

RUN-OFF AT THE CROSSROADS LESSONS LEARNED AND A LOOK AHEAD

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Johannes Puetz
Munich
Senior Vice President
Guy Carpenter Strategic Advisory EMEA

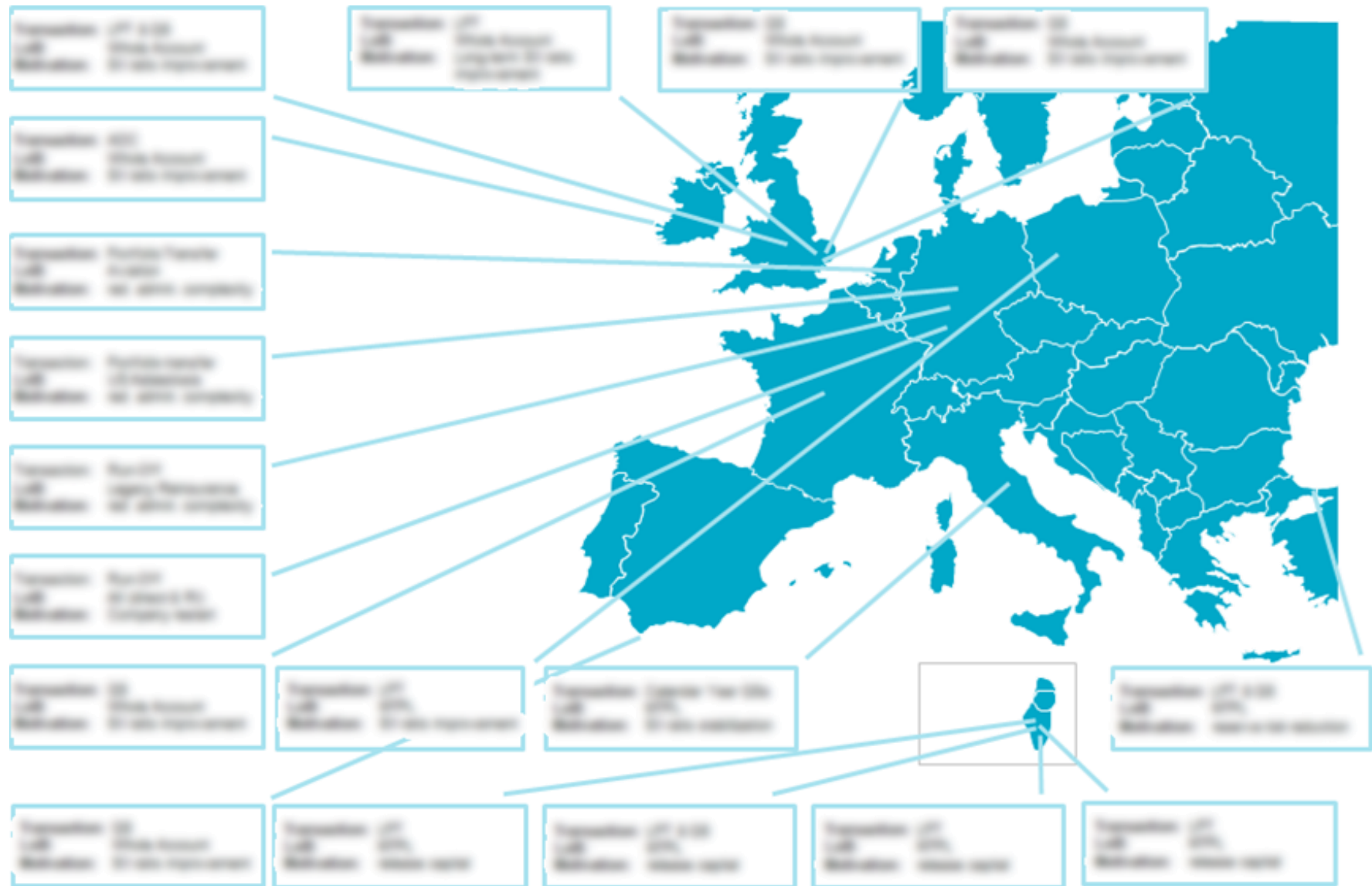
The Meaning of Run-Off

A Babylonian Confusion Revisited



- **Loss Portfolio Transfer** – temporary transfer of reserves to a third-party reinsurance company
- **Adverse development cover** – temporary reinsurance protection against reserve deterioration
- **Run-Off with legal finality** – permanent transfers of liabilities from insurance policies to third-party insurance company

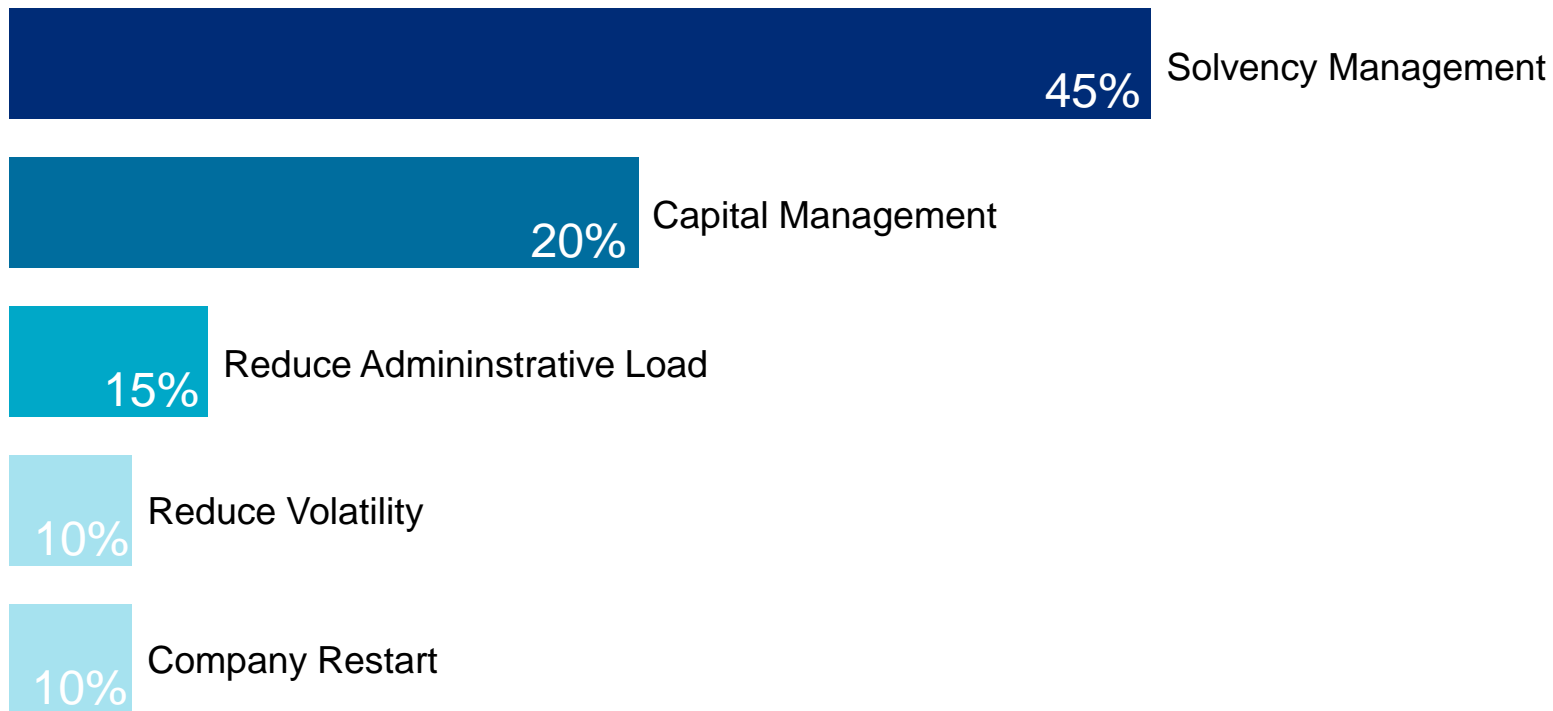
Guy Carpenter Capital Driven Transactions EMEA Selected Recent Transactions



The Quest for the Best Solution

Major Reasons for an Interest in Retrospective Solutions

Main Reason given by Client



What did we learn – what didn't work out?

Seller Side – Buyer Side – Third Parties

	Seller Side	Buyer Side	Third Parties
What did we learn?	<ul style="list-style-type: none"> • It is a seller's market • Transparency is expected and wins • The markets (normally) understand • Reinsurance is not married to the policy, commutations and novations might be necessary – and take time • Maybe a new treaty clause would make sense? • Interim LPT/ADC solutions have their value 	<ul style="list-style-type: none"> • Markets are (very) diverging – in risk appetite but also price level • Faced with huge data markets appreciate guidance • Markets are knowledgeable and will bring SMEs (internal and external) 	<ul style="list-style-type: none"> • Supervisory approvals need their time... • Proper wording is key
What didn't work?	<ul style="list-style-type: none"> • Prospective Solutions sometimes more attractive / better for given target • Projects failed due to mismatch in reserve margin estimates • Projects failed due to interest lost / focus on other problems 	<ul style="list-style-type: none"> • Portfolio too small • Conflict of Interest / No wish to support competition • No license in EU • Portfolio in question is threatened by sanctions • Portfolio contains policies still active 	<ul style="list-style-type: none"> • Risk Carriers not located in the EU or in Solvency II equivalent countries will not be successful

The State of the Market

Buyer Side

A Word Cloud says more than a thousand words

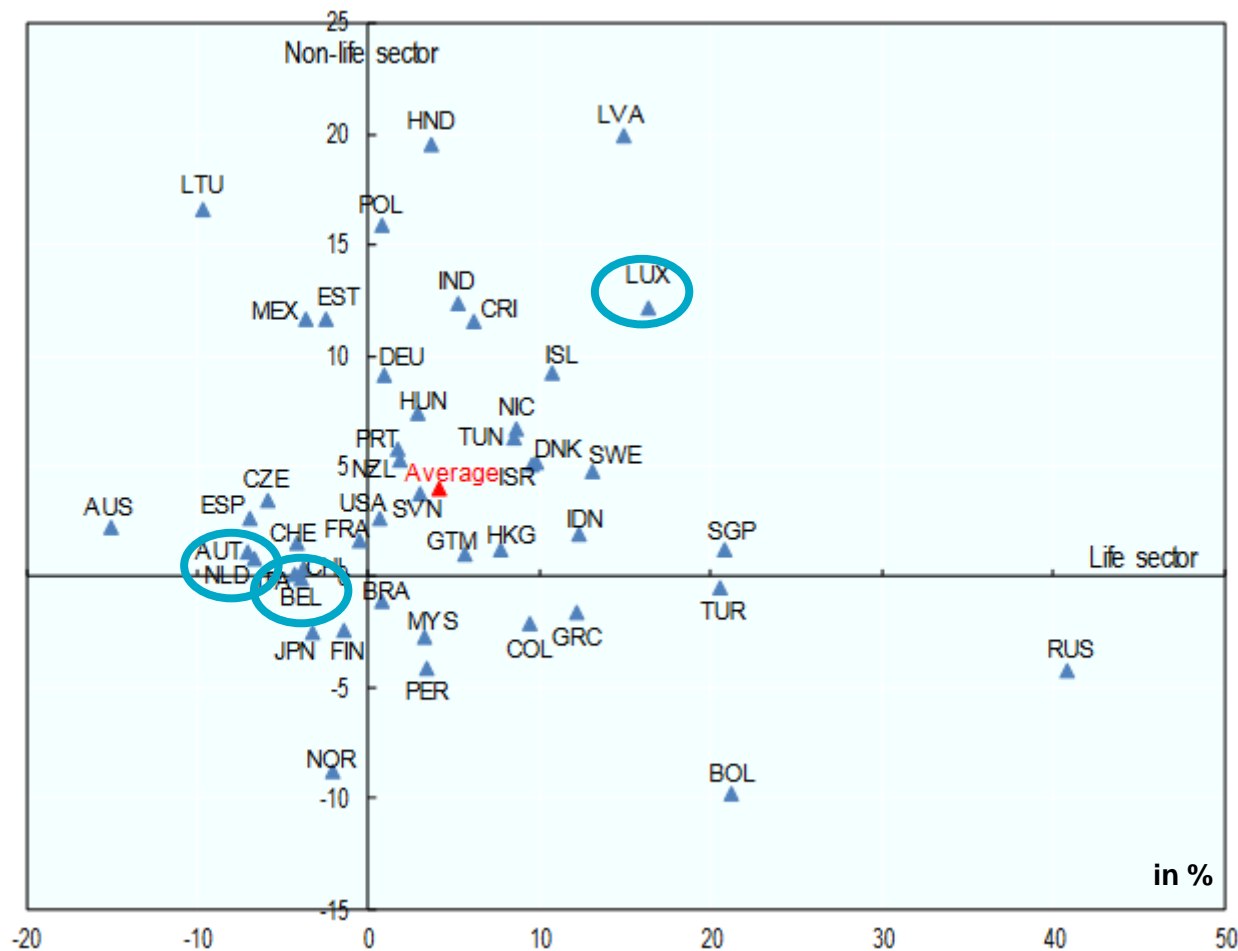


From selected 2nd and 3rd quarter 2019 reports by market participants

The State of the Market

Seller Side Growth

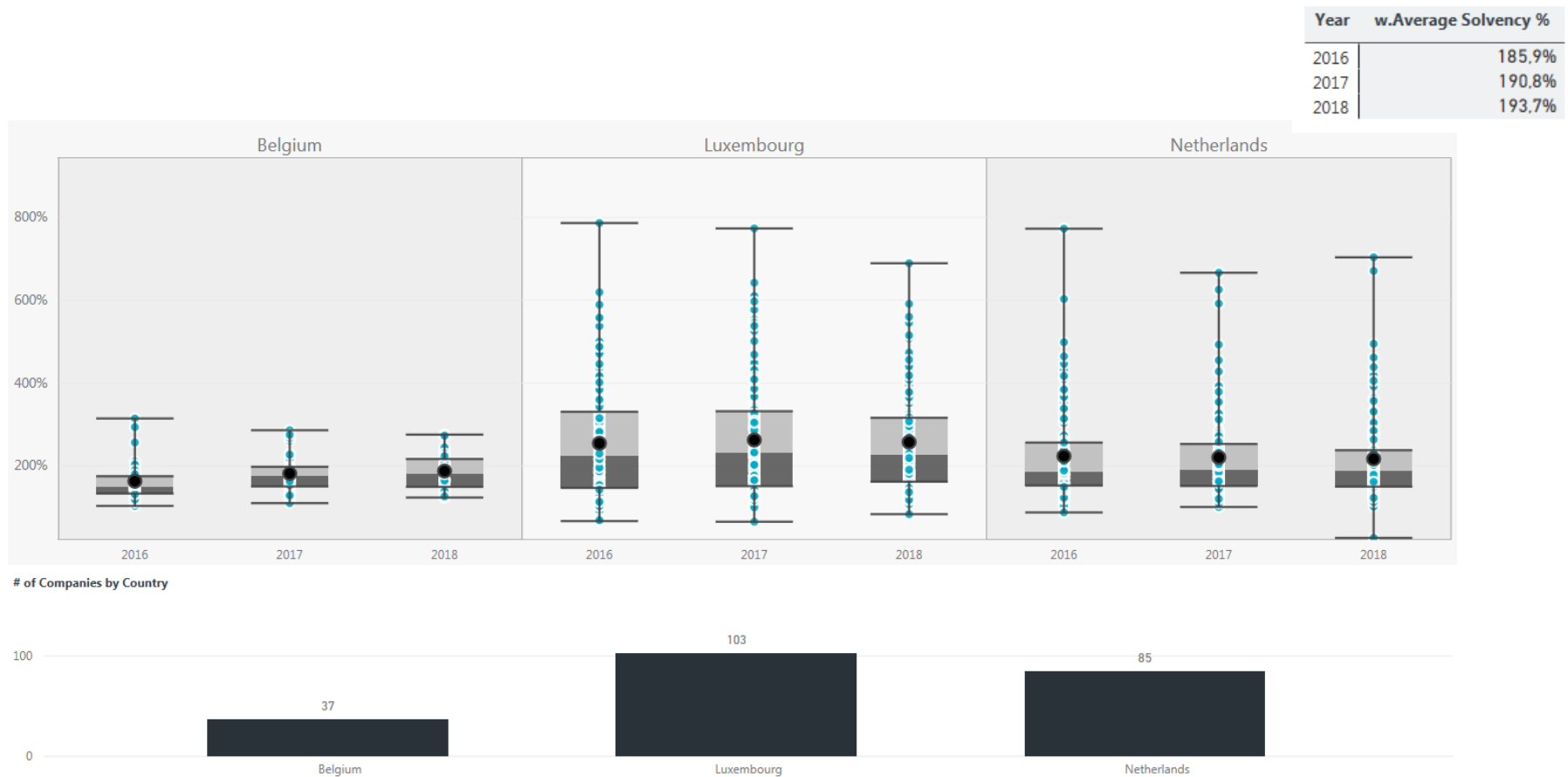
Annual Real Growth Rates of Direct Gross Premiums in the Life and Non-Life Sectors 2017



From OECD's Global Insurance Market Trends 2018 @ <https://www.oecd.org/finance/globalinsurancemarkettrends.htm>

The State of the Market

Seller Side Solvency Capital



Source: individual companies' QRT

The State of the Market

Seller Side Volume

All LOBs	NL GWP (^{'000} €)	Gross Reserves/GWP	Retention Rate
All countries	444,834,508	123%	74%
Belgium	9,948,843	123%	86%
Luxemburg	6,129,446	198%	46%
Netherland	11,112,902	84%	89%

Motor	NL GWP (^{'000} €)	Gross Reserves/GWP	Retention Rate	% of overall Reserves
All countries	94,179,028	154%	78%	26%
Belgium	2,208,334	254%	85%	46%
Luxemburg	1,598,074	119%	48%	16%
Netherland	2,477,270	182%	92%	48%

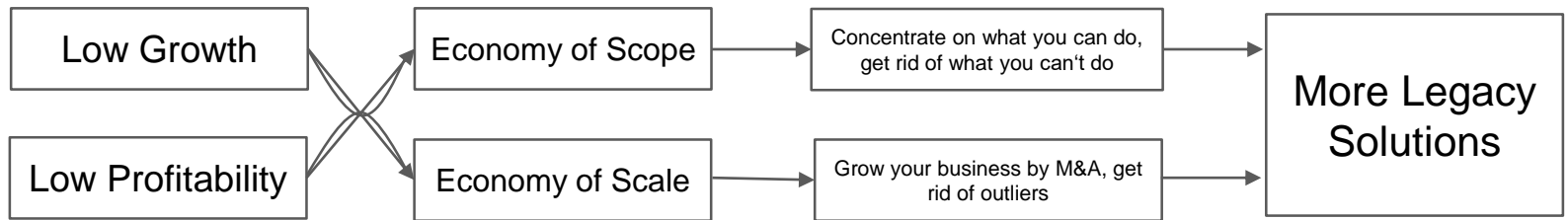
General Liability	NL GWP (^{'000} €)	Gross Reserves/GWP	Retention Rate	% of overall Reserves
All countries	58,038,179	314%	73%	33%
Belgium	855,101	334%	86%	23%
Luxemburg	2,055,219	209%	49%	35%
Netherland	945,962	232%	80%	23%

A Look Ahead

Seller Side



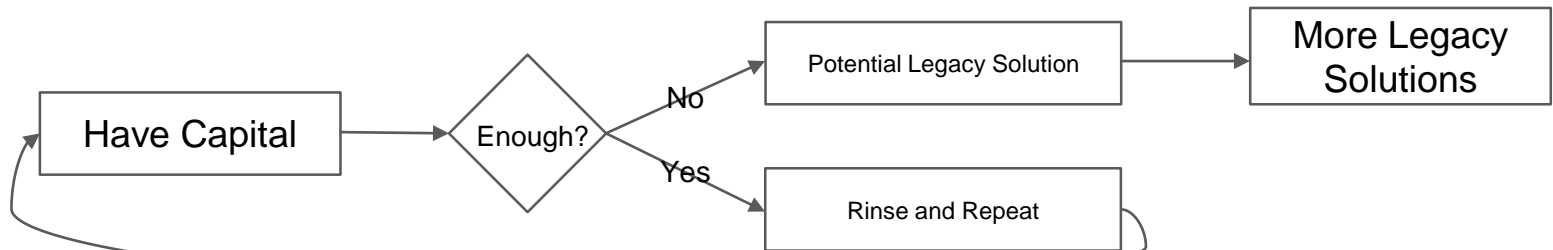
Trend 1



Matured Market



Trend 2



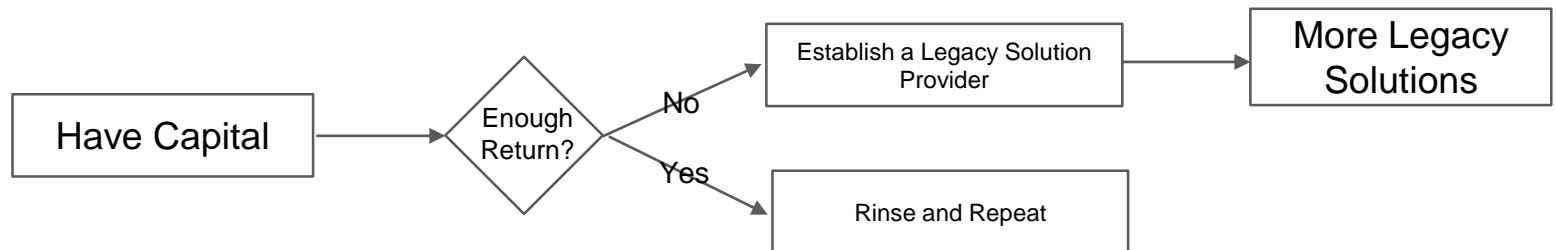
Abundant Capital

A Look Ahead

Buyer Side



Trend 1



A Look Ahead A Final Request



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