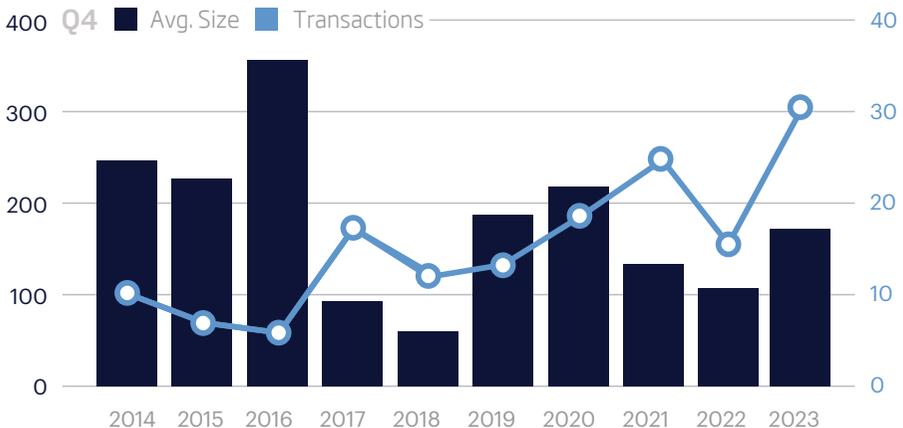
## Q4 ILS issuance by year (\$M)

After a muted third quarter with below average issuance, it was going to take a strong fourth quarter for the market to break records in 2023, but that's exactly what happened. At \$5.6 billion, it's the largest Q4 ever and up 254%, or \$4 billion year-on-year, beating the 10-year average for the quarter by more than \$3 billion. It's also the fourth most active quarter in the market's history, and just the fifth time quarterly issuance has exceeded \$5 billion.



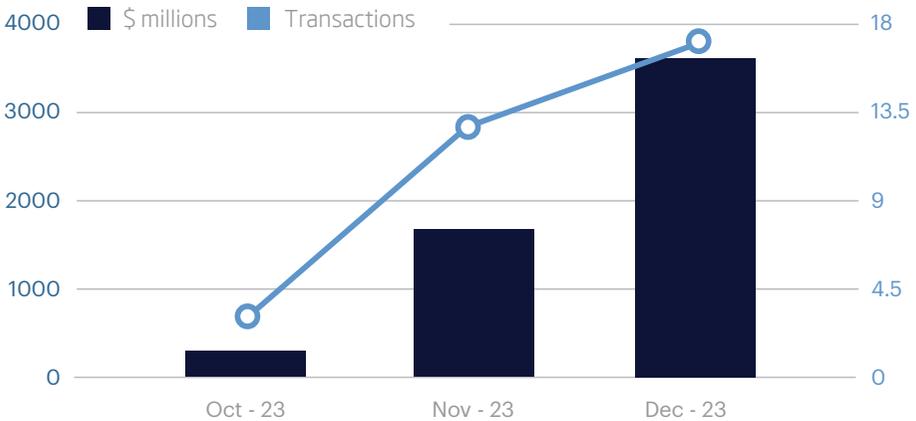
## ILS average transaction size & number of transactions by year (\$M)

Artemis' data shows that 33 transactions were issued in the fourth quarter of 2023, which is more than in any other Q4 by some distance, and well above the 10-year average of 15.5 transactions. Of these deals, the average size of Q4 2023 issuance is \$168 million, which is around \$64 million higher than last year, but slightly down on the 10-year average of \$178 million.



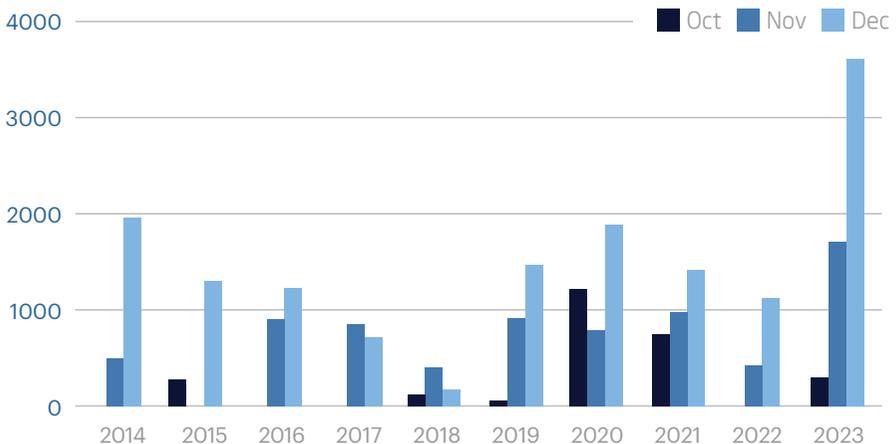
## Number of transactions and volume issued by month (\$M)

October is typically the least active month of the fourth quarter, but this year was particularly quiet with just \$285 million in deal volume, which is 34% below the 10-year average for the month. Things really picked up in November, with approximately \$1.7 billion of issuance, which is a record for the month. The trend continued in December, and a month which had never seen cat bond issuance exceed \$2 billion, produced a record volume of \$3.6 billion.



## Q4 issuance by month & year (\$M)

The muted level of issuance in October came from three transactions. While the record level of issuance in November and December came from 13 and 17 transactions, respectively. In fact, December is the busiest month of the year in terms of both the number of transactions and the total size of issuance, beating the 16 deals and \$3.2 billion issued in May.



## CAT BOND MARKET MOMENTUM TO PERSIST AFTER YEAR OF SURPRISES: ADDERLEY, APPLEBY

It's been a record breaking year for the catastrophe bond market, and the momentum is having a positive influence on the wider insurance-linked securities (ILS) sector, according to Brad Adderley, Bermuda Managing Partner, Appleby.

In 2023, catastrophe bond and related ILS issuance hit a new high of more than \$16 billion, rising approximately \$5.9 billion year-on-year and beating the previous high by almost \$2.4 billion.

More transactions came to market in 2023 than any previous year as repeat, and an impressive number of new sponsors took advantage of favourable market conditions and tapped the capital markets for their reinsurance needs.

Against this backdrop, we spoke with Adderley about the past 12 months and whether the strong

momentum will persist amid a still hard market environment.

"I didn't expect this year to be as busy as it has been, it's been crazy. I'm not sure anyone thought there was going to be more than 90 deals this year. So, personally, I'm surprised by both the number of deals and the size of total issuance," said Adderley.

Another first for the market in 2023 was the arrival of cyber risk deals, first via some private placements before the market's first full 144a cyber cat bonds were issued in the final quarter of the year.

"I'm also pleasantly surprised about cyber. Over the years, we've heard many rumours about new risks, but how often did it actually happen? The fact numerous cyber deals have been issued now is only a good thing for the market. And now that cyber has taken off, it shows

that it is possible and perhaps people will start looking more seriously at other risks," said Adderley.

"Developments like the cyber deals, that's what we need, right. We need something different being done to cat in order to really grow the market," he added.

The Artemis Deal Directory already has a number of deals listed that are set to close in January, and from what Adderley has been hearing, the beginning of next year is likely to be busy for the cat bond market as well.

"So, it suggests that this is not a flash in the pan. Ok, 2024 might not be a record year after what we've seen in 2023, but if it's still a really good year, a busy year, it still builds on the momentum," said Adderley.

"Add to this the fact I'm still reading and hearing more and more about sidecars and collateralized products, it's a bit like a snowball effect. The cat bond market is pulling other things into it, which is allowing the entire fully funded space to grow. Which is what we want.

"So, I think next year is going to be really good for the market," he concluded.

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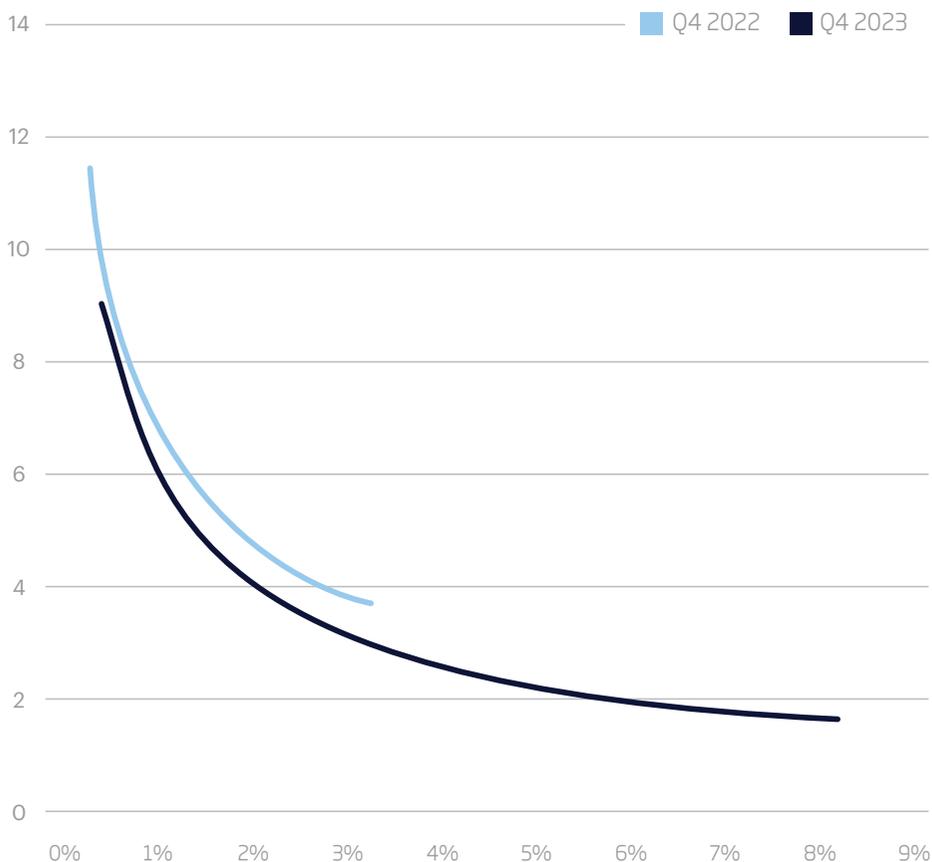


**BRAD ADDERLEY**  
BERMUDA MANAGING PARTNER

## Q4 2023 expected loss & multiple year-on-year

The light blue line represents Q4 2022 and the dark blue line Q4 2023. By plotting the expected loss against the multiple (price coupon divided by expected loss) of quarterly issuance, you can see that year-over-year the trend is the same, that the lower the expected loss the higher multiple demanded by investors. The average multiple of Q4 cat bond issuance stands at 3.68, which is the lowest of any quarter this year, and down on Q4 2022's 4.93 average.

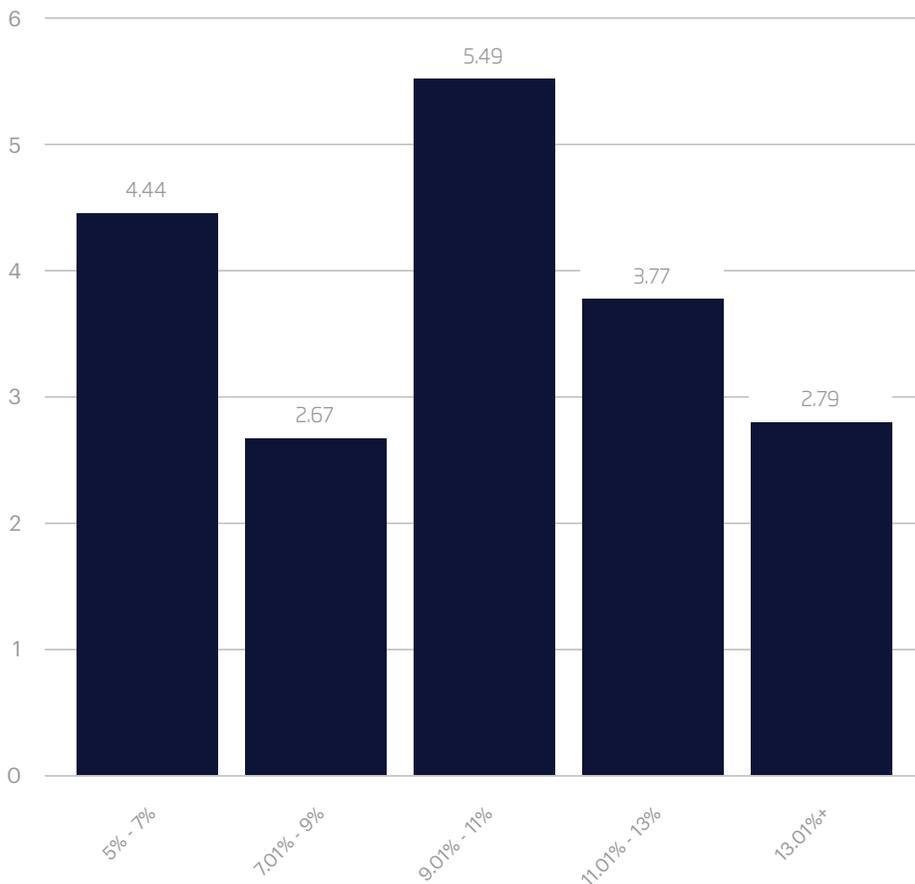
Importantly for investors, while the average multiple has fallen considerably from 6.87 in Q3 to 3.68 in Q4 2023, cat bond spreads remain favourable, and the average multiple for full-year 2023 is still the highest in 20 years. Still, the decline in the average multiple this quarter points to a more stable, slightly softer pricing environment in the final quarter of the year, which is also supported by the fall in the excess spread.



## Q4 2023 average multiple by coupon pricing

It was somewhat of a mixed quarter in terms of pricing. Largely, the lower the pricing the higher the multiple, although there were some outliers this quarter as a few of the higher priced tranches of notes had a comparatively low expected loss, resulting in high multiples. So, while investors are still demanding high levels of risk-adjusted returns in the hard market, the pricing environment appears more stable.

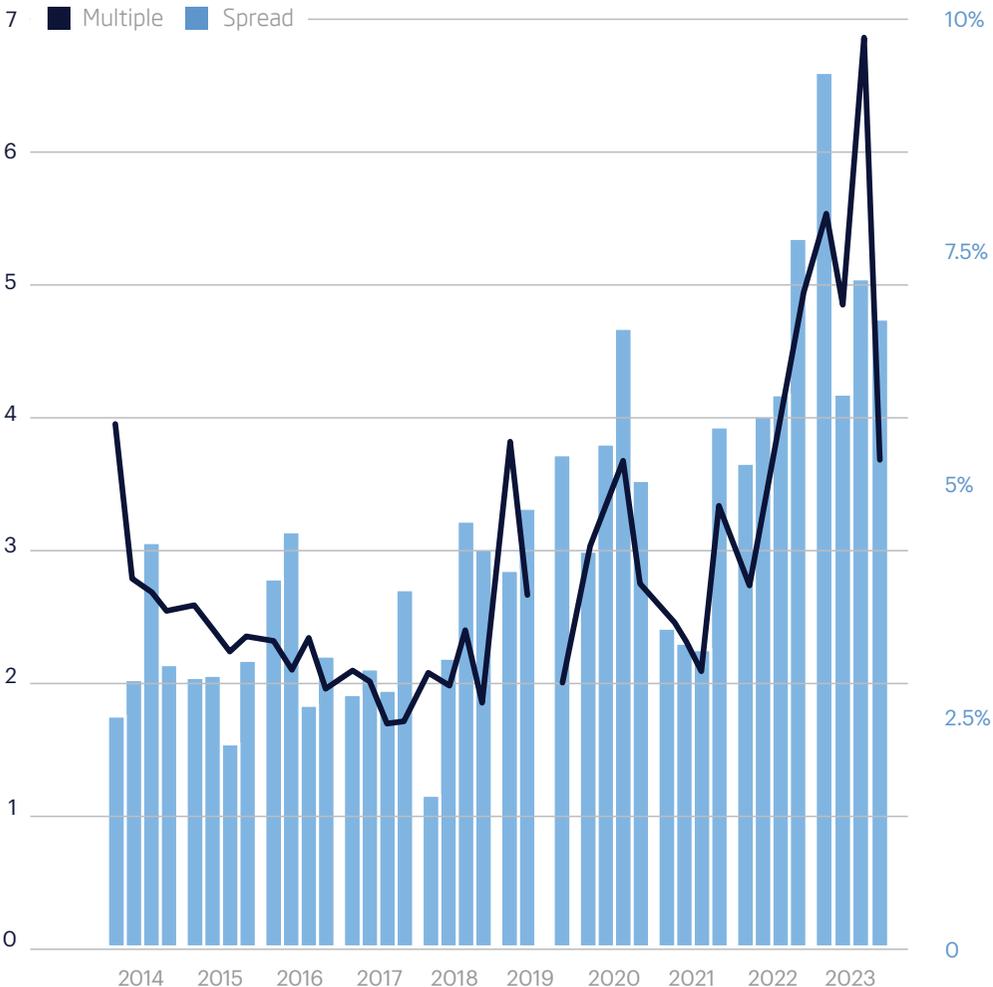
For the deals that we have pricing data for, the average coupon of Q4 2023 issuance is 9.2%, which is up on Q3's 8.38% and above the full year 2023 average of 8.9%, but lower than the average of 9.56% in Q4 2022.



## Multiple and spread by quarter

The line shows the average multiple and the bars the excess spread (gap between expected loss and coupon) of quarterly issuance. It's interesting that the quarters with the most activity in terms of the number of deals and the size, Q2 and Q4, have lower multiples and spreads than the less active Q1 and Q3. The average multiple has fallen from 6.87 in Q3 to 3.68 in Q4, and the spread has fallen from 7.16% to 6.7%.

While the property cat market is still hard and expected to remain so throughout 2024, it was a benign hurricane season, and the primary market retained more of the frequency losses as attachment points rose. There's an expectation of further rate momentum at 1.1 2024, although not to the degree seen in 2023, which is reflected in the lower pricing of cat bond notes this quarter.





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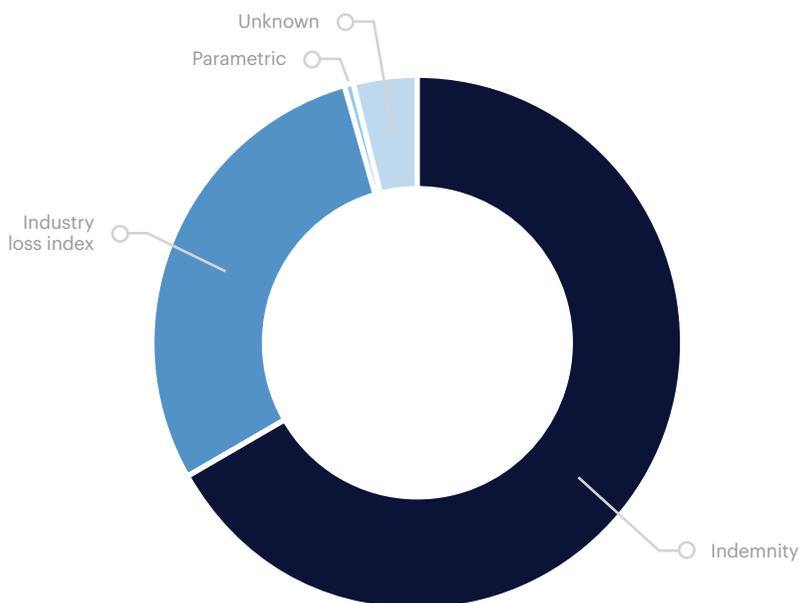
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## Q4 2023 ILS issuance by trigger type

Year-on-year, the use of an indemnity trigger as a percentage of total issuance fell from 75% to 67% but was still the dominant trigger with more than \$3.7 billion of risk capital issued structured on an indemnity basis. The industry loss index trigger increased its share of the pie by 7% to 29% in Q4 2023, with roughly \$1.6 billion of issuance leveraging this trigger structure as a number of sponsors seeking retrocession came to market.

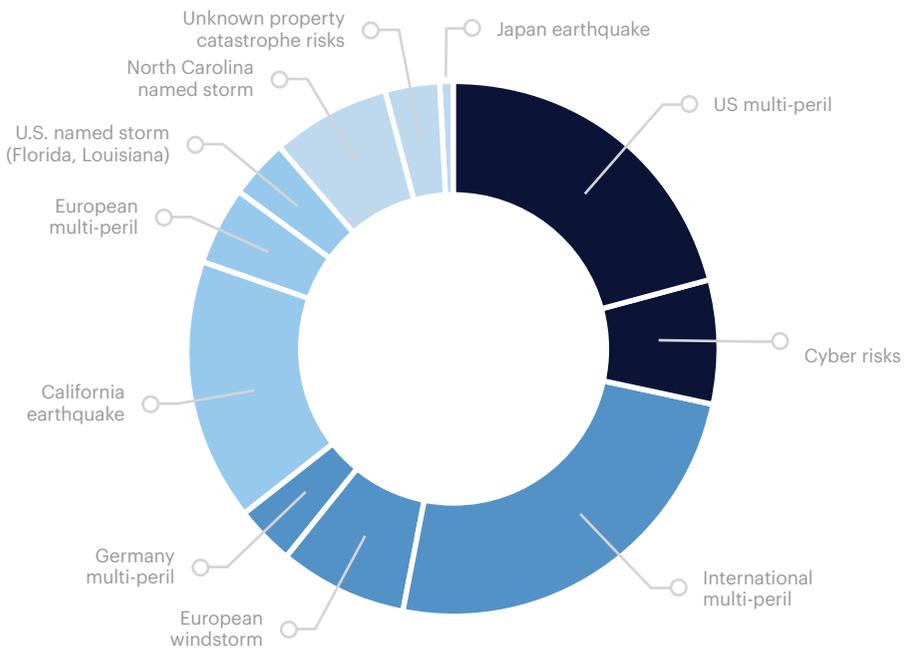
Unlike last year, one deal structured with a parametric trigger featured in the fourth quarter of 2023, although this was a small private placement, accounting for just 1% of total issuance. We do not have trigger information for \$206 million of cat bond lite issuance.



## Q4 2023 ILS issuance by peril

For the first time in the market's history, cyber risk in full 144A cat bond form featured in Q4 2023. Deals from AXIS, Beazley, Chubb and Swiss Re brought a combined \$415 million of cyber risk to market, accounting for 7.5% of issuance.

All the other deals issued provided sponsors with property cat reinsurance for a range of perils in numerous locations. Deals from Hiscox, Hamilton Re, VKB Re, Liberty Mutual, XL Bermuda, and Allied World covered multiple international perils, including US storm and quake, Canada quake, and European windstorm, accounting for \$1.4 billion of issuance. U.S. multi-peril deals from The Hartford, ARX, American Family, Selective, and USAA added \$1.2 billion to issuance.

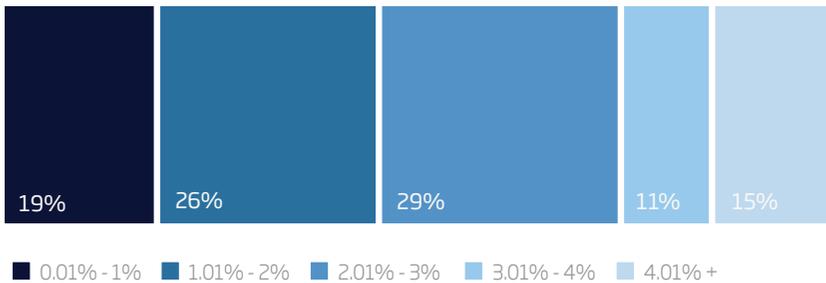


U.S. risk dominated, and included \$895 million of California earthquake risk, mostly from the CEA with a slither from a private deal from an unknown sponsor. \$195 million of Florida and Louisiana named storm risk came from Safepoint, and the North Carolina Farm Bureau sponsored a \$400 million North Carolina named storm deal.

Transactions from Allianz and Covéa brought \$430 million of European windstorm risk to market, and Pacifica and NN Group added more than \$254 million of European storm and hail risk to issuance. A Germany specific deal from VKB Re added \$192 million of quake, flood, hail, and windstorm protection. Most of the private deals issued cover unknown property cat risks, although a \$40 million private placement brought some Japan quake risk to market.

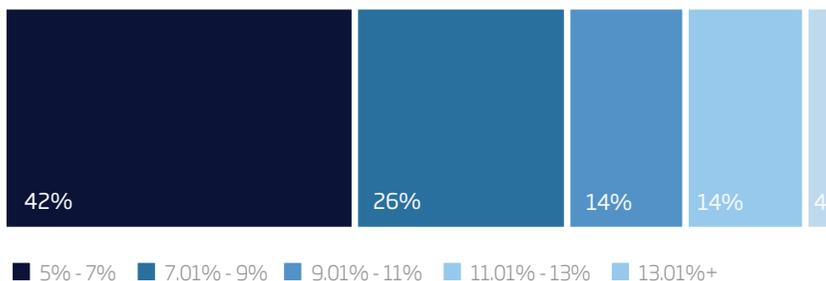
## Q4 2023 ILS issuance by expected loss

Of the \$5.3 billion of Q4 issuance that we have expected loss data for, 45%, or roughly \$2.4 billion had an expected loss of below 2%. Approximately 29% of quarterly issuance had an expected loss of between 2% and 3%, while 15%, or \$782 million of issuance had an expected loss above 4%, with the majority actually being above 5%. The highest expected loss seen in the quarter came from the Class B tranche of Hexagon IV Re notes at 8.08%. The Class A tranche of Four Lakes Re notes had the lowest expected loss, at 0.63%.



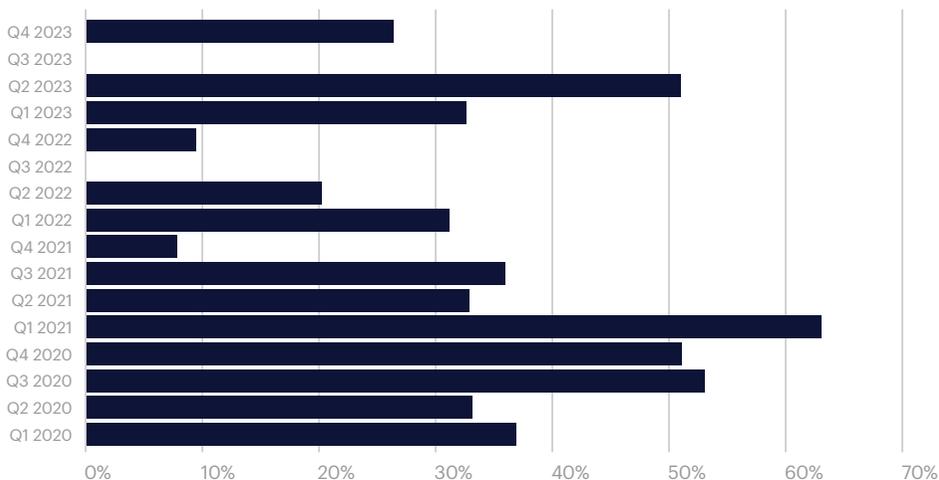
## Q4 2023 ILS issuance by coupon pricing

We have pricing data for \$5.3 billion of Q4 2023 issuance, of which 42%, or \$2.2 billion paid a coupon of between 5% and 7%. None of the deals issued in the quarter paid investors a coupon of less than 5%, which is a sign of still higher pricing. The lowest coupon on offer, at 5%, came from the tranche of King Max Re DAC notes. Approximately 58% of issuance in the quarter paid a coupon of more than 7%, while around 18% of total issuance offered a coupon of more than 11%. At 23%, the tranche of Bonanza Re notes paid the highest coupon.

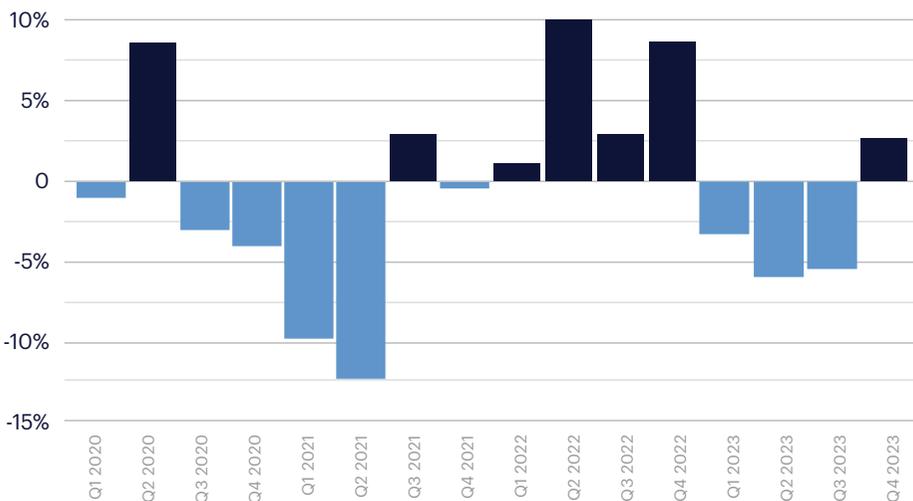


## Issuance size and price changes

The large majority of tranches of cat bond notes closed above their initial target size in the fourth quarter, with an average increase across all deals of 27%. It's a stark contrast from Q3 when all tranches of notes completed at their initial target size, and a sign of strong demand from the investor base. For the full year 2023, deals upsized by an average of 37.3%, which is higher than the 23.2% average increase in 2022.

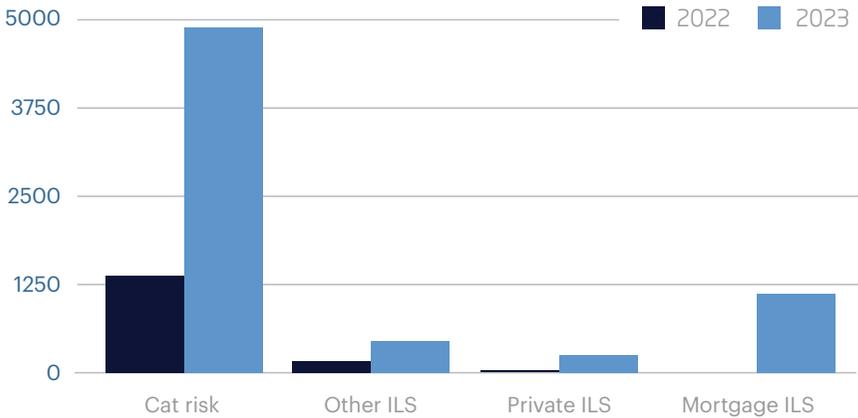


For the first quarter this year, the average price change of issuance for the tranches of notes we have full pricing data for, is positive at 2.7%. It's a significant change from the -5.8% change in Q3 2023. In fact, a positive average last occurred in Q4 2022, although this was much steeper at 9.1%. 22 of the 32 tranches of notes priced above the mid-point of initial price guidance, one priced at the mid-point, and the remainder priced below. It's another sign of investors pushing for higher risk-adjusted returns in the current market.



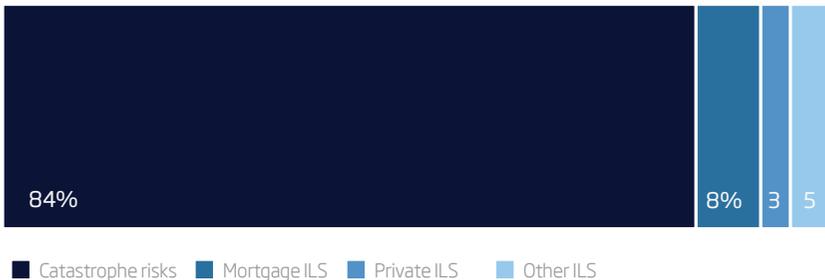
## YoY Q4 ILS issuance split

Roughly a third of the record level of 144A property cat bond issuance in 2023 came to market in the fourth quarter. After a lull in Q3, almost \$4.9 billion of property cat bond issuance occurred in Q4, which is up \$3.5 billion year-on-year. Thanks to the market's first full 144A cyber cat bond transactions, deals covering other lines of business increased from \$150 million last year to \$415 million in this year's Q4. Private ILS issuance also increased year-on-year by \$198 million to \$246.2 million. Mortgage ILS also made a slight comeback in Q4, with more than \$1.1 billion of mortgage risk from four transactions.



## Full-year 2023 issuance split

A record Q2 and very strong Q4 for the 144A property cat bond market has driven an annual record of approximately \$15 billion for these types of deals in 2023, accounting for 84% of total issuance. It's above the 10-year average by roughly \$4.9 billion, the previous high of \$12.5 billion set in 2021, and the \$9.3 billion in 2022. Private cat bond issuance actually fell year-on-year, from \$738 million to \$642 million, and is slightly below the 10-year average in 2023. As a result of the new cyber deals, the other ILS slice of issuance increased from \$481 million in 2022 to \$832 million in 2023. Mortgage ILS issuance also rose when compared to last year, to \$1.4 billion.

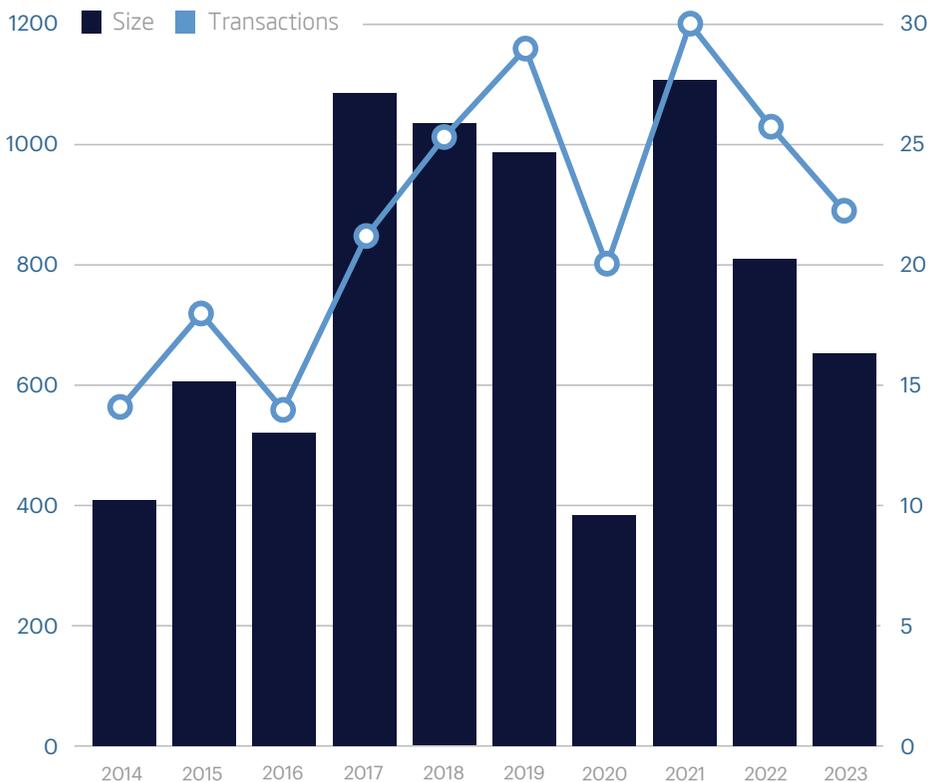


■ Catastrophe risks ■ Mortgage ILS ■ Private ILS ■ Other ILS

## Private ILS issuance by year

The issuance of private, or cat bond lite transactions was again solid in 2023, with 22 transactions bringing a combined \$642 million of risk capital to market. However, this is down on the 26 transactions and \$738 million of private cat bond issuance seen in 2022, and also below the 10-year average of \$712 million.

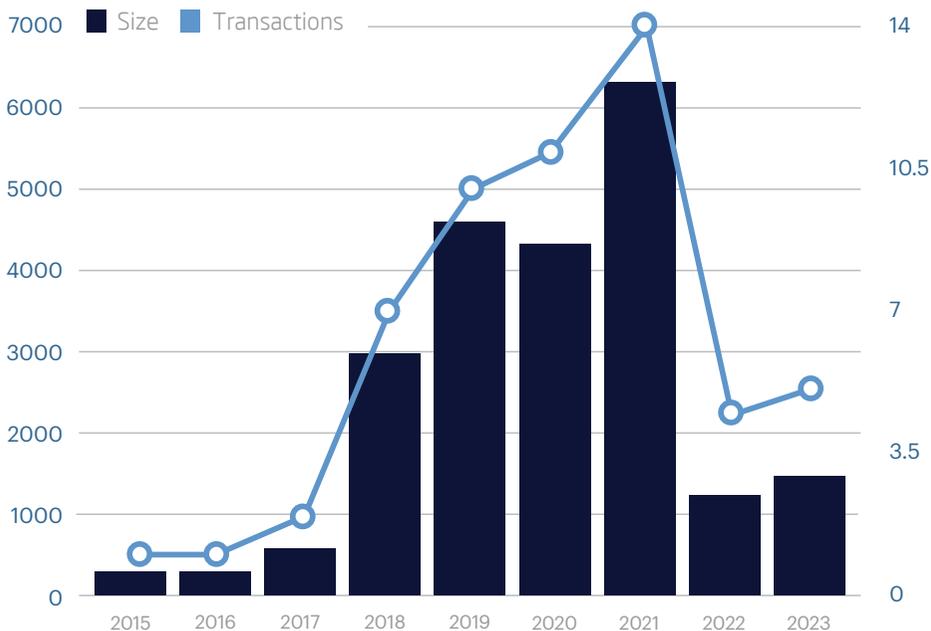
This year, cat bond lite issuance included cyber risk for the first time as Beazley tested the water with three issuances ahead of its inaugural 144A cyber cat bond. The remainder of 2023 cat bond lite issuance covered property catastrophe risks.



Only twice has annual cat bond lite issuance exceeded the \$1 billion threshold, in 2017 when 21 transactions saw volume exceed \$1.1 billion, and in 2021, when a record 30 private deals brought just over \$1 billion of risk capital to market.

## Mortgage ILS issuance by year

In the final quarter of the year, mortgage ILS issuance gained some traction with four deals bringing more than \$1.1 billion of mortgage risk to market. Combined with a deal in August, mortgage ILS issuance for 2023 hit \$1.4 billion from five transactions, which is up by more than \$200 million year-on-year, when four deals were issued.



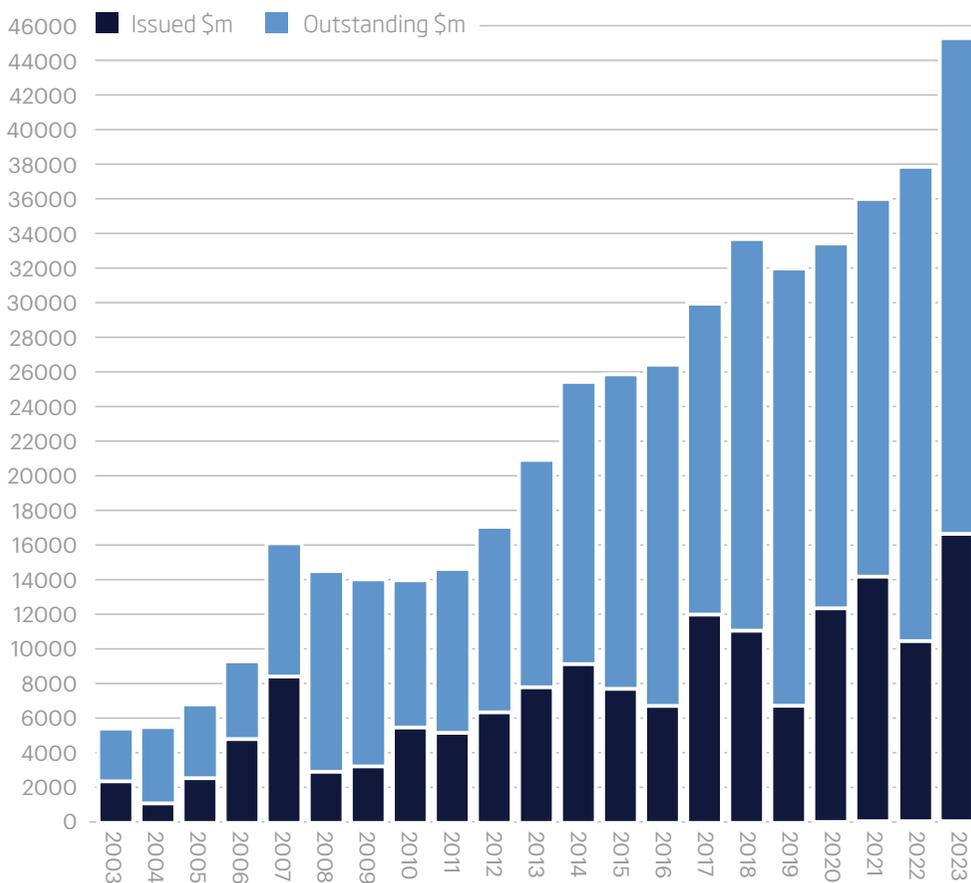
All of 2023's mortgage ILS deals came from a different sponsor. Essent Guaranty kicked things off in August with a \$281 million deal, its ninth. In October, Radian Guaranty returned with its seventh deal, a \$353 million issuance, while MGIC Investment Corp sponsored its seventh deal, a \$330 million issuance, and Arch Capital sponsored its 20th deal in the month, a \$187 million transaction. Enact Mortgage Insurance sponsored its deal in November, a \$248 million transaction, its sixth issuance.

## Issued / Outstanding

Catastrophe bond and related ILS issuance increased by a significant 57% year-on-year to a new record high of over \$16.4 billion. It's above the previous record of \$14 billion seen in 2021 by roughly \$2.4 billion, and higher than the 10-year average of \$10.6 billion, by approximately \$5.8 billion. Issuance was driven by record second and fourth quarters, which together accounted for 77%, or \$12.6 billion of total issuance for the year.

2023 is also the first time that the outstanding cat bond market has ended the year at more than \$40 billion, with deals in-force totalling approximately \$45 billion as of December 31st, 2023. During 2023, the cat bond market achieved outright growth of over \$7 billion. Impressively, the outstanding market size at the end of 2023 is more than \$24 billion, or 117% larger than it was at the end of 2013.

95 separate cat bonds featured in 2023, as tracked by the Artemis Deal Directory, and activity levels are expected to begin strongly in 2024, with sources suggesting that it's going to be a busy start to the year. The Artemis Deal Directory already has three transactions listed to complete in January, so it will be interesting to see if Q1 2024 maintains the current trend.



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/](http://www.artemis.bm/deal_directory/)

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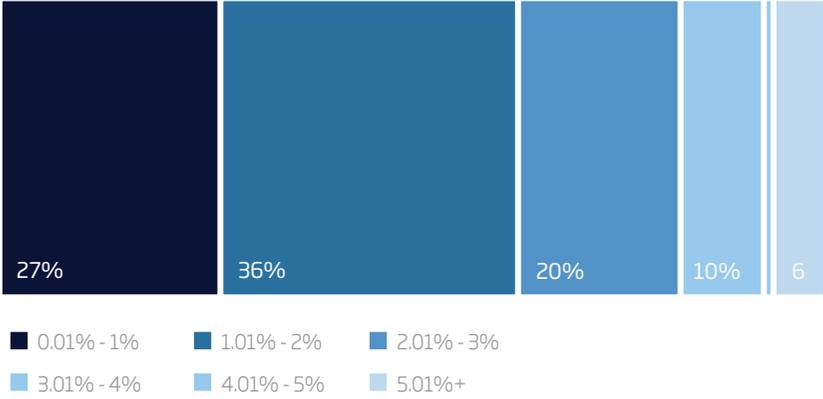
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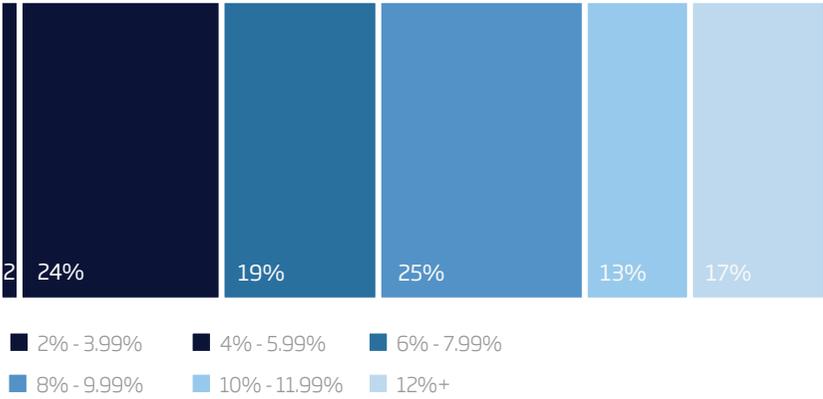
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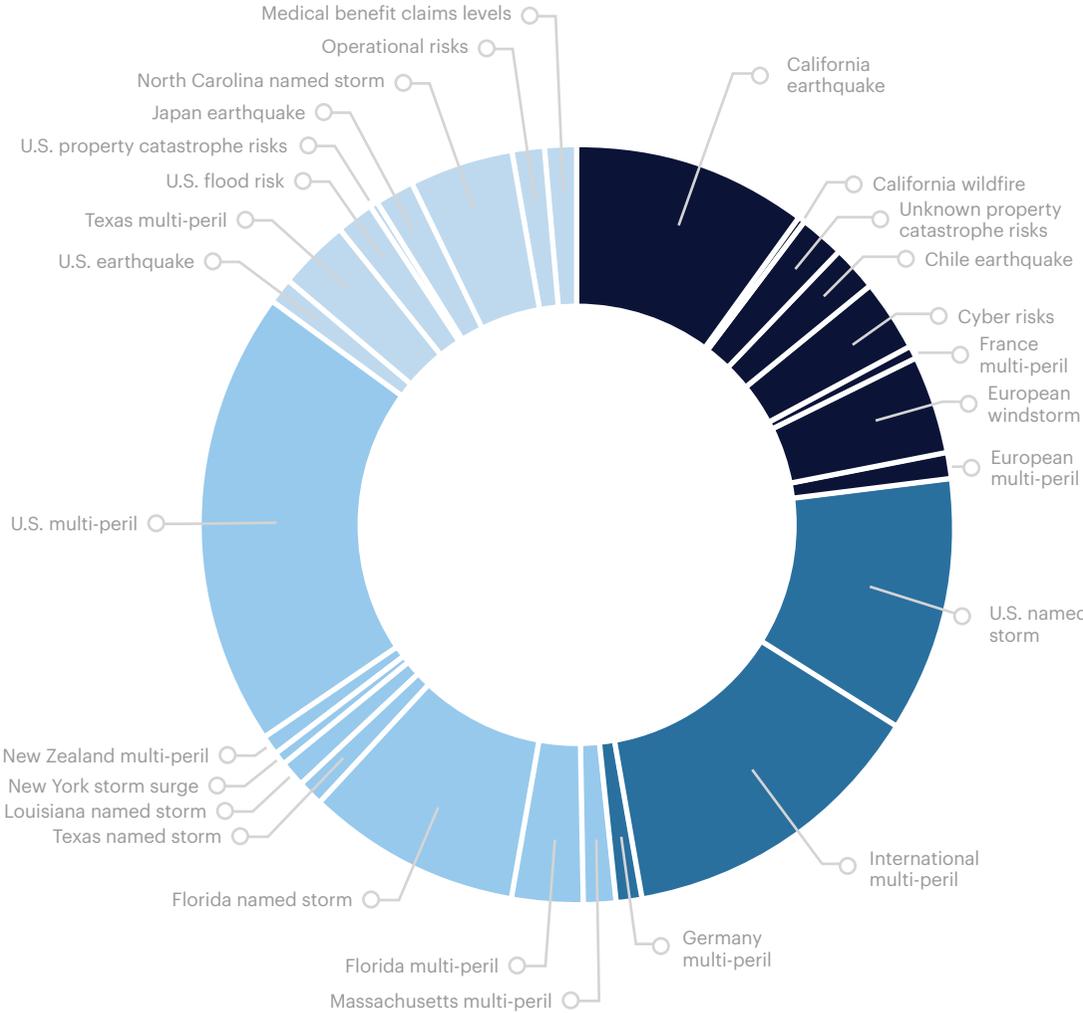
## Full-year 2023 ILS issuance by expected loss



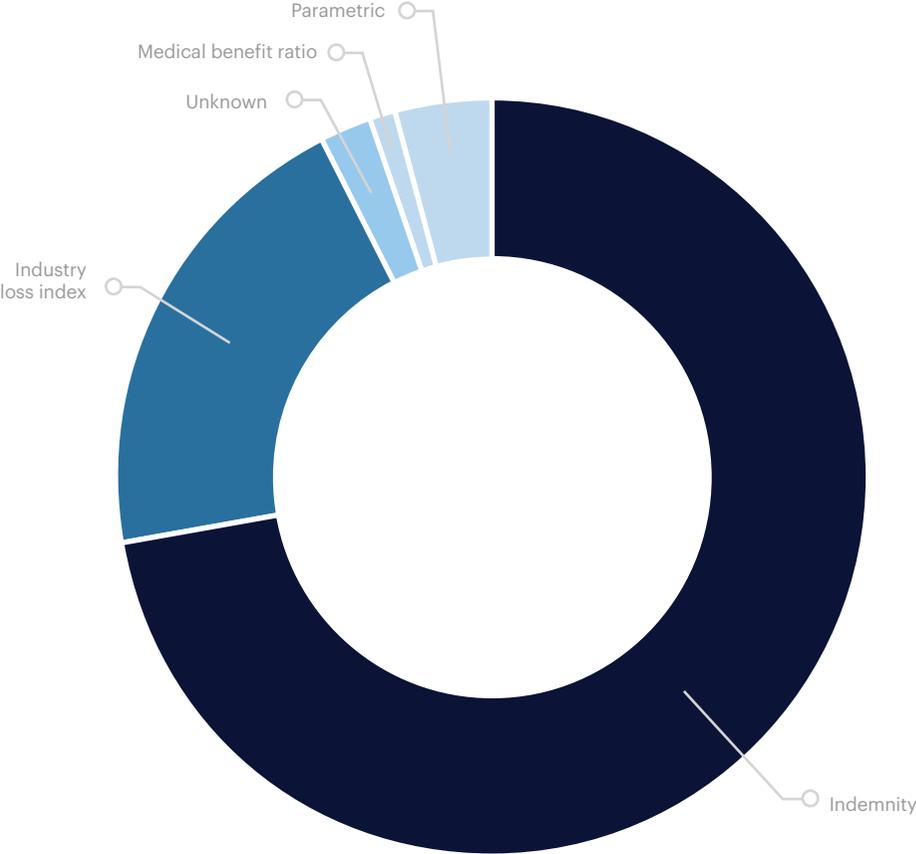
## Full-year 2023 ILS issuance by coupon pricing



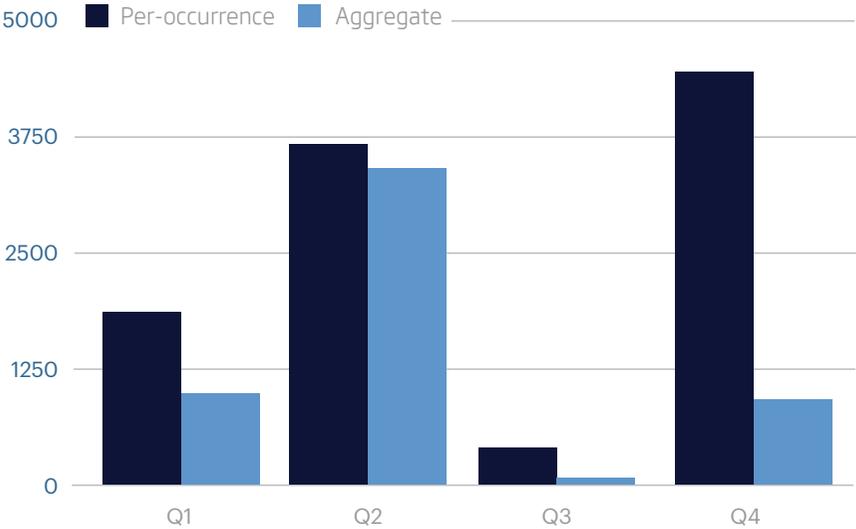
# Full-year 2023 ILS issuance by peril



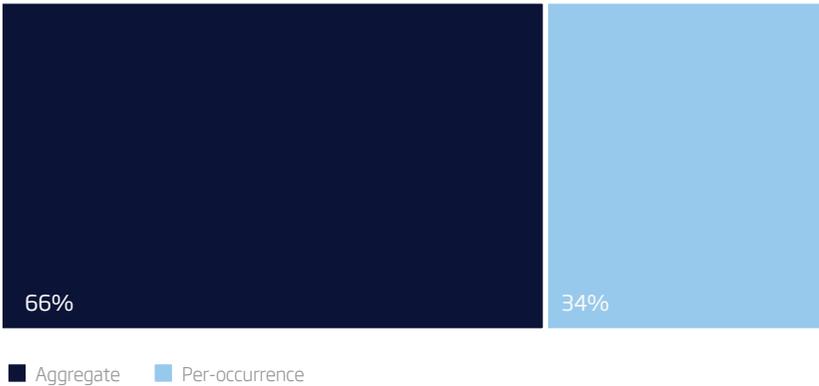
# Full-year 2023 ILS issuance by trigger



## 2023 ILS issuance per-occurrence vs aggregate split by quarter



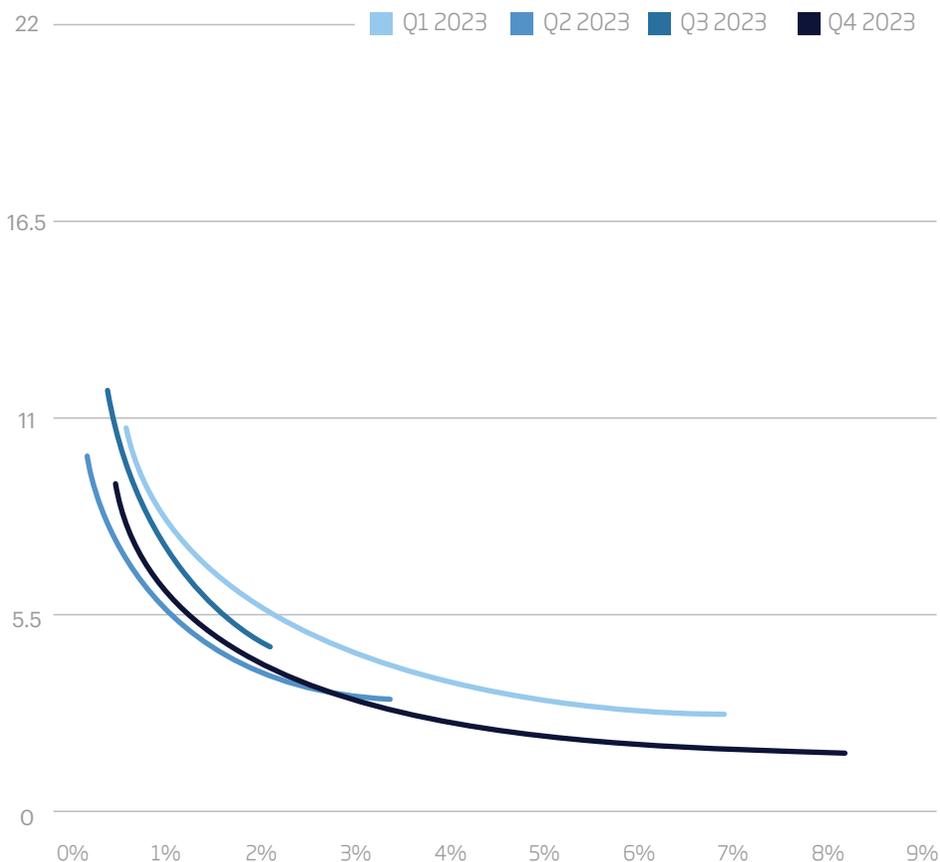
## Full-year 2023 ILS issuance per-occurrence vs aggregate split



## Quarter by quarter expected loss & multiple

The lightest blue line represents Q1 2023, the next lightest Q2 2023, then Q3 2023, and the darkest Q4 2023. The trend has been consistent throughout the year and shows that as reinsurance and retrocession rates remain firm, investors continue to demand and are achieving higher pricing. However, excluding a peak in Q3, the average multiple of issuance has been on a downward trend quarter-over-quarter, suggesting price stabilisation after some significant adjustments early in the year.

The average expected loss in Q4 is 2.5%, the average coupon is 9.2%, and the average multiple 3.68, compared with 1.22%, 8.38%, and 6.87, respectively, in Q3 2023, and 1.94%, 9.56%, and 4.93, respectively, in Q4 2022.

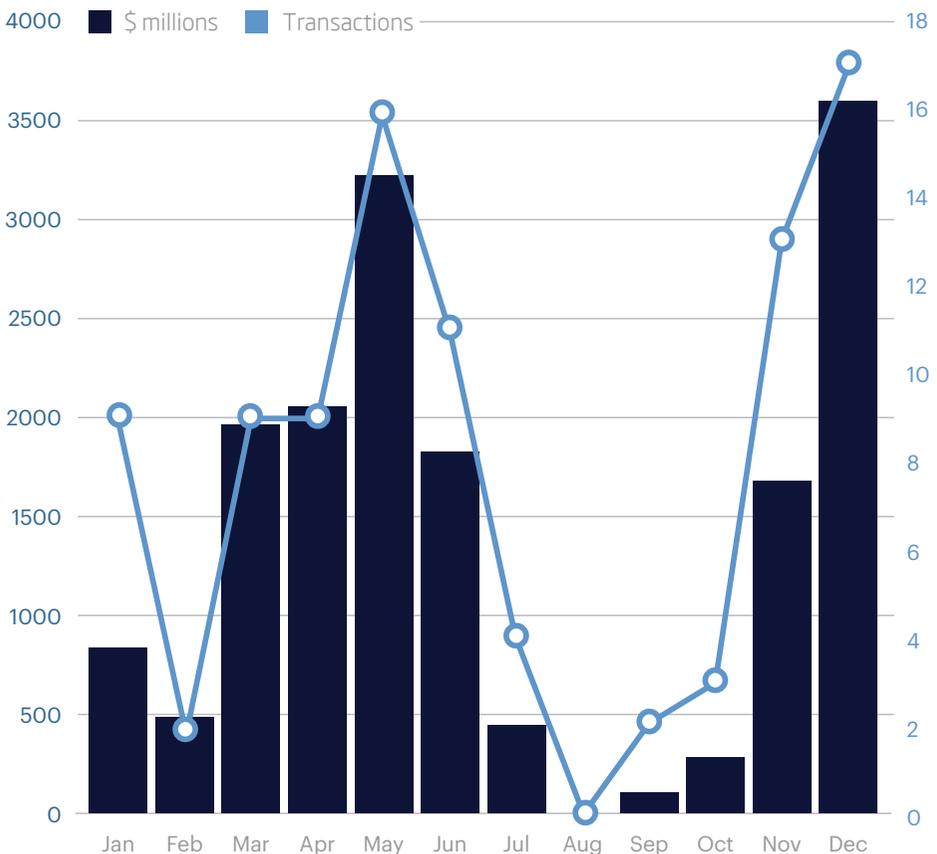


## Full-year 2023 number of ILS transactions and volume issued by month

A record 95 cat bond and related ILS transactions were recorded by the Artemis Deal Directory in 2023, beating the previous high of 83 set in 2021. Conditions have been extremely conducive for cat bond issuance, and the huge number of transactions shows just how strong sponsor demand and investor appetite were in the year.

The busiest month of the year, in terms of the number of transactions, was December with 17, although May saw 16 deals come to market, and November and June were also strong months, with 13 and 11 deals, respectively.

In both May and December more than \$3 billion of risk capital issuance occurred. The \$3.6 billion issued in December beat May's \$3.2 billion. In April issuance was also strong with more than \$2 billion issued, while March and November were also active months, with issuance volumes of \$1.9 billion and \$1.7 billion, respectively.

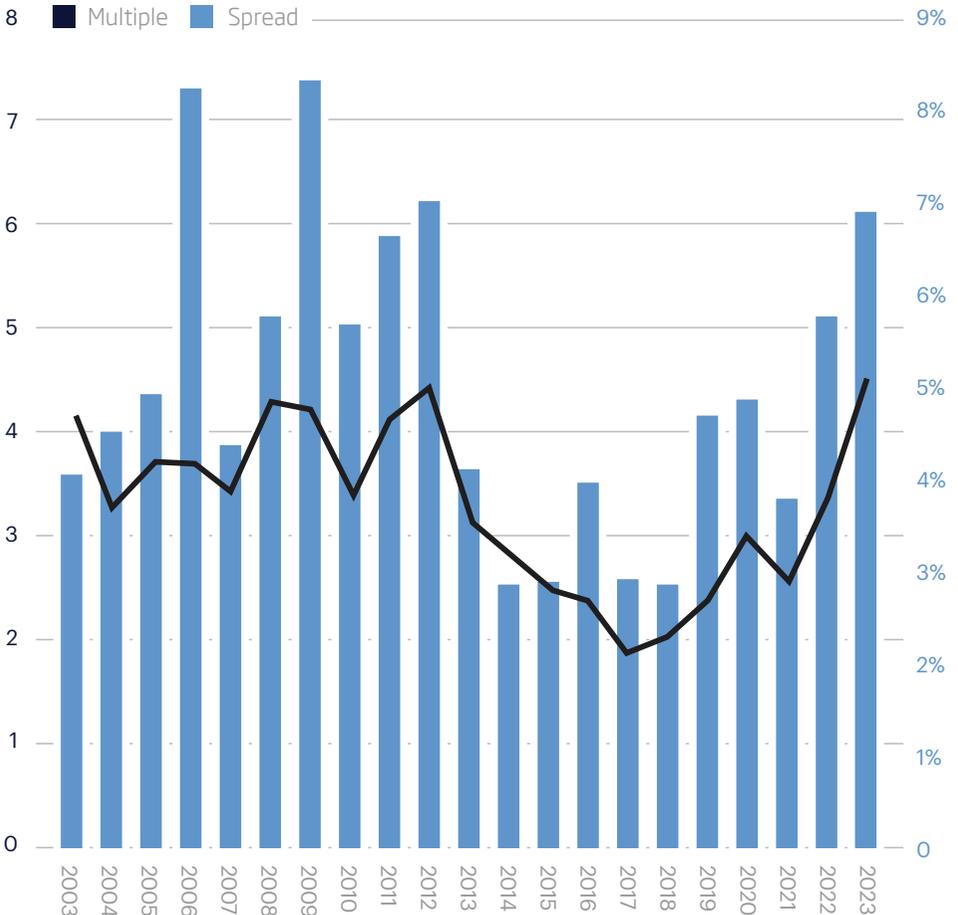


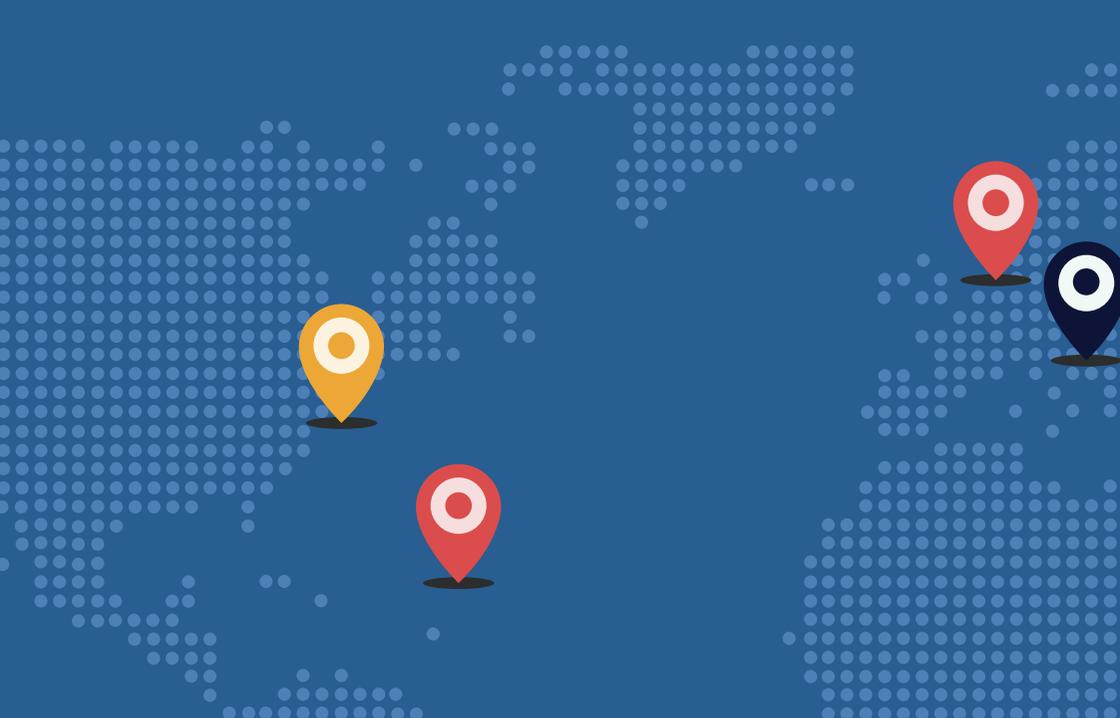
## Average pricing multiples and spread

The average multiple of 2023 cat bond issuance is 4.54, which builds on the growth in 2022 when the multiple was 3.38 at year-end, compared with 2.58 in 2022 and 2.98 in 2020. In fact, 4.54 is the sixth highest annual average multiple ever and the highest since 2002's 5.42, which is the third highest point after 5.9 in 2000 and the record 7.5 in 2001.

Year-on-year, the spread has also risen, from 5.87% in 2022 to 6.94% in 2023, which is the highest it's been since 2012. It's actually the fourth highest the spread has been at the end of any year, with the record being 8.42% in 2009.

The multiple achieved by investors had been on the rise since hurricane Ian in September 2022, and while investors continue to demand higher pricing, the decline in the multiple paid from Q1 2023 to Q4 2023 suggests that momentum has slowed, and it's become a more stable pricing environment. Regardless, an average multiple for the year of above 4 is strong and the spread remains healthy as well.





All catastrophe bond and ILS issuance data sourced from the Artemis Deal Directory.

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