

More Structured Re

CARe Seminar 2015
Philadelphia



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Top and . . .

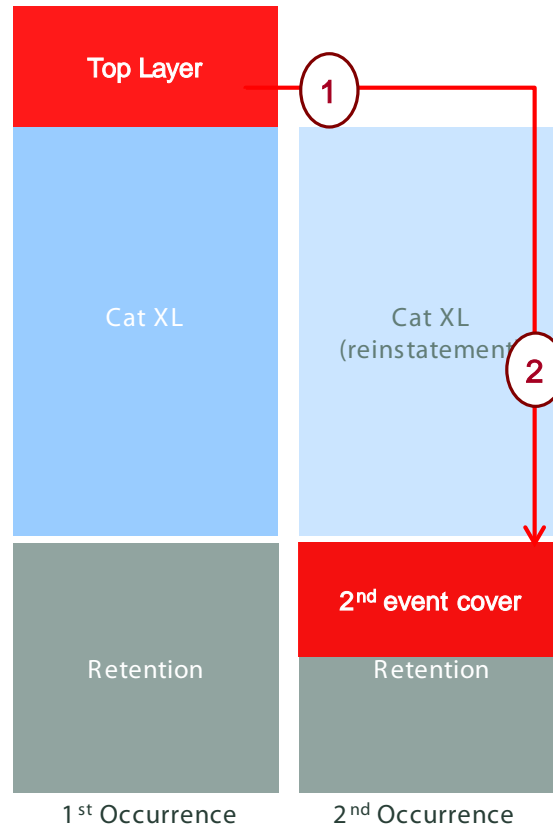
- drop
- drop and drop
- gap
- top
- agg (1 2 3)
- theme: 2nd or subsequent event coverage, usually shared limit

Top 'n Drop

Strategic positioning of an efficient property catastrophe purchase

Top 'n Drop Features:

- One Shared Limit
- Limit is available when needed for severity events or frequency events
- Achieve lower costing than purchasing separate covers due to sharing of limit and min. ROL requirements
- Horizontal protection when competitors are suffering from losses

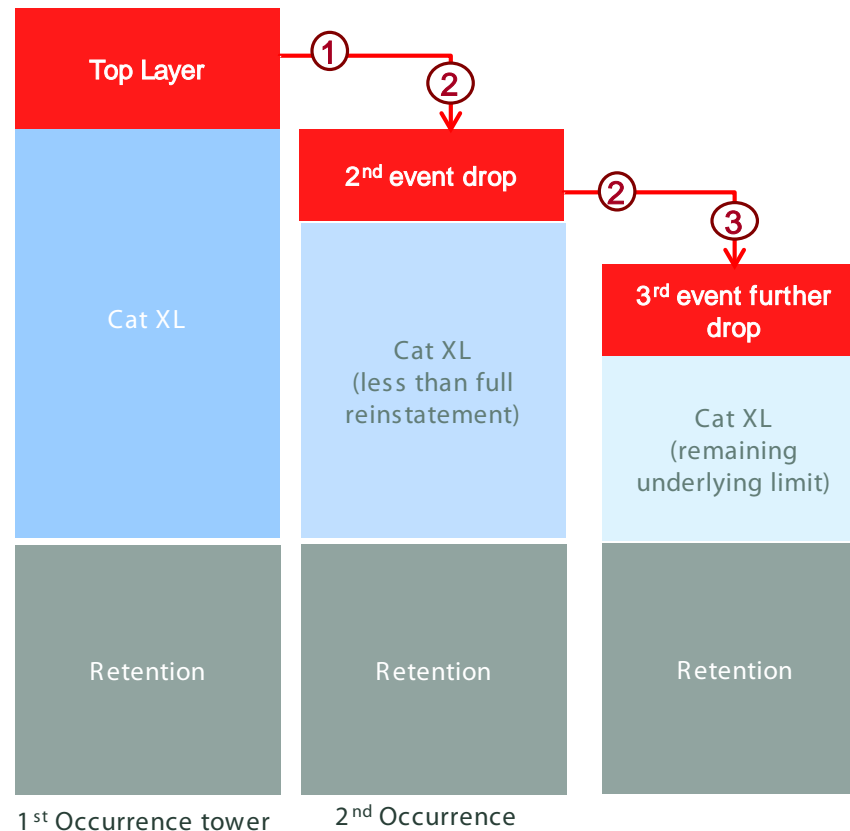


Top 'n Drop 'n Drop

One limit above aggregate above fixed retention

Top 'n Drop 'n Drop

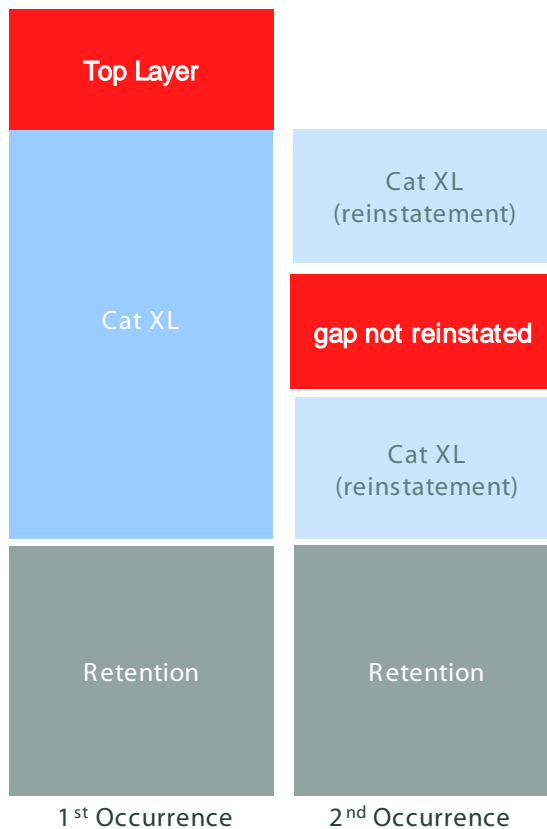
- One Limit
- Limit is available in retention in cat XL layer is treated as aggregate, so drops down for 2nd and subsequent events
- More chance of using the limit, so higher cost



Top 'n Gap

Top 'n Gap Features:

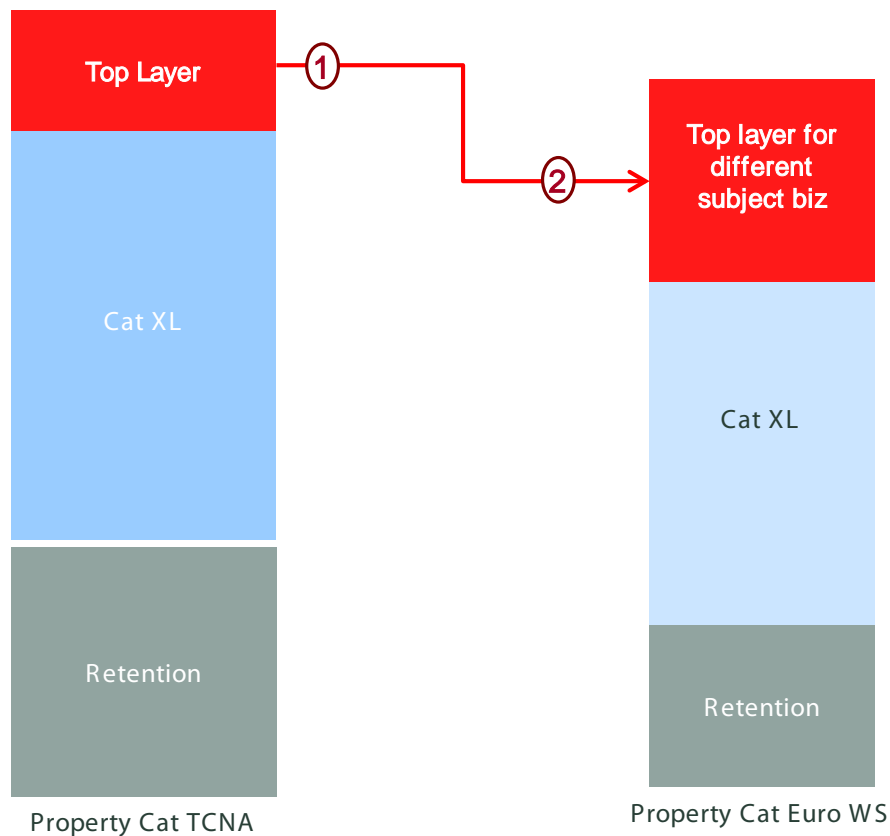
- 2 Limits
- Limit is available in second event when the a first inuring event cover doesn't reinstate
- Higher cost that traditional reinstated limit since second event attaches lower than a normal reinstatement.



Top 'n Top

Top 'n Top Features:

- One Shared Limit
- May achieve lower costing due to sharing of limit and min. ROL requirements
- Purpose would be to clarify different subject business, different inuring structure.
- Like all forms of shared limit, this approach risky if need coverage for both towers

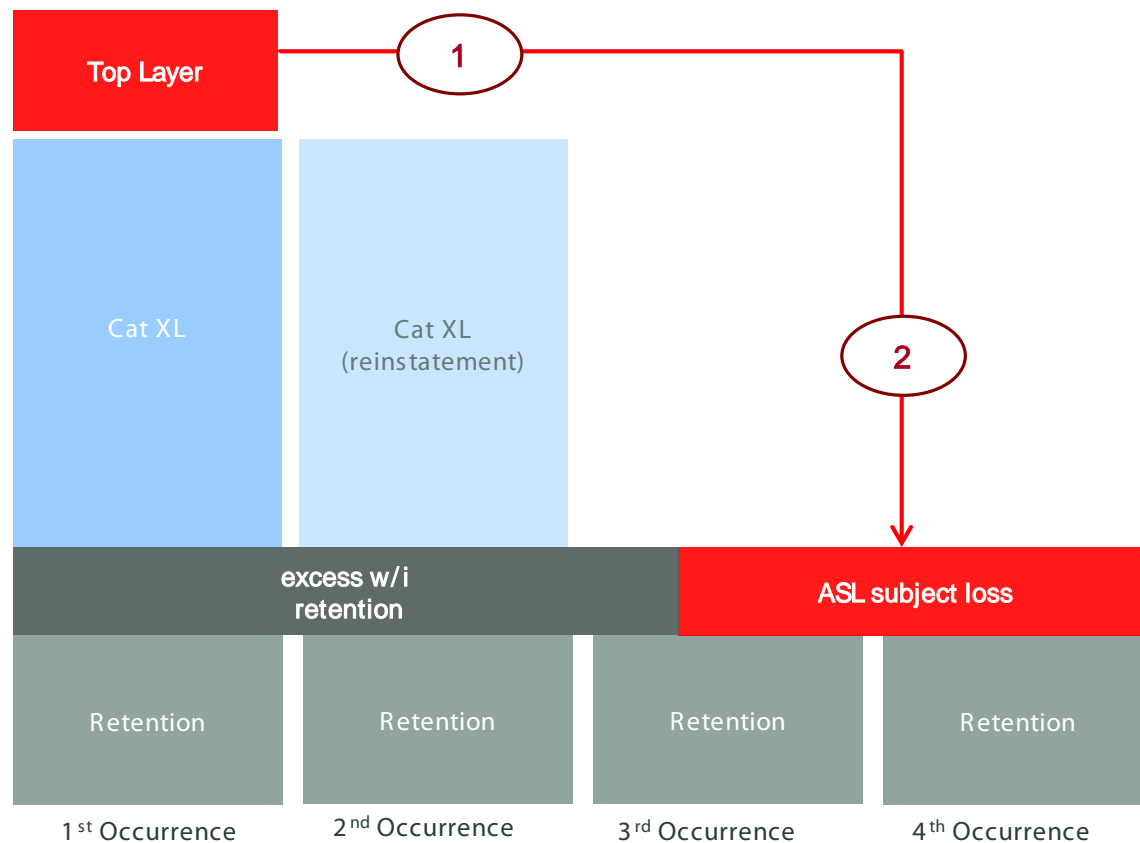


Top 'n Agg 1

Top 'n Agg Features

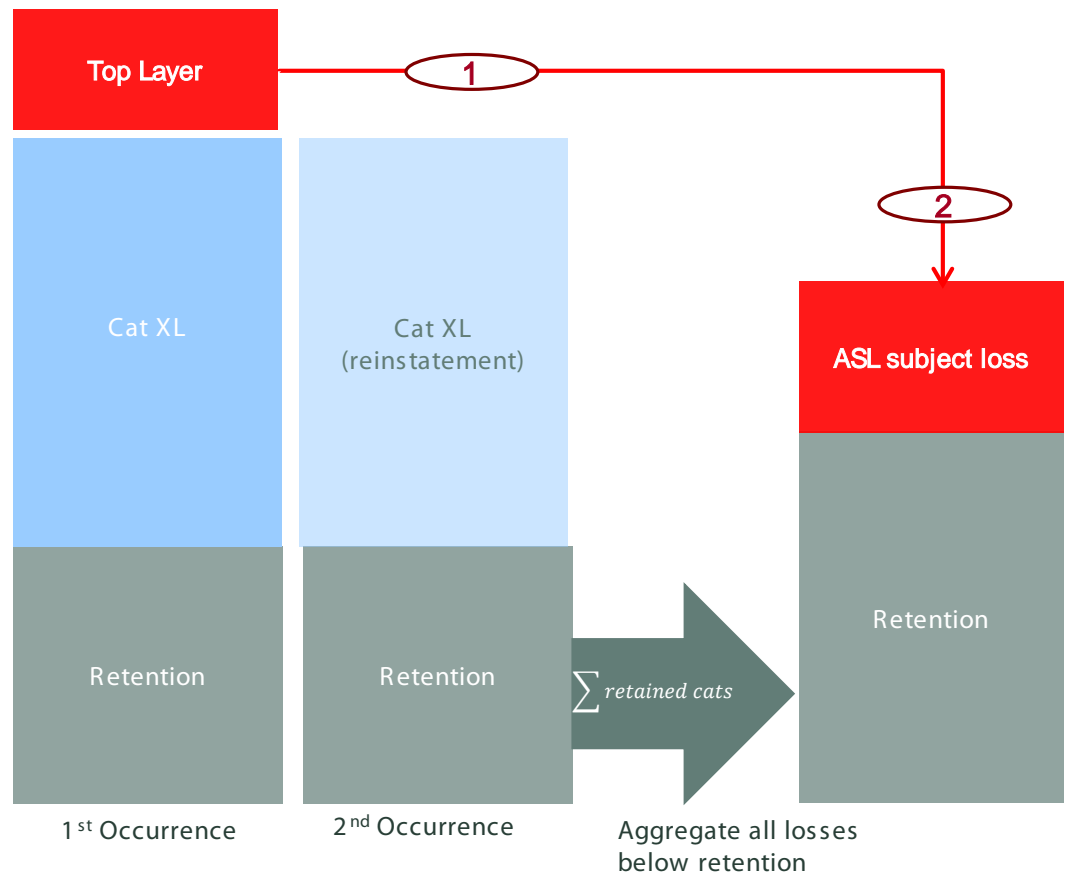
Now with 3 or more events, lower layer, same benefits as top and drop:

- One Shared Limit
- Limit is available when needed for severity events or frequency events
- Achieve lower costing due to sharing of limit and min. ROL requirements
- Horizontal protection when competitors are suffering from losses



Top 'n Agg 2

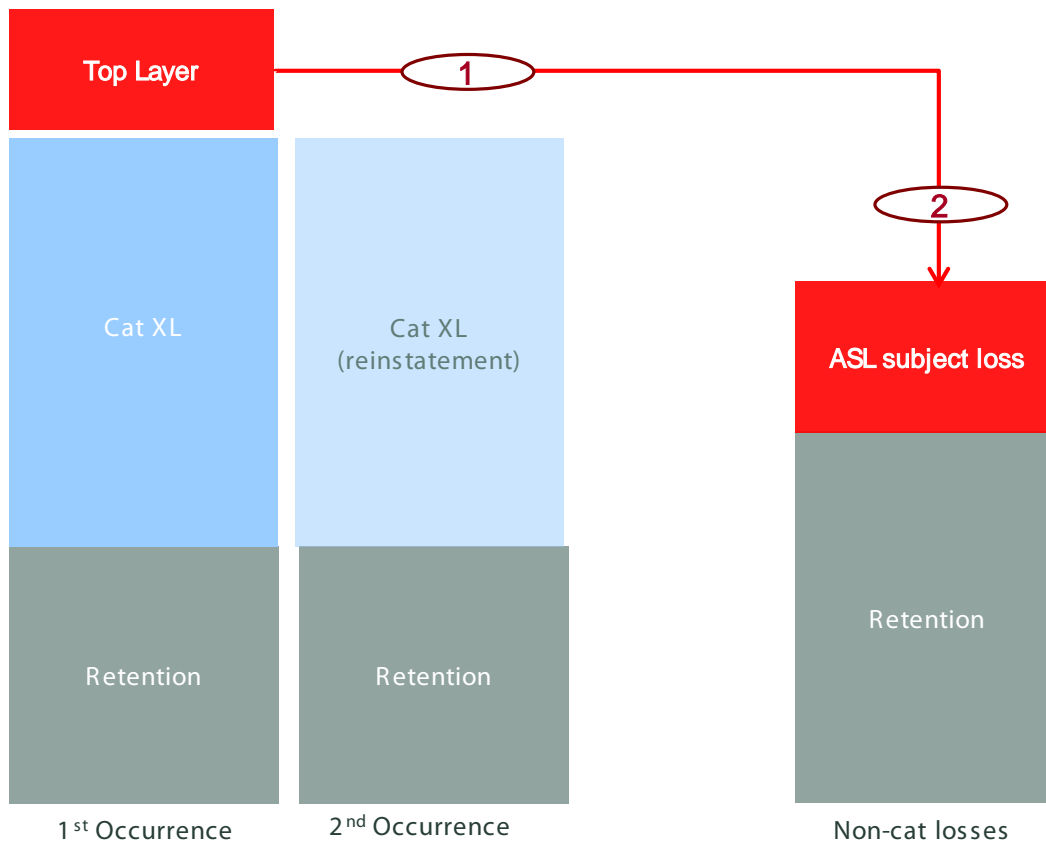
- Agg 2 vs Agg 1**
- Agg is replaced with ground up cat losses otherwise retained.
 - Apply ASL to those



Top 'n Agg 3

Agg 3 vs Agg 2

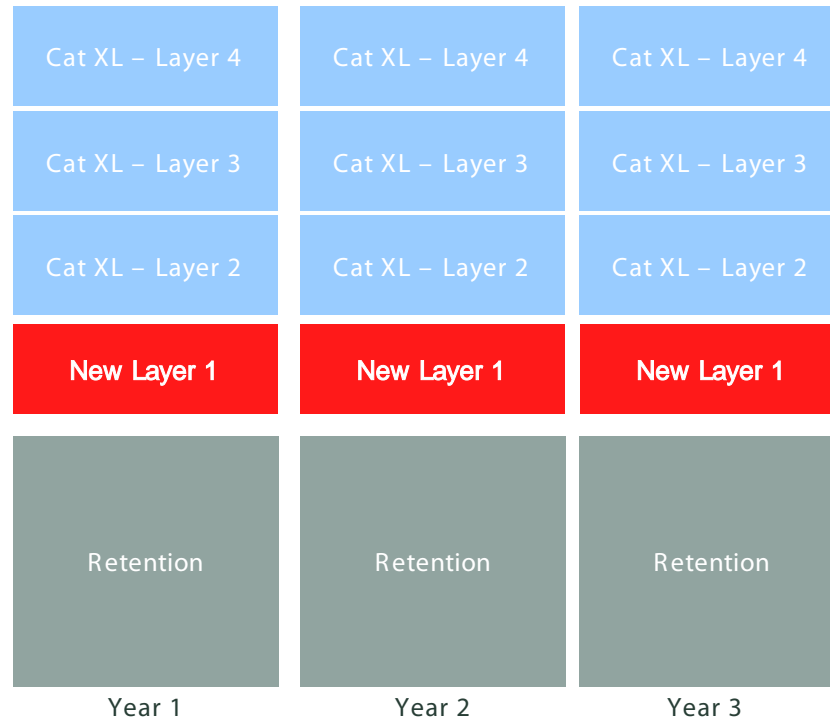
- Subject losses are not nat cat. Could be property or other LOBs.



Multi Year Cat Cover: Low Layer ¹

More efficient purchase over multiple years

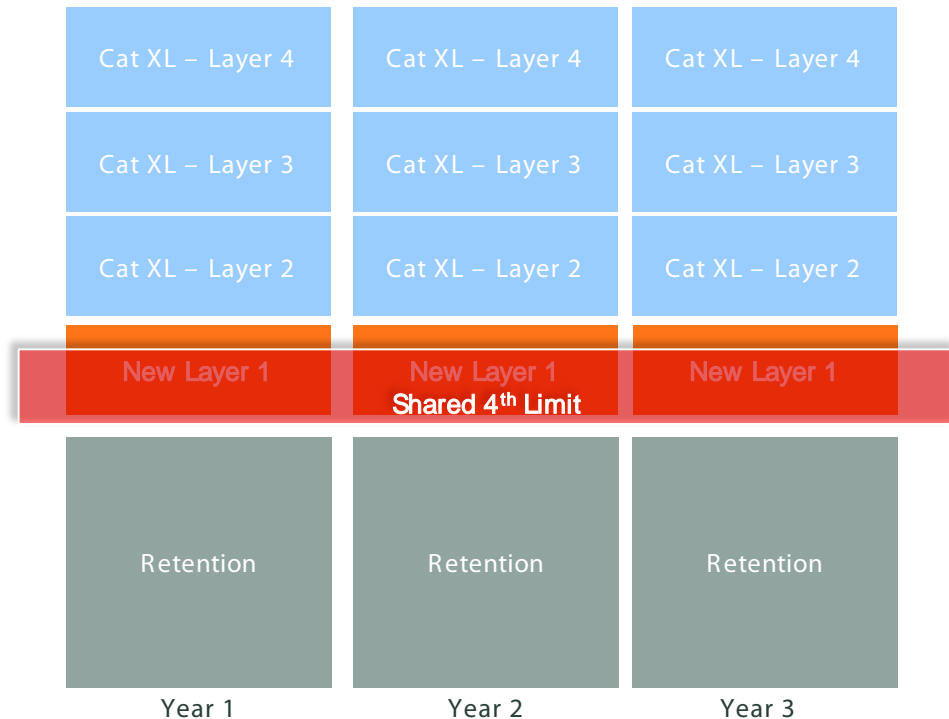
- Multi Year Lower Cat Layer
- Can be constructed with three limits and a three year profit commission
- Allows insurer to take some exposure to Layer 1 on a three year basis (through high ROL)
- In clean three year scenario cost much cheaper than purchasing Layer 1 stand alone each year



Multi Year Cat Cover: Low Layer²

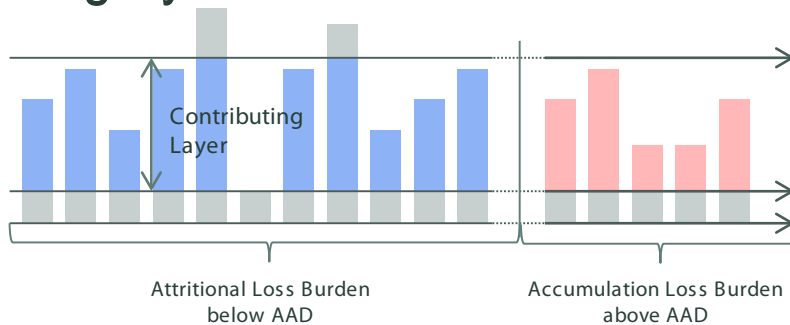
More efficient purchase over multiple years

- Three year Layer 1 cover
- Each year provided one stand alone limit
- Additional limit available for multiple occurrence years
- Additional limit shared across three years

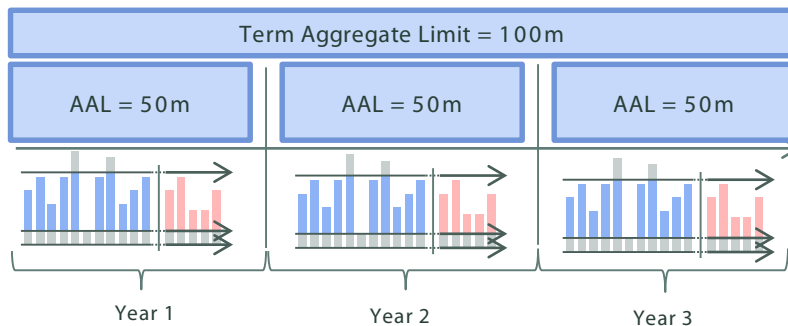


Aggregate Stop Loss and a multi-year view

Single year view



Multiple year view



- ❖ Basic coverage is Aggregate Stop Loss (ASL) applied to contributing layers
 - Excess an Annual Aggregate Deductible (AAD)
 - Capped by Annual Aggregate Limit (AAL)
- ❖ Basic multi-year motivations:
 - secure future capacity
 - predictable cost
- ❖ How much limit to purchase for a single year?
- ❖ If purchase multiple years with an overall aggregate limit may be able to buy more coverage per year in exchange for smaller all years limit.

Multi-year Considerations

- Accruals (basic philosophy: accrue premium in proportion to limit used)
- Cancel re-write (structures that need loss in first year to work for cedent)
- Use of Profit Commission vs additional premium. Possibly different accruals
- Triggering events that change coverage in out years (attachment point up or down based on year 1 results)
- adjustment mechanisms (premium, retention, limit as percentage of modeled loss, rate changes, . . .)
- implicit options vs contingency (triggering event that defines future coverage, or triggers an option of Cedent or Reinsurer. Is the option symmetric?)
- material change clause (adjustment features, when so large to cancel, trigger retroactive accounting?)

Questions?