



Loss Portfolio Transfer Unlocks Future Profits and Capital

Our client had plans to invest in growth opportunities, but limited available capital due to conservative reserving requirements. We structured a customized Loss Portfolio Transfer (LPT) and assisted our client through the necessary accounting and regulatory approval processes, delivering a solution that released part of their reserves as upfront profit and provided immediate capital relief.

Our client sought to free-up capital for growth

Reserves were booked well above their

Inline with local accounting rules, our client's reserves were set at a significant margin above their best estimate.

To enable investment in growth opportunities, our client sought a solution that would free up capital from their reserves.

Examples of similar conservative reserving situations:

- Accounting or regulatory frameworks with IBNR based on market data only, or that disallow the value of future recoveries.
- Prudent review by external actuaries with limited knowledge of the portfolio.

The solution

We structured a customized LPT

We structured a customized LPT that transferred their net reserves and all adverse development risk.

We also assisted our client through the essential accounting and regulatory approval processes.

Benefits for the client

Immediate upfront profit and capital relief

Certainty of upfront profit - instead of potential future profit.

- Subject to approval of the client's auditor and regulator, this upfront profit can be reported immediately.
- The accounting treatment for such transactions is always done on a case-by-case basis.

Capital relief – transfer of reserve risk leads to an improvement of the solvency ratio:

$$\text{Solvency ratio} = \frac{\text{Capital available}}{\text{Capital required}} \quad \leftarrow \text{Increases due to immediate profit}$$
$$\quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \leftarrow \text{Decreases due to reserve transfer}$$



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