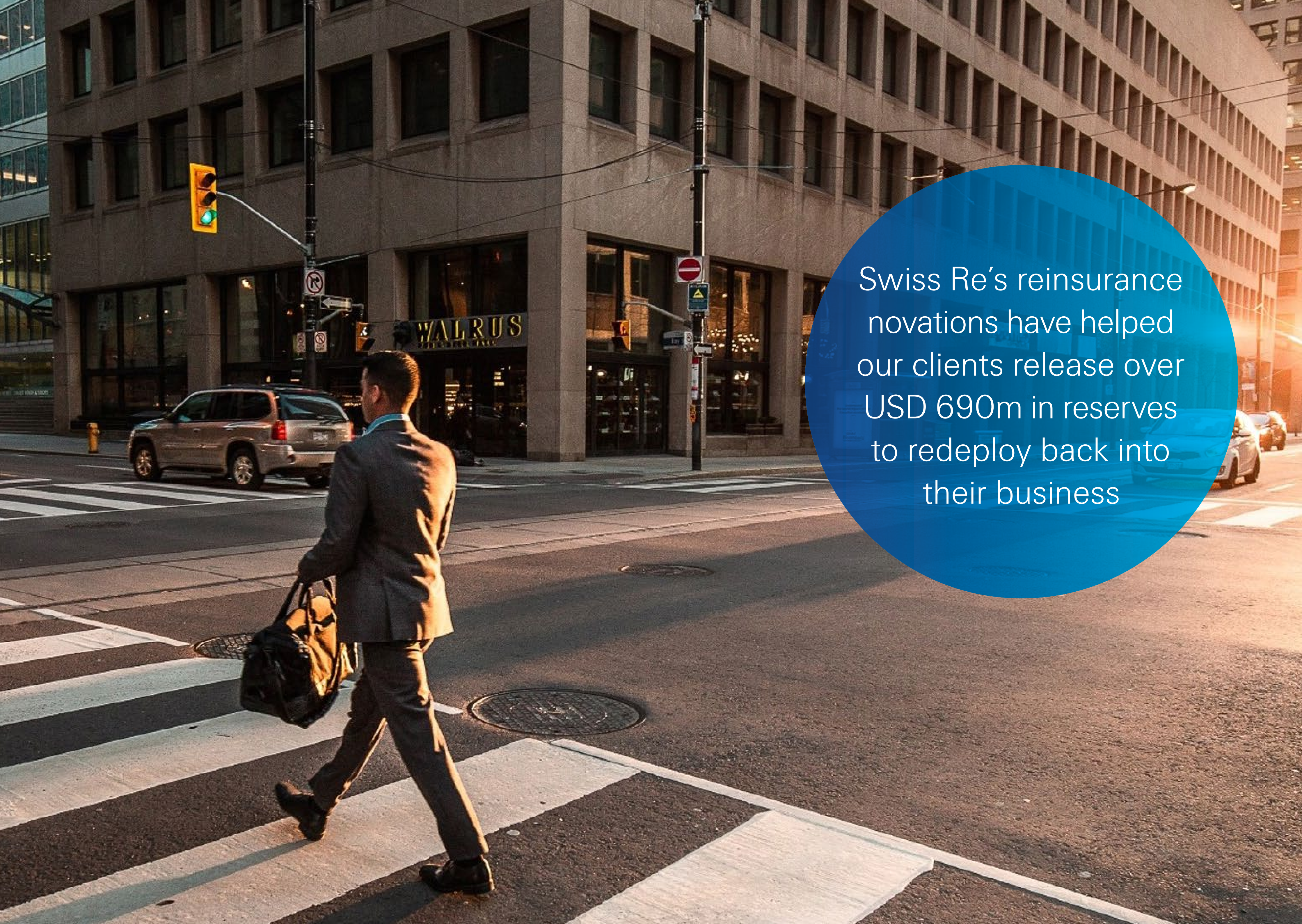
Swiss Re

Reinsurance Novations

A unique way to manage your legacy portfolio



Swiss Re's reinsurance novations have helped our clients release over USD 690m in reserves to redeploy back into their business

Introduction to Reinsurance Novation

- Novation is a legal transfer of the underlying obligations of a reinsurance treaty and the associated liabilities to a third party
- These associated liabilities typically include: outstanding claims, not yet reported (IBNR) or not enough reported claims (IBNER) and other obligations from the novated portfolio
- Depending on the jurisdiction, the regulator or the cedent(s) must give approval prior to the transfer

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A reinsurance novation may be of interest to a broad range of business partners:

- **Traditional partners:** Insurers, Reinsurers, Brokers, Reinsurance Captives and Reinsurance Pools
- **Alternative partners:** Run-off Acquirers, Investment Banks, Consultants, Liquidators and Private Equity firms

Capital efficiency and relief

De-risk balance sheet

Increase operational efficiency

Focus on core business & strategy

Cope with regulatory changes

There are different options to manage your reinsurance legacy portfolio...

	01 Natural run-off	02 Commutation	03 Active claims management	04 Swiss Re Novation
+	■ Maintain relationship with cedent ■ Benefit from favourable claims development	■ Settle your obligation and reduce operational burden ■ Limit adverse development ■ Free-up trapped capital	■ Extract value through active claims management ■ Benefit from favourable claims development	■ Remove underwriting and timing risk ■ Free-up trapped capital ■ Increase operational efficiency ■ Focus on core strategy and new business ■ Transfer obligations to a trusted partner like Swiss Re ■ Rely on Swiss Re's superior financial strength, long-term reinsurance strategy and claims expertise
−	■ Trapped capital and opportunity costs ■ On-going servicing obligations ■ Retain underwriting and timing risk	■ Cedent might oppose commutation ■ Commutation costs could be higher than booked reserves	■ High operational effort and expertise required ■ Retain underwriting and timing risk ■ Expensive operating model	

... but none stack up as strongly as Swiss Re Novation when it comes to benefits

Reinsurance Novation

Case study with an Insurance Company

Client motivation

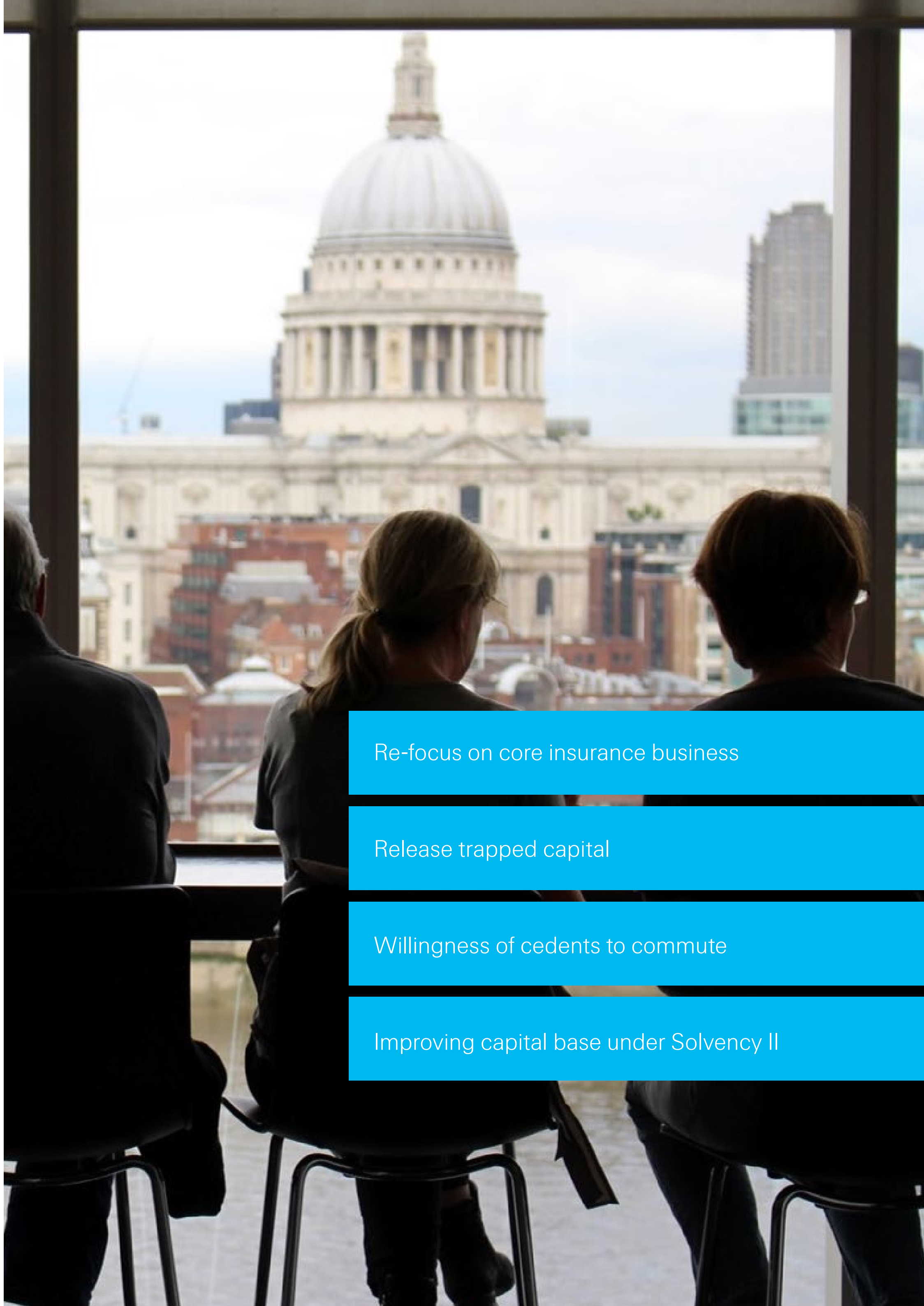
An insurer was investigating options to exit certain reinsurance business they had previously written and re-focus on core business strategies.

They wanted to accelerate the run-off of their reinsurance legacy portfolio and benefit from capital relief under Solvency II.

Because their cedents were unwilling to commute, the only viable option was for Swiss Re to assume the obligations via a Swiss Re novation.

Deal Summary

Structure	441 reinsurance agreements entered into by 8 original cedents were transferred via novation to Swiss Re.
Business	Unique selling proposition: 30% overlap with Swiss Re's in-force portfolio and expertise which enabled efficient execution. Underwriting Years: 1971 – 2005 Business in scope: Motor 3rd Party Liability, General 3rd Party Liability and Property
Client benefit	Released reserves of USD 62m and freed-up USD 38m capital



Reinsurance Novation

Case study with a Reinsurance Captive

Client motivation

A reinsurance captive was acquired by another company. As a pre-condition for the sale to proceed, the captive had to transfer all reinsurance liabilities off their balance sheet.

The buyer only wanted to acquire the captive "shell" without existing reinsurance liabilities.

This case study shows how Swiss Re novation can remove potential deal-blockers in an merger and acquisition process.

Deal Summary

Structure	Novation of all reinsurance agreements entered into by the captive and 4 cedents over the full lifetime of the captive.
Business	Unique selling proposition: 90% overlap with Swiss Re's in-force portfolio and expertise which enabled efficient execution. Underwriting Years: 2014 – 2016 Business in scope: Property & Casualty (Property, Motor 3rd Party Liability, General 3rd Party Liability) and Life & Health
Client benefit	Released reserves of USD 14m and freed-up USD 9m capital

Reinsurance Novation
Case study with a Reinsurance Company

Client motivation

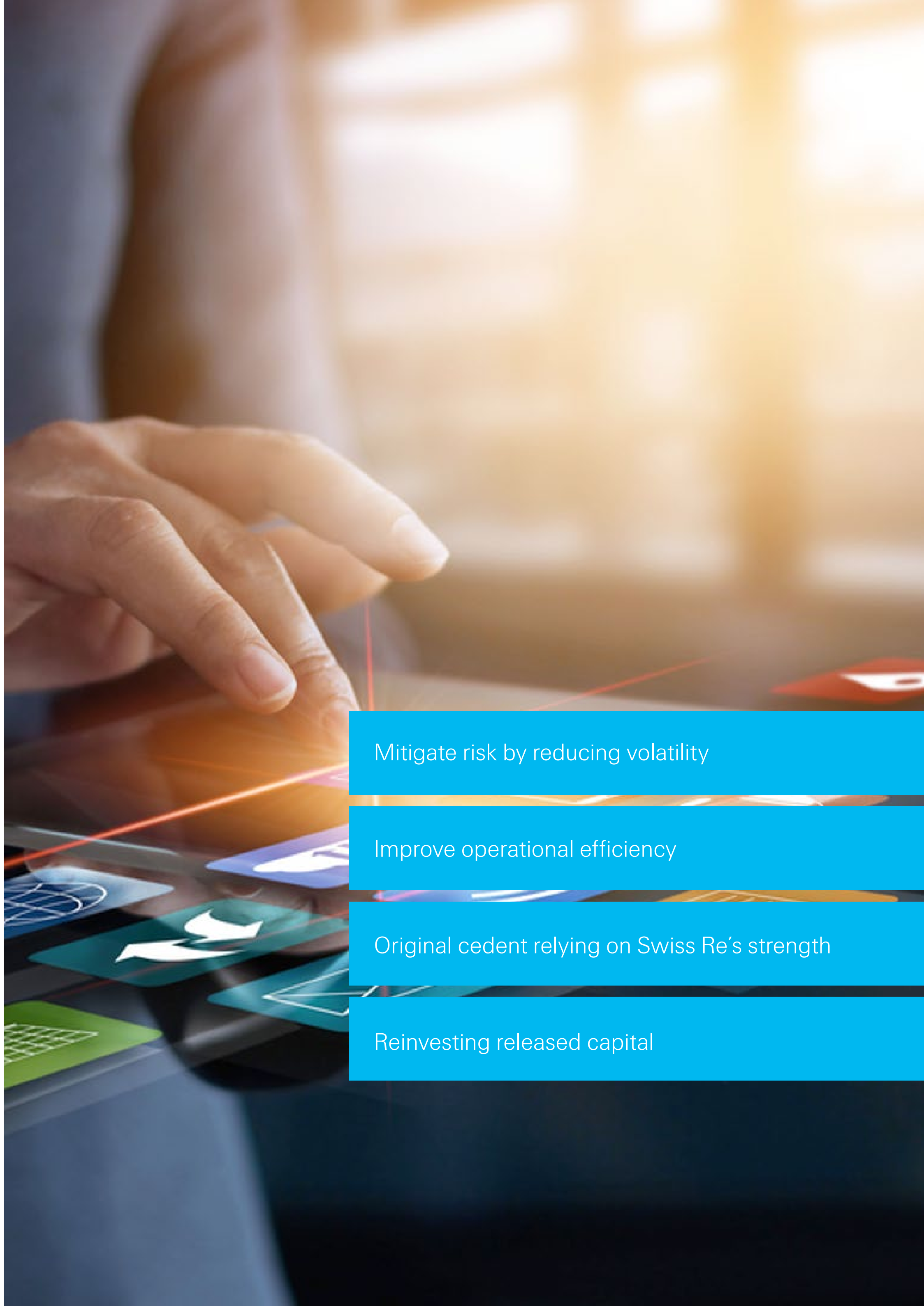
A reinsurer, performing active portfolio steering, was looking to optimize their legacy book by;

- reducing volatile reserves,
- reducing operational overhead and
- freeing-up trapped capital.

In order to implement this strategy the reinsurer needed a partner like Swiss Re with a similar claims philosophy, integrity and capital strength.

Deal Summary

Structure	Novation through the single transfer of 70 reinsurance agreements in the portfolio.
Business	Unique selling proposition: 50% overlap with Swiss Re's in-force portfolio and expertise which enabled efficient execution. Underwriting Years: 1987 – 2002 Business in scope: Motor 3rd Party Liability, General 3rd Party Liability, Fire and Construction
Client benefit	Released reserves of USD 49m and freed-up USD 26m capital



"Your business needs, opportunities and ambitions take centre stage in our approach.

We are ready to get to work on tailor-made solutions that help you achieve your goals."

Swiss Re at a glance

A track record of exceptional performance; a solid partner for the future

Years experience

150+

Leading and highly diversified global reinsurer, founded in Zurich (Switzerland) in 1863

Financial strength

A.M. BEST	MOODYS	S&P
A+	Aa3	AA-

History of proven strength, consistently maintaining an A+ rating, makes Swiss Re a reliable partner

Market leading position

USD38bn

Swiss Re's gross premium written totaled almost over USD 38bn in 2019, thus reaffirming the leading position in the industry

Swiss Re offering

47%*	31%*	22%*
Americas	EMEA	Asia

Highly diversified, Swiss Re offers both traditional and innovative products in Property & Casualty and Life & Health business across all geographies

* % of net premiums earned in 2019

Thank you!

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