

Life and Health Capital Solutions – *Asian and EMEA Market Update*

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28th February 2024

Life and Health Structured Solutions

Whether through increasing available capital or de-risking and reducing required capital, reinsurance provides effective & flexible solutions to improve and protect your capital position

Sandra Moringa



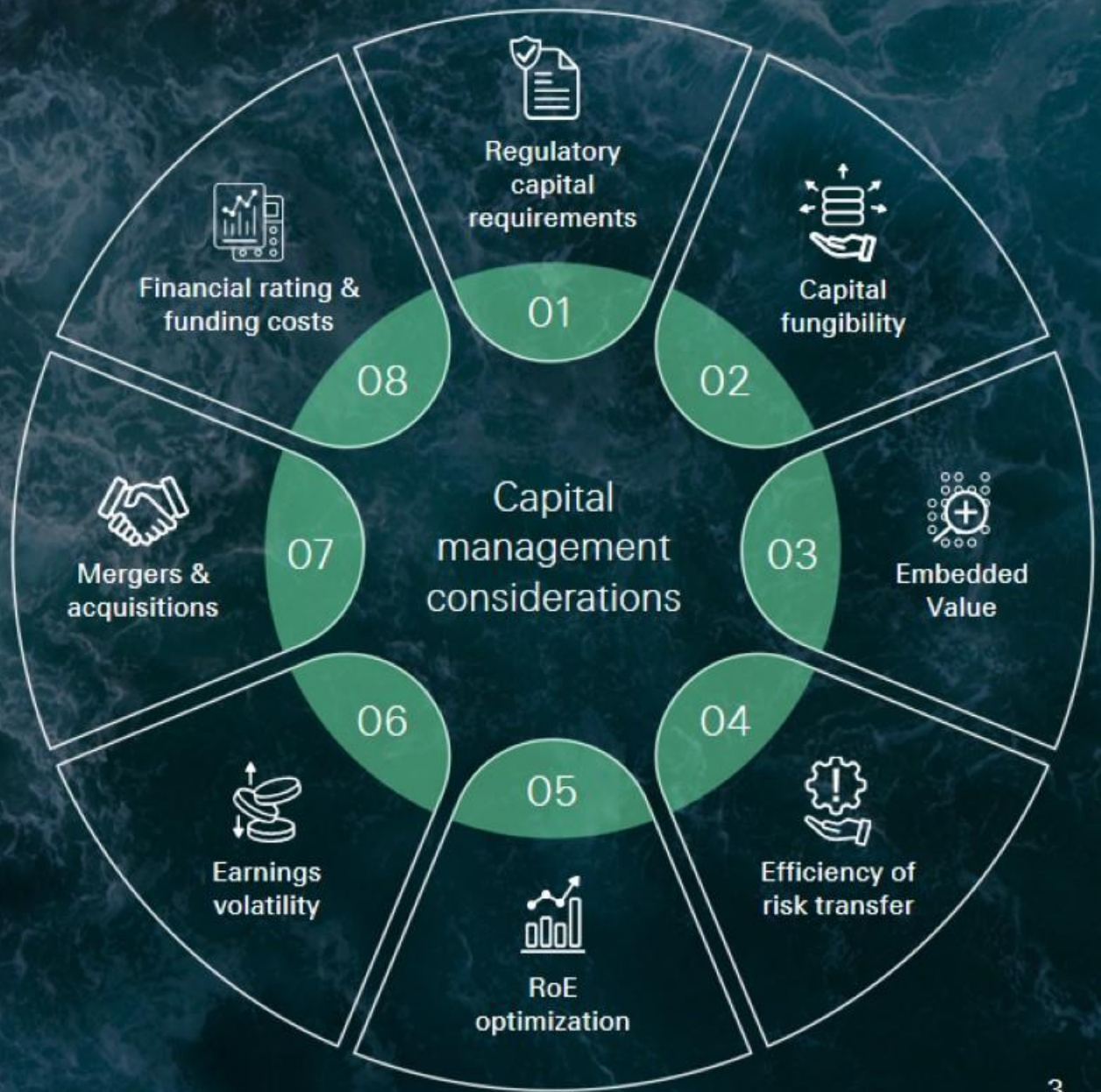
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The starting point is understanding the insurers needs, motivations and challenges



Current challenges and transaction topics for EMEA clients

Each transaction is different and is customized to client's needs

Legend

-  Tier 1 topic
-  Tier 2 topic
-  Tier 3 topic

Eastern Europe

Northern Europe

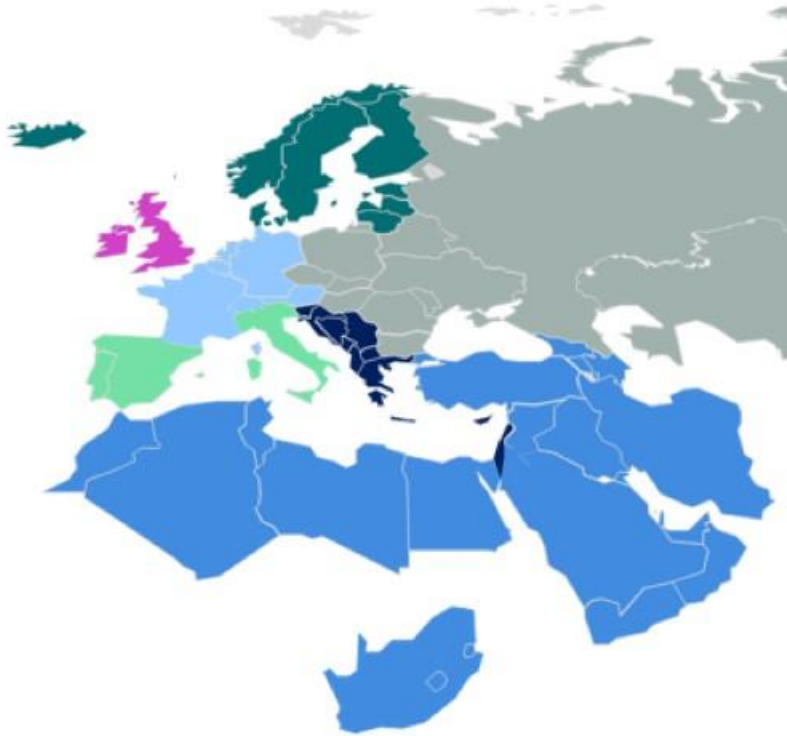
United Kingdom and Ireland

Western Europe

Southern Europe

Mediterranean countries and Israel

Middle East and South Africa



Transaction topic with geographical relevance



Financing



Financial Market Risks



Value In-force



IFRS 17



Longevity



Lapse Solutions



Local Gaap constraint



Challenges Faced by Asian Insurers

Changes in market environments and Regulations have led to increasing demand for capital optimization

Singapore

- RBC 2 Lapse capital optimization
- New Business / VIF monetization
- AIB Coinsurance to reduce asset risk charges

Thailand

- Regulation recently opened to Financial Reinsurance
- Interest rate solutions due to ALM issues from long-dated bonds
- New Business/VIF monetization

Indonesia

- New Business monetization as market shifts to Back-end load product

Malaysia

- IFRS-17 led Interest rate solutions
- New Business/VIF monetization to optimize IFRS 17 position and manage New Business Strain



South Korea

- K-ICS effective since 1 Jan 2023.
- Strong demand for mass lapse and interest solutions

Japan

- New Business / VIF Monetization on JGAAP Basis
- Coinsurance of Asset Intensive Business (AIB)

China

- Capital impact from C-ROSS 2 capping recognition of future profit (DPL) in core assets - Solvency solutions
- Limited hedging instruments and long-term assets lead to rate solutions

Hong Kong

- HK RBC driving need for ALM improvement
- Mass Lapse and Interest rate solutions for capital release

Summary

- Lapse capital optimization
- Interest rate solutions
- Financing Solutions

Lapse Cover

Insurer Need

- To reduce solvency capital requirements for lapse risk and hence improve insurer solvency ratio

Reinsurer Support

- Provide non-proportional lapse solutions, tailored to specific requirements and exposure of the insurer
- Flexible specification of risk transferred including attachment and detachment points
- Economical and capital efficient solution

The Impact



Reduced solvency capital requirement



Protection against mass or trend lapse risk

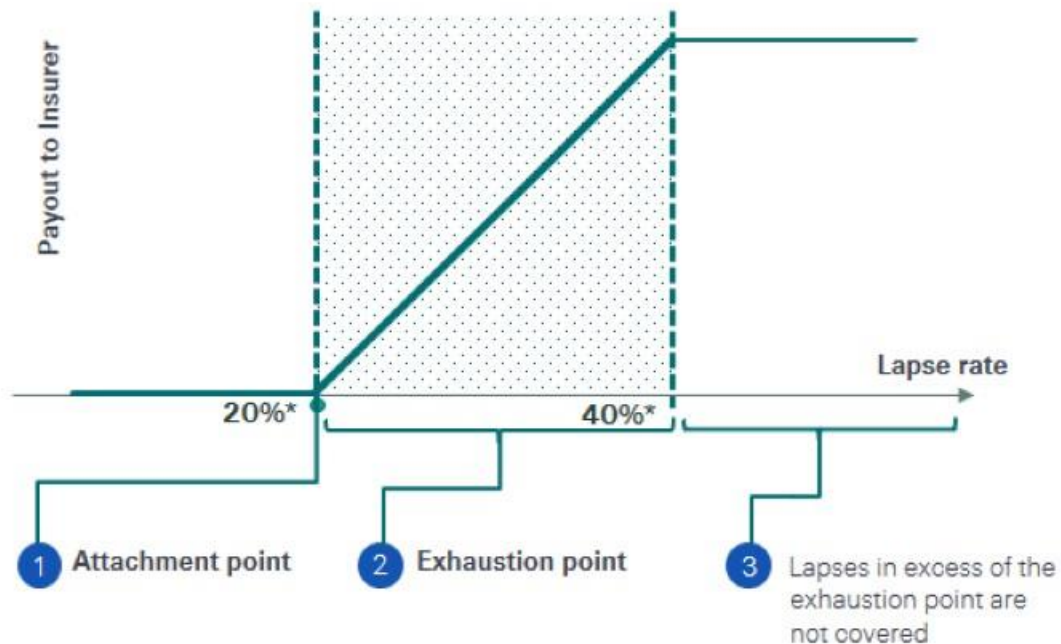


Simple structure that can be quickly implemented

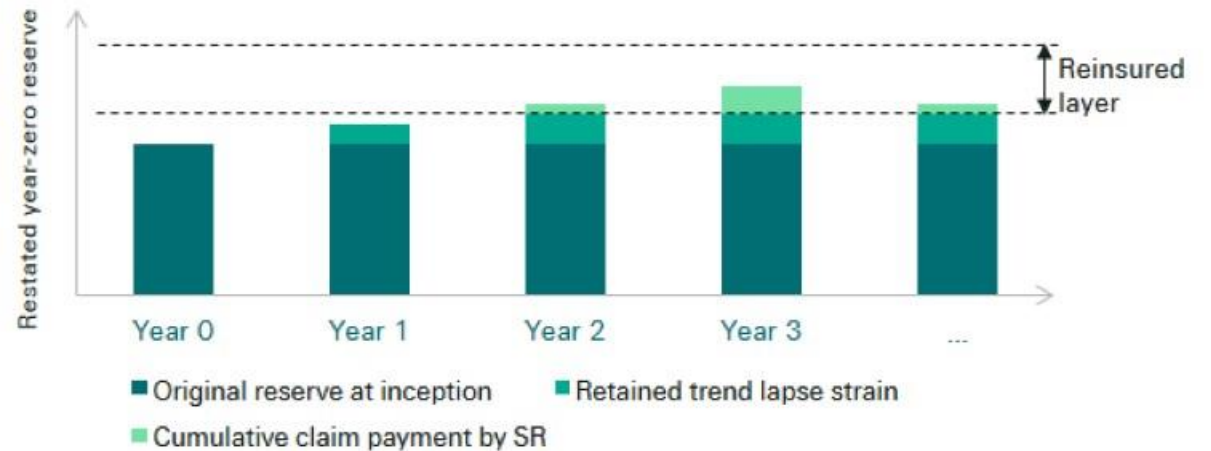
Lapse Cover - structures

Solution: Non-proportional protection covering a loss layer between an attachment point and an exhaustion point. Lapse losses between the attachment and exhaustion point are transferred to the reinsurer.

Mass lapse



Trend lapse



Financing Solutions

Insurer Need

- To reduce new business strain from high initial expenses, commissions and onerous reserving requirements
- To fund growth ambitions while preserving profitability

Reinsurer Support

- Liability-driven financing solution that provides targeted capital and liquidity benefits
- Potential to accelerate profit recognition, hence improving new business performance metrics
- Speedy implementation and close support on regulatory submission and follow-up engagement

The Impact



Optimized profit signature



Improved capital and liquidity position



Additional capacity to write new business

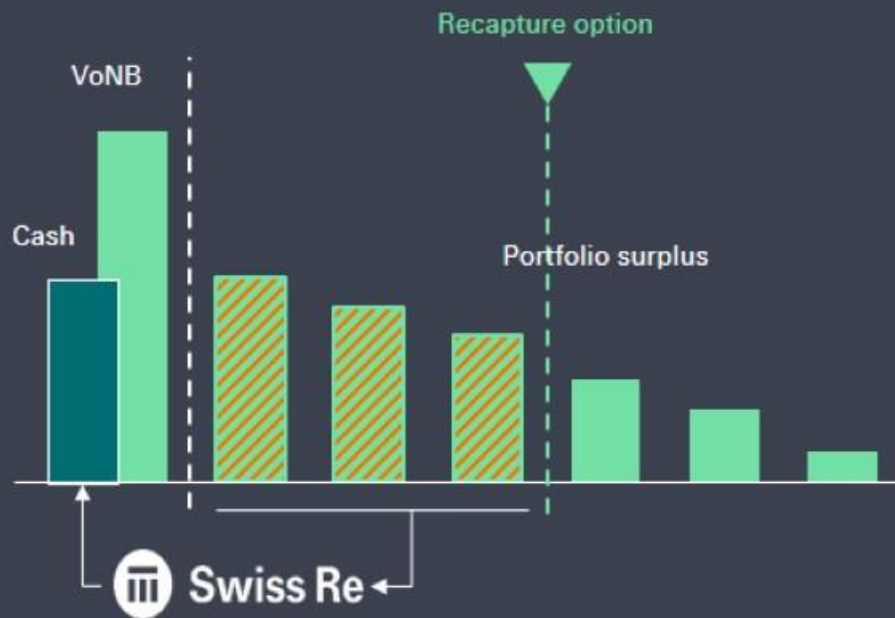


No negative impact on insurer leverage ratios

Financing Solutions

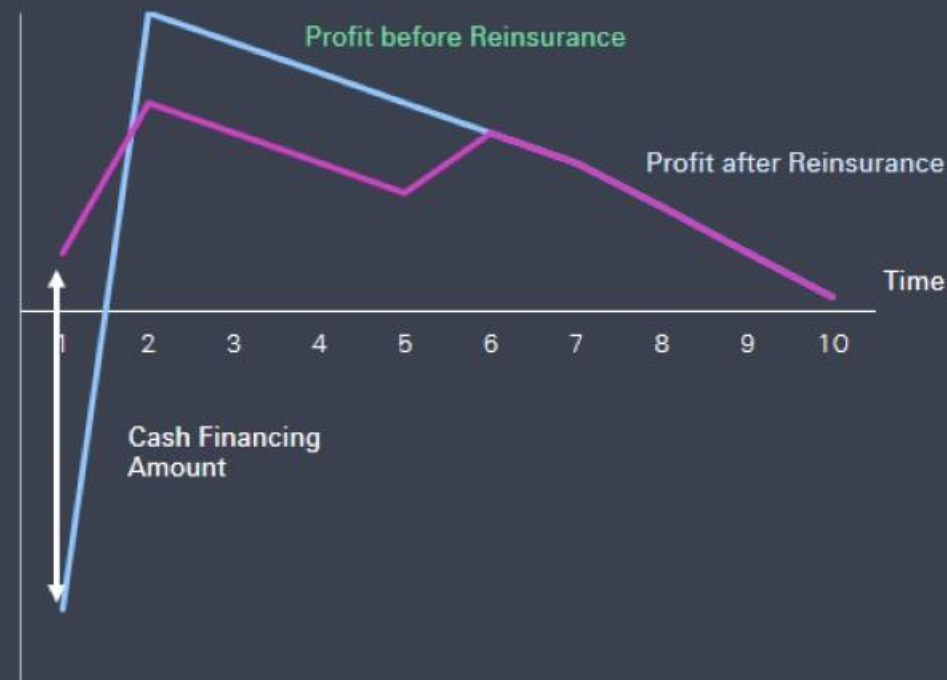
Transaction Mechanics

- Reinsurer provides asset at inception which is repaid over time from the emerging surplus.
- Structure transfers tail risk of the actual profit emergence to Swiss Re.



Transaction Outcomes

- Optimized profit signature, removing uncertainty on future profit emergence.
- Repayment period typically between 5 and 10 years, shorter tenor sometimes considered depending on the underlying product and profit emergence pattern.



Funds Withheld Coinsurance

The Need

- To reduce the duration gap between insurer assets and liabilities and hence reduce interest rate risk
- To improve and stabilize your solvency ratio

Reinsurer Support

- Tailored risk transfer for interest rate risk, mortality risk and lapse risk
- Provide a liability-driven interest rate solution in a reinsurance format

The Impact



Improved solvency ratio



Protection against interest rate volatility



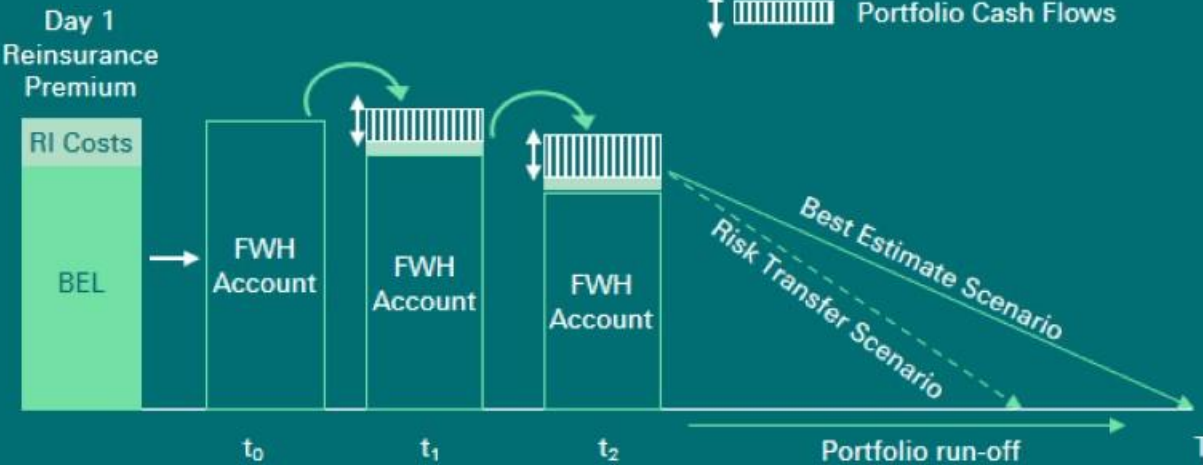
Enhanced investment flexibility



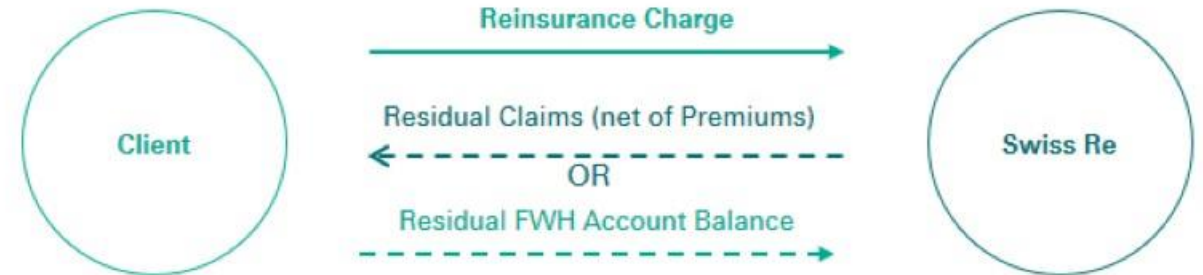
Minimise counterparty risk

Funds Withheld Coinsurance Structure Mechanics

- Client retains the Day 1 Reinsurance Premium and establishes a Funds Withheld Account
- FWH Account accrues a Floating Interest Rate that is linked to an externally observable reference rate.
- FWH Account is amortized with the quota share of the underlying Portfolio Cash Flows and a Reinsurance Charge.



Funds Withheld Coinsurance Reinsurance Cash Flows



Final settlements

- If the FWH Account is fully amortized before the underlying portfolio is run-off, **Swiss Re** will settle all **remaining claims**.
- If the FWH Account isn't fully amortized once the underlying portfolio is run-off, **the client** will settle the **residual account**.

A proven track record of successful executions fast turn-around and spot-on delivery



Financing



- Clients sell investment linked products with high new business strain on day 1 from expenses and commission.
- Clients use financing to fund this strain whilst also improving capital position.
- Multiple financing programs implemented across Asian markets.

Over USD 1 bn financing provided
across Asian markets



Funds Withheld Coinsurance



- China regulator encourages sales of long-term protection products leading to a widening in the duration gap; liability duration exceeding asset duration.
- Implemented FWH coinsurance to mitigate interest rate risk.
- Solution implemented in China and South Korean markets

Solution implemented on over USD 500m
of economic reserves



Lapse solution



- Clients had an increase in capital requirements for solvency II as interest rates changes made the mass lapse stress become a strain
- Quick implementation of high-capacity cover shared across reinsurers
- Clients was able to reduce the required mass lapse strain and free up capital

EUR 200m+ notional per deal

Any
questions?

Thank you!

Contact us



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