Reinsurance: capital and strategy

Reinsurance can be used to optimise the capital position and strategic advantage of an insurer, offering:

- Increased capital levels to support underwriting expansion
- A partnership with experienced market participants across pricing and competitive cycles
- A better return on existing capital by using reinsurance to release and redeploy capital
- Capital strength without introducing new shareholders as reinsurance arrangements do not dilute ownership or interfere with strategy

We manage specific areas that generate capital requirements, using products which transfer risk to reinsurers and other risk takers that are naturally more diversified and have a lower cost of capital.

Balancing risk and reward

The efficient transfer of a proportion of the risks that are driving the need for capital leads to a better balance between risk and reward.

Portfolios of risks, individual peak risks and broader sources of volatility and uncertainty can be transferred to create a more effective relationship between risk and capital.

- Underwriting
- Reserving
- Investment
- Credit
- Liquidity
- Operations
- Modelling
- Environment

Reinsurance tools for capital efficiency

Structured Quota Shares

- Reduces net premium income to improve premium solvency ratio
- Reduces net claims incurred to improve claims solvency ratio
- Commissions can generate immediate risk free profit
- Reduces exposure to catastrophic risks

Aggregate Excess of Loss and Stop Loss

- Effective reduction of underwriting volatility
- Demonstrable impact on modelled underwriting risk

Reinsurance of Peak Risks

- Targeted approach to catastrophe risks that drive capital

Multi-Line and Multi-Risk products

- Diversification of risks drives lower cost
- Avoids clash of retentions across multiple separate reinsurance protections
- Can incorporate financial triggers for a more holistic approach to risk management

Reinsurance of reserves: Adverse Development Covers and Loss Portfolio Transfers

- Reduces reserving risk strain
- Reduces net premium income to improve premium solvency ratio
- Reduces net claims incurred to improve claims solvency ratio
- Can be designed to reduce potential for uncollectable reinsurance debts (solvency strain)
- Can realise immediate profit by crystallising future investment income and underwriting profit
- Can release trapped profits

For more information

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Alwen Hough Johnson is an independent, privately owned, Lloyd's broking company. Founded in 1973, it employs over a hundred people at its London headquarters. It intermediates insurance and reinsurance business worldwide and across many sectors of the market, combining personal service with the highest levels of analysis, advice, placement and administration. It established AHJ Capital Markets to provide clients with access to risk transfer and capital products available in the financial markets.

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