



*somewhat
different*

**Health Reinsurance
SEAC Spring Meeting
June 19, 2008**

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OVERVIEW OF HEALTH REINSURANCE MARKET

Medical Products

LTC

Medicare

Other A&H

THE ENVIRONMENT TODAY

→ Types of Companies that need reinsurance

- New Entrants to the market; need a partner
- Growing too fast; need balance sheet help
- Exiting the market

THE ENVIRONMENT TODAY

→ Basic Requirements of Reinsurers

- High ratings and financial strength
- Financial solutions capabilities
- Understanding of the client's strategies, markets and needs
- Willingness to develop a partnership approach

THE ENVIRONMENT TODAY

→ Expertise of the Reinsurer

- Product design / pricing
- Experience analysis / rerating
- Administration and potential outsourcing alternatives
- Reinsurance of other products

MEDICARE

Medicare Supplement

Part D

Medicare Advantage

REINSURANCE STRUCTURES

Coinsurance: Allows companies the ability to transfer morbidity risk based on the coinsurance percentage selected

→ Structure:

- Proportionate sharing of premiums, claims and expenses
- Both parties share in the results of the business in proportion to the coinsurance percentage selected

REINSURANCE STRUCTURES

Coinsurance continued:

→ Uses:

- New business financing to reduce surplus strain
- For products that the company is not comfortable assuming the full risk

REINSURANCE STRUCTURES

Coinsurance continued:

→ Advantages:

- Lower capital required
- Gives companies the ability to grow their business faster
- Adjust the coinsurance percentage to maximize the use of risk sharing and capital support
- Allows the company to take statutory reserve credit

REINSURANCE STRUCTURES

RBC Relief: Allows companies the ability to reduce capital requirements with minimal risk transfer

→ Structure

- Reinsurance agreements can be structured to provide RBC relief
- Risk / Reward Tradeoffs
- Various mechanisms exist to adjust risk / reward profile of the agreement

REINSURANCE STRUCTURES

RBC Relief continued:

- Structure
 - Accounting treatment will depend on the level of risk transferred

- Uses:
 - Products with high capital requirements

REINSURANCE STRUCTURES

RBC Relief (continued):

→ Advantages:

- Cost effective way for a company to grow their business
- Free-up capital to be deployed for other lines of business
- Company retains the majority of the profit
- Ability to “dial up or down” the capital use without risking a turn-off of the sales distribution.

WRAP UP

