

# AXIS LIFE REINSURANCE



## INTRODUCTION TO AXIS LIFE REINSURANCE

Life reinsurance is a major sector in the global reinsurance market, particularly in the more developed markets of Europe, North America, Australia, New Zealand and the Far East. Life reinsurance assists insurance companies in:

- Developing new products
- Diversifying peak risks and claims volatility
- Providing technical expertise for pricing and medical underwriting of insurance products
- Managing the financial and capital strains inherent in selling long-term life insurance business

Typical structures used for life reinsurance deals include:

- Quota Share
- Surplus
- Per Person Excess of Loss
- CAT Excess of Loss

## SOLVENCY II FOCUS ON TAIL RISK EVENTS

Solvency II in Europe, as well as equivalent risk-based capital solvency regimes elsewhere, requires insurers to demonstrate that they have sufficient capital to withstand tail risk events at the 1 in 200 level, or the 99.5th percentile. Quota Share reinsurance can achieve relief from such tail risk events, however it also results in ceding all the positive upside claims experience if a tail risk event does not occur. So, whilst Quota Share is an effective solution, it can also be an expensive one.

## VALUE-FOR-MONEY TAIL RISK RELIEF FOR LIFE INSURERS

AXIS Re A&H has developed a reinsurance solution which protects insurers from the extreme downside claims tail risk envisaged by Solvency II, but unlike Quota Share leaves the insurer with the upside of any positive claims experience, creating a far more cost effective solution for them. We call this Mortality Stop Loss Reinsurance Cover.

The premium for this type of cover equates to a small percentage of the extreme downside claims limit, and in return the insurer is protected from extreme downside claims if they occur. If they do not, the insurer retains all the upside of better than expected claims experience, something which would have to be shared with the reinsurer in a Quota Share arrangement. We therefore see our Mortality Stop Loss protection as much better value for money than a Quota Share.

## ABOUT AXIS CAPITAL

At AXIS<sup>1</sup>, we are in the business of turning the complexities of specialty insurance and reinsurance into solutions that anticipate uncertainties for our clients and protect against risk. Today's business environment is fluid, evolving and comprised of risks that demand flexible, innovative thinking. We create solutions by having a deep understanding of our client needs as well as a willingness to redefine the boundaries of industry standards.

As a company, we are energized by the challenges of our business and find great reward in the value we create for our clients and stakeholders. This sets us apart from our peers.


## 2018 FINANCIAL HIGHLIGHTS (IN US\$)


 **\$6.4B** Total Capital<sup>2</sup>

 **\$24.1B** Total Assets

 **\$15.0B** Cash & Investments

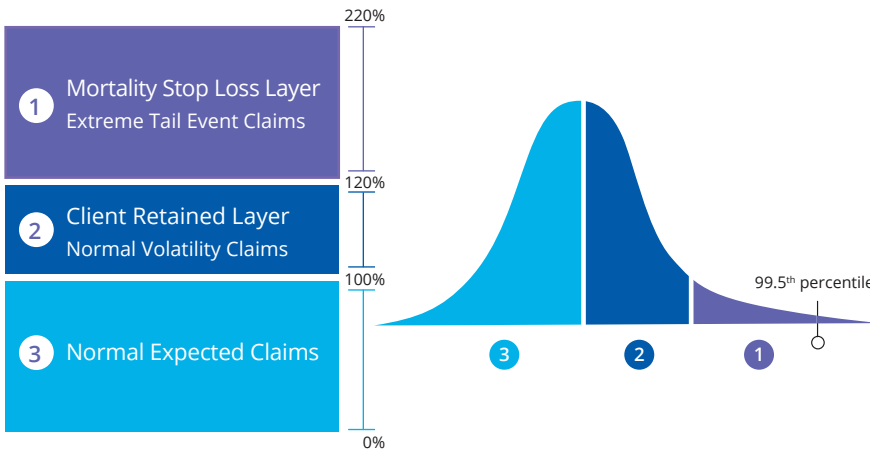
 **\$6.9B** Gross Written Premiums

 **A+** for Financial Strength from A.M. Best and Standard & Poor's

 **27** Offices Worldwide, including Bermuda, the USA, Europe, Singapore, Canada and the Middle East

## MORTALITY STOP LOSS REINSURANCE COVER— HOW IT WORKS

The cover is expressed as a stop loss in excess of excess claims, for example a 100% excess of 120% of normal expected claims. Normal expected claims are calculated based on the claims history of the relevant portfolio, 120% being a typical attachment point we have identified. This can be illustrated as follows:



Mortality Stop Loss Reinsurance Cover is tailored to the needs of individual insurers and can be structured in the following formats:

COVER TYPE	TAIL RISK RELIEF	PANDEMIC RELIEF	SOLVENCY II RELIEF	COST BENEFIT
One Year Cover	✓	✓	✗	✓
Multi-year "C&R" Cover	✓✓	✓✓	✓✓	✓✓
Multi-year "C&R" with Rolling Cover	✓✓	✓✓✓	✓✓✓	✓✓✓
Multi-year "C&R" with Rolling/Loss Window Cover	✓✓	✓✓✓✓	✓✓✓✓	✓✓✓✓

To recap, Solvency II requires an insurer to maintain a capital base strong enough to withstand a 1 in 200 event happening within the next year. This is not simply a "year-end" test as in the previous Solvency I regime, but a continuous requirement. In this regime, insurers need reinsurance protection that constantly extends to provide the cover they need.

Our Mortality Stop Loss Reinsurance Cover is structured to always provide forward reinsurance cover of at least one year. The simplest and most common way to achieve this is to write a two-year treaty with a cancellation and rewrite option at the end of the first 12 months. This allows the insurer to either negotiate a further two-year treaty or at least have the certainty of a further 12 months of cover.

## CONTACT

Emmet Hiney, Dublin

**+353 (0)1 632 5907**

[Emmet.Hiney@axiscapital.com](mailto:Emmet.Hiney@axiscapital.com)

John O'Neill, Dublin

**+353 (0)1 632 5908**

[John.Oneill@axiscapital.com](mailto:John.Oneill@axiscapital.com)

Ambre Barbarot, Zurich

**+41 44 567 0062**

[Ambre.Barbarot@axiscapital.com](mailto:Ambre.Barbarot@axiscapital.com)

Cyril Caillo, Madrid

**+34 (0)91 572 6745**

[Cyril.Caillo@axiscapital.com](mailto:Cyril.Caillo@axiscapital.com)

Benjamin Derieux, Paris

**+33 (0)1 42 66 55 89**

[Benjamin.Derieux@axiscapital.com](mailto:Benjamin.Derieux@axiscapital.com)

Chee Kok Poh, Singapore

**+65 6579 0655**

[Cheekok.Poh@axiscapital.com](mailto:Cheekok.Poh@axiscapital.com)

<sup>1</sup> AXIS Capital Holdings Limited, a Bermuda-based company listed on the NYSE: AXS. Find out more at [axiscapital.com](http://axiscapital.com), and follow AXIS Capital on LinkedIn.

<sup>2</sup> Total capital represents the sum of total shareholders' equity attributable to AXIS Capital Holdings Limited and senior notes.

Coverage is provided by AXIS Re SE whose registered office is at Mount Herbert Court, 34 Upper Mount Street, Dublin 2, Ireland. AXIS Re SE is authorised by the Central Bank of Ireland. The information provided in this brochure is purely descriptive: coverage is subject to conditions, limitations and exclusions that are available from us upon request.

[axiscapital.com](http://axiscapital.com)

