From Cinderella to the C-Suite: Life Reinsurance Finds Its Glass Slipper

A strategic tool for resilience and growth

GUY CARPENTER
A MARSH BUSINESS

The past

Relationship-led, oligopolistic,*
manual processes, and…

proportional or XOL structures, lighter analytics inputs, with limited external capital and modest focus on product innovation.

** McKinsey cit. - early 2000s the top 4 players had c. 60% market share*

Today

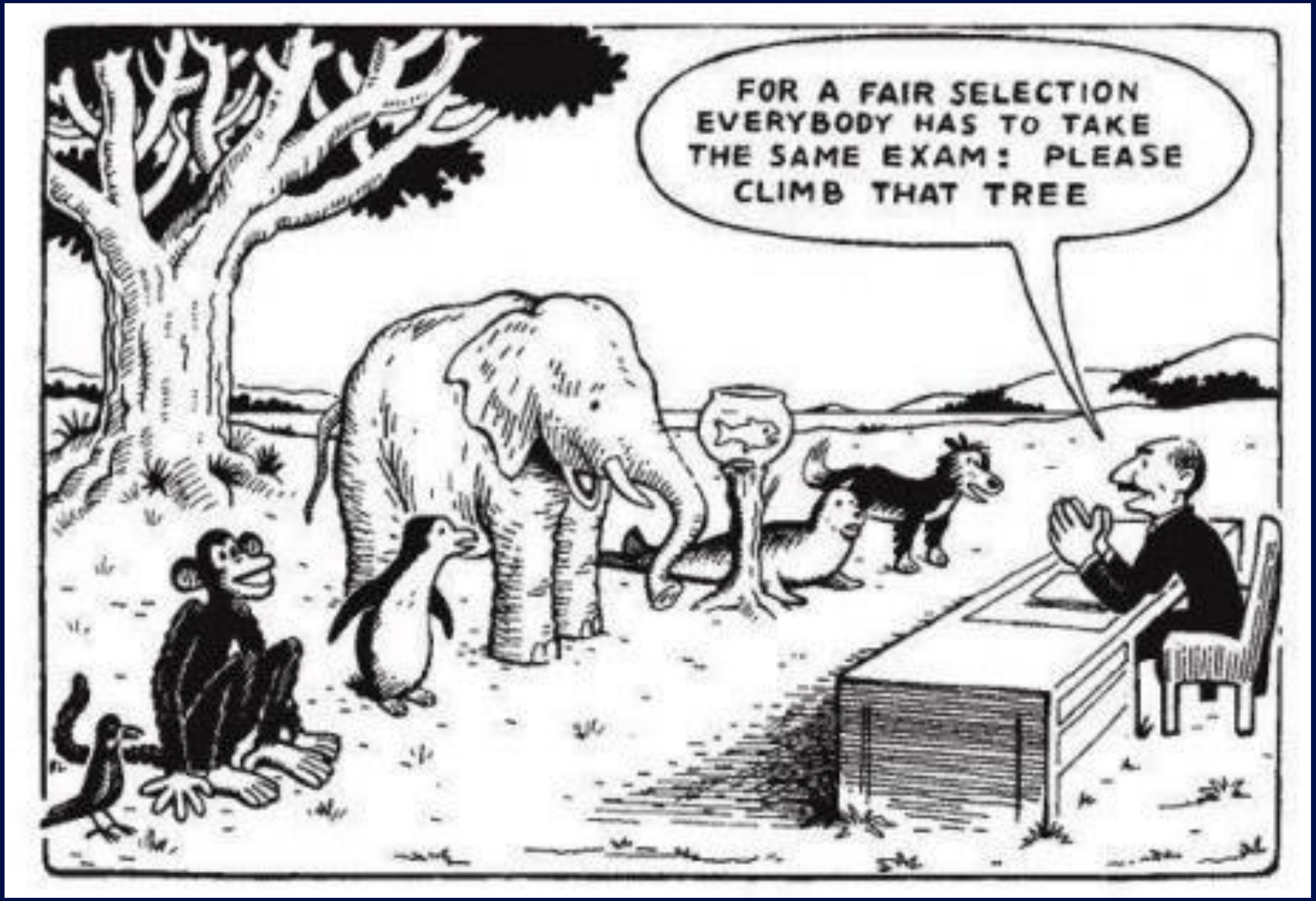
The modern life reinsurer must balance more CEO and CFO priorities — with precision.

OBJECTIVES

- RoE
- Solvency ratio
- Risk
- Liquidity
- IFRS
- Rating
- Local gaap

The right tool depends entirely on the objective.
One structure rarely solves multiple problems simultaneously — alignment is everything.

Source: Guy Carpenter



One size does NOT fit all…

and has never done so!

Traditional Life

	Traditional Life
Subsets	Mortality, disability, medex, accident, life cat, etc
Recurrence	High
Skills required	(1) Capacity management (2) Flexible mindset (3) Analytics capabilities (4) Structuring capabilities

Additional reinsurance players

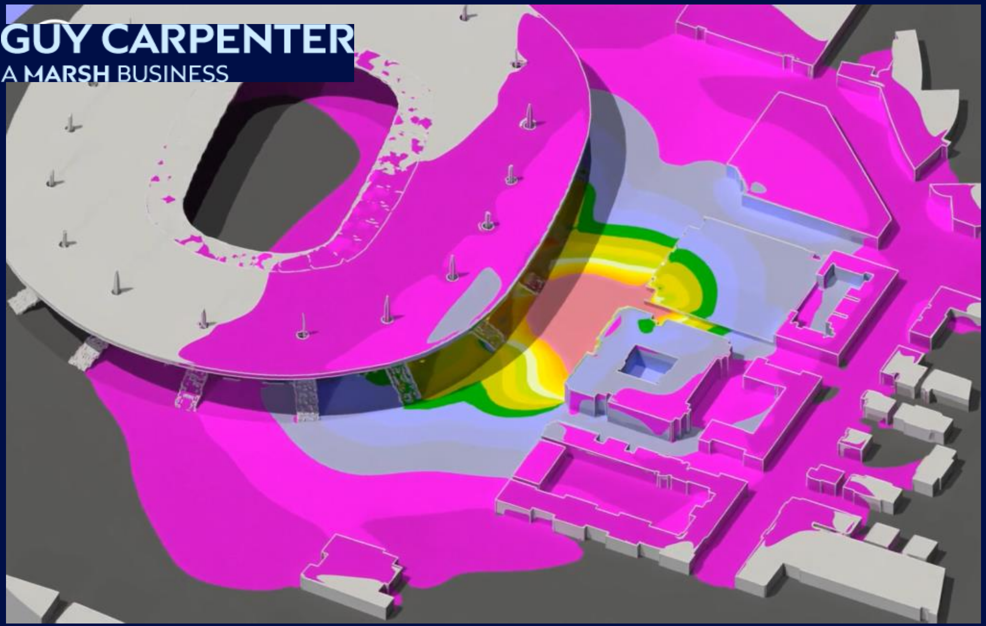
Far more analytics focused

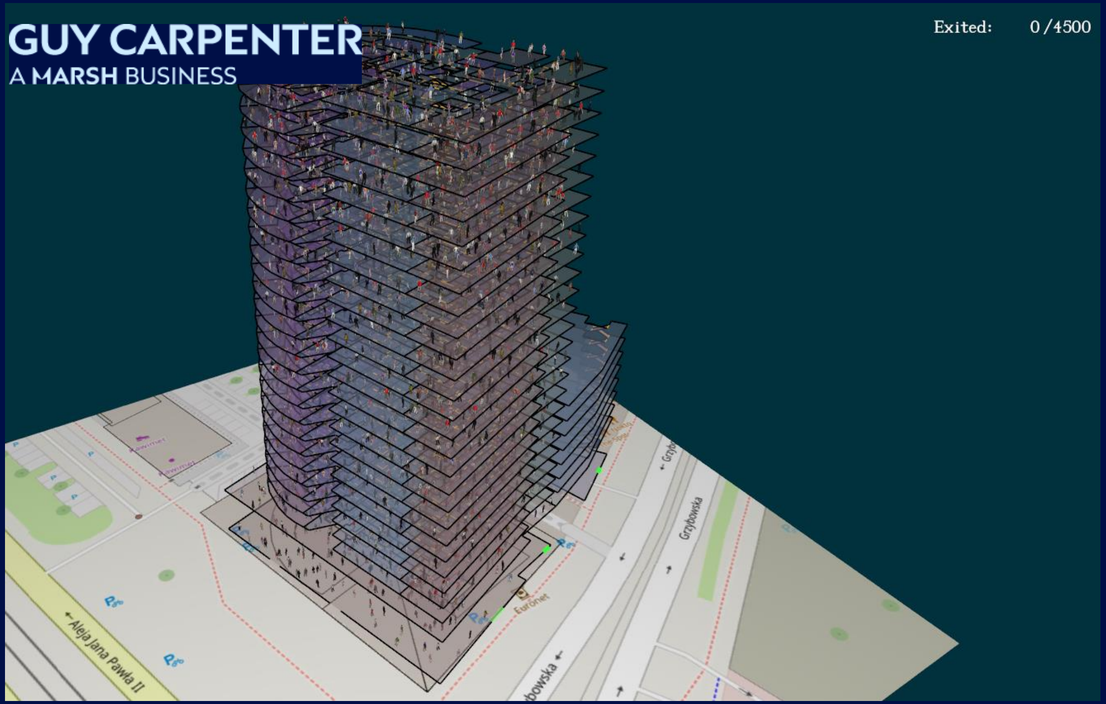
More institutional approach to counterparties management

Stronger structuring focus

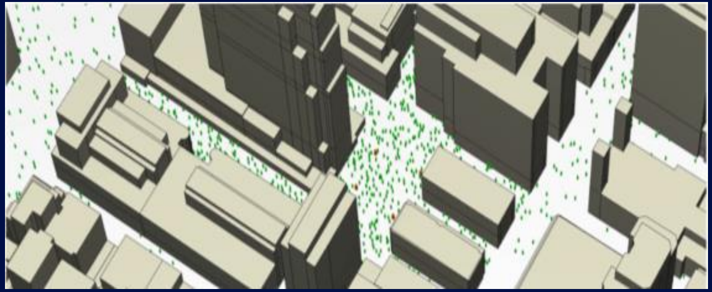
Source: Guy Carpenter

Traditional Life – analytics focused





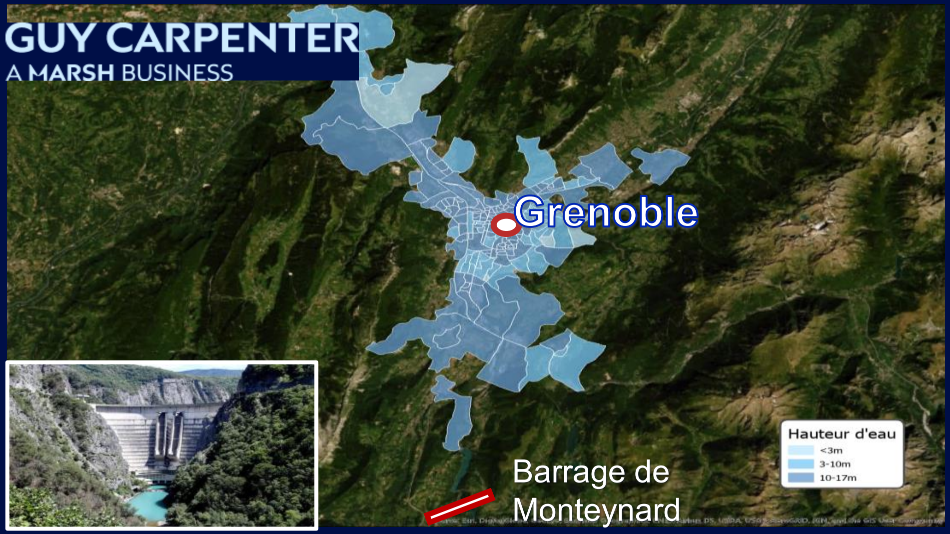
A lorry carrying a large quantity of explosives, equivalent 5,000kg of TNT, detonates on the road outside the building. Analytics included: direct blast load, glazing hazard, building debris and structural collapse.



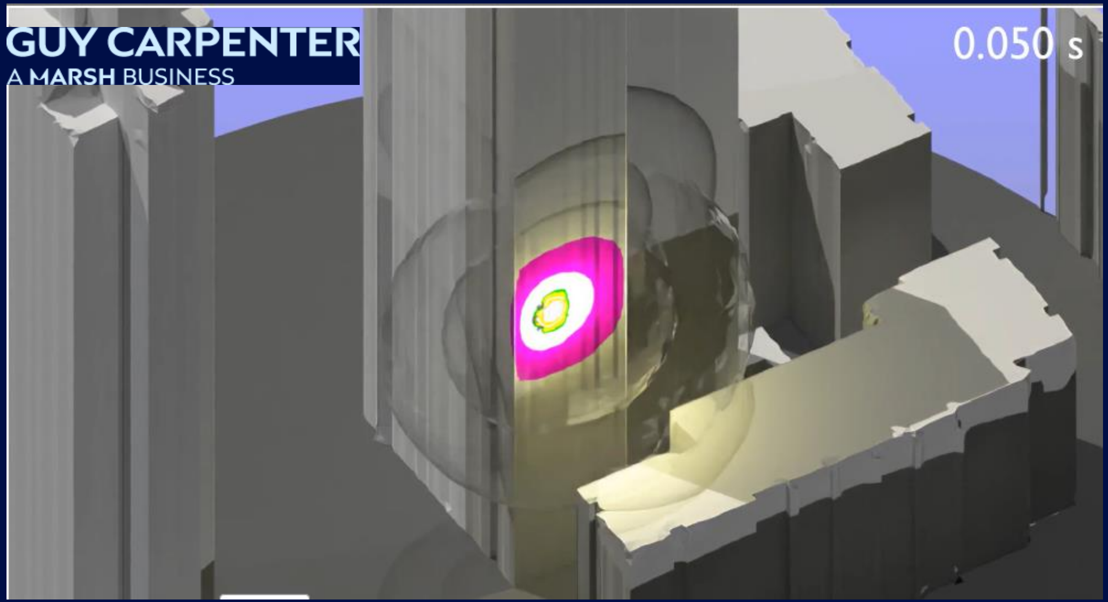
Lone Shooter with High Power Rifle – Internal and External

Source: Guy Carpenter

Traditional Life – analytics focused



The proposed scenario is the rupture of the Monteynard barrage (135 meters high and 275 million m3 of water), located close to Grenoble.



An Iranian-designed drone, similar to that used in Ukraine by Russia, detonates on impact at the 20th floor

Source: Guy Carpenter

Life solutions

	Life solutions
Subsets	Lapse, volatility solutions, LTC, Longevity, capital triggers
Recurrence	Limited
Skills required	Previous… plus (3) Regulatory engagement (4) Accounting engagement

Capital optimization focused

Often different risk takers

Credibility with regulators

Source: Guy Carpenter

Life solutions

$X \div Y$

VIF monetization	Capital Raise	Capital transferability
Capital financing	Matching & volatility adjustment	Bancassurance solutions

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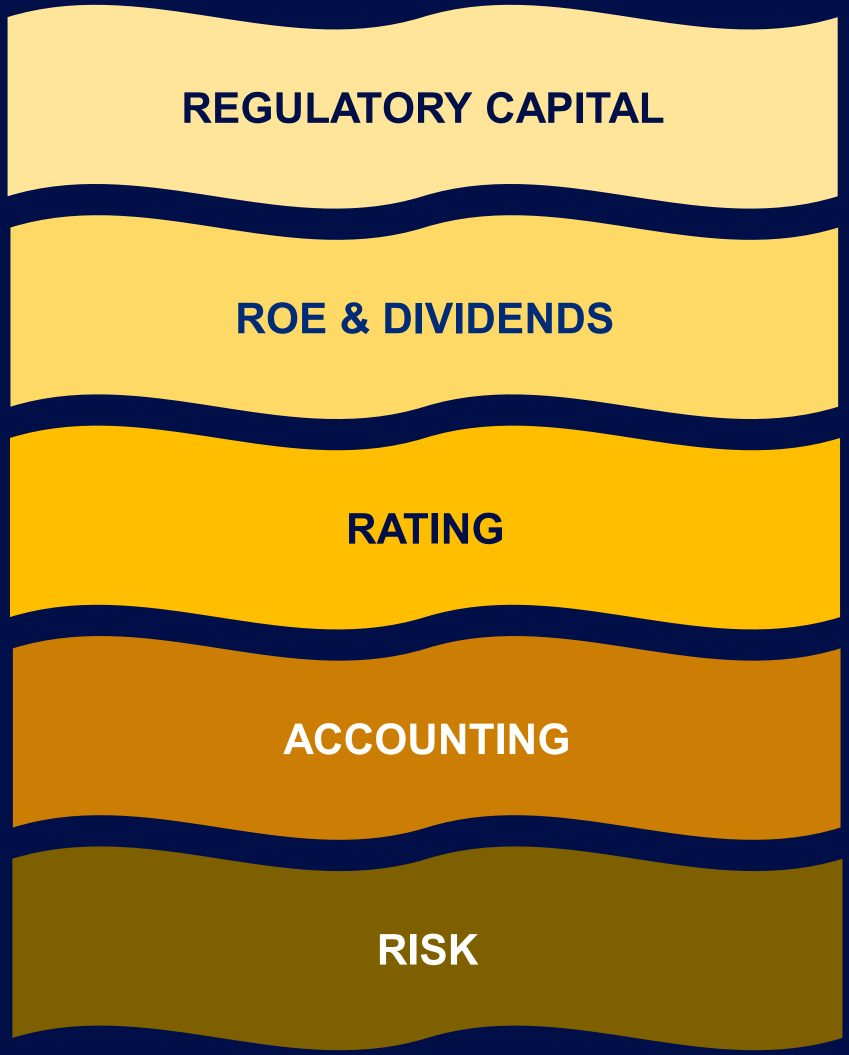
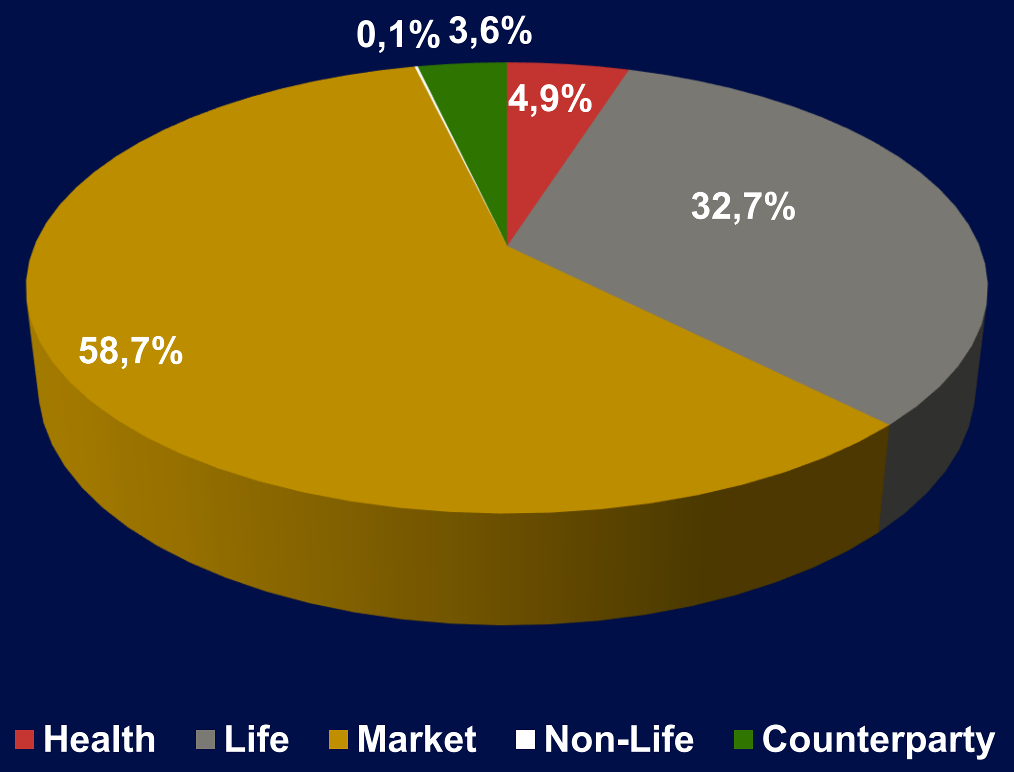
Lapse Risk	Longevity Risk	Mortality Risk
Market Risks (rates, equity, FX, spread, property, etc)	Asset Optimization	Health & Disability
	Asset Sourcing	Counterparty Risk



Source: Guy Carpenter

Asset risk solutions

European Life Insurers SCR Split (EIOPA dashboard)



Source: EIOPA dashboard

Asset solutions

	Asset solutions
Subsets	Asset driven reinsurance solutions
Recurrence	One offs
Skills required	Previous… plus (5) Market risk knowledge (6) Bank access

Market risk as a key driver

Different stakeholders

Global perspective

Source: Guy Carpenter

The future: when capital is not resilience

200%+

Average Solvency II ratio across Europe

"Fortress capital" is a comfort drug, not a strategy.

Depresses ROE

Excess capital crowds out return on equity and signals that volatility is trivial — it isn't.

Creates False Comfort

Regulators assume you can absorb more. Analysts treat stability as permanent. Neither is true.

Cheapest When Least Needed

Capital is free in calm times. It becomes infinitely expensive the moment markets stress.

Source: Guy Carpenter

Reinsuring where it matters

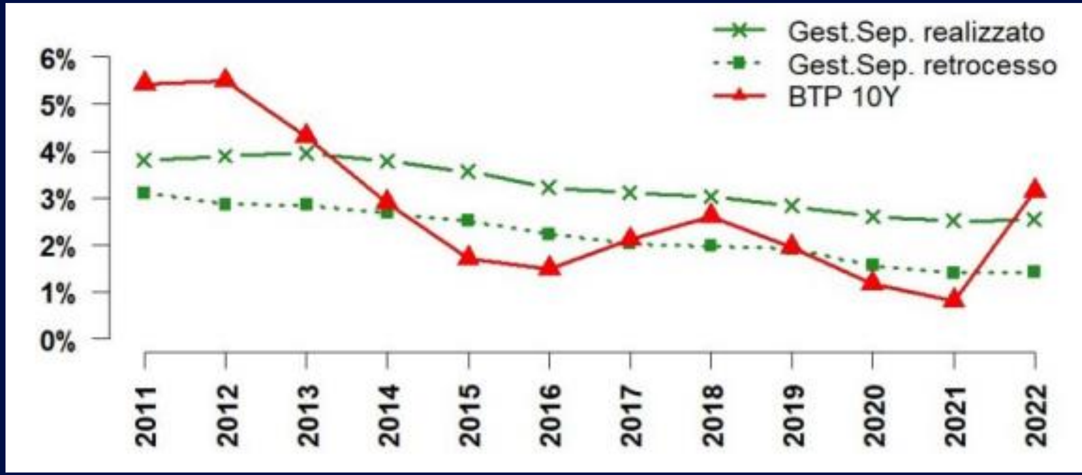
200%+ SCR	FREE ZONE	*Regulators relaxed. Optionality flows freely. Dividends unrestricted.*
140–160% SCR	WATCH ZONE	*Supervisory dialogue intensifies. Model scrutiny. Dividend restrictions emerge.*
120–140% SCR	INTERVENTION ZONE	*Proactive action: de-risking, capital injection, portfolio adjustment.*
100% SCR	RECOVERY ZONE	*Hard recovery measures take control. Management discretion is lost.*

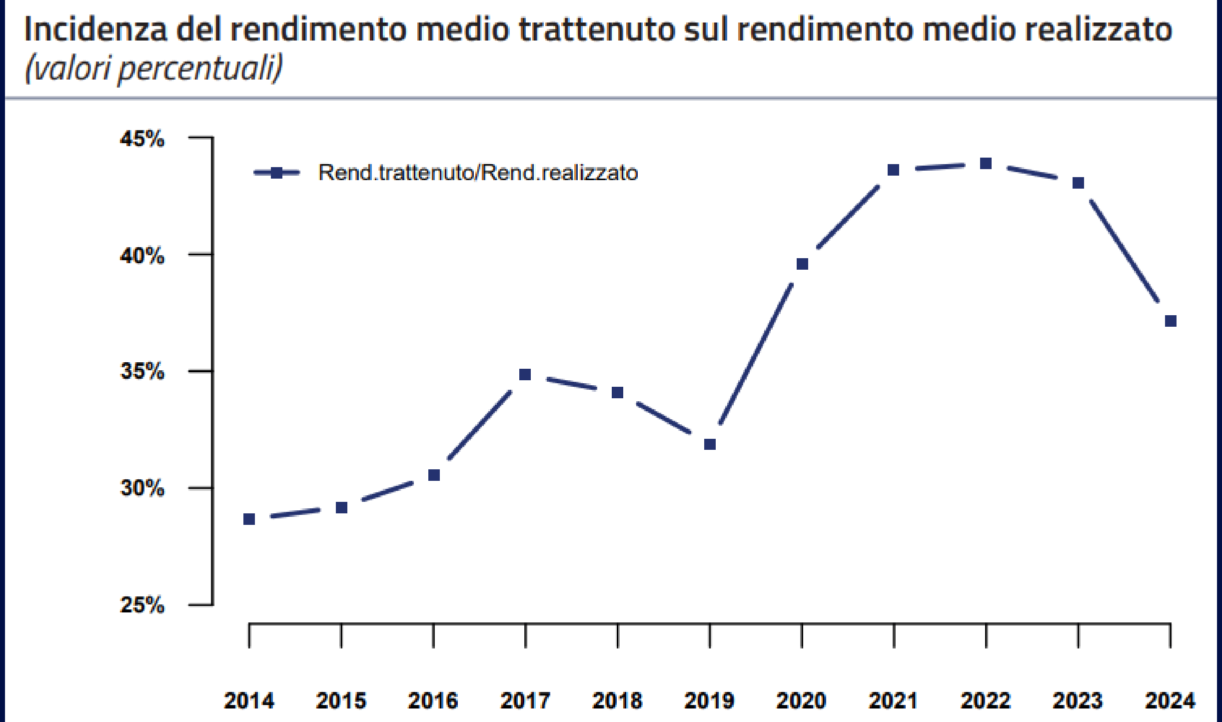
Let's buy reinsurance where it matters most!

For more details please see:
https://www.insuranceerm.com/analysis/a-manifesto-on-capital-volatility-resilience-and-value-creation-part-one.html
https://www.insuranceerm.com/analysis/a-manifesto-on-capital-volatility-resilience-and-value-creation-part-two.html

Source: Guy Carpenter

The future of saving products?





	Retrocesso	5 anni BTP (media)	10 anni BTP (media)
2022	1,4%	2,40%	3,15%
2023	1,5%	3,75%	4,28%
2024	1,7%	3,16%	3,70%

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Source: IVASS

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