

The Actuarial Profession

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The 3rd Younger Members Convention


29-30 November 2004, The Chesford Grange Hotel, Kenilworth

Post 9-11 – Why Reinsurance will never be the same again

Jason Hurley

Head of Sales and Marketing RGA UK

Remember the 1990's








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Remember the 1990's



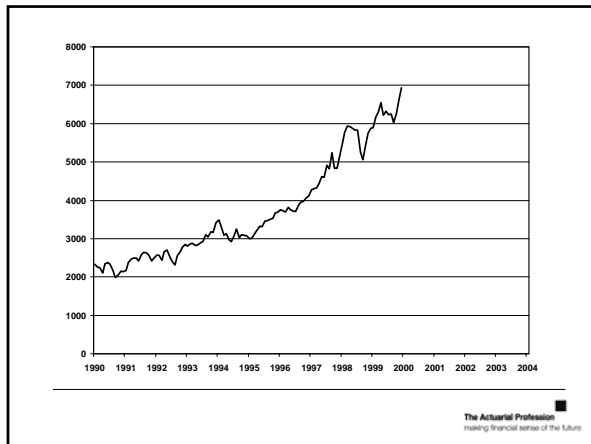


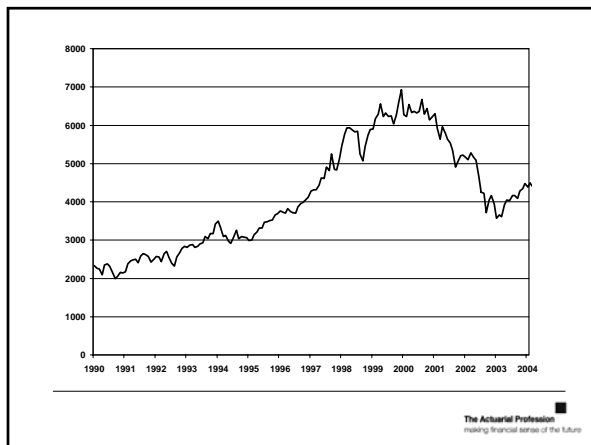


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Reasons for 90/10 Quota share

- Lower sales of endowment mortgages, higher sales of term assurance and critical illness
- Very price driven market
- Insurers looking at their capital position
- Lower statutory solvency margin
- Allowance for lapses in back end reserves
- Lock into mortality improvements

Implications of 90/10 Quota share



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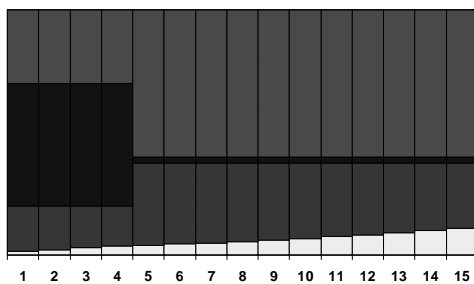
Reinsurers have no brand

- Insurer will be on the TV
- Insurer will be in the papers
- Insurer deals with policyholder
- Insurer has "logistical" risk
- Insurer deals with the FOS
- No such thing as IRE



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Insurer has minimal insurance risk



□ Claims ■ Exp and profit ■ Commission ■ Reinsurance cost

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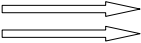
Operation costs v Mortality results


Chief Underwriter

- R&D
- Philosophy
- Underwriting
- Claims

Operations

- New Business Process
- Data Entry





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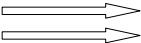
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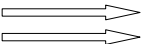
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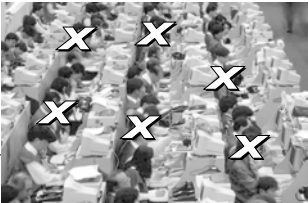
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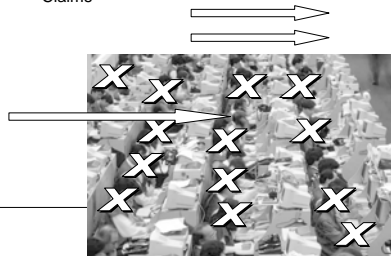
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Reinsurers must remember

- We are only the wholesaler
- We do not have any distribution
- We are as successful as our clients
- Insurers have other options



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Rise in litigation



Watchdog

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2025. gada 1. janvārī spēkā stāšies Eiropas Parlamenta un Padomes Regula (ES) 2025/1717, ar ko groza Regulu (ES) 2016/1031, ar ko izstrādā Eiropas Parlamenta un Padomes Direktīvas 2009/105/EK, 2009/106/EK, 2009/107/EK, 2009/108/EK, 2009/109/EK, 2009/110/EK, 2009/111/EK, 2009/112/EK, 2009/113/EK, 2009/114/EK, 2009/115/EK, 2009/116/EK, 2009/117/EK, 2009/118/EK, 2009/119/EK, 2009/120/EK, 2009/121/EK, 2009/122/EK, 2009/123/EK, 2009/124/EK, 2009/125/EK, 2009/126/EK, 2009/127/EK, 2009/128/EK, 2009/129/EK, 2009/130/EK, 2009/131/EK, 2009/132/EK, 2009/133/EK, 2009/134/EK, 2009/135/EK, 2009/136/EK, 2009/137/EK, 2009/138/EK, 2009/139/EK, 2009/140/EK, 2009/141/EK, 2009/142/EK, 2009/143/EK, 2009/144/EK, 2009/145/EK, 2009/146/EK, 2009/147/EK, 2009/148/EK, 2009/149/EK, 2009/150/EK, 2009/151/EK, 2009/152/EK, 2009/153/EK, 2009/154/EK, 2009/155/EK, 2009/156/EK, 2009/157/EK, 2009/158/EK, 2009/159/EK, 2009/160/EK, 2009/161/EK, 2009/162/EK, 2009/163/EK, 2009/164/EK, 2009/165/EK, 2009/166/EK, 2009/167/EK, 2009/168/EK, 2009/169/EK, 2009/170/EK, 2009/171/EK, 2009/172/EK, 2009/173/EK, 2009/174/EK, 2009/175/EK, 2009/176/EK, 2009/177/EK, 2009/178/EK, 2009/179/EK, 2009/180/EK, 2009/181/EK, 2009/182/EK, 2009/183/EK, 2009/184/EK, 2009/185/EK, 2009/186/EK, 2009/187/EK, 2009/188/EK, 2009/189/EK, 2009/190/EK, 2009/191/EK, 2009/192/EK, 2009/193/EK, 2009/194/EK, 2009/195/EK, 2009/196/EK, 2009/197/EK, 2009/198/EK, 2009/199/EK, 2009/200/EK, 2009/201/EK, 2009/202/EK, 2009/203/EK, 2009/204/EK, 2009/205/EK, 2009/206/EK, 2009/207/EK, 2009/208/EK, 2009/209/EK, 2009/210/EK, 2009/211/EK, 2009/212/EK, 2009/213/EK, 2009/214/EK, 2009/215/EK, 2009/216/EK, 2009/217/EK, 2009/218/EK, 2009/219/EK, 2009/220/EK, 2009/221/EK, 2009/222/EK, 2009/223/EK, 2009/224/EK, 2009/225/EK, 2009/226/EK, 2009/227/EK, 2009/228/EK, 2009/229/EK, 2009/230/EK, 2009/231/EK, 2009/232/EK, 2009/233/EK, 2009/234/EK, 2009/235/EK, 2009/236/EK, 2009/237/EK, 2009/238/EK, 2009/239/EK, 2009/240/EK, 2009/241/EK, 2009/242/EK, 2009/243/EK, 2009/244/EK, 2009/245/EK, 2009/246/EK, 2009/247/EK, 2009/248/EK, 2009/249/EK, 2009/250/EK, 2009/251/EK, 2009/252/EK, 2009/253/EK, 2009/254/EK, 2009/255/EK, 2009/256/EK, 2009/257/EK, 2009/258/EK, 2009/259/EK, 2009/260/EK, 2009/261/EK, 2009/262/EK, 2009/263/EK, 2009/264/EK, 2009/265/EK, 2009/266/EK, 2009/267/EK, 2009/268/EK, 2009/269/EK, 2009/270/EK, 2009/271/EK, 2009/272/EK, 2009/273/EK, 2009/274/EK, 2009/275/EK, 2009/276/EK, 2009/277/EK, 2009/278/EK, 2009/279/EK, 2009/280/EK, 2009/281/EK, 2009/282/EK, 2009/283/EK, 2009/284/EK, 2009/285/EK, 2009/286/EK, 2009/287/EK, 2009/288/EK, 2009/289/EK, 2009/290/EK, 2009/291/EK, 2009/292/EK, 2009/293/EK, 2009/294/EK, 2009/295/EK, 2009/296/EK, 2009/297/EK, 2009/298/EK, 2009/299/EK, 2009/300/EK, 2009/301/EK, 2009/302/EK, 2009/303/EK, 2009/304/EK, 2009/305/EK, 2009/306/EK, 2009/307/EK, 2009/308/EK, 2009/309/EK, 2009/310/EK, 2009/311/EK, 2009/312/EK, 2009/313/EK, 2009/314/EK, 2009/315/EK, 2009/316/EK, 2009/317/EK, 2009/318/EK, 2009/319/EK, 2009/320/EK, 2009/321/EK, 2009/322/EK, 2009/323/EK, 2009/324/EK, 2009/325/EK, 2009/326/EK, 2009/327/EK, 2009/328/EK, 2009/329/EK, 2009/330/EK, 2009/331/EK, 2009/332/EK, 2009/333/EK, 2009/334/EK, 2009/335/EK, 2009/336/EK, 2009/337/EK, 2009/338/EK, 2009/339/EK, 2009/340/EK, 2009/341/EK, 2009/342/EK, 2009/343/EK, 2009/344/EK, 2009/345/EK, 2009/346/EK, 2009/347/EK, 2009/348/EK, 2009/349/EK, 2009/350/EK, 2009/351/EK, 2009/352/EK, 2009/353/EK, 2009/354/EK, 2009/355/EK, 2009/356/EK, 2009/357/EK, 2009/358/EK, 2009/359/EK, 2009/360/EK, 2009/361/EK, 2009/362/EK, 2009/363/EK, 2009/364/EK, 2009/365/EK, 2009/366/EK, 2009/367/EK, 2009/368/EK, 2009/369/EK, 2009/370/EK, 2009/371/EK, 2009/372/EK, 2009/373/EK, 2009/374/EK, 2009/375/EK, 2009/376/EK, 2009/377/EK, 2009/378/EK, 2009/379/EK, 2009/380/EK, 2009/381/EK, 2009/382/EK, 2009/383/EK, 2009/384/EK, 2009/385/EK, 2009/386/EK, 2009/387/EK, 2009/388/EK, 2009/389/EK, 2009/390/EK, 2009/391/EK, 2009/392/EK, 2009/393/EK, 2009/394/EK, 2009/395/EK, 2009/396/EK, 2009/397/EK, 2009/398/EK, 2009/399/EK, 2009/400/EK, 2009/401/EK, 2009/402/EK, 2009/403/EK, 2009/404/EK, 2009/405/EK, 2009/406/EK, 2009/407/EK, 2009/408/EK, 2009/409/EK, 2009/410/EK, 2009/411/EK, 2009/412/EK, 2009/413/EK, 2009/414/EK, 2009/415/EK, 2009/416/EK, 2009/417/EK, 2009/418/EK, 2009/419/EK, 2009/420/EK, 2009/421/EK, 2009/422/EK, 2009/423/EK, 2009/424/EK, 2009/425/EK, 2009/426/EK, 2009/427/EK, 2009/428/EK, 2009/429/EK, 2009/430/EK, 2009/431/EK, 2009/432/EK, 2009/433/EK, 2009/434/EK, 2009/435/EK, 2009/436/EK, 2009/437/EK, 2009/438/EK, 2

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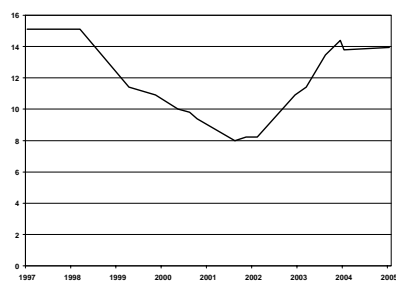
Traditionally no cycle in life reinsurance

- Stable claim frequency
- Fixed sum assured
- Small amounts reinsured
- Low levels of capital required

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History of CI premium rates

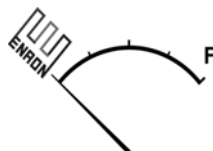
Male and female non-smokers, 25 year term, £100k Sum assured



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Accounting Irregularities

TYCO



Sarbanes-Oxley
Act of 2002

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Initial, direct implications of 9-11

- Higher premiums for non-life classes.
- Limited capital, focussed on these profitable classes.
- Linkage between life and non-life rates.



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Implications for retro market

- Highlighted the difficulties in unravelling the spaghetti.
- Monitoring accumulations of risk in life reinsurance.
- Need to make treaties more precise.



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Summary ... Changes in less than 5 years

- Shortage of capital
- High volumes of protection business sold
- More business reinsured
- Higher litigation
- Accounting regulations
- Unravelling spaghetti



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Reaction of life reinsurers

- Increasing premiums
- Reducing risk in the product
- Changing treaty wordings
- Link with non-life rates
- Higher cost of guarantees
- Which clients to deal with?



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Examples of reducing risk in the product

- Cost and availability of guarantees
- Cost and availability of stand alone CI
- Removing angioplasty
- Reducing maximum cover
- Lowering maximum age and/or term
- Reducing insurability options
- Availability of TPD Cover for some occupations

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Examples of changes in treaties

- Sign them!
- Ex-gratia claims
- Underwriting standards
- Claim authority limits
- Clearer description of duties of both parties
- Get out of jail free card
- Data provisions

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Will the world be the same again?

- Legal aspect is here to stay
- Greater focus on risk management
- Shortage of capital in short term
- Greater correlation between life and non-life business
- Maybe insurers set up captives
- Longer term more capacity in the market

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