

# Reinsurance Supervision - Are Supervisors Prepared?

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# Reinsurance is different - ?!

- As or direct insurance, reinsurers assume risk, **albeit** the fact it may be transformed (eg. Non-proportional vs pro rata covers)
- Reinsurers also price and set loss reserves, **although** the processes differ somewhat (see e.g. “Reinsurance Standard”, Part I)
- As with insurance, the Law of Large Numbers **equally** applies
- **Contrary** to insurance, “All business is global”
- As a consequence, reinsurance requires tremendous width of know-how of many subjects, lines of business and countries



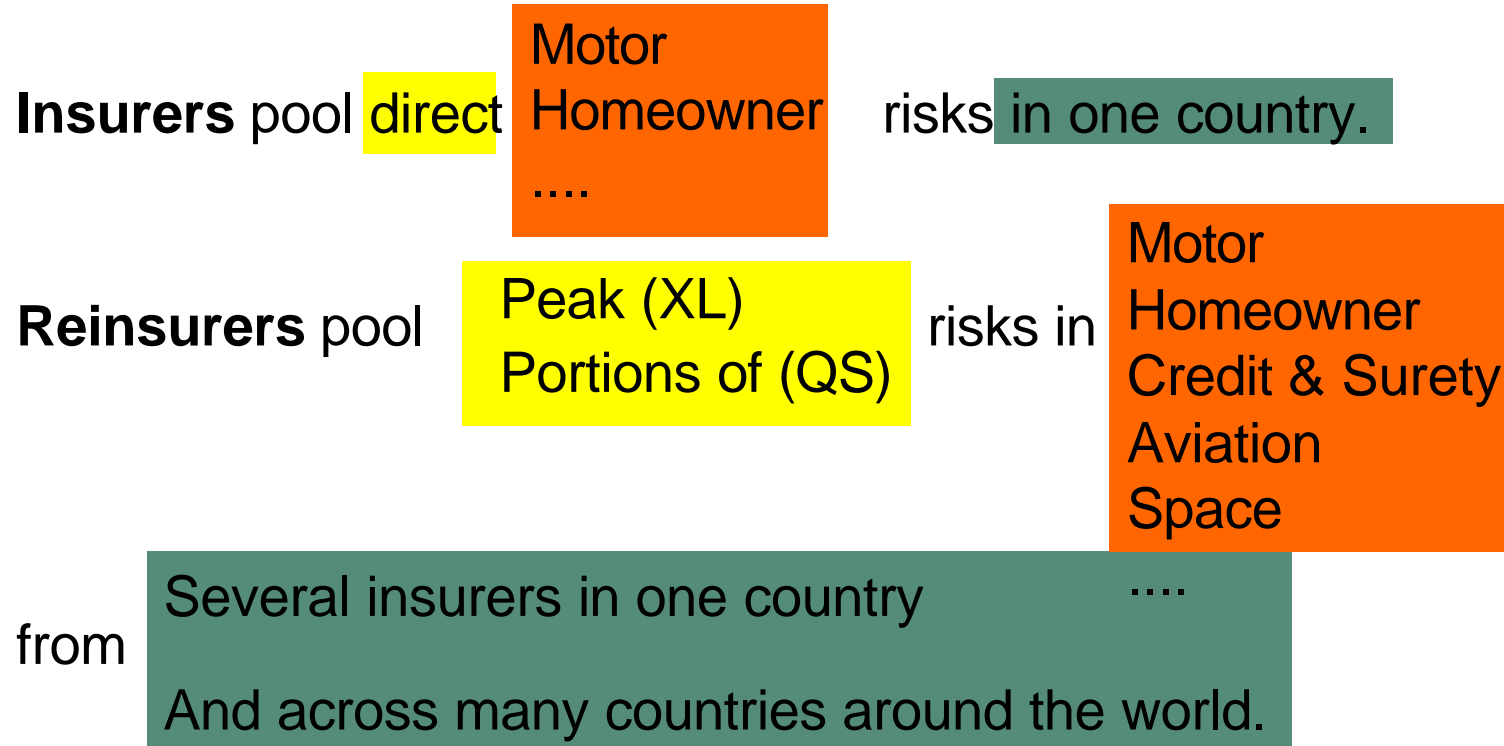
Reinsurers have established the relevant competency over decades if not centuries as this is the business they are in

# If reinsurance is a little different ...

... then supervisors must equip themselves with the **relevant expertise** in order to

- Truly **understand and assess the risk** a reinsurer has assumed
- Expertise needed in respect to
  - Lines of business
  - Geographic region/country/state
  - Processes
- At the core is the ability to understand how the **overall risk is managed**, ie.
  - **accumulation**
  - **diversification**

# Example: Diversification

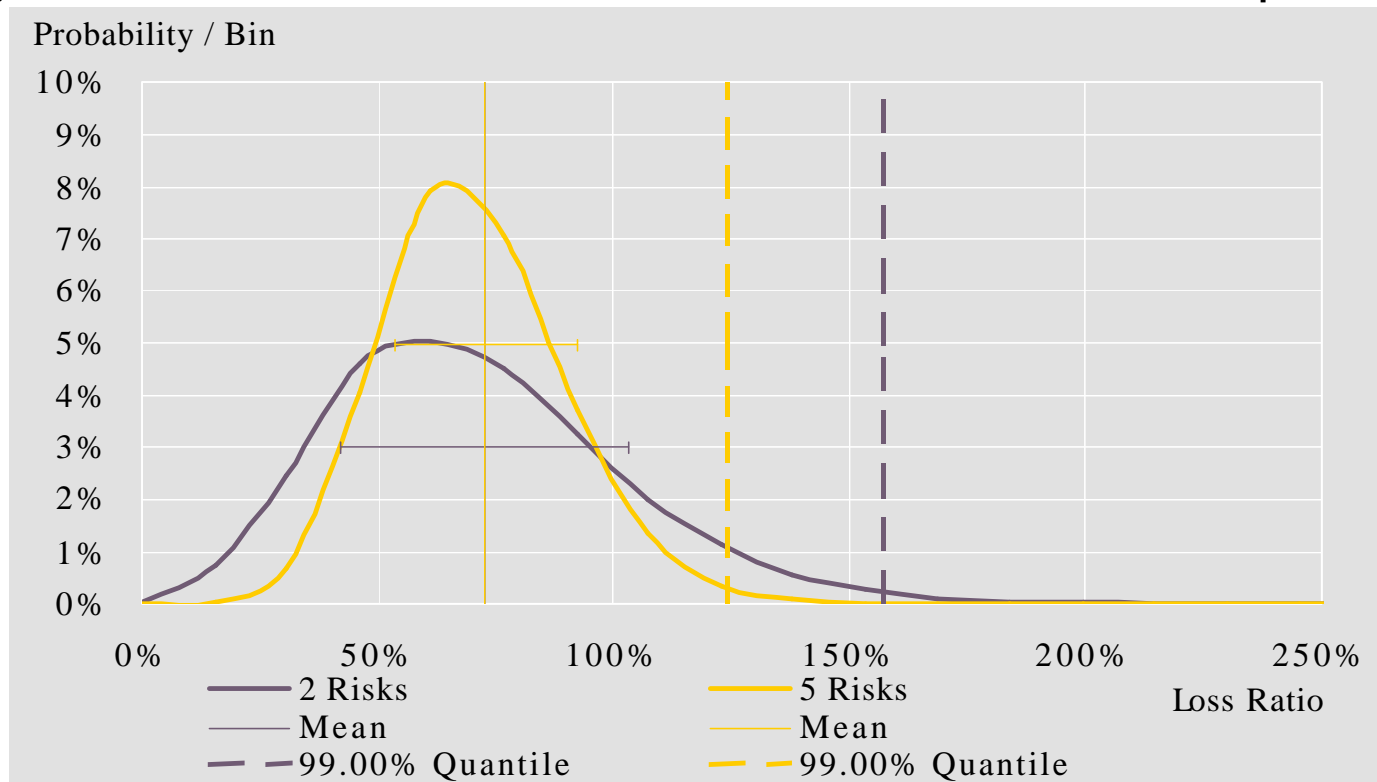


➔ Ability to diversify is very high

# Managing risk in reinsurance

Resinsurers are not confined to local risks (eg: Eurowind exposure) but pool many different local risks (Eurowind, US Hurricane, US EQ, Japan Typhoon)

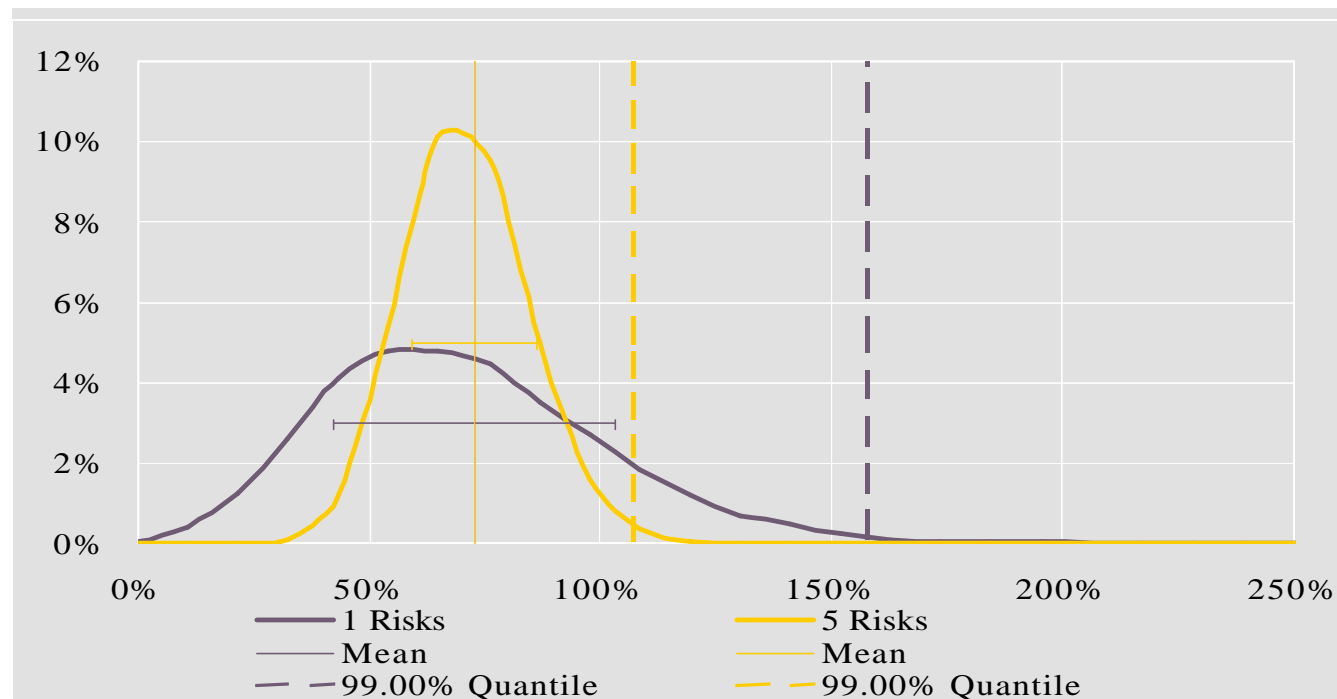
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# What supervisors need to be prepared for ..

Be able and equipped to assess the total risk from:

- All **types of risks** ...
- ...across **many countries** ...
- ... and **specialties** such as aviation, space, agribusiness, excess and surplus, umbrella, marine energy, ...
- ... and how risk is assessed (**pricing, reserving**) as well as ...
- ... managed through **diversification**.
- Gain confidence in reinsurers' ability to assess risk, ie. trust sophisticated **internal models** more than "sledge hammer" standard models

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