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**Trends in Life Reinsurance
Scott Boug**

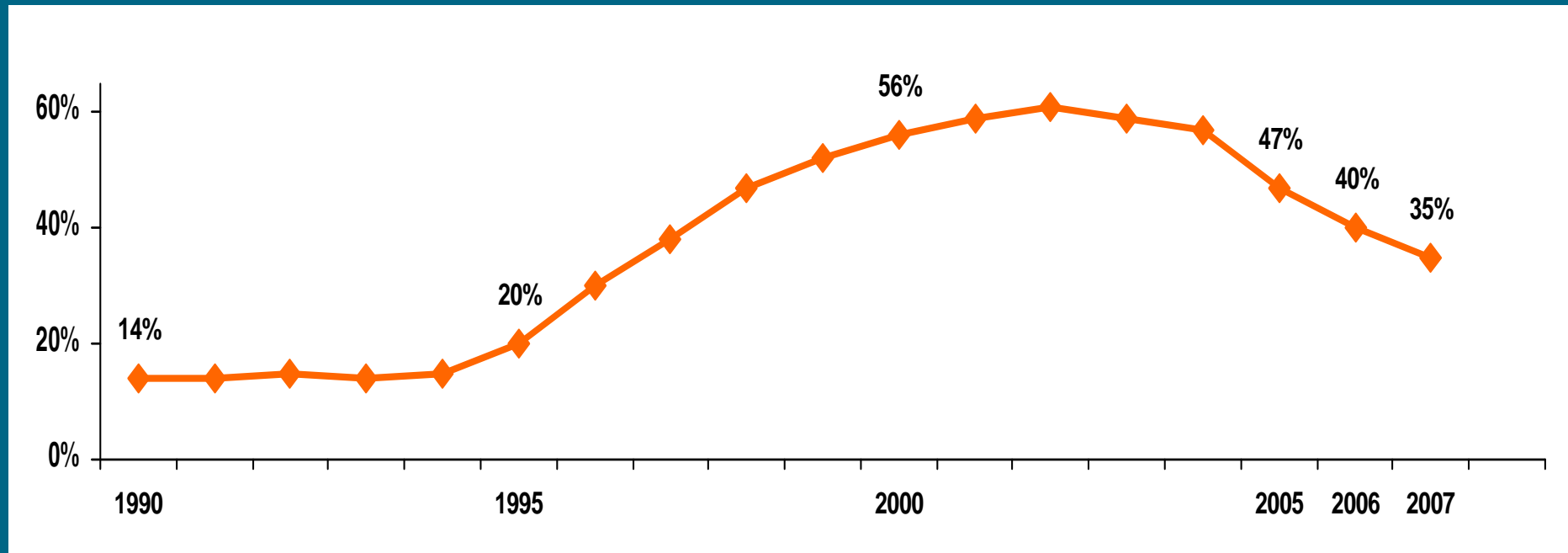
**Southeastern Actuaries Conference
June 2008**

Reinsurance Trends

- Lower cession rates after 10-year increase
- Consolidation has concentrated market share
- Reinsurance is a more disciplined transaction
 - Pricing requirements; contracts; data; exception handling
- Clients as “competition” for production volume
 - Large, diverse companies; strong capital; sophisticated tools; risk appetite
- Reinsurers looking for “new frontier” products/solutions
 - Financing alternatives, longevity; riders; LTC; underwriting solutions



Life Reinsurance Cessions Rate Trend

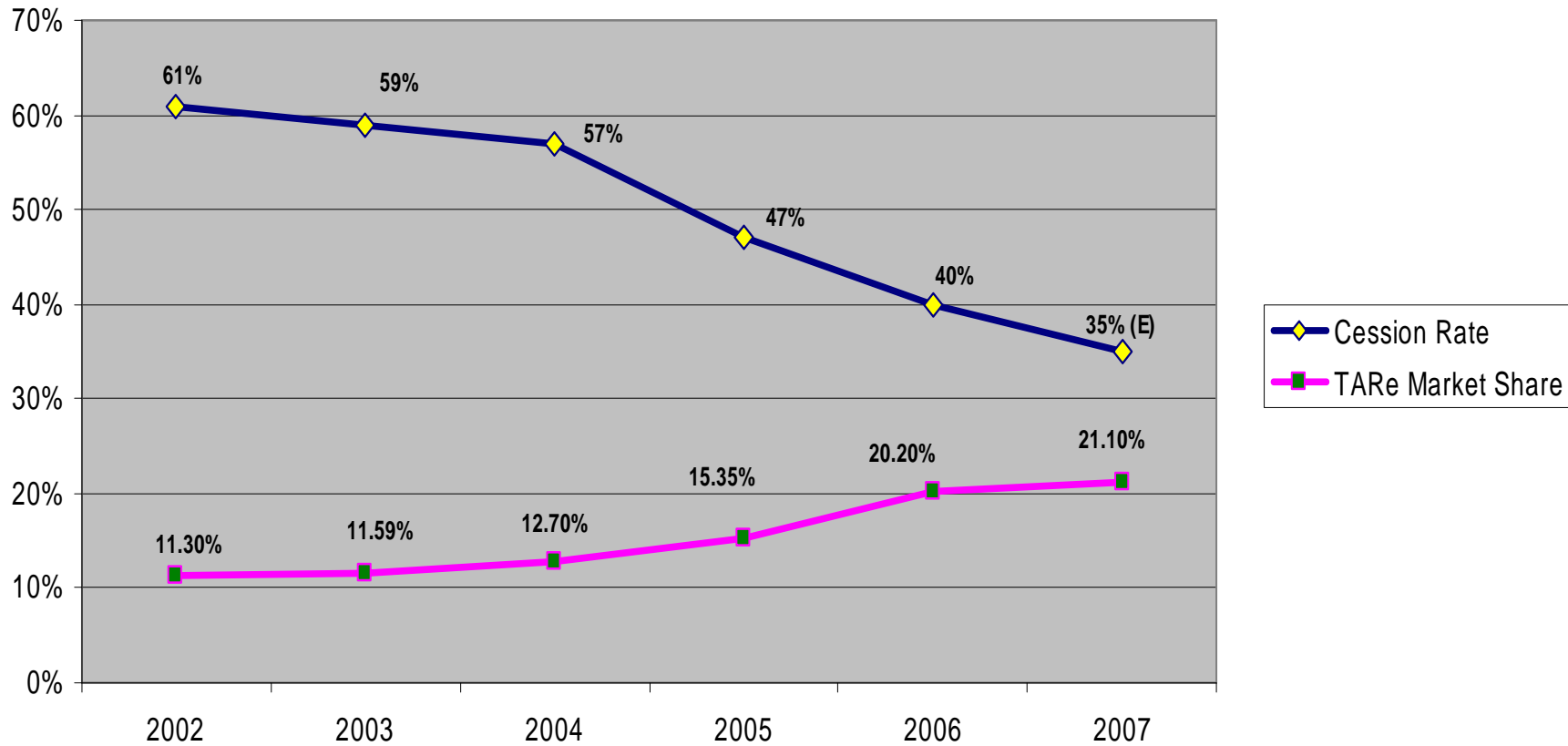


*Estimated percentage using final reinsurance number based on Munich Re survey and estimated individual life issued applying historical growth rate (0.9%) to 2006 results.



Life Reinsurance Cessions Rate Trend

Reinsurance Cession Rate / TARE Market Share Trends



Top tier growing or maintaining new business.



Traditional Reinsurance Competitors

2003			2005			2007		
Rank*	Company	Share	Rank*	Company	Share	Rank*	Company	Share
1	Swiss Re	22%	1	RGA	22%	1	RGA	24%
2	RGA	17%	2	Scottish Re	16%	2	TARe	21%
3	ING Re	15%	3	TARe	15%	3	Swiss Re	19%
4	TARe	11%	4	Munich Re	12%	4	Generali Re	11%
5	Munich Re	10%	5	Swiss Re	12%	5	Munich Re	9%
6	Generali Re	6%	6	Generali Re	7%	6	Canada Life	4%
7	SCOR	4%	7	Canada Life	5%	7	SCOR	4%
8	ERC	3%	8	ERC	3%	8	Scottish Re	3%
9	Canada Life	3%	9	SCOR	3%	9	General Re	2%
10	Revios	2%	10	Revios	2%	10	Wilton Re	1%

Top 5 have 75% share
Top 10 have 93% share

Top 5 have 77% share
Top 10 have 97% share

Top 5 have 84% share
Top 10 have 98% share



*Rankings from the Munich Re Survey of U.S. life reinsurers based on recurring new business

Confidential

Contraction in U.S. Reinsurance Market

1996		
<u>Rank</u>	<u>Company</u>	<u>Share</u>
1	TARe	15%
2	Security Life of Denver	12%
3	Swiss Re	11%
4	Lincoln Re	9%
5	Life Re	8%
6	RGA	8%
7	Phoenix Home	6%
8	Allianz	6%
9	BMA (Generali)	5%
10	AUL	4%
11	Munich Re	3%
12	Cologne Re	3%
13	Gerling Re	3%
14	ERC	3%
15	CNA	3%

Top 5 had 54% share
Top 10 had 83% share

- Consolidation
 - Market Exits
 - Financial Weakness
 - Short Term Players
 - In and out of market in course of few years
-
- Where do we go from here?



Rankings from the Munich Re Survey of U.S. life reinsurers based on recurring new business

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Life Reinsurance Products

■ Traditional products/ service

- Coinsurance
- YRT
- Facultative underwriting
- Mortality pricing expertise

■ Value-Added Products/Services

- Product development consulting
- Data driven knowledge (e.g., mortality/lapse)
- Technology solutions
 - Alternative underwriting

■ Financing

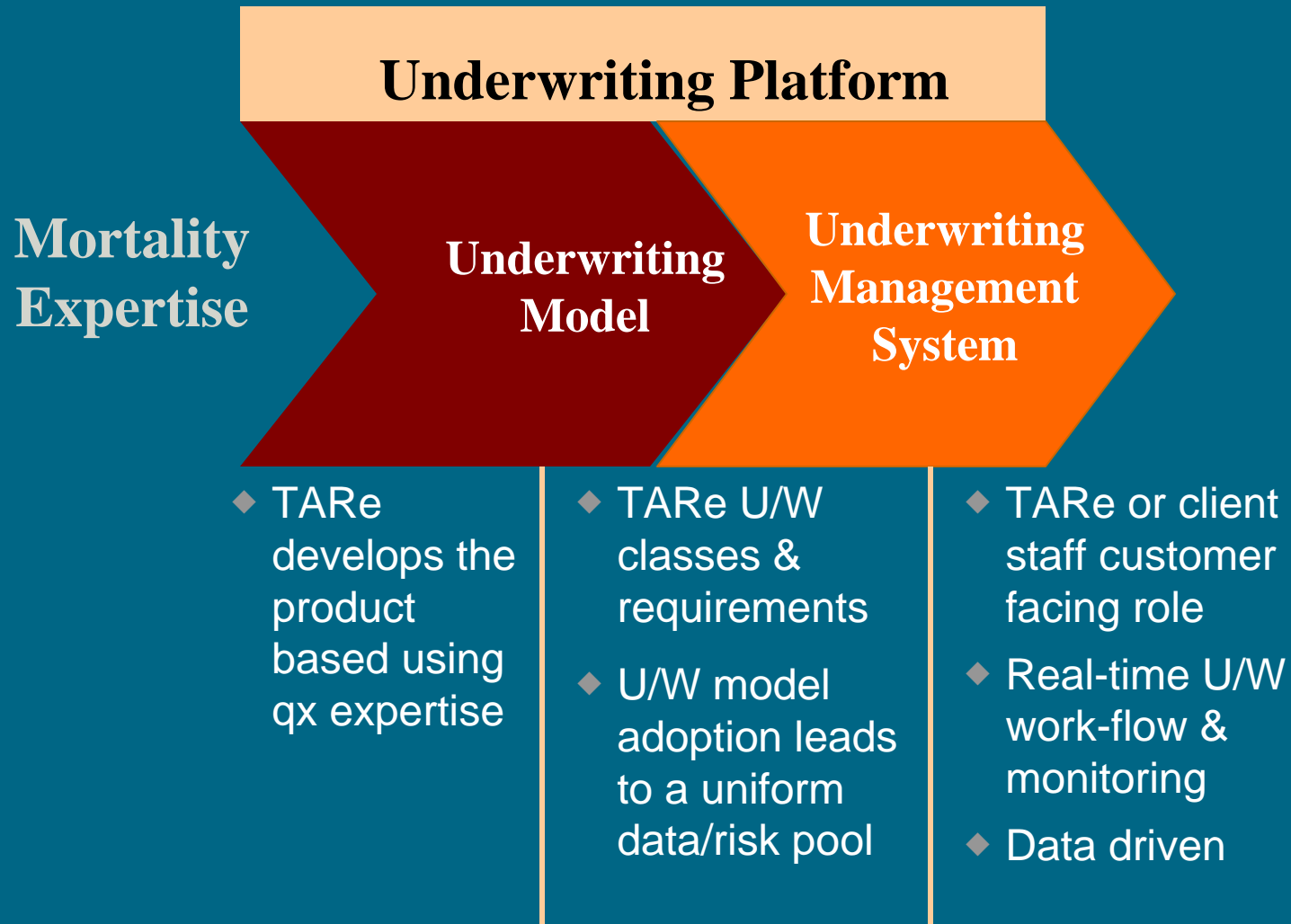
- Financing Solutions
 - Capital markets intermediary
 - Surplus notes
 - Protected cell structure

■ New Risks

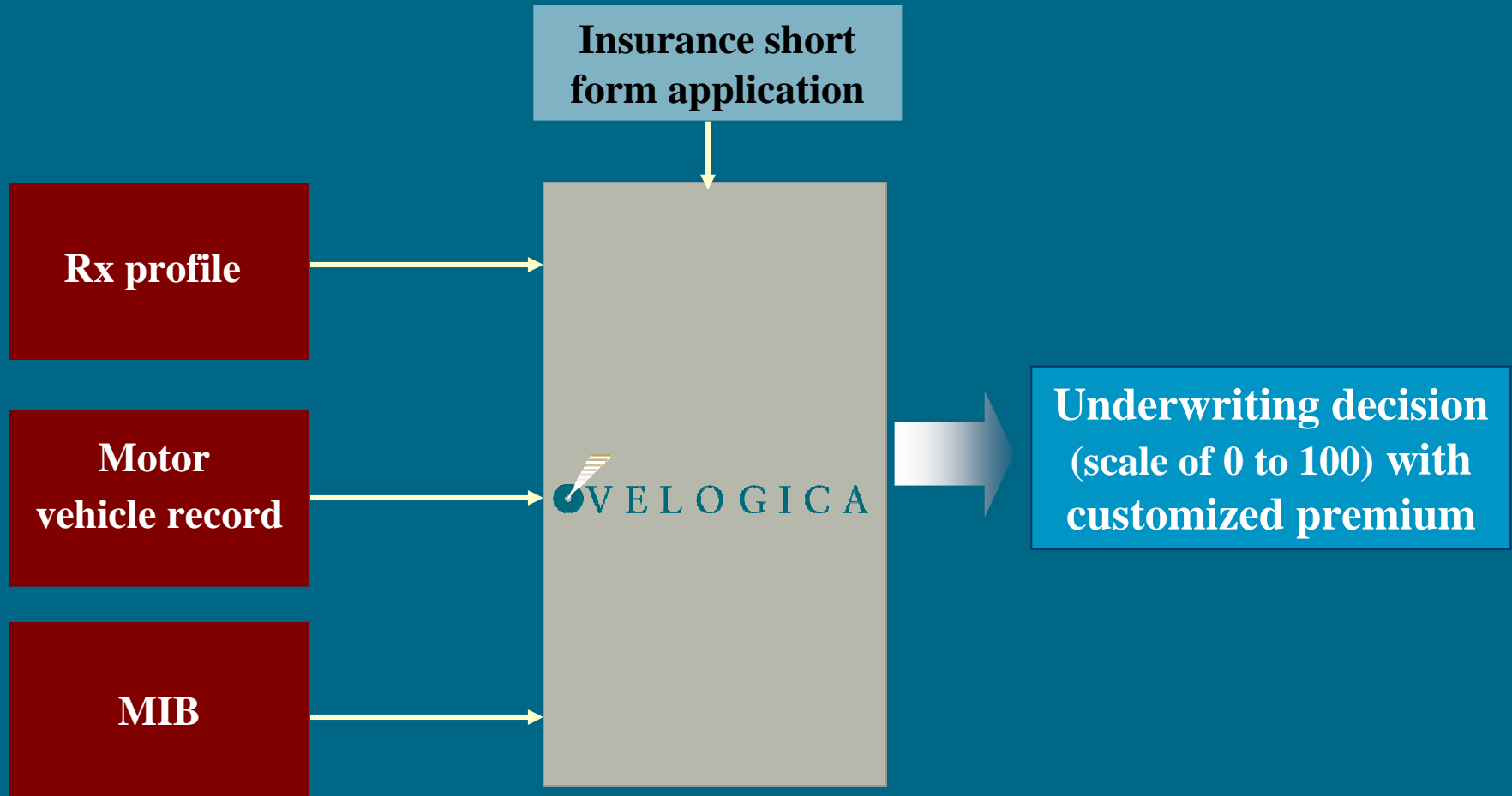
- Product and services for seniors market
- Longevity, riders, long term care



Product Development: Fully Underwritten



Middle Market Solution: Alternative Underwriting



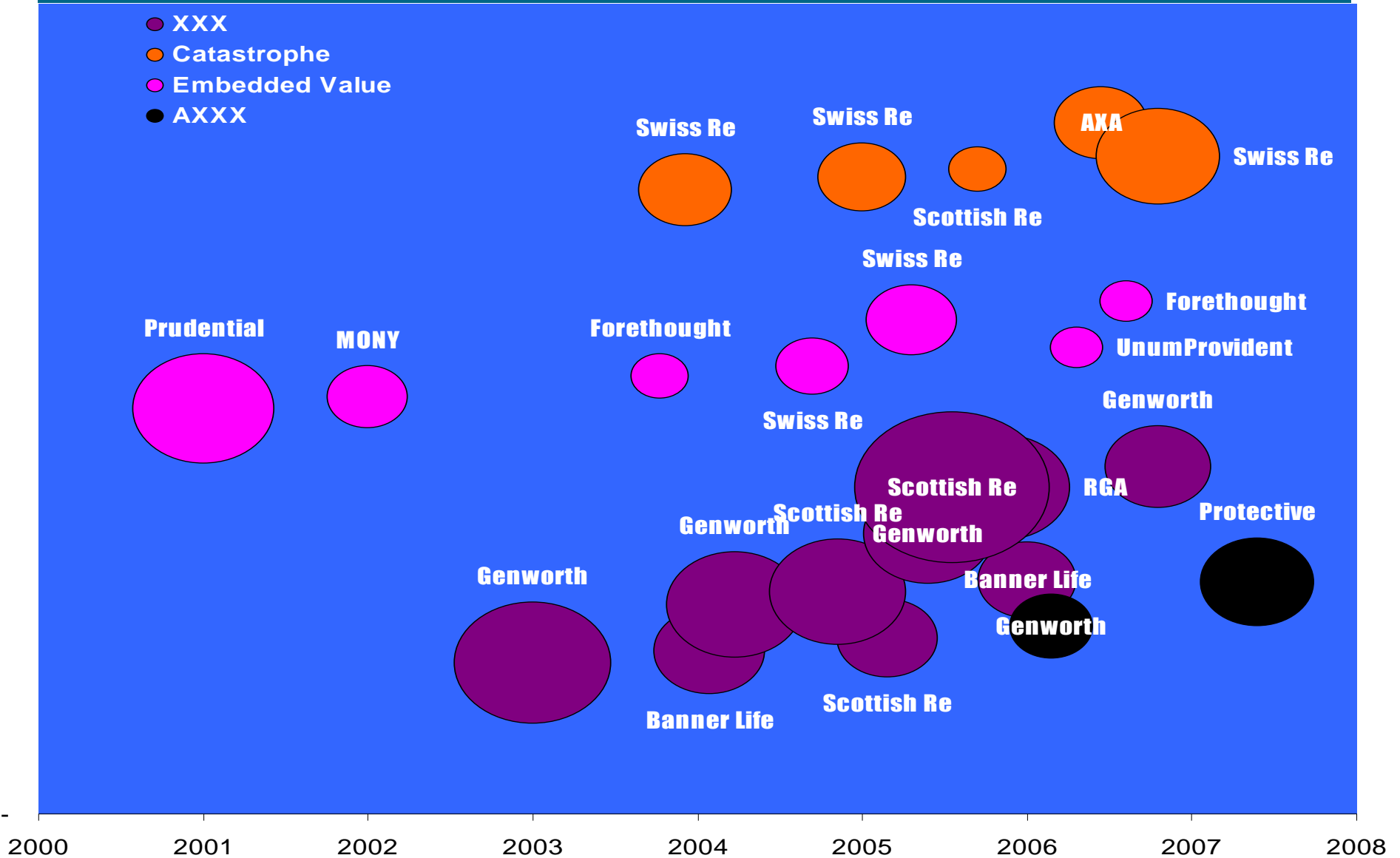
Key Trends: Capital Management

- **Convergence of insurance risk and capital markets**
 - Insurers – Seeking alternatives for raising capital
 - Commercial/Investment Banks – Like diversification of collateral in portfolios
- **As more deals get executed, become less complex, more standardized**
 - Private placement (recourse) vs. public securitizations (non-recourse)
- **Life insurers must understand/operate in capital markets**
 - Short term – an advantage for early participants
 - Long term – a necessity to remain competitive



Brief History of Insurance Securitizations

- XXX
- Catastrophe
- Embedded Value
- AXXX



Key Trends: Capital Management

■ Current credit environment

- Indirect impact of subprime
- Increased risk aversion
- No public securitizations since July 2007
- Few private placements since end of 2007



Reinsurance Financing Solutions

- Transamerica Reinsurance/AEGON Closed 7 Transactions
 - Closed first transaction in 2004
 - Five different structures; four recourse, one non-recourse
 - \$6.4 billion in collateral financing
- Lessons Learned
 - The more parties involved, the greater the execution risk
 - Some transactions/structures can involve up to 20 parties and advisors
 - The capital markets mainly care about credit risk vs. mortality risk
 - Hidden costs; restrictions on dividends, covenants and excess trapped capital



Reinsurance Financing solution

- Leverages competencies that commercial / investment banks don't have
 - Mortality expertise
- Unlocks value not available in traditional coinsurance (bundled solution)
 - Access to reinsurance capital markets funding structures
 - Mortality protection
 - Cash flows via allowances
- Reserve Financing Value (unbundled solution)
 - Access to reinsurance capital markets funding structures
 - Scalable mortality protection
 - Cash flows via dividends
 - Tax reserve deduction
 - Revenue and earnings growth
 - Retain more mortality profits
 - Maximize financial returns through unbundling



Current Outlook

- Clients Are Still...
 - Retaining more risk
 - Looking to capital markets
- But, More Recently...
 - Focusing on new products, new markets for growth
 - Shaky bond and equity markets impacting capital
 - Capital markets not looking as “pretty” anymore
- Reinsurance will remain a vital part of primary insurers risk and capital management

