



KELVIN RE

PROPERTY CATASTROPHE
REINSURANCE, DIVERSIFYING
GUERNSEY'S (RE)INSURANCE
INDUSTRY.



AGENDA

1. EVOLUTION AND LOCAL BENEFIT
2. ANOTHER GUERNSEY INNOVATION
3. LOSSES, AN HISTORICAL PERSPECTIVE
4. REINSURANCE (ILS) AN ATTRACTIVE INVESTMENT
5. SOLVENCY II
6. QUESTIONS



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**EVOLUTION AND LOCAL
BENEFIT**

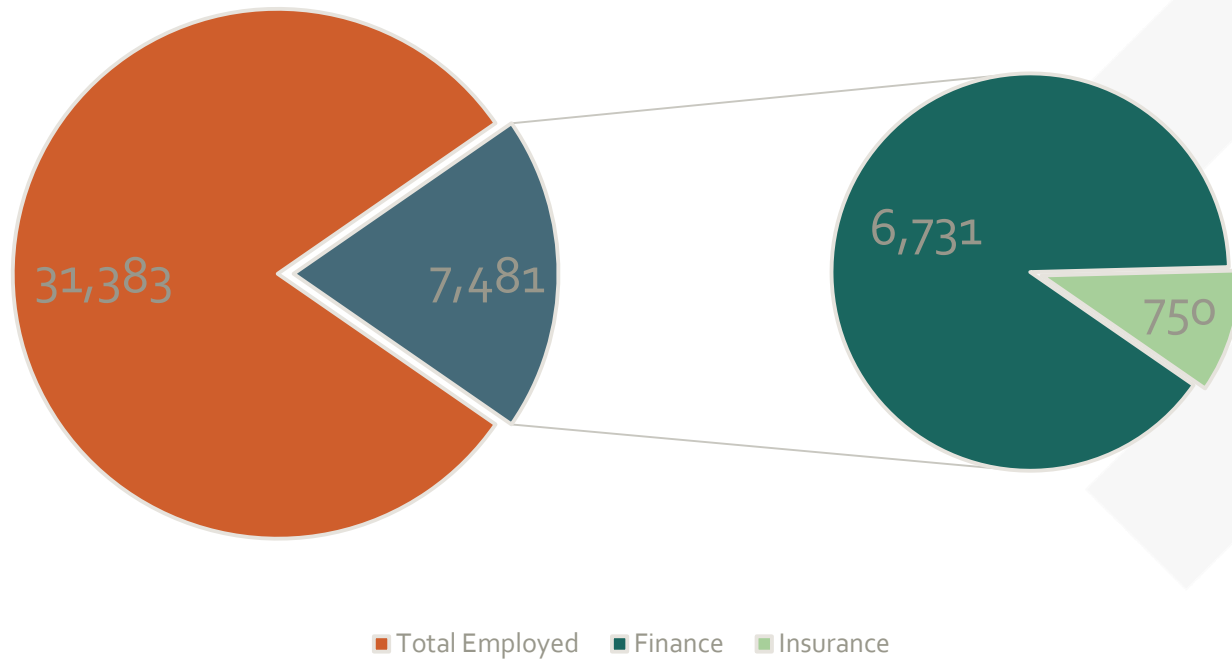


EVOLUTION OF REINSURANCE INDUSTRY

- 1982 ICCI started underwriting a niche facultative captive protection reinsurance account
- 2005 paper and industry working group Guernsey Reinsurance Market Project (GRMP)
 - Differentiation to other captive jurisdictions
 - Provision of inner protection reinsurance to Guernsey captives
 - Competitive cost base vis a vis Bermuda
- 2006 Securis / White Rock structure collateralised reinsurance (post Katrina)
- 2009 Solidum ICC
- 2012 Robus enter ILS management
- 2014 Kelvin Re commences underwriting
- 2015 Humboldt Re commences underwriting
- 2016 Artex acquire Hexagon (from Robus)

P&C REINSURANCE: DIVERSIFYING THE LOCAL ECONOMY

Breakdown of Employment in Guernsey



2 "Rated Re" companies have created 24 jobs in 24 months.



ESSENTIAL INCOME GROWTH

- Consensus led by GIIA that Guernsey must diversify from pure captive management to maintain growth, therefore focused on:
 - Longevity
 - ILS
 - Reinsurance

International insurers - last 12 month's movement			
Type	31 Dec 2014	Net Change	31 Dec 2015
Companies	242	0	242
PCCs	67	-3	64
PCC Cells	436	8	444
ICCs	12	1	13
ICC Cells	40	1	41
Totals	797	7	804

YEAR	PREMIUMS (£BN)	
	Original	Inflation Adjusted
2014	4.94	4.94
2013	4.83	4.95
2012	4.63	4.89
2011	4.62	5.03
2010	4.05	4.65
2009	3.94	4.74
2008	3.91	4.79
2007	3.48	4.45
2006	3.88	5.12
2005	3.36	4.56
2004	3.27	4.54



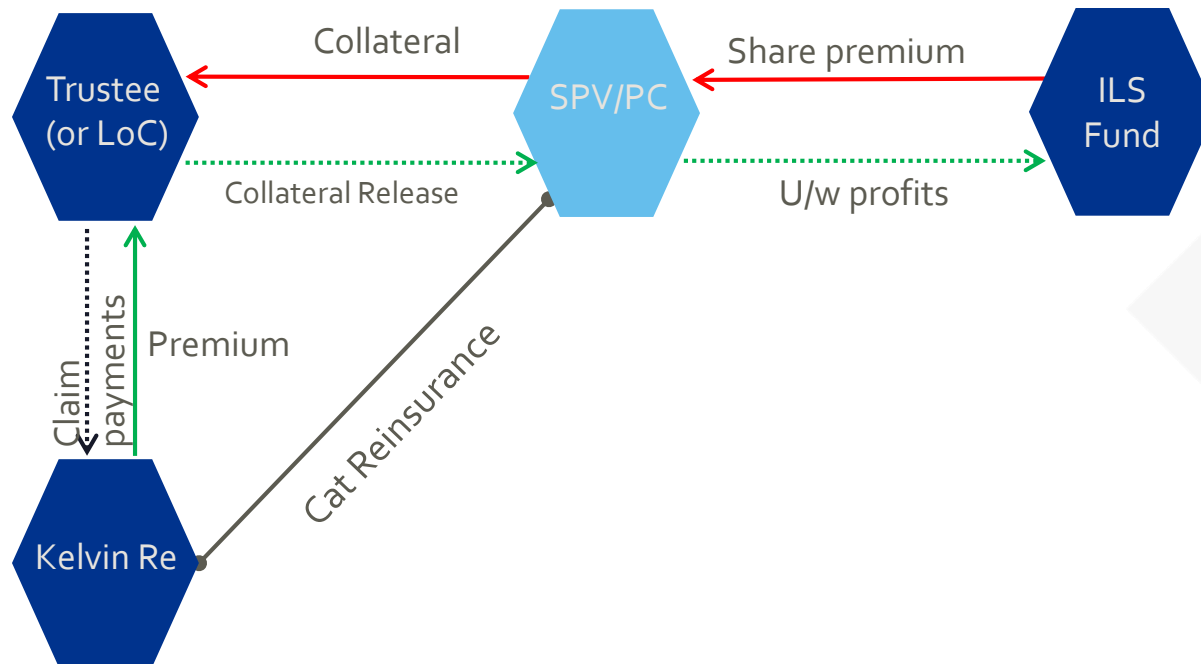
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**ANOTHER GUERNSEY
INNOVATION**



INNOVATION LEAD GROWTH

- ILS Funds had traditionally used collateralised cells / traditional fronting insurers to facilitate investments



- Kelvin Re (and Humboldt Re) revolutionised the transformation process, by eliminating cells and RTAs and making reinstatements etc. feasible in an ILS structure.



TRADING
Risk

AWARDS 2015
WINNER

Credit Suisse
Kelvin Re

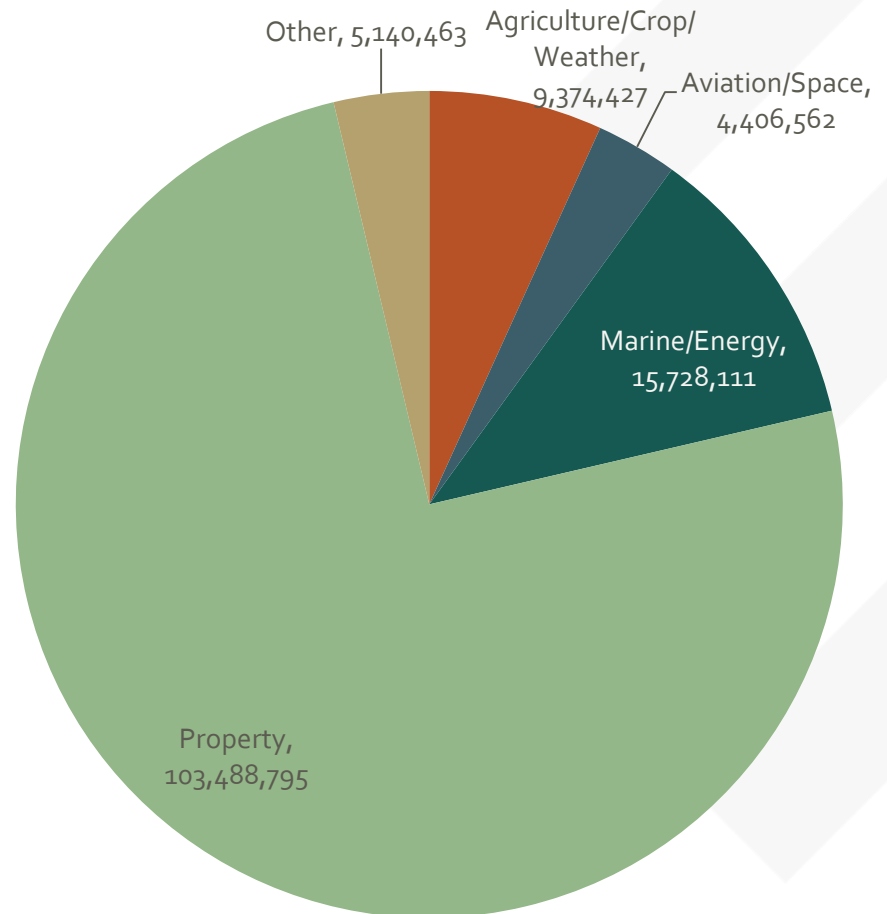
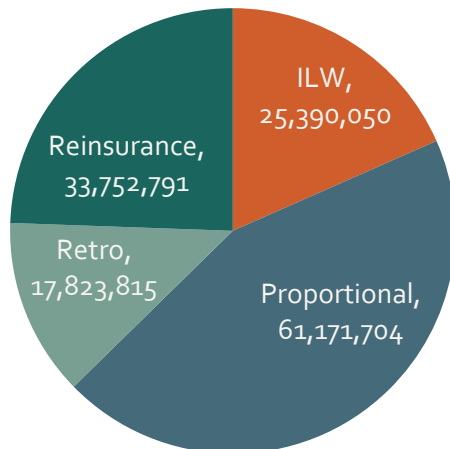


EXISTING EXPERTISE

- Guernsey has experienced (re)insurance professionals, but running a reinsurer has additional challenges:

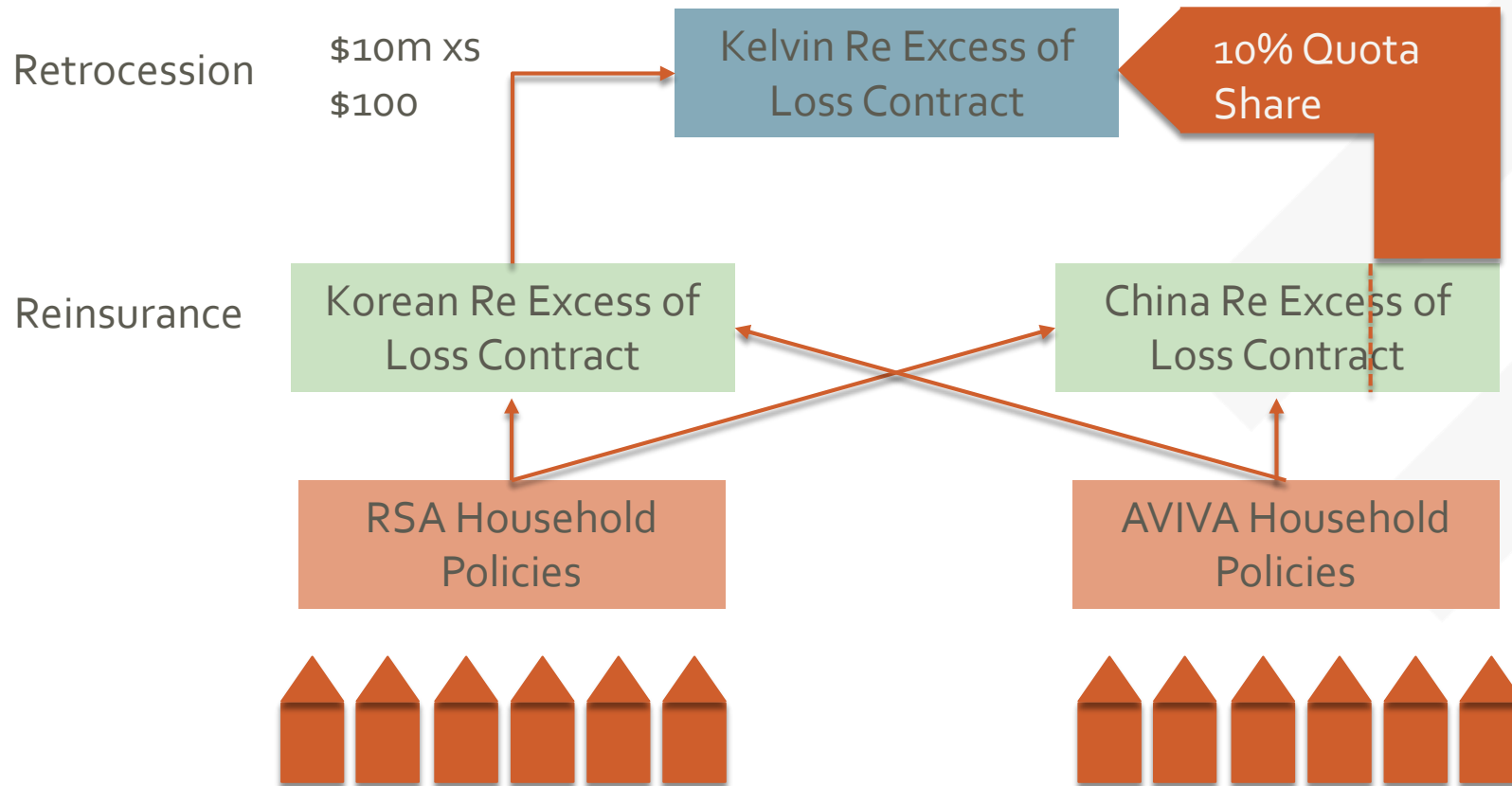
- Exposure monitoring / modelling
- Buying robust retrocession programme
- Quantity/variety of policies

Makes it a challenging structure to manage





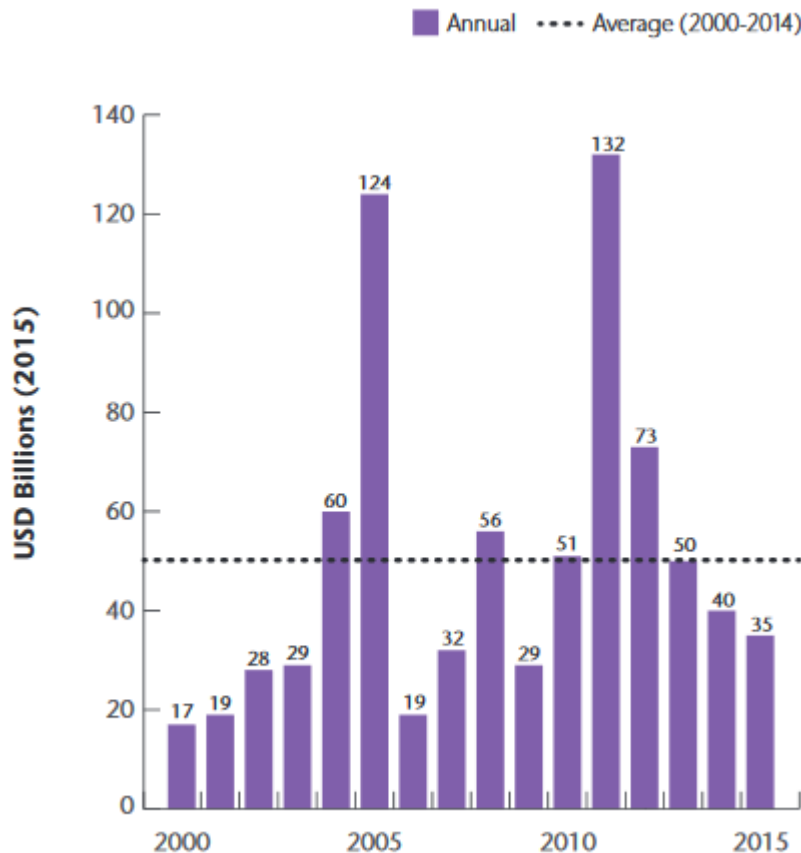
CONTRACT TYPES



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**LOSSES, AN HISTORICAL
PERSPECTIVE**

GLOBAL INSURED LOSSES



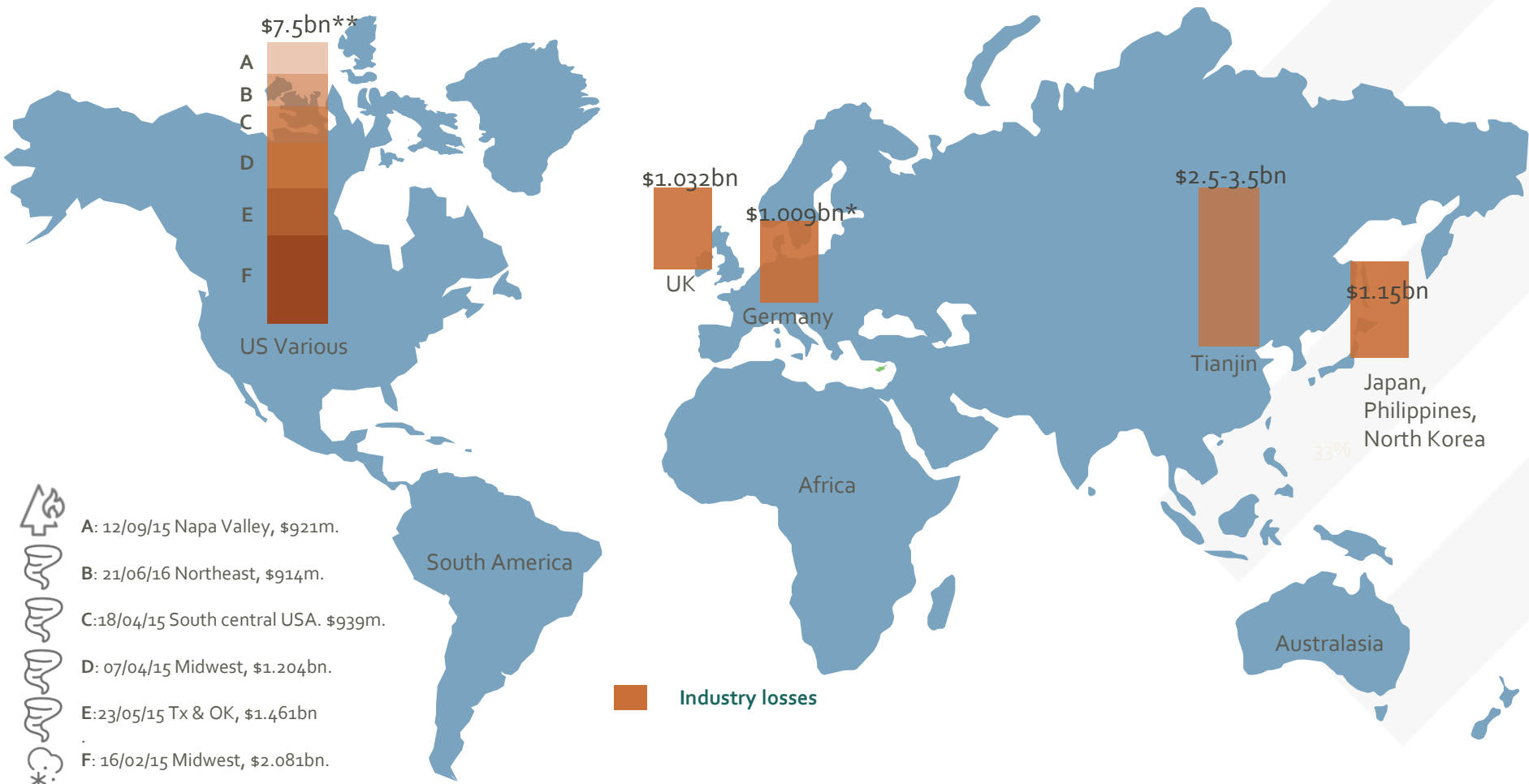
- 2005, Wilma Rita and Katrina
- 2011, Thai Floods, New Zealand EQ and Tohoku
- 2015 was a benign year below the 10 year average of \$50Bn

Inflation Adjusted Losses

Source: Aon Benfield Analytics



2015 10 LARGEST CAT LOSSES

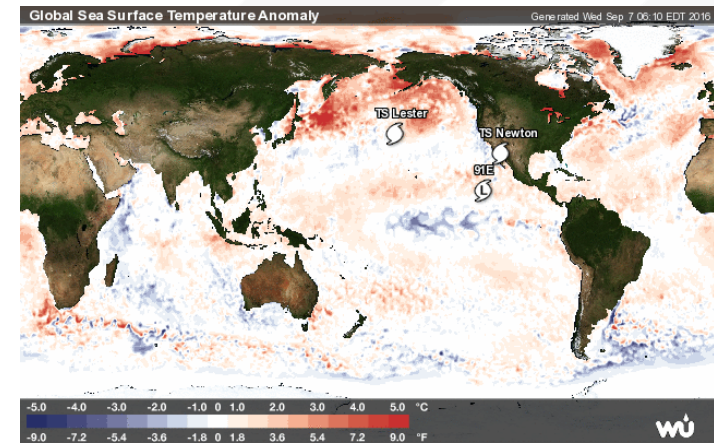
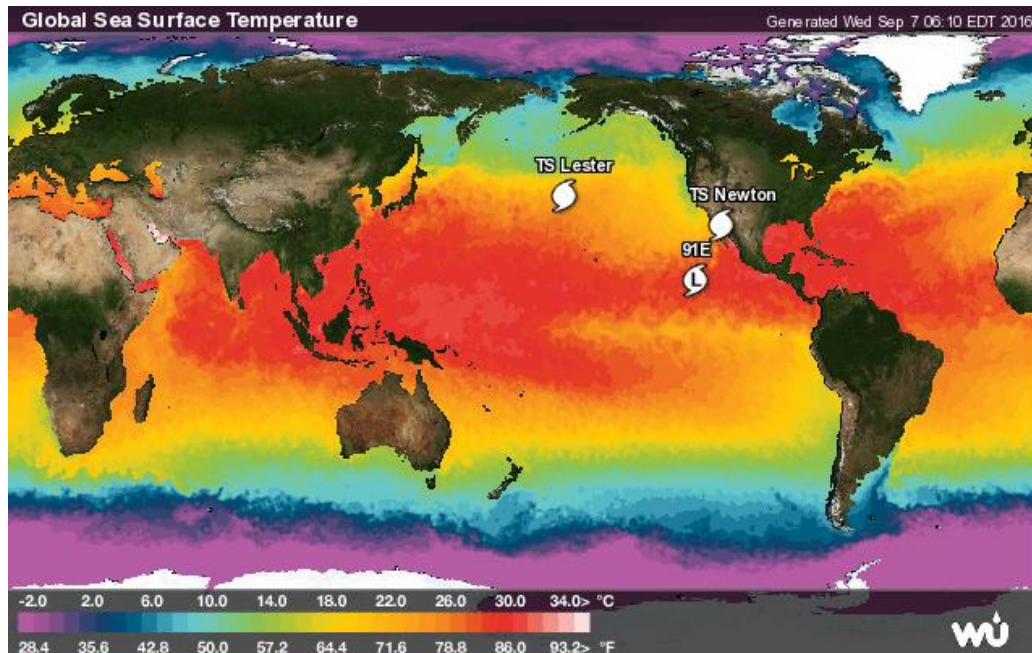


- A: 12/09/15 Napa Valley, \$921m.
- B: 21/06/16 Northeast, \$914m.
- C: 18/04/15 South central USA. \$939m.
- D: 07/04/15 Midwest, \$1.204bn.
- E: 23/05/15 Tx & OK, \$1.461bn
- F: 16/02/15 Midwest, \$2.081bn.



CURRENT OUTLOOK

- N Atlantic Hurricane Season is 1 June – 30 November (but really gets going in September)
- Transitional years from El Nino to La Nina have historically been active



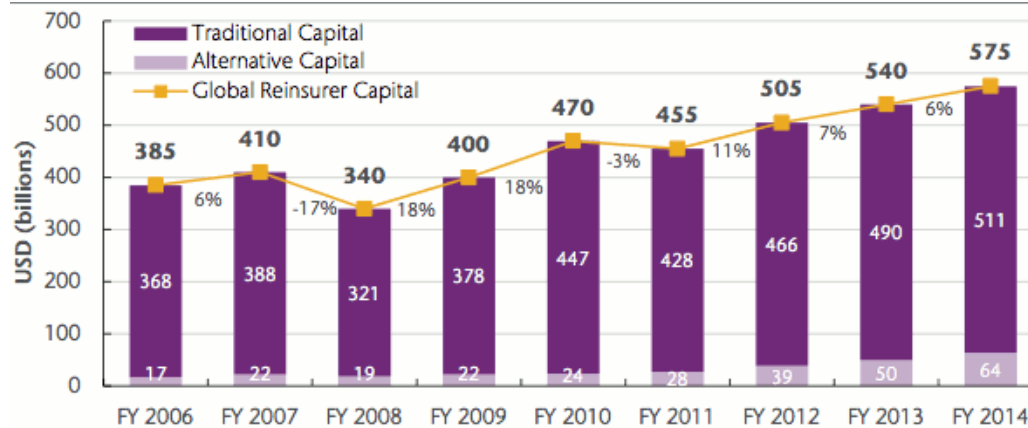
Source: Weather Underground

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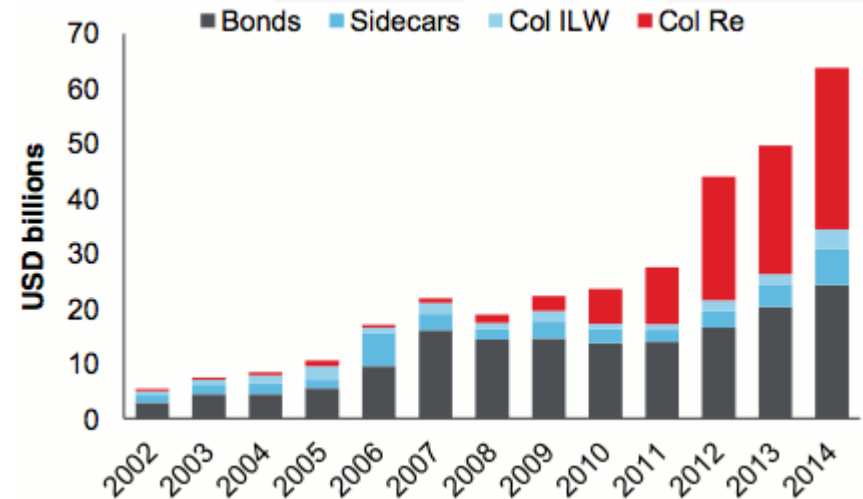
**REINSURANCE (ILS) AN
ATTRACTIVE INVESTMENT**



GLOBAL REINSURANCE MARKET



Source: Company reports, Aon Benfield Analytics

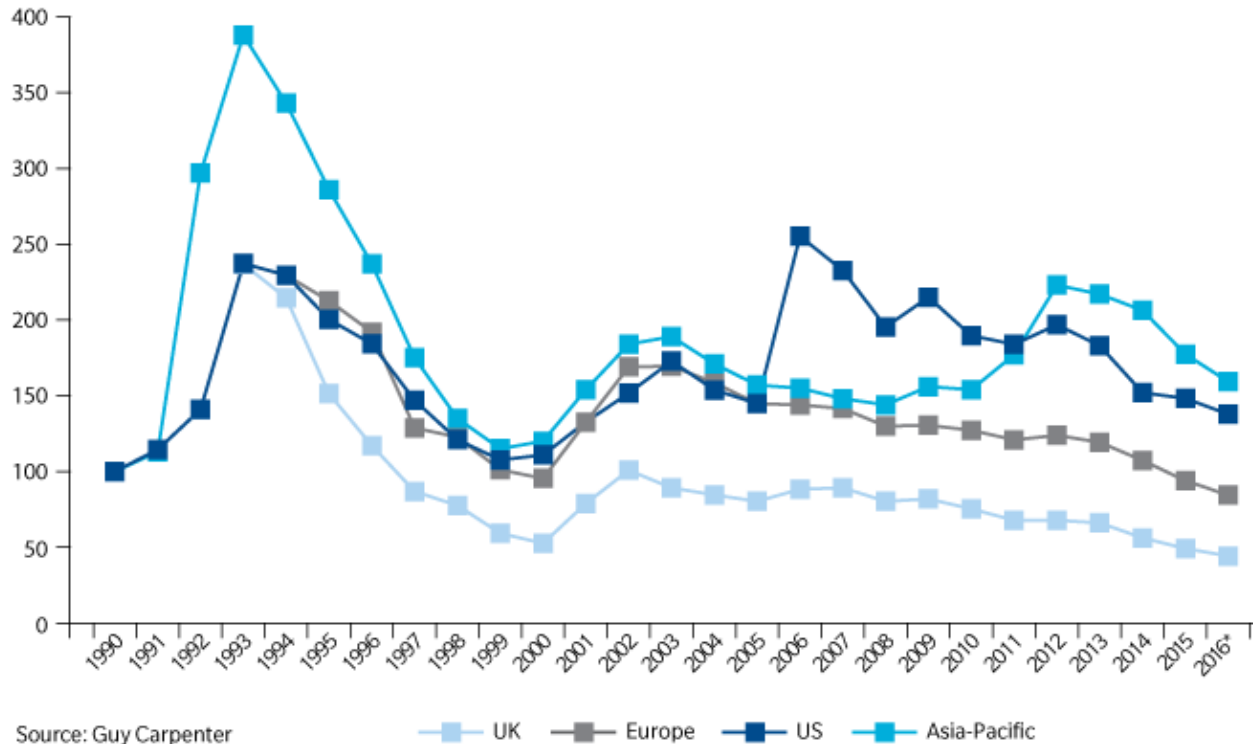


Source: Aon Benfield Analytics



ABUNDANT CAPITAL DRIVING RATES

REGIONAL PROPERTY CATASTROPHE ROL INDEX – 1990 TO 2016



Source: Guy Carpenter

Note: Data points do not reflect pricing relativities between geographies.
All data measured at 1/1 * Preliminary

Sources: Guy Carpenter

The image is a composite of two photographs of stone towers. The top half shows a hillside with several stone towers, some of which are partially obscured by tall grass. The bottom half shows a single stone tower on a grassy hill, with its reflection visible in a body of water. A diagonal line splits the image from the top right to the bottom left. There are two orange overlays: a horizontal bar at the top and a diagonal bar at the bottom. The text 'KELVIN RE' is in white on the top orange bar, and 'SOLVENCY II' is in white on the bottom orange bar.

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SOLVENCY II



EQUIVALENCE

Full equivalence

- Bermuda excluding captives and SPIs
- Switzerland

Temporary Equivalence (5 years) –

- Australia,
- Brazil,
- Canada,
- Mexico,
- USA,
- Japan

Provisional equivalence (10 years)

- Japan





MARKET VIEW ON SOLVENCY II

- “We could have probably bailed out Cyprus with the amount of money we've all spent...It cost Lloyd's about £300m to prepare for Solvency II [new capital rules for insurers], which were then postponed. It is frustrating.”

Richard Ward, Chief Executive Lloyd's of London, 27
March 2013

- Writing to Andrew Tyrie, chairman of the Treasury Select Committee, Mr Bailey hit out at the “staggering” cost to insurers of implementing Solvency II...Regulators estimate that Solvency II could cost insurers about £400m to implement and a further £200m in annual running costs, though Mr Bailey said this was only an “approximate benchmark.”

The Telegraph, 30 April 2013

- Solvency II is like the old days of religion . There was a refusal

to translate the bible, so unless you knew Latin you couldn't read it. Unless you are an actuary or statistician you cannot penetrate some of the intricacies of Solvency II.

Steve Butterworth, Captive Live 2014



SOLVENCY 2 – GUERNSEY STATUS

Reinsurance is only admissible when reinsurer meets one of the following:

1. Situated within the EU and complies with its SCR
2. Be situated in country with Solvency II equivalence and complies with its capital requirement
3. Not situated within the EU or a country with equivalence, but rated credit

quality step 3 (“BBB”) or above

The rating hurdle is applied equally to parental guarantees, collateral quality etc. subject to assessment



FUTURE OPPORTUNITIES

- Insurance Business (Special Purpose Insurer) Rules [2016]
- GIA Focused on ILS, Reinsurance and Longevity
- Guernsey Finance events, Zurich, London and Monte Carlo
- 42 ILS Managers globally, approximately 6 working with Guernsey insurance managers
- Traditional / total return reinsurers

UKCAPTIVE
SERVICES AWARDS 2015



ILS Service Provider
Hexagon PCC Group



TRADING
Risk

**AWARDS 2016
WINNER**

Aon Insurance
Managers



IMPORTANT INFORMATION

Important Information Regarding Hypothetical, Back-Tested or Simulated Performance

The hypothetical back-tested performance shown is for illustrative purposes and does not represent actual performance of any client account. No representation is made that the hypothetical returns would be similar to actual performance had the firm actually managed accounts in this manner.

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