



# Structured Reinsurance Solutions

## FACT SHEET NON-LIFE

### Why?

“It takes the earth one year to orbit around the sun”. In the reinsurance world, contracts are also usually concluded for one year, whereas a reliable business plan runs for at least three years.

“Red wine cannot be mixed with white to produce a good rosé”. In the reinsurance world, liability and property insurance are typically not mixed, whereas a reliable business plan considers all lines of business.

NewRe believes that – especially in a turbulent market environment and within a shifting solvency regime – it is essential to reduce the gap between business planning and reinsurance structures. NewRe has been successful in reducing this gap in the form of structured reinsurance solutions.

- NewRe adopts a pragmatic, solution-driven approach and has proven its ability to find optimal solutions.
- NewRe’s set-up for structured solutions is fully integrated into the underwriting desks.
- NewRe is prepared to base transactions on third-party analyses and thereby tailor the reinsurance structure to internal models.
- NewRe’s structured solutions typically include underwriting risk and are underwritten like traditional treaties.
- NewRe provides direct access to decision-makers and experts, which allows for swift response times.

### What?

NewRe’s structured solutions combine different elements to provide additional value to the customer:

### Where?

At NewRe we have shown strong development of structured reinsurance solutions.

### Examples of closed transactions:

- Solvency release: Structured quota share
- Start-up support: Multi-year/multi-line transaction
- Captive protection: Retention cover
- Double trigger: Efficient protection

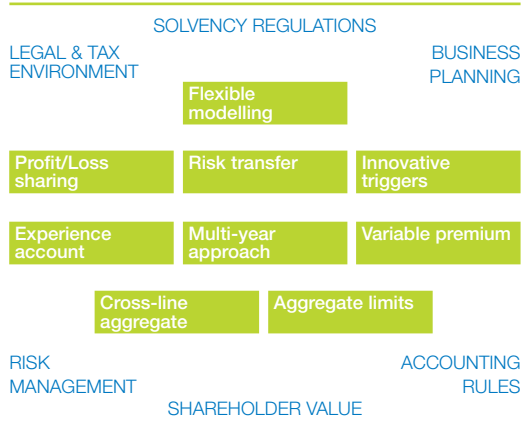
### How?

- NewRe’s structured solutions are bespoke reinsurance transactions that support the clients’ strategy and business plans.
- NewRe offers a high level of expertise, significant capacity and is able to lead placements as well as write 100% of placements.

Premium split (estimate 2011)



- Structured 50.4%
- XL 45.6%
- Proportional 4.0%





## Examples

### 1. Athena

**PROBLEM:** Athena, a successful Property & Casualty insurer, has experienced significant growth and needs to secure both its solvency ratio and rating capital level to support further expansion. Athena asks for a significant cession volume at a reasonable price to support the whole planning period of three to five years.

**SOLUTION:** Multi-year quota share with

- Solvency review clause
- Experience account for each underwriting year with floating interest rate
- Significant profit commission for Athena
- Loss cap

### 2. Apollo II

**PROBLEM:** The motor insurer Apollo is seeking protection against a potential higher frequency of losses below the traditional reinsurance programme. They are looking for a cover that would allow for a certain payback effect in case the losses do not materialize and would adapt to their growing risk landscape, i.e. further gradual increase in policy limit.

**SOLUTION:** Three-year frequency cover with profit-and-loss-sharing elements

- This cover is structured to spread the higher-than-normal frequency of one year across three years, which then allows the insurer to adjust original premium rates to an adequate level in the second and third year.
- Profit commission payable after commutation of all treaty years at fixed end date.

### 3. Hera

**PROBLEM:** The multinational Property & Casualty insurer Hera has established a legal entity outside its home country to optimize its structure for international businesses. Hera is looking for a solution that would secure a positive technical result during the first year, support possible growth in a “difficult-to-place” segment and adapt flexibly to their growing risk landscape.

**SOLUTION:** Adaptable cross-line aggregate treaty

- Classic lines of business are allocated to three traditional sections.
- Profit commission depends on year of termination/commutation.
- Each section has an annual aggregate and a term aggregate limit which is adjusted annually to the modelled possible maximum loss (PML) results.

### 4. Artemis

**PROBLEM:** Artemis, a regional insurance company, purchases a sub-layer to protect itself against a frequency of natural peril losses. 2009 was a bad year for Artemis as it had to write down some of its assets. Artemis' management introduced a cost-saving initiative which included a reduction in its reinsurance budget for 2010. Artemis asks for a frequency protection at a reduced price.

**SOLUTION:** Option cover

- A specific market index, weighting 70 % bonds and 30 % equities, was defined. This agreed index is a proxy for Artemis current investments.
- The sub-layer will be activated only if the index falls below an agreed threshold based on the index.
- Artemis pays an upfront fee to secure the capacity during the year.
- The full price is payable only if the trigger is activated.

## Who?

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