

Reinsurance & Pension Funds

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06.09.2004

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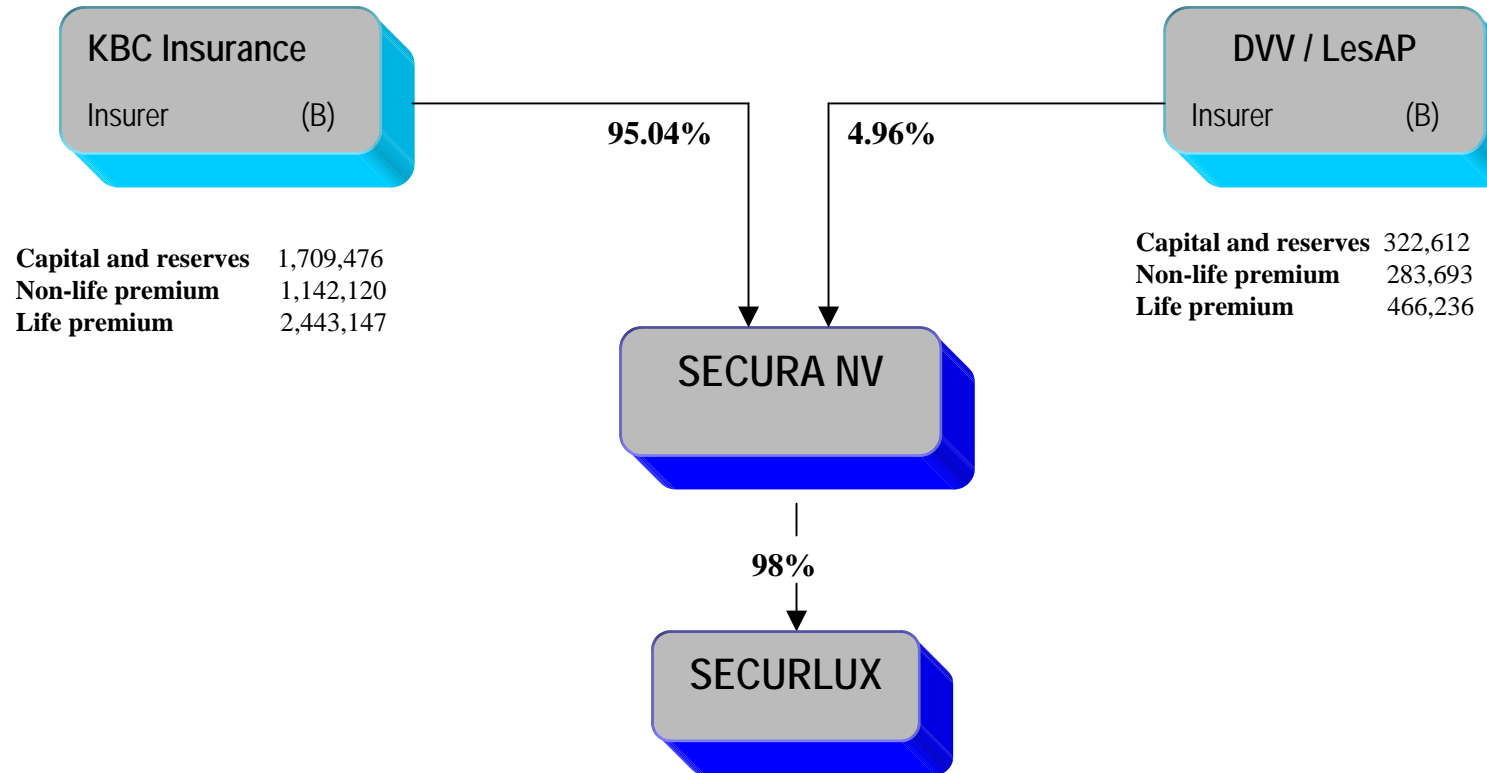
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- **Solvency and Pension Funds**
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Shareholders



All figures are consolidated as at 31.12.2003

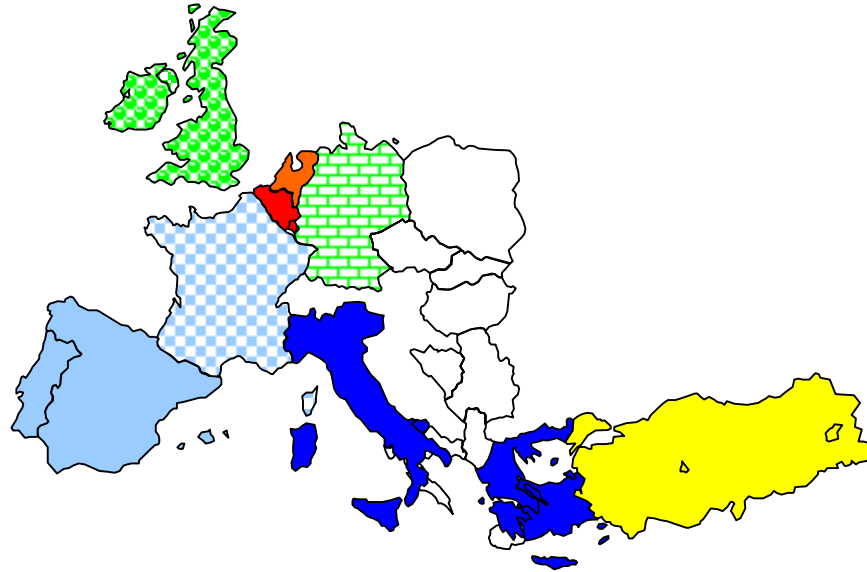
All amounts are given in thousands of EUR

Rating

- **Standard & Poor's Insurance Rating Services** (on the basis of 2003 annual accounts)

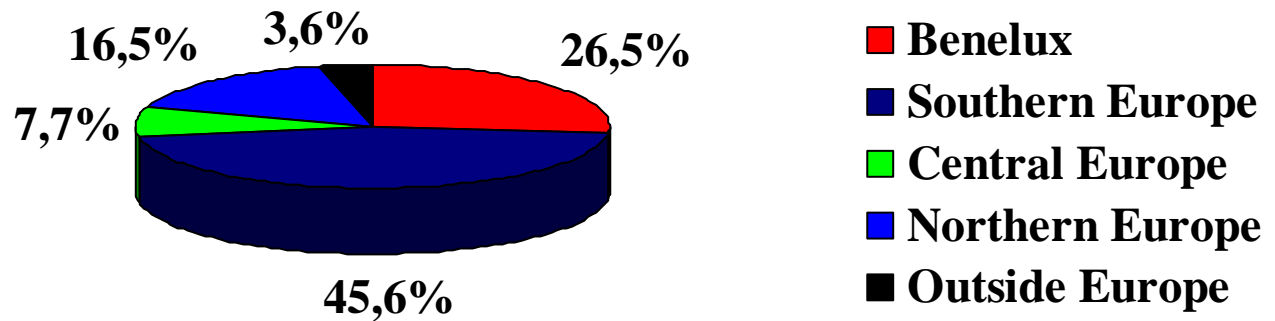
(A-) rating
(insurer financial strength)

Markets



Geographical Spread 2003

Adjusted gross earned premium



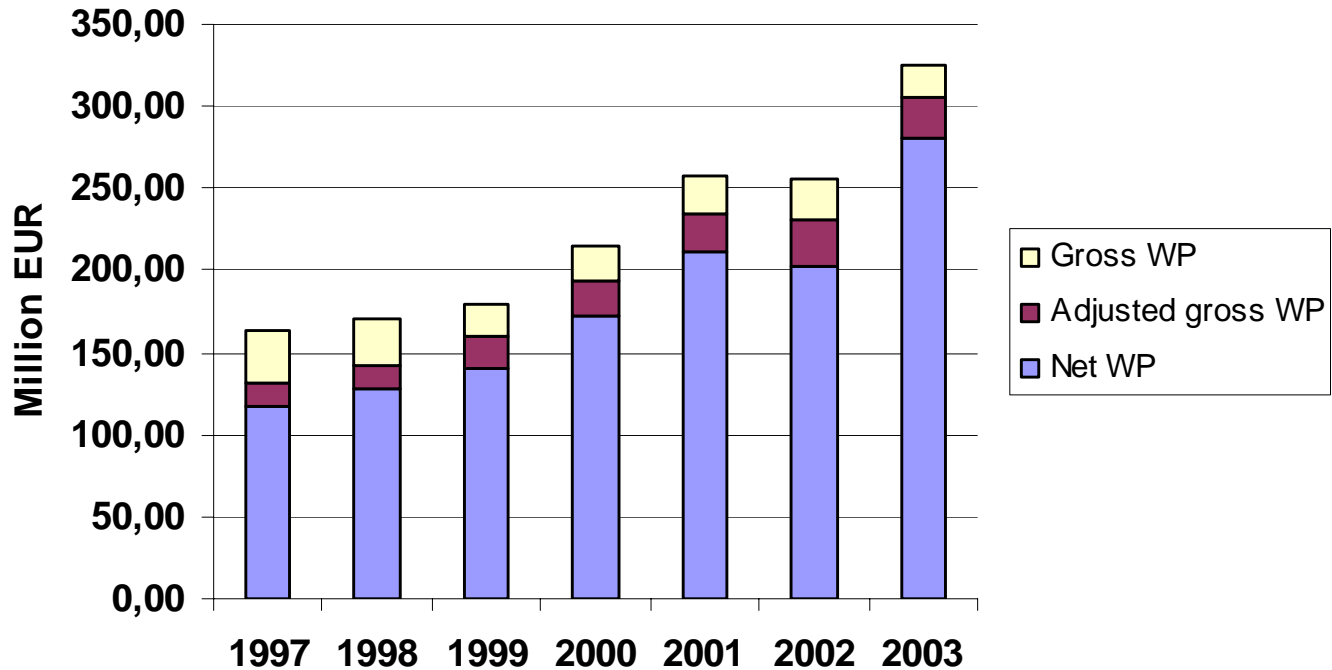
Commercial Strategy

- **Client-oriented approach**
- **Active quotations**
- **Technical innovation / transparency**
- **Continuity**

Service

- **Quotations and control quotations**
- **Reinsurance solutions**
- **Reinsurance training**
- **Seminars and workshops**
- ...

Premium Evolution



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How Can the Solvency Be in Danger ?

- High frequency of normal claims
- Large individual claims
- Accumulation of claims within the same event

- Financial risk ?

Solvency of a Pension Fund

- **Pension funds have to set up a sufficient solvency margin (SM) i.r.o. death and disability risks (RD 14.05.1985, art.8)**

Solvency of a Pension Fund

- **Available SM:**

Patrimony

- Technical provisions
- Intangible items
- Non-guaranteed debt on the employer

(RD 14.05.1985, art.8bis)

- **Required SM: sum of**

1. $10 \times \min(\max C_i, \text{EUR } 25.000)$
2. Sum of 5 largest C_i
3. 1 ‰ Sum C_i

With a maximum = sum of C_i

C_i = risk capital in death or disability capital

(RD 07.05.2000, art. 5)

How to Reduce the Solvency Margin ?

- **Insurance : SM can be reduced to 0**
- **Guarantee : SM guaranteed by the employer**
- **Reinsurance :**
 - SM can be reduced to 50%
 - SM can be reduced to 0% if
 - Reinsurer EEE and controlled as the insurers, or
 - Under conditions admitted by the OCA/CDV

How to Reduce the Solvency Margin through Reinsurance ?

- **Additional conditions allowing a SM between 0 and 50% (P.33 CDV/OCA)**
 - 10 years of experience
 - Accounts approved without reservations for the last 7 years
 - Minimum free patrimony : maximum of
 1. Amount depending on the premiums
 2. Amount depending on the incurred losses
 3. EUR 25,000,000

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Reinsurance

- **What ?**
 - Insurance of insurance companies
- **Why ?**
 - Protection of the solvency
 - Reduce the volatility of the result
 - Spreading risks
 - Reduce the required minimum solvency margin
 - Technical support
 - Financing

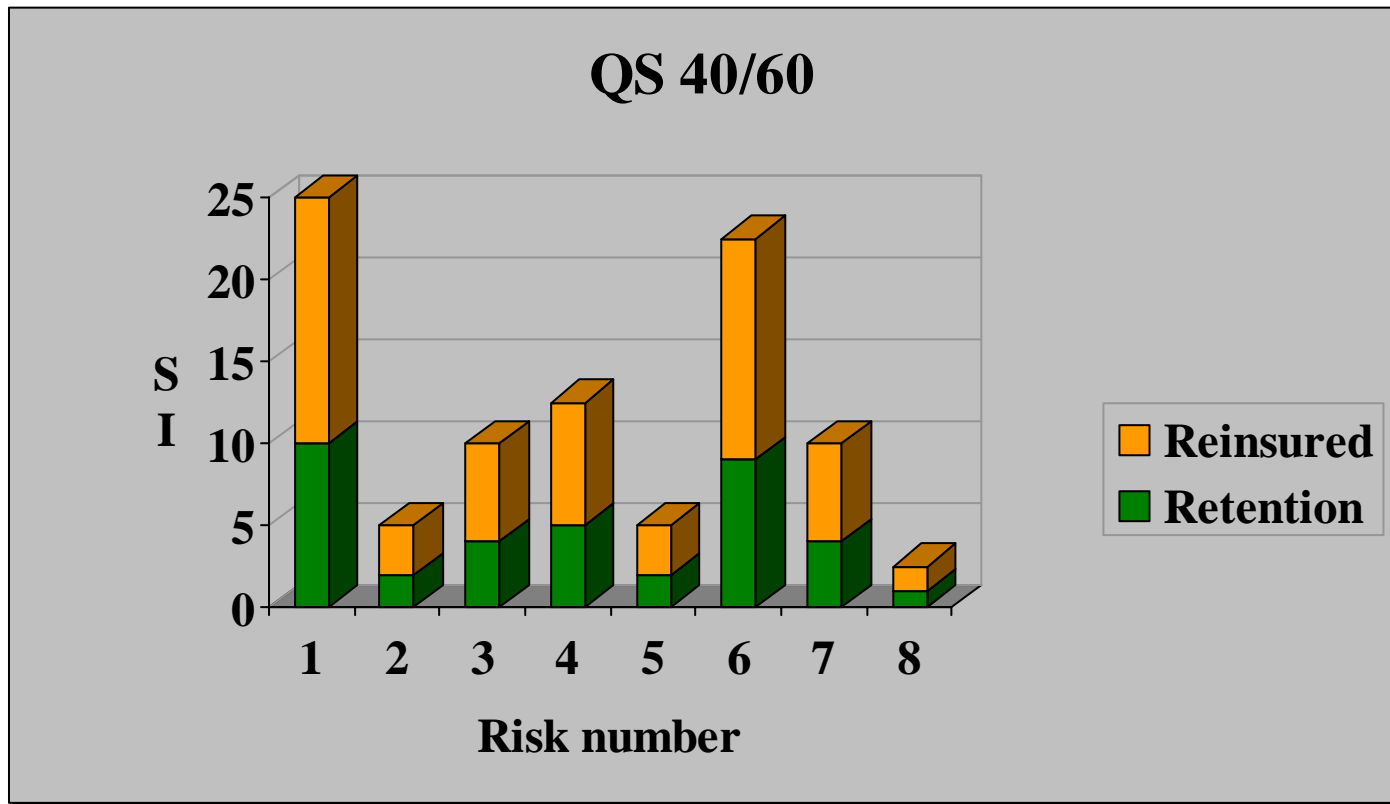
Reinsurance Forms

- **Facultative**
- **Treaty**
- **(Fac-ob)**

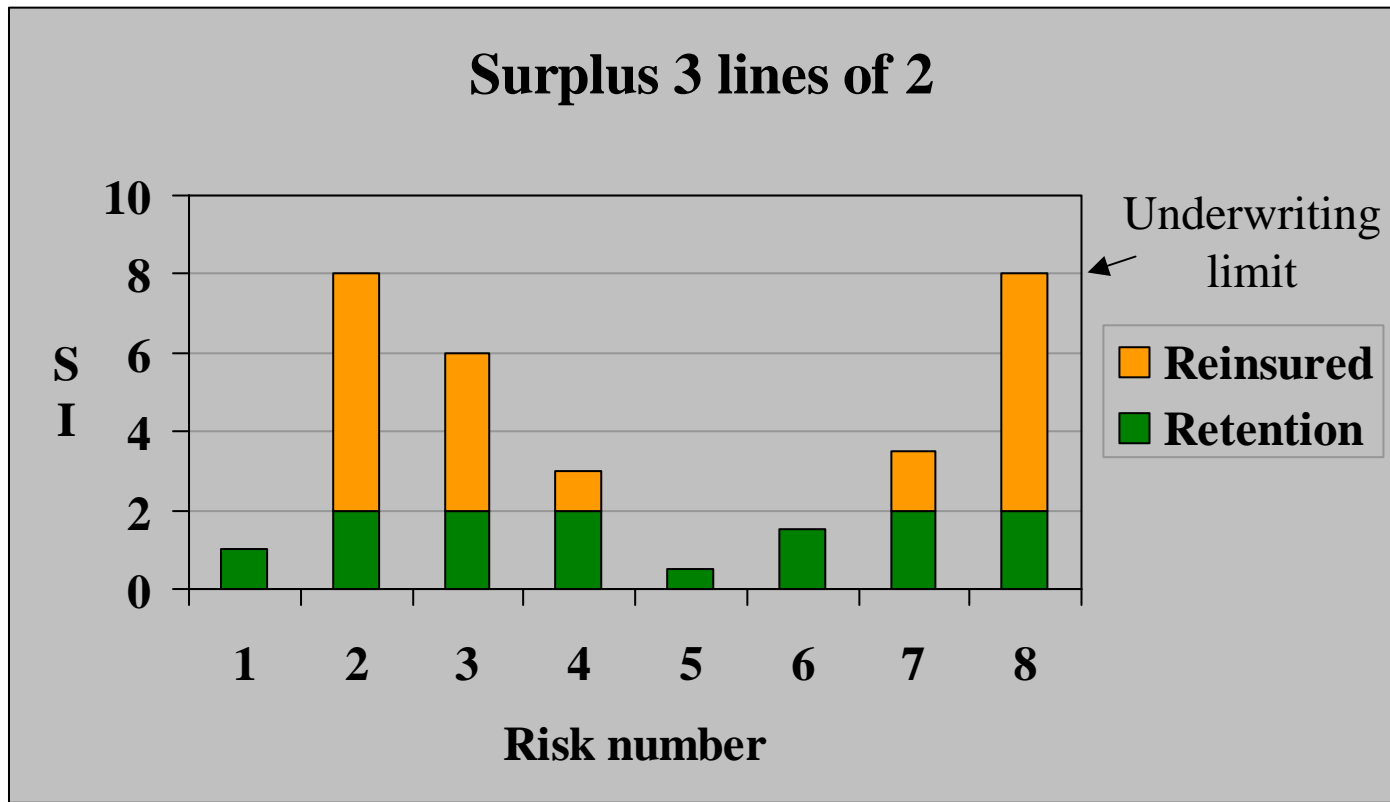
Reinsurance Techniques

- **Proportional reinsurance**
 - Quota Share
 - Surplus
- **Non-proportional reinsurance**
 - Excess of Loss
 - Stop Loss

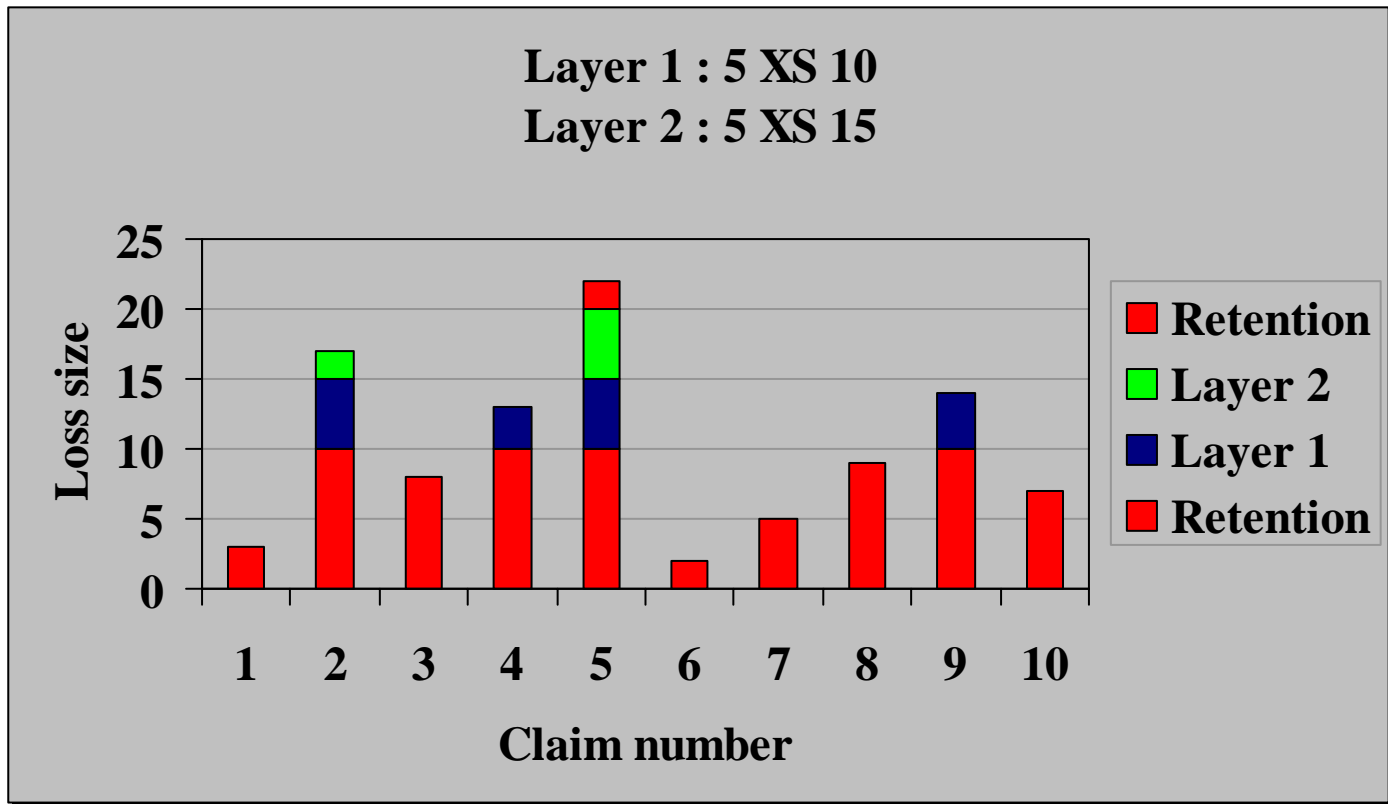
Quota Share



Surplus



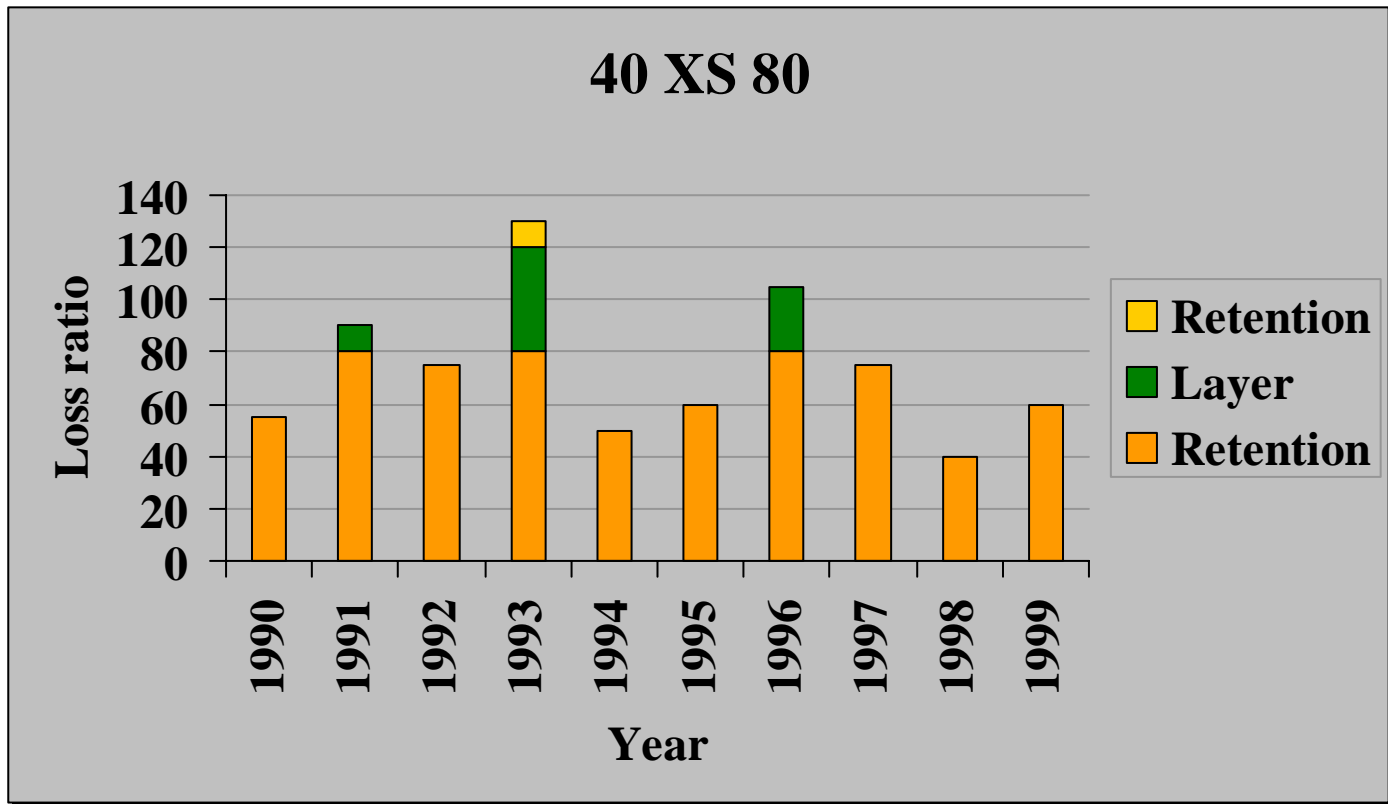
Excess of Loss



Excess of Loss

- **Per risk**
- **Per event**

Stop Loss



Reinsurance of the Death Risk

■ Surplus

– Advantages

- Reduces the retention of the pension fund and therefore the minimum solvency margin
- Tariff rate $\ll 100\%$ MK/FK'
- Simple administration and simple premium calculation (risk premium system)
- Profit participation/experience rating possible

– Remark : no partial claim \Rightarrow surplus = XL

Reinsurance of the Death Risk

■ Surplus

- Medical acceptance
 - Only for new affiliates or big salary increases and in excess of high sums at risk
- Exclusions
 - Correspondance between the pension fund regulations and the reinsurance contract

Reinsurance of the Death Risk

- **XL per event**

- Advantages

- When retention by the fund, limitation of the exposure in case of event
 - Simple administration and simple premium calculation

- Event definition

Reinsurance of the Death Risk

■ Stop Loss

– Advantages

- In case of retention, limitation of the annual exposure
- Simple administration and simple premium calculation

– Disadvantage

- Availability and price

Reinsurance of the Disability Risk

■ Surplus

– Advantages

- Reduces the retention of the pension fund and therefore the minimum solvency margin
- Tariff rates in function of the risk profile
- Simple administration and simple premium calculation
 - risk premium system
 - possible longer waiting period in reinsurance (1,2,3 years)
- Profit participation/experience rating possible
- Reinsurer's expertise in claims handling

Reinsurance of the Disability Risk

■ Surplus

- Medical acceptance
 - Only for new affiliates or big salary increases and in excess of thresholds
- Exclusions
 - Correspondance between the pension fund regulations and the reinsurance contract
- Surrender clause
 - One's the claim is consolidated

Reinsurance of the Disability Risk

- **XL per event & Stop Loss**
 - See death risk

Final comments

- **XL per event (and SL) can play on both death and disability**
- **In surplus, profit participation on both death and disability combined is possible**

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Conclusion

- **Reinsurance of pension funds offers several advantages,**

but is still not enough known and used

...



Any Further Questions ?

- **We would be pleased to answer them**

