

# The Actuarial Profession

making financial sense of the future

## GIRO XXX 2003 Convention

Aviation: Current Reinsurance Programmes

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# Aviation

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## ■ Excess of Loss Reinsurance Programme

## Main Contract: CI

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- 46 xs 4 Layer
  - 2 Reinstatements at 75%
  - Profit Commission
  - 2 Year Deal
  - 2 Year Profit Commission
- (Cn = Contract n)  
(all amounts in \$millions)

## Main Contract Protection: C2

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- RPP on C1
  - PCP on C1
  - 1 Reinstatement for RPP at 100%
  - Profit Commission
- (RPP = reinstatement premium protection)
- (PCP = profit commission protection)

## Protection of Protection: C3

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- RPP on C2
- PCP on C2
- Profit Commission

## **Additional Protection: C4**

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- PCP on C1: 2 year
- PCP on C3: 2 year
- No Profit Commission!

## Mirror Contract: M1

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- 46 xs 4 Mirror: premium 4/46xC1 premium
- 2 Reinstatements at 75%
- Profit Commission
- 2 Year Deal
- 2 Year Profit Commission

## Mirror Protections: M2 to M4

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- All as Mirror to C2 to C4



## Additional Merger Programme

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- 34.5 xs 3 xs 10% Line
  - Main Contracts similar to C1 to C4
  - Mirror Contracts as M1 to M4
- (assumes pre-merger 10% lines written;  
After merger additional 7.5% lines written)

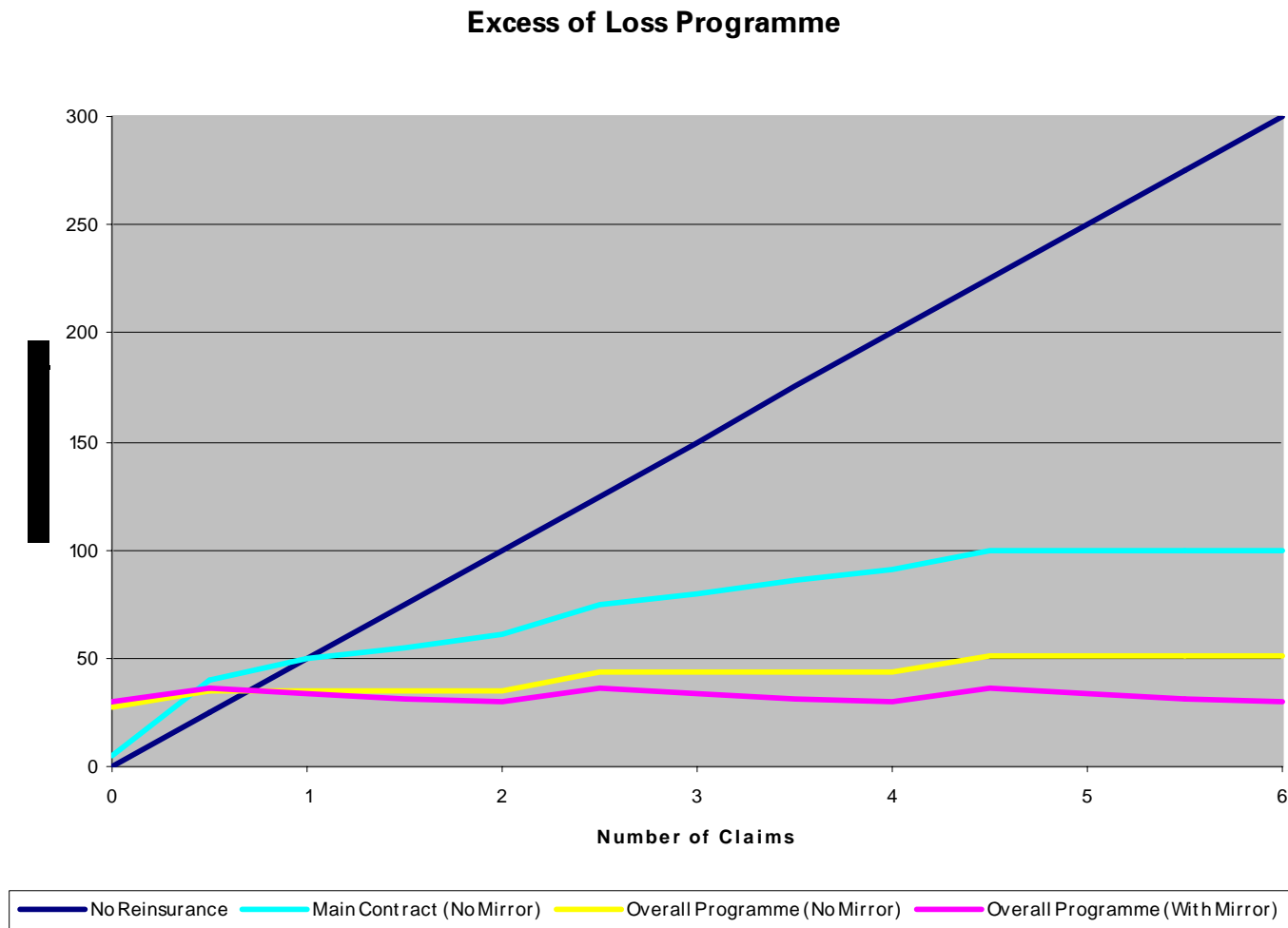
## C1 to C4 Equivalent

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- Total Return = claims to layer assuming 2 free reinstatements + full profit commission
- Equivalent to:
- Contract with 2 free reinstatements for premium = total premium – full profit commission

# Excess of Loss Programme

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# Warranty Cover: Layers

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■ Per loss excess: 250k

■ Limit:

■ C1: 4

■ C2: 6

■ C3: 8

## Warranty Cover: Event

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- Only payable when original loss for which “London Market Reserve” exceeds particular amount:

- C1: 150

- C2: 175

- C3: 200

## Warranty Cover: Effect

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- Recovery whether or not reinsured has an interest in the original loss
- Recoveries do not inure to the benefit of any other of the reinsured's protections
- Per loss excess of 250k pitched such that if the warranty is effected then full recovery is expected

## Warranty Cover: Contract

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- Four year deal, with merger in third year, so:  
for 3<sup>rd</sup> & 4<sup>th</sup> years:
- Per loss limit:
  - C1: 7
  - C2: 10.5
  - C3: 14

## Warranty Cover: Aggregate Limits

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	Years 1&2	Years 2&3	Total
C1	12	21	40
C2	18	31.5	65
C3	24	42	100



## Warranty Cover: Reinstatements

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### ■ 7 Reinstatements for 4-year contract:

■ 1 <sup>st</sup>	100%
■ 2 <sup>nd</sup>	0%
■ 3 <sup>rd</sup>	100%
■ 4 <sup>th</sup>	0%
■ 5 <sup>th</sup>	100%
■ 6 <sup>th</sup>	0%
■ 7 <sup>th</sup>	100%