



Institute
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of Actuaries

IFoA India Conference 2024

29 November – 1 December, Andaz Hotel, New Delhi



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Empowering industry growth and strengthening risk management strategies

Wilson Lai, FIA

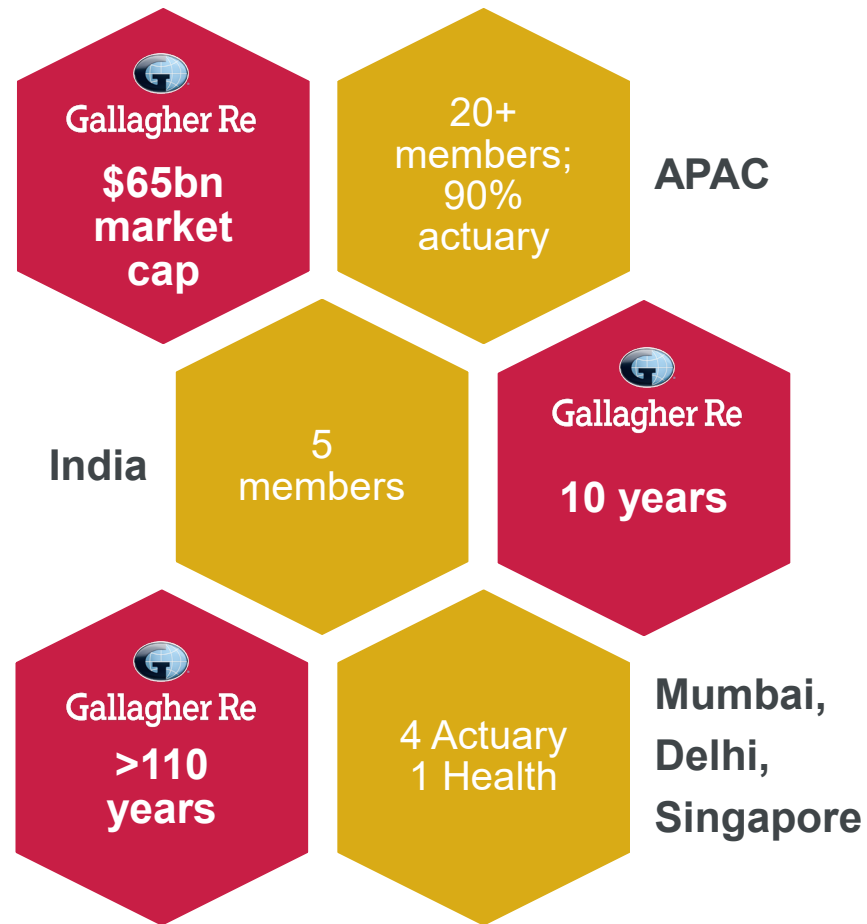
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Agenda for today

- 1. Introductions – Gallagher Re and Use of Structured Solutions in Asia**
- 2. Empowering industry growth**
 - Investment Linked Product (ILP) Reinsurance Solution
 - Endowment Reinsurance Solution
- 3. Strengthening risk management**
 - Mass Lapse Reinsurance Solution
- 4. Q&A**

1. Introduction – Gallagher Re in Asia

Experience in advising life insurers – strategic and sustainable partnership



2. Introduction – Use of structured reinsurance in Asia

Regulators and Insurers in Asia continue to reinvent (re)insurance market



In-Force optimisation and capital solution

- In-Force Coinsurance
- Mass lapse



Local Accounting & In-Force optimisation

- Cashless financing
- Asset Coinsurance



New Reinsurance regulations (effective 2023)

- Mass lapse
- RBC solutions



RBC2 (effective 2020)

- Cash(less) financing
- Lapse solutions
- Asset Coinsurance



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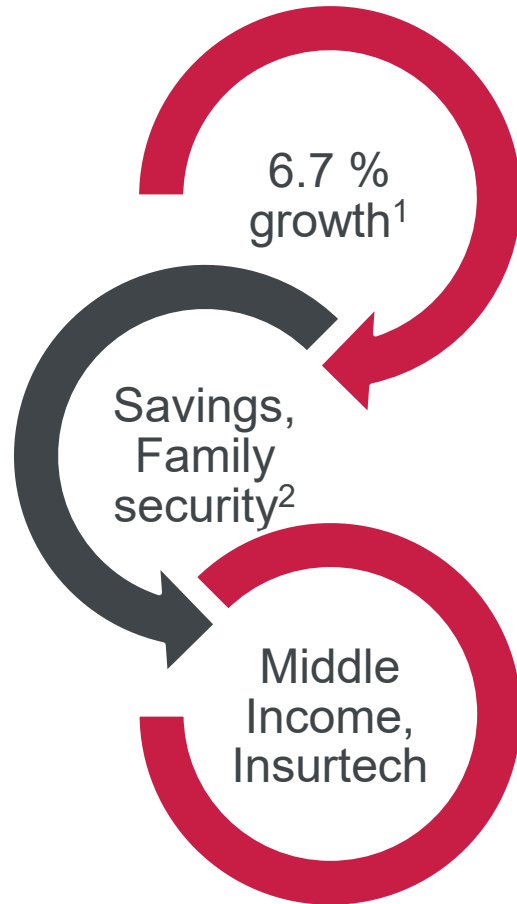
Empowering industry growth

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Innovation Can Support Growth In The Insurance Industry

New product design with reinsurance can address the needs of certain customers



How can reinsurance help?

- 1 Investment Linked Product (ILP) with new features to differentiate from existing products
- 2 Endowment in USD to attract alternative customer segment

¹ Source: "India's insurance market: growing fast, with ample scope to build resilience" published by Swiss Re Institute

² Source: Canara HSBC Life Insurance's "Perfect Plan Ka Partner" survey, [India: Savings and family security top reasons for life insurance](#)

Typical problems on Investment Linked Products (ILP)

Reinsurance solutions can help to address these challenges

Customer complaints:
Early lapses
due to market
volatility and low
allocation rate

Potential volatility:
Volatile market
and portfolio
experience

Limited differentiation:
ILP plans
are very
similar

Overview of ILP Reinsurance Solution

Help to improve KPIs or address challenges

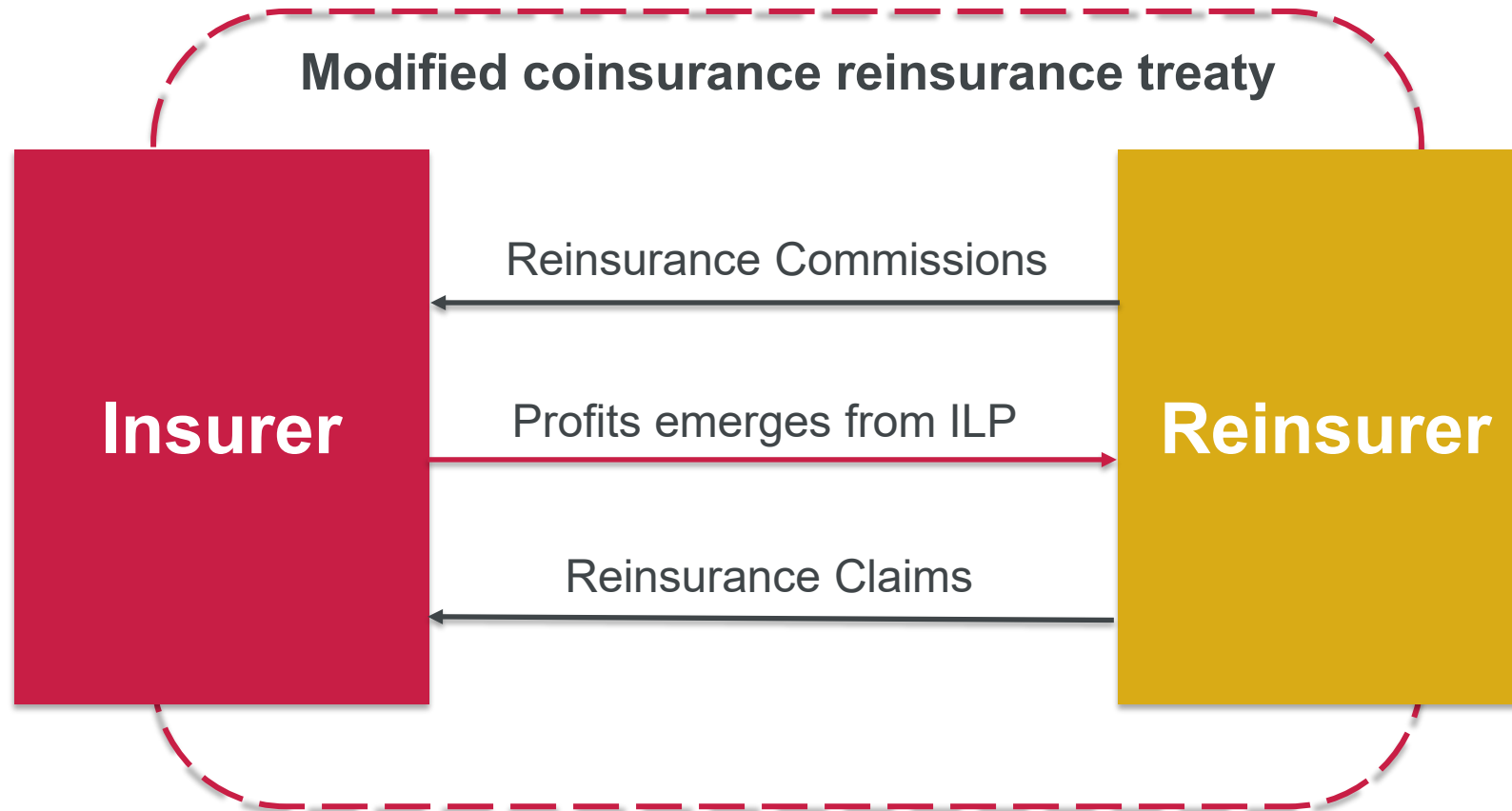
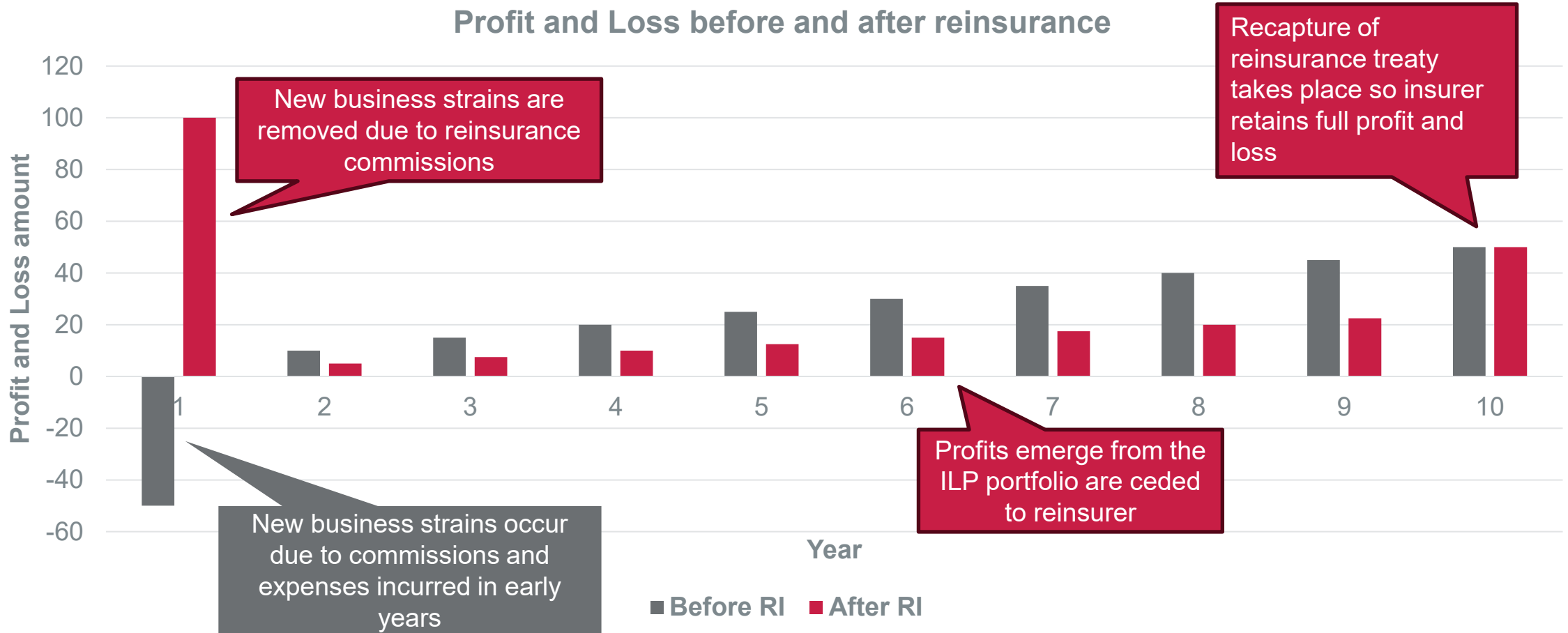


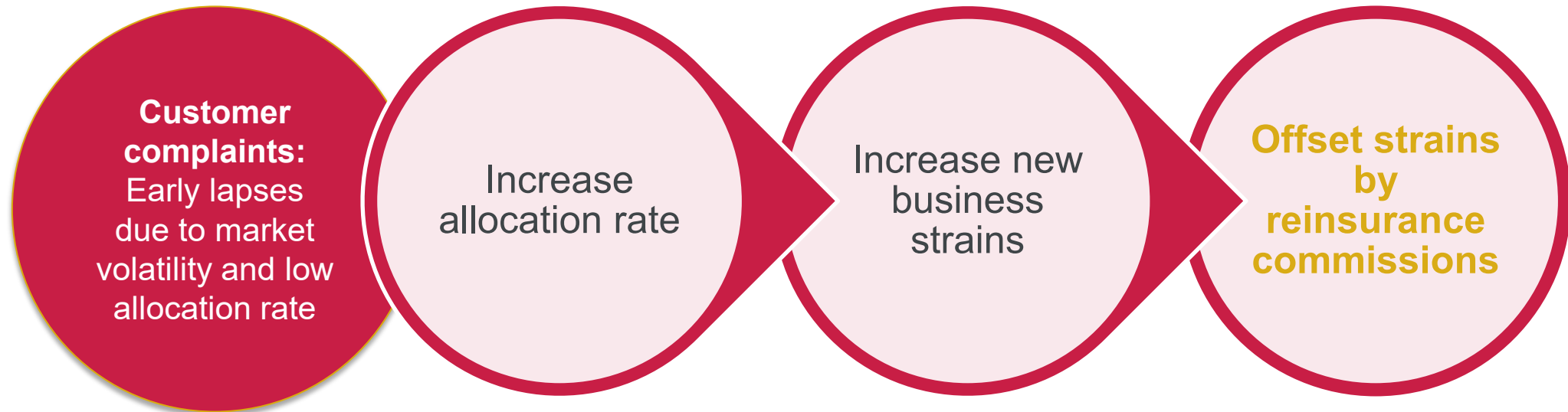
Illustration of ILP Reinsurance Solution

Smoothen profit and loss by reducing new business strains with RI commissions



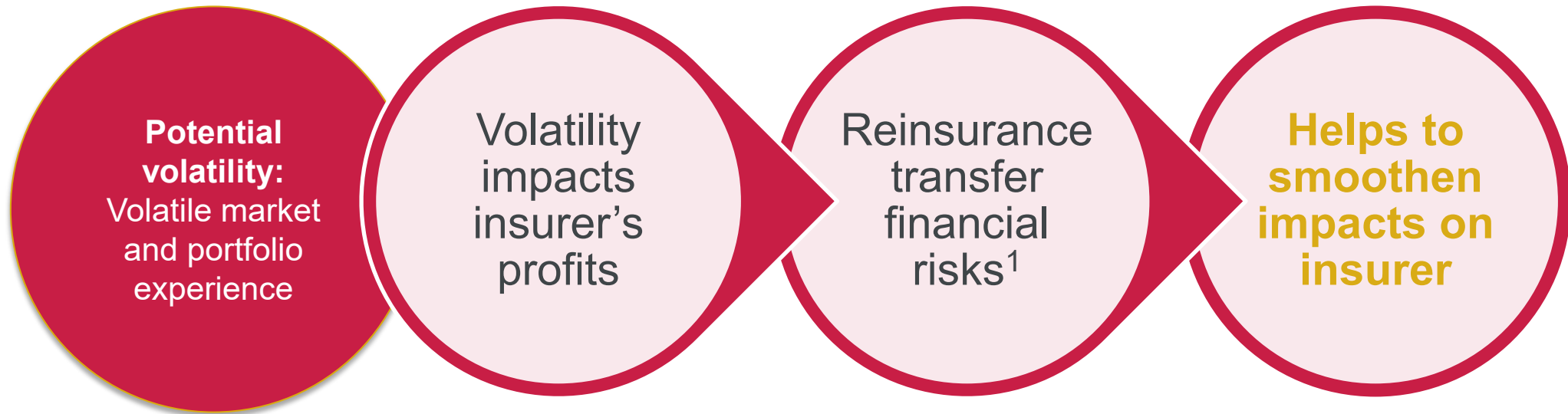
Key benefits on ILP Reinsurance Solution (1/3)

Reinsurance Commissions helps to reduce new business strains



Key benefits on ILP Reinsurance Solution (2/3)

Transferring biometric and financial risks are transferred to Reinsurer



¹ Profits emerges from underlying ILP is equivalent to Cost Of Insurance – Insurance Claims + Asset Management Charges + other items, such as maintenance expenses

Key benefits on ILP Reinsurance Solution (3/3)

Provide insurers the flexibility when designing an ILP

Limited differentiation:
ILP plans are very similar



Key considerations on ILP Reinsurance Solution

3 key success factors for a sustainable ILP program

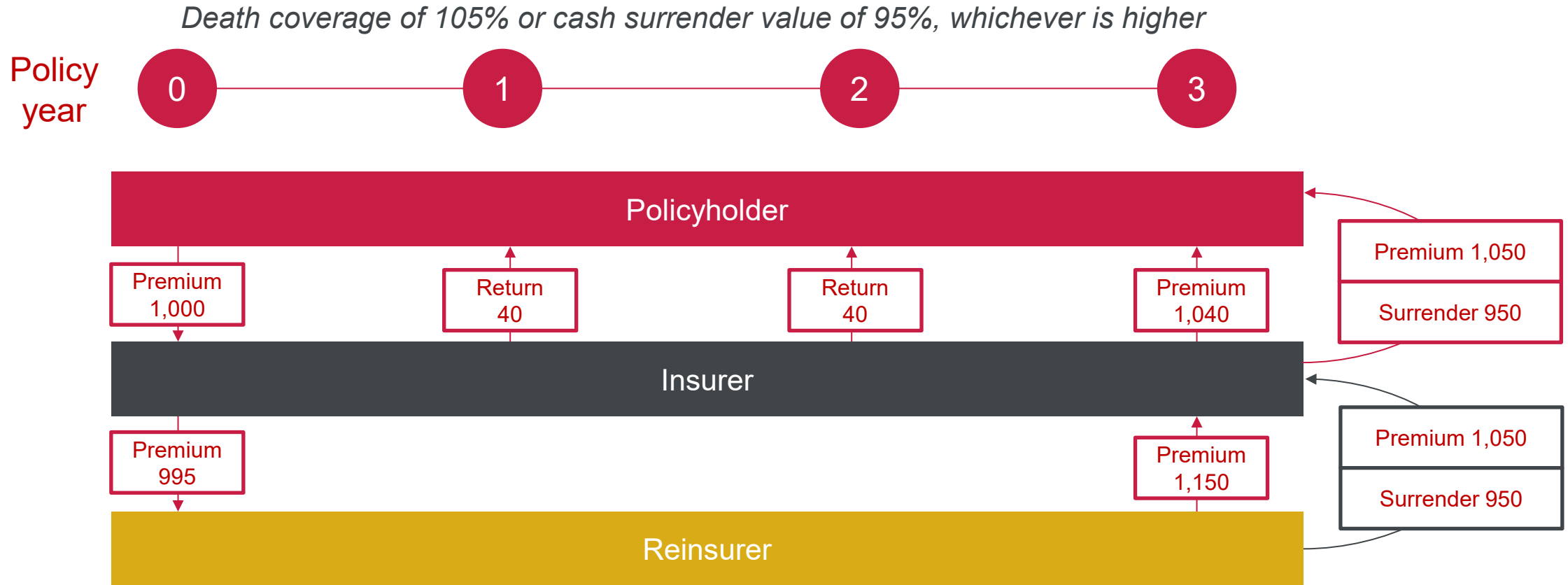
Repayment period:
<10 years,
shorter the lesser
counterparty
exposure

Lapse risks:
Lapses are
high for NB,
Apply early
surrender
charges

Reinsurance costs:
Stable
experience,
currency

Endowment Reinsurance Solution

Structured to optimise financials for both parties with asset-specialised reinsurers



Key benefits on Endowment Reinsurance Solution

Win-Win-Win situation can occur

Higher sales:
Returns > Bank Deposits

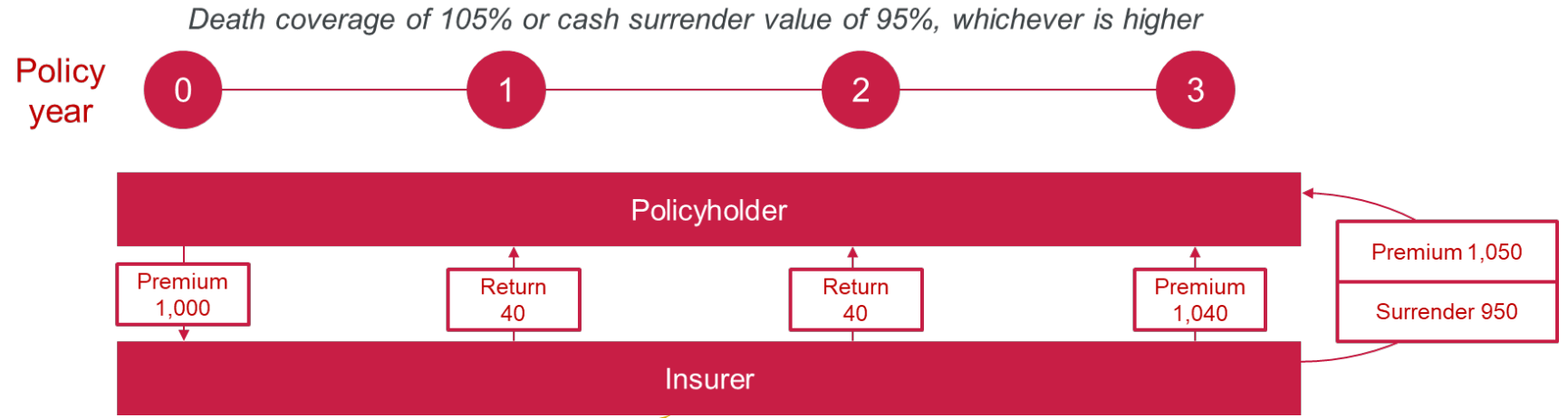
Better KPIs:
Reduced Capital Requirements

Optimise Financials:
Favourable IFRS17 Results

Key benefits on Endowment Reinsurance Solution (1/3)

Higher returns for policyholders could lead to higher APE sales for insurers

Higher sales:
Returns > Bank Deposits

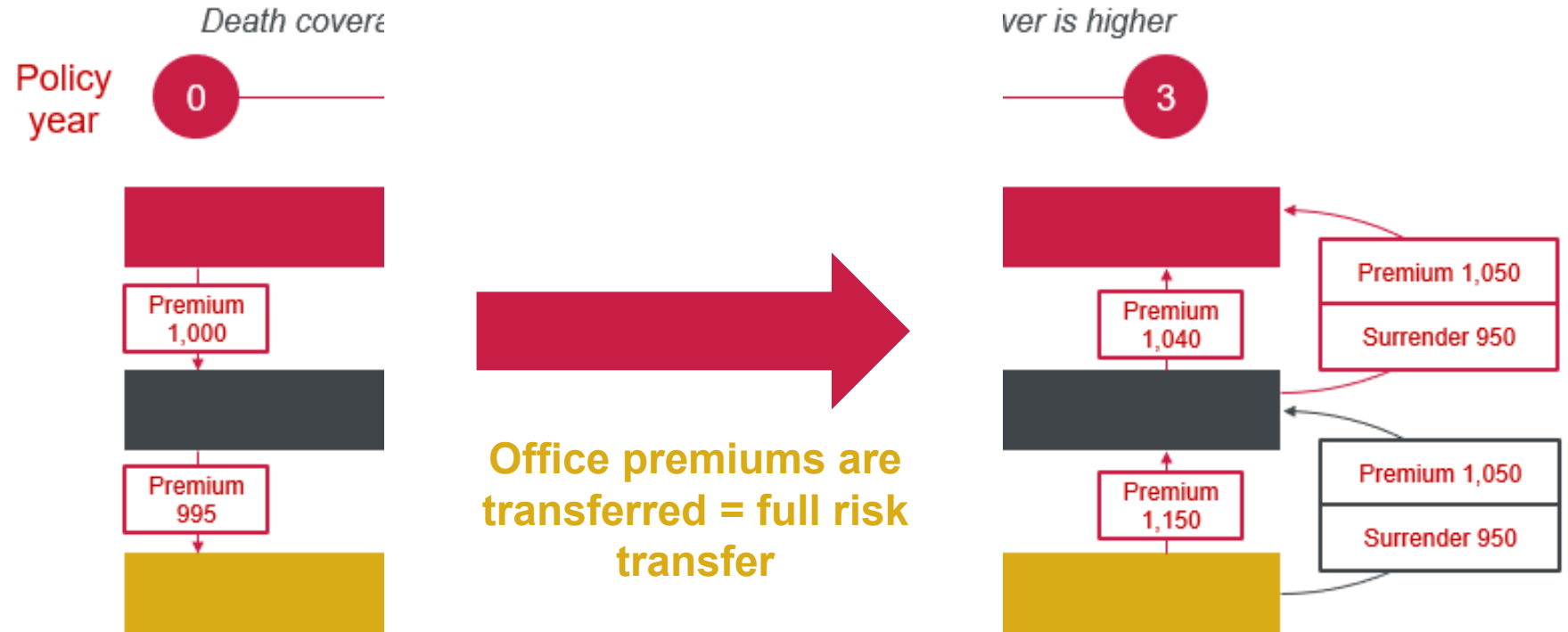


Depending on market condition, endowment returns can be higher than bank deposits in USD

Key benefits on Endowment Reinsurance Solution (2/3)

Full risk transfers enable insurers to optimise financials

Better KPIs:
Reduced Capital Requirements



Key benefits on Endowment Reinsurance Solution (2/3)

Forward-looking optimisation is needed to develop a sustainable product

**Optimise
Financials:
Favourable
IFRS17
Results**

IFRS17 benefits is possible with the use of reinsurance for Endowment products, subject to insurance company's accounting policy.

e.g. Endowment without reinsurance could lead to onerous contract with the guaranteed return higher than the risk-free rate.

Key considerations on Endowment Reinsurance Solution

3 key success factors for a successful Endowment product launch

AUM size:
The Bigger AUM the more efficient

Currency risks:
Reinsurers have been investing in USD assets

Regulation consideration:
Transfer of premiums outside of country



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Strengthening risk management strategies

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Do you spot any common solution?

2. Introduction – Use of structured reinsurance in Asia

Regulators and Insurers in Asia continue to reinvent (re)insurance market

Rewind to the second introduction slide



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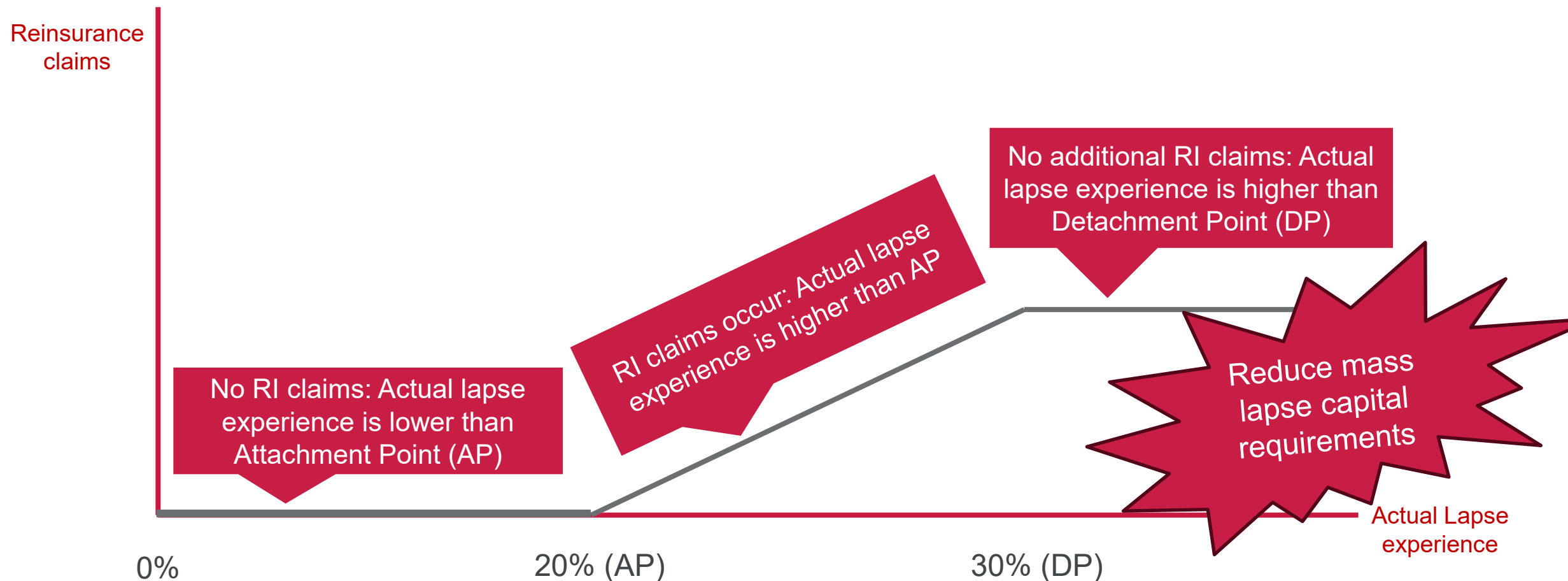


RBC2 (effective 2020)

- Cash(less) financing
- Lapse solutions
- Asset Coinsurance

Mass lapse solution

A stop loss solution on actual lapse losses to reduce capital requirements



Recap for today's session

Structured Solutions can offer new product features and risk protections

Introduce new
product
features to
boost
top-line growth

Use savings to
'hook' on new
middle-class
customers

Transfer
biometric and
financial risks
to reduce
capital
requirements

Questions

Answers