

PartnerRe

**The Underwriting, Pricing and Reserving Control
Cycle: Improve Performance by Breaking the Silos**

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Traditional Islands of Expertise



PartnerRe





Reinsurance Industry Capabilities have Greatly Improved

Today the Reinsurance Industry has the capacity to
measure and manage risk through the use of

- Models
- People
- Data and IT technology

Will the Reinsurance Industry seize the opportunity?





Benefits of Better Technical Risk Assessment

Reinsurer

- Economic Price of Risk
- Control of risk accumulations
- Select attractively priced business
- Identify key risk drivers
- Fewer surprises

Cedant

- Stable and fair pricing
- Fewer Reinsurer failures
- Capacity when needed





Integrated Approach to Risk Evaluation





Key steps to integrated Risk evaluation

Define Risk appetite

Align Organization

Design underwriting process

Transparency and Trust

Communication and Feedback loops





Well Defined Risk Appetite and Risk Management

Identify key risks

Define appetite

Measure risk exposure

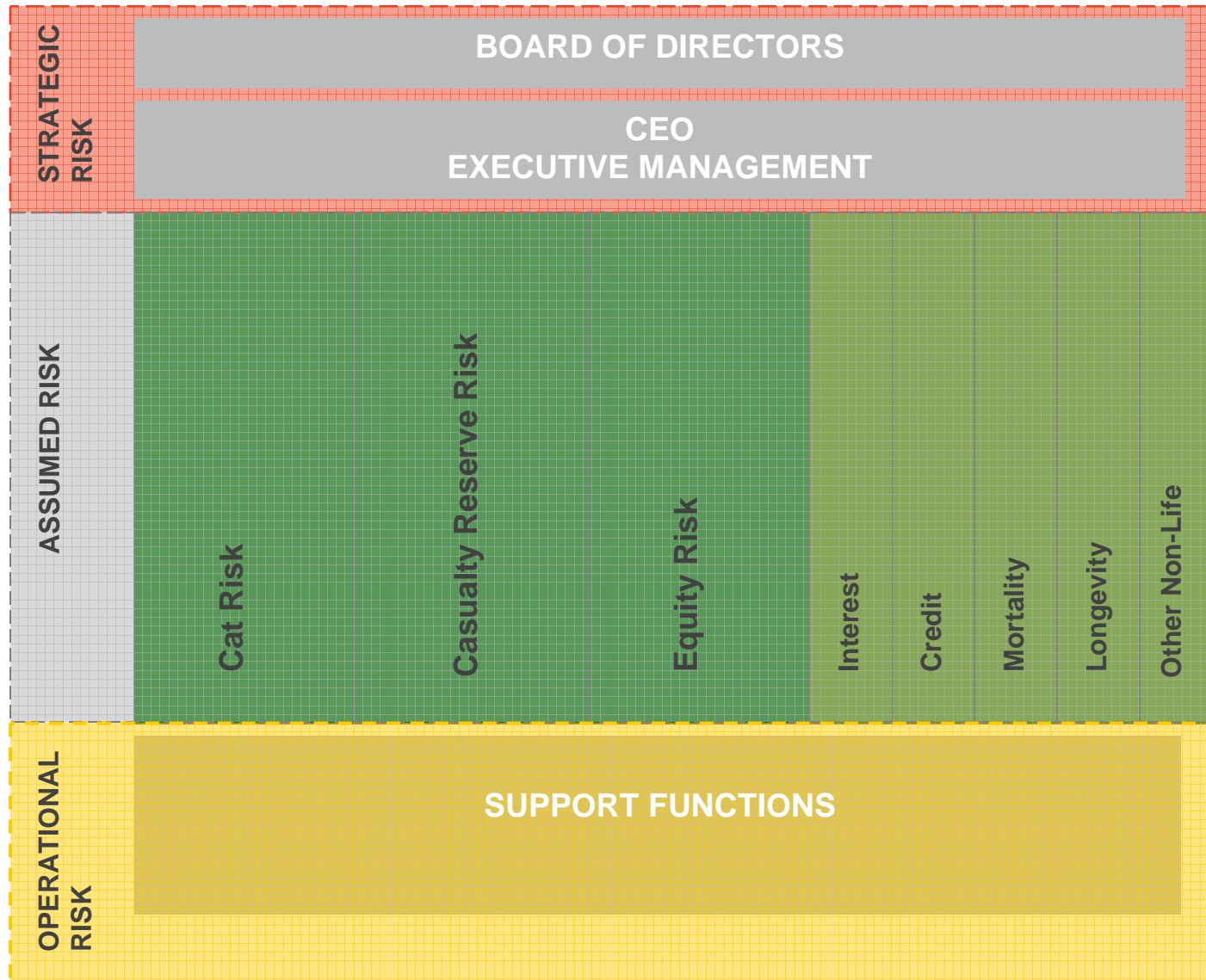
- More challenging in organizations with a number of Business Units

Management and Governance





Example of Risk Landscape for a Re/Insurance Company





Example of Governance and Risk Management at Re/Insurance Company

Appetite for key assumed risks set by the Board

Board monitors compliance through Risk Dashboard

Board - approved operational policies cover secondary risks

Risk owners for every major risk

- Risk management integrated into operational structure. Not a separate function.

Peer review principle

Operationalize risk concepts through capital charges





Example of Catastrophe Risk Limits

Risk Metric	Aggregate Limit	% of Total Capital
Max. aggregate exposure in any single zone on any single peril	\$1.25 billion	31%

Risk Dash Board: Current level of Catastrophe exposure



Risk Metric	Aggregate Appetite	% of Total Capital
Max. aggregate appetite for 1-in-75 year aggregate net annual loss for catastrophe	\$750 million	19%

Risk Dash Board: Current level of Catastrophe exposure



Source: PartnerRe

Limits and Total Capital as at June 30, 2006

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Organize Around Risks not Skills

Increased skill specialization necessitates cooperation

Market differentiation requires focus

Accountability leads to focus

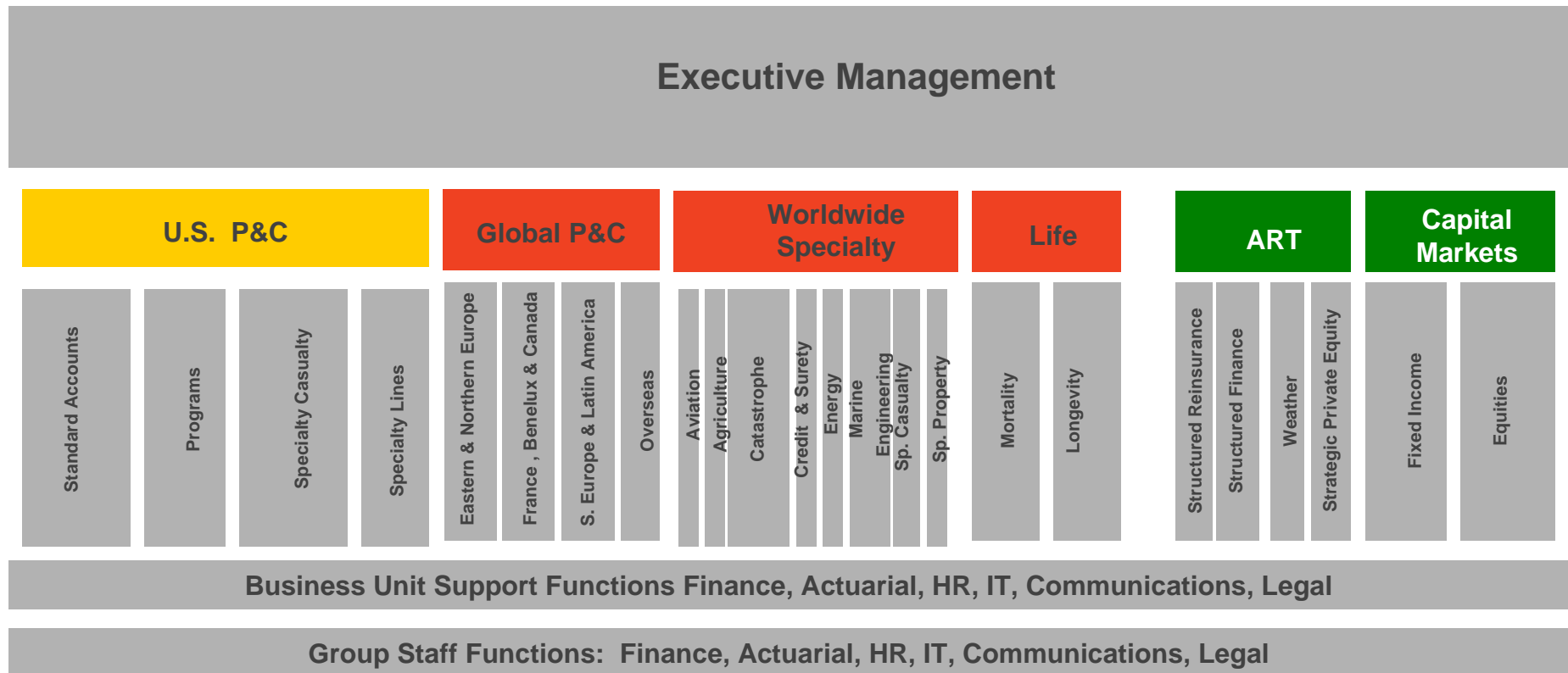
However, implement systems and processes to address

- Expense economies of scale especially in back office
- Risk Management
- Common culture and approach to market





Example of Re/Insurance Company Organizational Structure





Integrate Skills in Underwriting Process

Clearly defined roles and responsibilities in underwriting process

- Responsibility for decision to underwrite
- Responsibility for risk evaluation

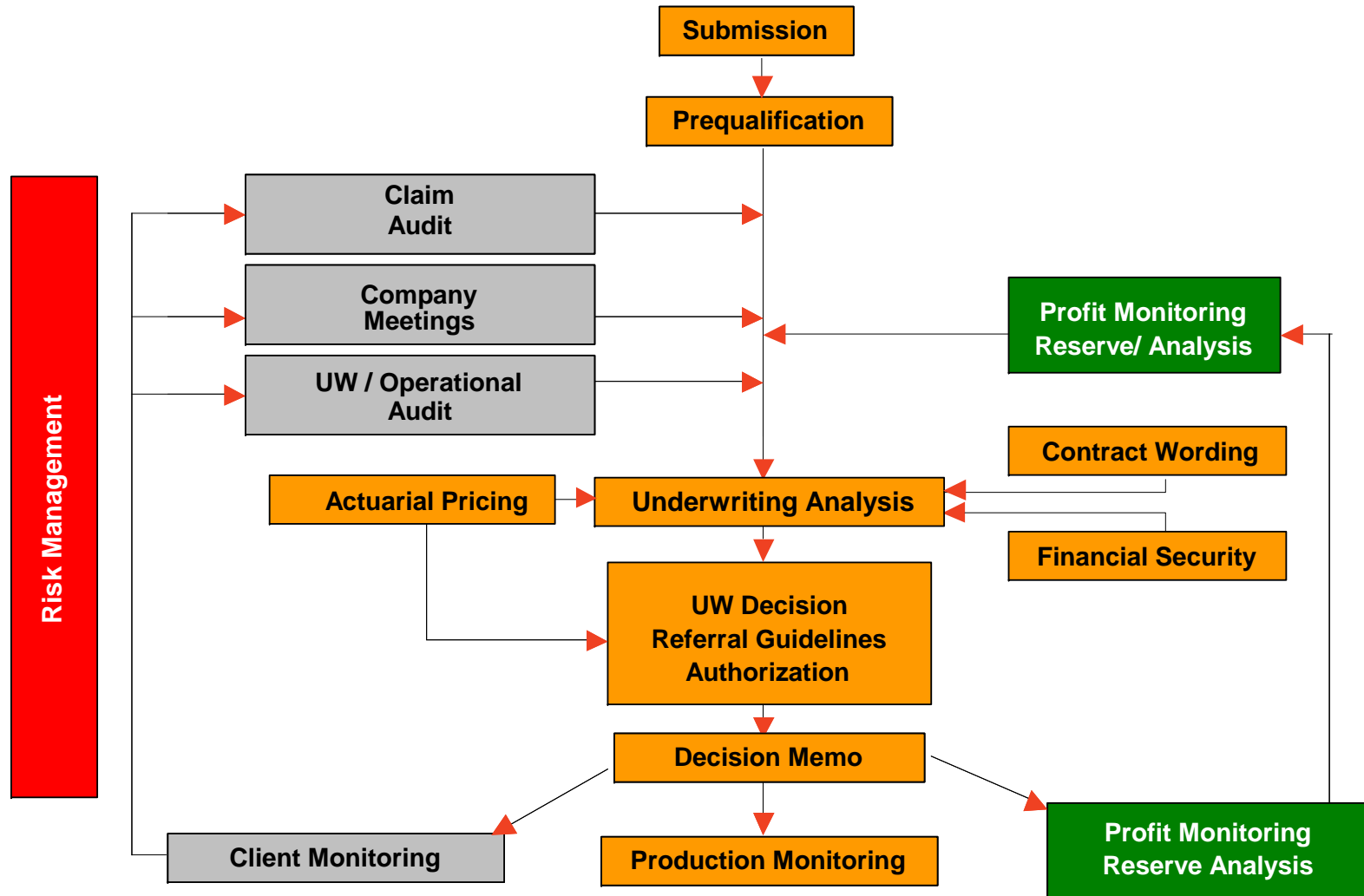
Leverage skills, encourage dialogue and constructive challenges

Culture and the environment are as important as organizational process





Example of (Technical) Underwriting Process





Transparency and Trust

Trust is the mortar that binds teams together

- Trust your team members
- Trust other teams
- Trust the management

Transparency breeds trust

- Business goals
- Results

Communication and Management Information Systems enhance transparency





Example of Regular Communication

Quarterly management calls

- Strategy
- Short term goals and plans
- Results compared with goals

Internal newsletter with regular articles expanding on

- Key policies
- New initiatives
- Metrics used to evaluate strategy

Annual / Biannual meeting of

- Managers
- Staff with special skills (e.g. actuarial)

Encourage less formal presentations in each location
(e.g. “Lunch and Learn”)





Example of Use of Management Information Systems

Capture in standardized format performance statistics from various Business units and lines

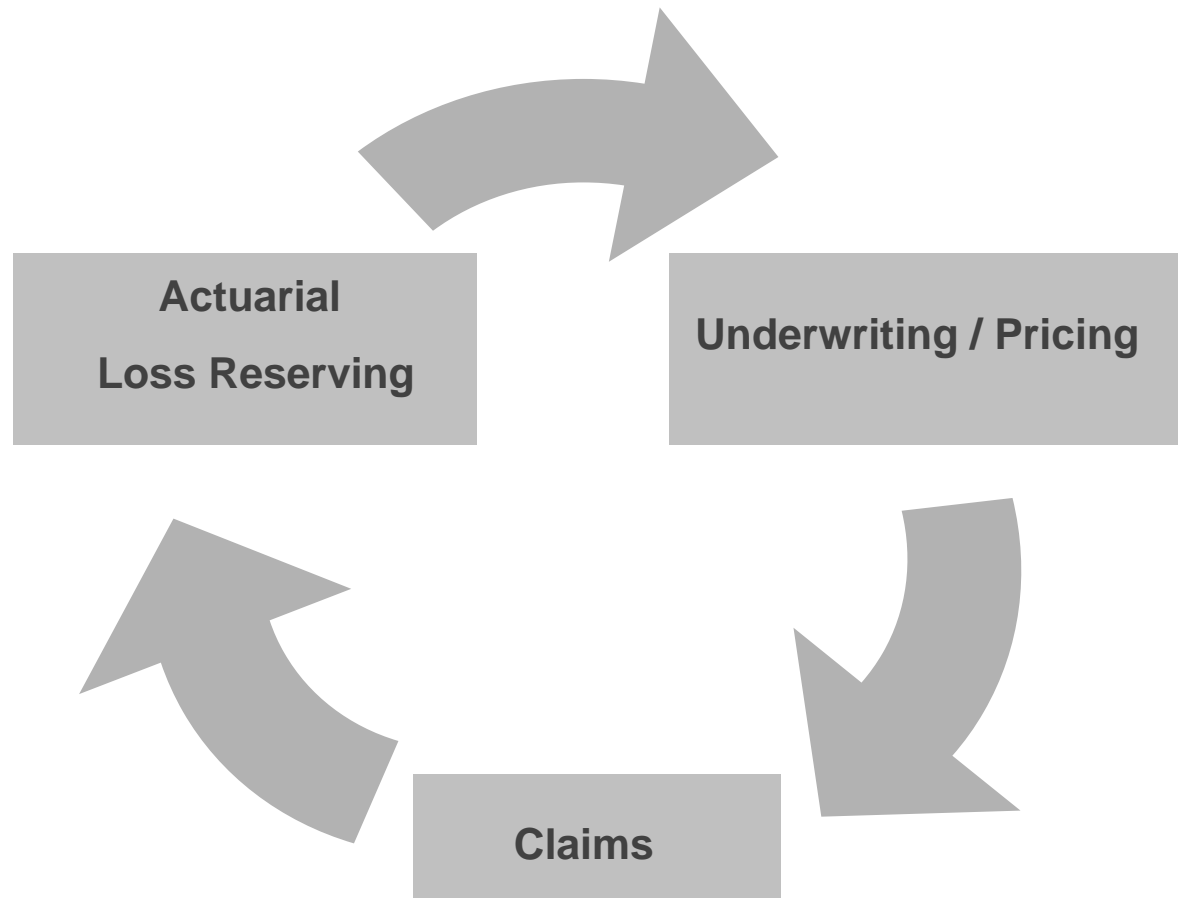
Capture examples of statistics quarterly (for Non-Life business)

- Loss ratios by line and underwriting year
- Combined ratios by line and underwriting year
- ROE by line and underwriting year
- Reserves by line and underwriting year
- Production and Renewal statistics by line
- Capital Utilization by line
- Catastrophe limits exposed and catastrophe loss PML estimates





Feedback Loops





Feedback Loops in Practice

Organized around reserving process

Quarterly cycle

- Timetable allows fast reaction

Underwriting, actuarial pricing, claims and finance

- Two Key Meetings Held each Quarter
 - Prior to reserve evaluation (input)
 - Post reserve evaluation (feedback)

Transparency aids communication

Repetition brings efficiency





Feedback Loops in Practice (2)

Typical topics discussed in first meeting

- Unusual claims / emerging claim issues
- Pricing trends
- Term and condition trends
- Comparison of actual versus expected claims
- Information on claims not captured by data

Typical topics for second meeting

- Revised view of ultimate claims and commissions for each line and year
- Key drivers of any changes (e.g. specific contracts or claims)
- Indication of range of uncertainty





Five Key Steps to Breaking Silos

- Define Risk appetite and Risk Management process
- Organize around risks not skills
- Integrate skill sets in underwriting process
- Transparency and Trust
- Communication and Feedback loops

