The Actuarial Profession
making financial sense of the future

GIRO XXX
2003 Convention

Aviation: Current Reinsurance Programmes

Graham Lyons
Aviation

Excess of Loss Reinsurance Programme
Main Contract: CI

- 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

- 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

- RPP on C2
- PCP on C2
- Profit Commission
Additional Protection: C4

- PCP on C1: 2 year
- PCP on C3: 2 year
- No Profit Commission!
Mirror Contract: M1

- 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

- All as Mirror to C2 to C4
Additional Merger Programme

- 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

- 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

![Excess of Loss Programme Graph](image-url)
Warranty Cover: Layers

- Per loss excess: 250k
- Limit:
  - C1: 4
  - C2: 6
  - C3: 8
Warranty Cover: Event

- Only payable when original loss for which “London Market Reserve” exceeds particular amount:
  - C1: 150
  - C2: 175
  - C3: 200
Warranty Cover: Effect

- 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

- Four year deal, with merger in third year, so:
  for 3\textsuperscript{rd} & 4\textsuperscript{th} years:

- Per loss limit:
  - C1: 7
  - C2: 10.5
  - C3: 14
### Warranty Cover: Aggregate Limits

<table>
<thead>
<tr>
<th></th>
<th>Years 1&amp;2</th>
<th>Years 2&amp;3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>12</td>
<td>21</td>
<td>40</td>
</tr>
<tr>
<td>C2</td>
<td>18</td>
<td>31.5</td>
<td>65</td>
</tr>
<tr>
<td>C3</td>
<td>24</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>
Warranty Cover: Reinstatements

7 Reinstatements for 4-year contract:

- 1st: 100%
- 2nd: 0%
- 3rd: 100%
- 4th: 0%
- 5th: 100%
- 6th: 0%
- 7th: 100%