

Reinsurance – Helping Our Business Stay in Business



Featured Speakers



Katie Partington Howarth

Argo Group Head of Ceded Reinsurance

<https://www.linkedin.com/in/katie-partington-howarth-38a8251/>



Todd Haring

VP, Marketing & Producer Management

<https://www.linkedin.com/in/todd-haring-116352b2/>

About Ascend With Argo

Education. Insight. Connections.

Training, support and mentorship for early-career insurance professionals:

- Webinars
- Shadow days with Argo employees
- Exclusive events and conferences
- Web-based training portal and content



Agenda

What we'll cover today:

- Reinsurance explained
- Managing volatility and capital
- Hedging objectives and considerations
- The goals of ceded reinsurance
- Questions and answers



Objectives

- Understand the role of reinsurance overall, as well as the daily expectations of a reinsurer.
- Learn the need for managing volatility and capital.
- Know the goals of ceded re, including managing customer and shareholder expectations.



What is reinsurance?



Reinsurance explained

- Reinsurance is insurance for insurance companies.
- Reinsurance is a way of helping our business stay in business.

Reinsurance explained

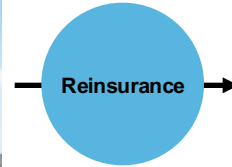
Insured



Primary Insurer



Ceding Company



Reinsurer



The need for managing volatility and capital



Predict the funds needed to cover losses

Buying insurance against unpredictable losses of your company is more efficient than keeping money stored to pay claims.

Predictable: theft, fire

- Events happen fairly regularly
- Usually similar size, affecting few properties
- There are numerous samples

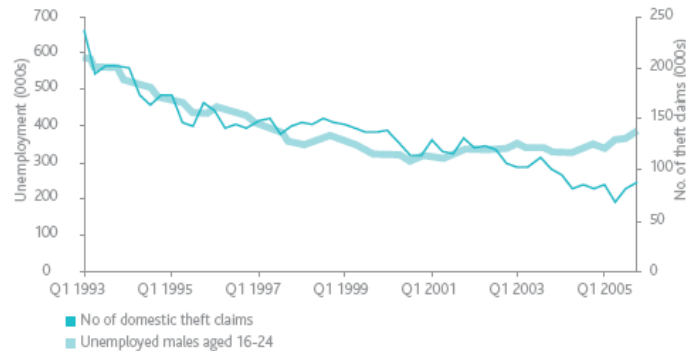
Unpredictable: natural hazards

- Events happen at random
- Could result in no loss or several losses
- Could affect a large number of properties

What premium should I charge to cover these losses?

Predictable

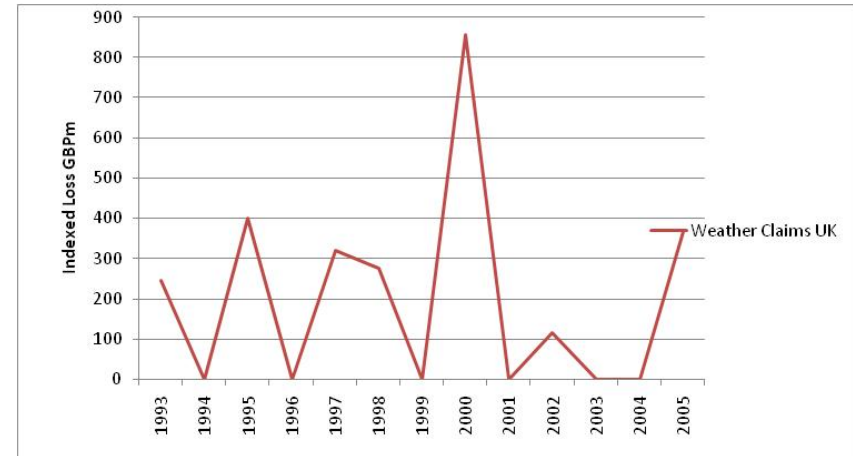
Figure 2: Trends in domestic burglary and economic performance, 1991 – 2004/05



Source: Home Office, Crime in England and Wales 2004/05, 2005 and Office for National Statistics.

Source: ABI Securing the Nation
<http://www.abi.org.uk/BookShop/ResearchReports/Securing%20the%20Nation%20July%202006.pdf>

Unpredictable



Source: ABI Weather claims 1993–2005

The two risk management minds



1. Managing “tail”

- Primary focus is capitalization levels relative to portfolio and various tolerance levels.
- “Capital preservation” is dominant.

2. Managing return

- Primary focus is expected profitability of the portfolio(s) at a specific tolerance level.
- Profit generation/management of ROE is dominant.

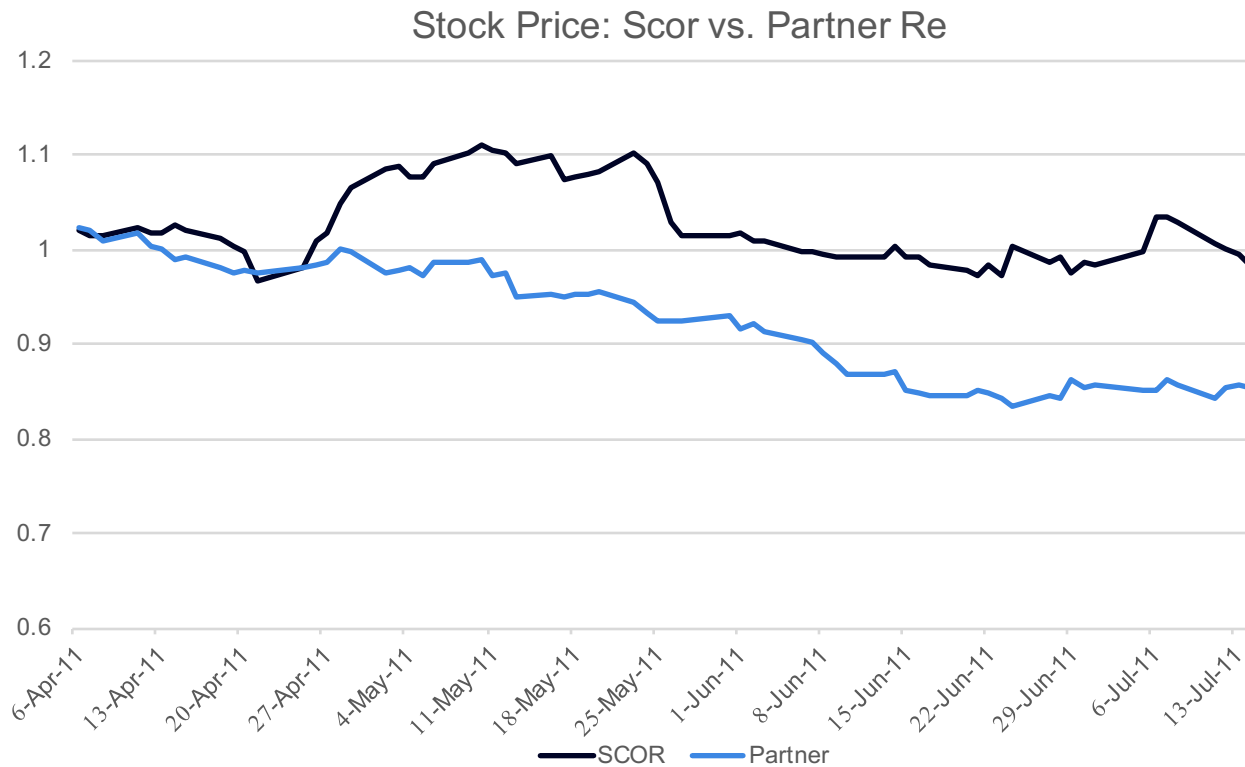


**You have been given \$1,000.
You now have to choose to either:**

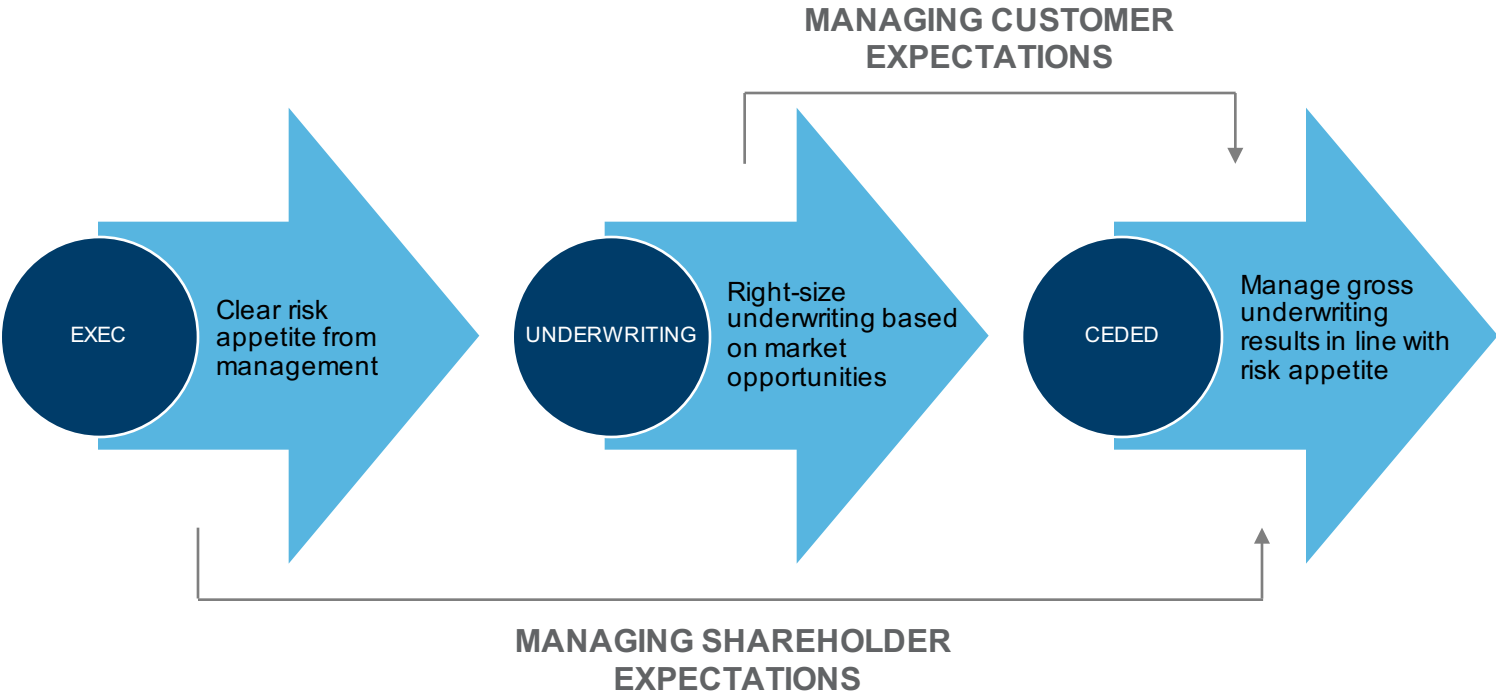
- Take a risk.
 - Heads: You get \$1,000 more.
 - Tails: You get \$0 more.
- Play it safe.
 - You get \$500 more with certainty.

**You have been given \$2,000.
You now have to choose to either:**

- Take a risk.
 - Heads: You lose \$1,000.
 - Tails: You lose \$0.
- Play it safe.
 - You lose \$500 with certainty.



Ceded re: the goals



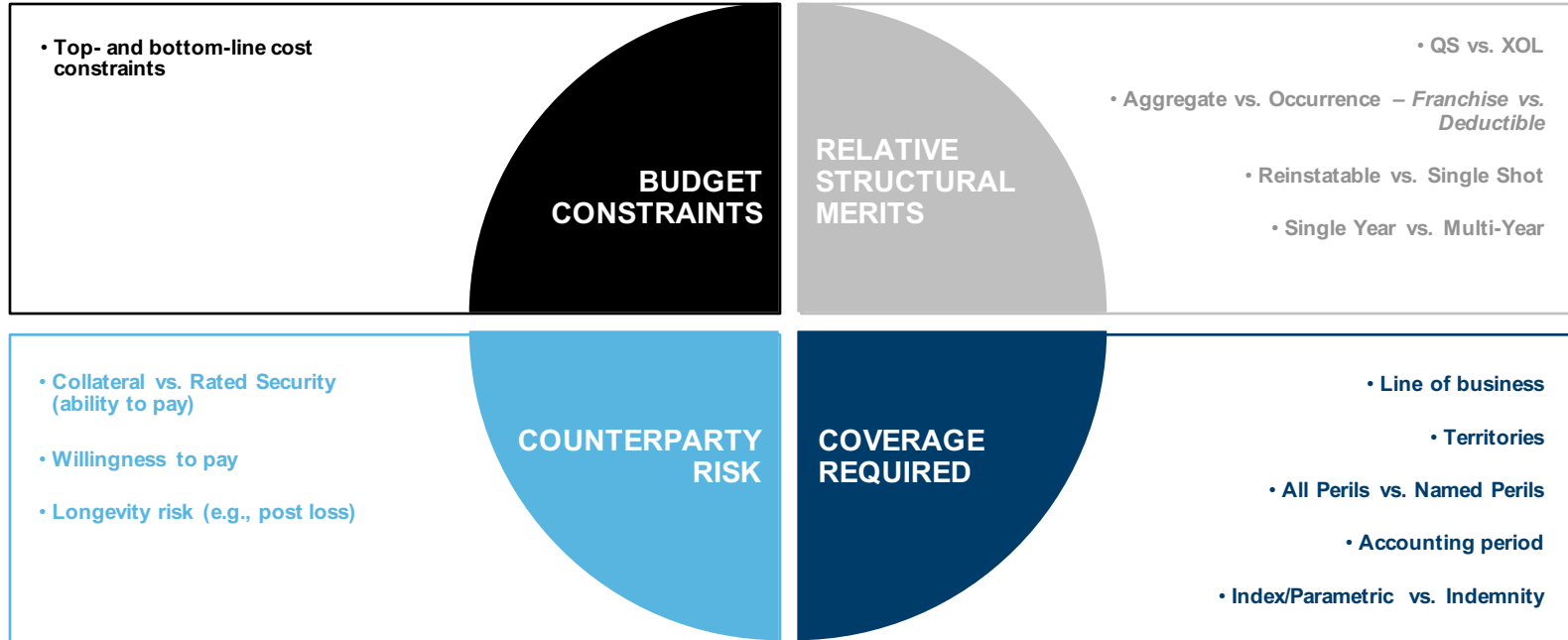


- 1. Use ceded to minimize earnings volatility or outsize losses relative to peers.**
- 2. Use ceded to ensure we operate within the Argo risk tolerance.**
- 3. Assist with “capital-light” strategy.**
- 4. Align ceded with business planning. Involve underwriters to understand their business and dynamics.**

Hedging objectives



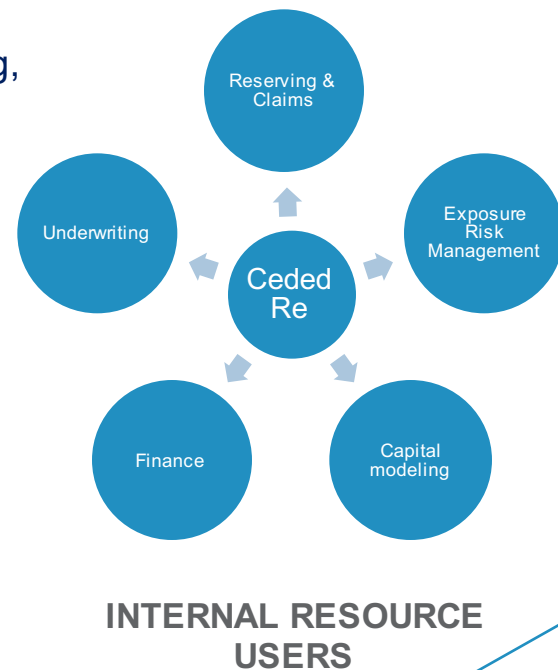
Hedging considerations





The many roles of ceded reinsurance

- Placements: submission preparation, program structuring, negotiations, wordings
- Managing claims collections, premiums payments and adjustments
- Business planning, financial planning, regulatory returns
- Managing relationships with reinsurers and brokers
- Exploring new structures and markets
- Providing internal information necessary for investor, shareholder or rating agency materials



Career Perspective

**One last piece of advice:
Always try to understand
the bigger picture,
balance the needs of your
customer and your
shareholder**



**What questions
do you have?**



Get in Touch

Email:

vamarketing@colonysspecialty.com

Website:

argolimited.com/new-producers



Thank you.