



Swiss Re



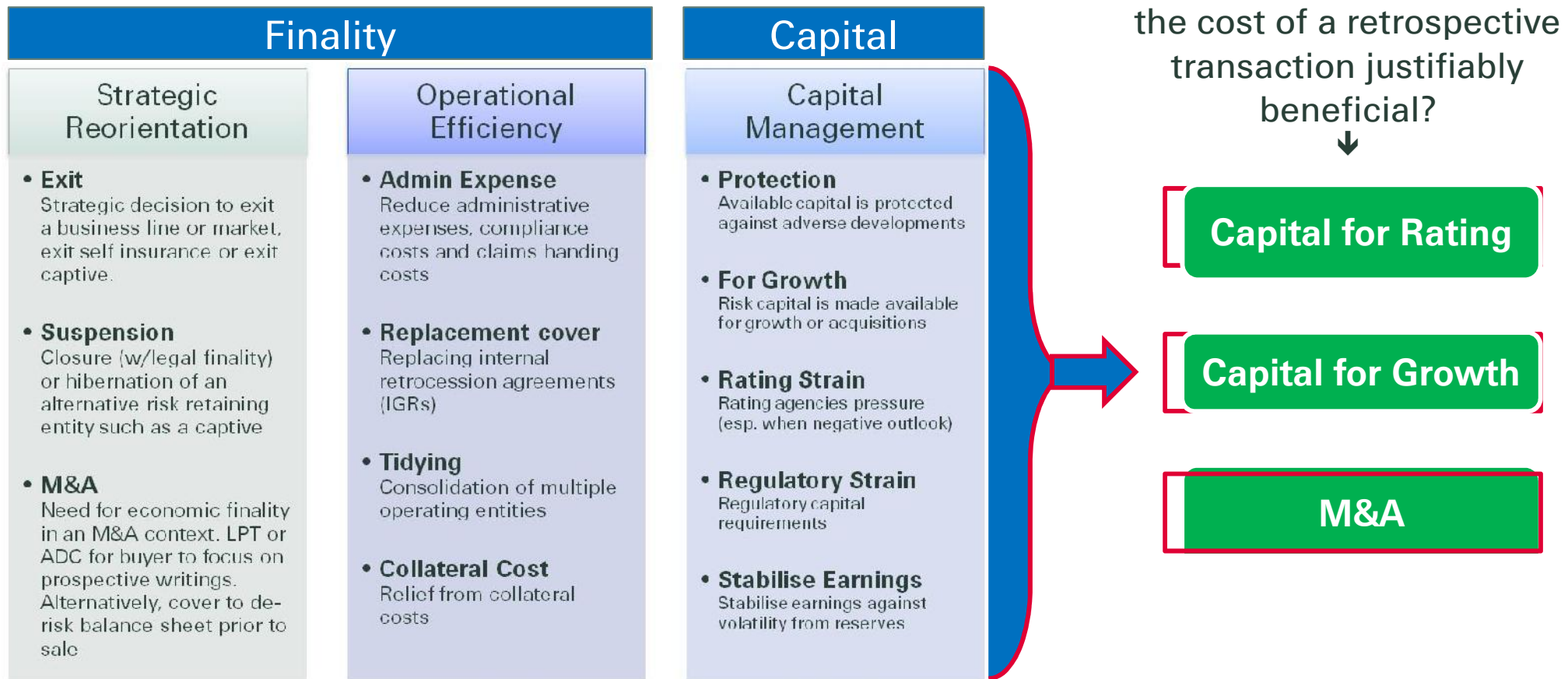
# CAS Reinsurance Society

Run-Off

June 2013

SWISS RE  
**150**  
YEARS

# Common motivations for a retrospective solution





# What options does a company have to remove reserves from their balance sheet?

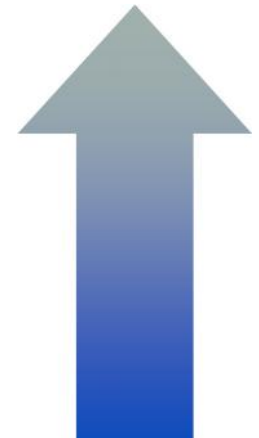
- Passive run-off with natural expiry
- Active management of run-off portfolio
- Retrospective reinsurance (LPT /ADC)
- Novation
- Portfolio sale
- Entity sale

## Retrospective Solutions

Degree of Finality



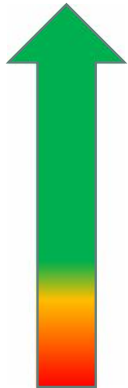
Capital Relief  
Cost Efficiency





# What are potential retrospective solutions?

Less  
Complex

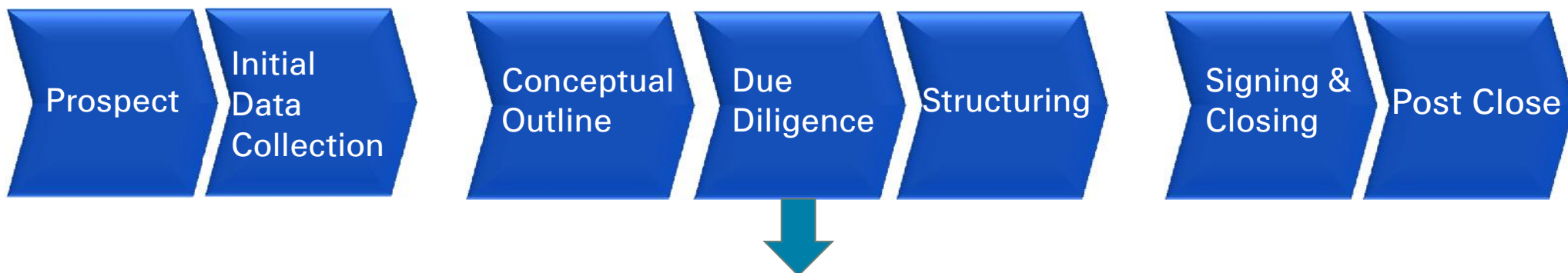


Complex

Common Retrospective Solutions for Non-Life Reserves	
<b>Retroactive Reinsurance</b>	<ul style="list-style-type: none"> <li>■ <b>Loss Portfolio Transfer (LPT):</b> <ul style="list-style-type: none"> <li>■ A retroactive quota share cover solution, under which a reinsurer assumes the risk of Deviation of the expected payout pattern</li> </ul> </li> <li>■ <b>Adverse Development Cover (ADC):</b> <ul style="list-style-type: none"> <li>■ A retroactive excess of loss cover solution, under which Swiss Re assumes the risk of future deviations in excess of the current expected ultimate net loss of a portfolio up to a limit</li> </ul> </li> <li>■ <b>LPT/ADC: Combination of the above</b></li> <li>■ For US Domiciled STAT reporting carriers, SSAP 62R an option</li> </ul>
<b>Novation / Portfolio Sale / Liability Transfer</b>	<ul style="list-style-type: none"> <li>■ An insurer with appropriate license(s) takes ownership of liabilities and corresponding assets of a predefined portfolio / business</li> </ul>
<b>Entity Acquisition</b>	<ul style="list-style-type: none"> <li>■ An insurer purchases the shares of the target insurance company. The new company can continue operating the former company or may choose to run-off existing liabilities and sell renewal rights.</li> </ul>

## An example of the retrospective solution process

- |                                |                               |                               |                              |                      |                                |                          |
|--------------------------------|-------------------------------|-------------------------------|------------------------------|----------------------|--------------------------------|--------------------------|
| ■ Deal origination             | ■ Review information provided | ■ Client commitment           | ■ Establish DD plan and team | ■ Finalise structure | ■ Complete legal documentation | ■ Hand-Over              |
| ■ Compare risk appetite        | ■ Conduct basic analysis      | ■ Outline structure / options |                              | ■ Finalise price     | ■ Formal signing               | ■ Data migration         |
| ■ Understand client motivation |                               | ■ Price indication            |                              |                      | ■ Regulatory approval          | ■ Reporting / monitoring |
|                                |                               |                               |                              |                      | ■ Formal closing               | ■ Compliance             |



### Due Diligence:

- Analysis of Adequacy of Existing Reserves
- Sensitivity Analysis (inflation, commutations, etc.)
- Operational Cost & Resource Requirements
- Regulatory
- Etc.

# Retrospective Solutions

## Due Diligence – Extended Deal Team Functions

### Extended Due Diligence team: "Hub & Spoke Model"



### Core Deal Team Member

### Role and Extended Functional Team

Deal Team Lead	<ul style="list-style-type: none"> <li>Run Off expert who leads the deal team</li> </ul>
Client Manager	<ul style="list-style-type: none"> <li>Key contact for the Client, works closely with DTL lead</li> </ul>
Underwriting (UW)	<ul style="list-style-type: none"> <li>Global and local experts as required, for whole portfolios and/or by line of business</li> </ul>
Actuarial	<ul style="list-style-type: none"> <li>Specialist actuarial pricing expert, local costing experts consulted if required</li> </ul>
Claims	<ul style="list-style-type: none"> <li>Global and local experts looking at reserve analysis, claim department evaluation, retro collectability, post close transition, need for third party administrators, etc</li> </ul>
Legal	<ul style="list-style-type: none"> <li>Global and local experts including compliance, carrier management, regulatory approval, ITC, etc</li> </ul>
Finance	<ul style="list-style-type: none"> <li>Experts reviewing accounting, tax, capital, liquidity, carrier management, etc</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Experts who review credit risk management and other potential risks</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Experts looking at claims and general operations issues both pre and post close</li> </ul>