



Financial Reinsurance with Applications in Life Reassurance

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Key questions of Financial Re

- Difference from pure loan or investment?
- What are the risks ceded to the reinsurer?

Underwriting risk and timing

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Definition of Financial Reinsurance

- Reinsurance with reduced underwriting risk
- Often includes a timing risk
- Period of reinsurance for several years
- Consideration of interest in price calculation
- Often calculation of an experience account

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Function of Financial Reinsurance

- Distribution of positive or negative results over a time period
- Bringing future earnings forward
- Improvement of key financial figures

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Models of Financial Reinsurance

- Retrospective models: Loss Portfolio Transfer
- Prospective models: Reinsurance Financing, Funded Cover

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Securitization

- Solution for a reinsurer to raise capital
- Securitization is refinancing by the capital market

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Example of a Securitization

Ceding company	Original Reinsurance Financing Treaty →	Reinsurer
Reinsurer	Retrocession Treaty →	Retrocessionaire
Retrocessionaire	Issue of Commercial Papers →	Investors of the Capital Market
Retrocessionaire	Stop Loss Treaty →	Stop Loss Reinsurer

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