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Reinsurance



Providing Support for Reinsurance Managers – Business Intelligence

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1. Complexity of reinsurance processing and information management

Reinsurance is a major factor affecting the insurance business, requiring prudent risk- management, control of claims expenditure, and support for capital requirements.

However, effective management of reinsurance –consolidation and analysis of the required information – can be very difficult due to numerous factors including:

- Multitude of reinsurance coverage and contract types: treaty/facultative, proportional/non-proportional, stop-loss, financial reinsurance, etc.
- Composite reinsurance programs – combinations of reinsurance coverages and contracts
- Complexity of allocation of policies and claims to reinsurance contracts; for example 'long-tail' claims
- Complexity of calculations – premiums, commission & claims amounts
- Various terms & conditions within contracts – reinstatements, aggregates, warranties, etc.

In addition, there exists a necessity for comprehensive financial accounting and control, as well as detailed reporting and management information.

Surprisingly, although reinsurance bears a significant impact on risk management and business results, in most insurance organizations the reinsurance activity is traditionally managed as “bits and pieces” – policy administration contains some proportional reinsurance functionality while claims administration contains limited allocation capability, and many calculations are maintained in Excel workbooks. As a result, there is no comprehensive repository for proper management of reinsurance contracts, both treaty and facultative, as well as business results.

In this state of affairs, gathering information required for proper reinsurance management and decision support is a painstaking task requiring much effort and time, as information must be retrieved and consolidated from various sources. This arduous process is further detrimental since even the information accuracy becomes uncertain.

2. The need for management information and business intelligence

Reinsurance and Risk Managers are in constant need of high-level aggregated information for proper control of the reinsurance program, portfolio development and business trends.

Moreover, there must be a particular emphasis on the key performance indicators (KPIs), which are required for identifying the critical business issues and development trends, as well as for planning the future reinsurance protection program.

Some sample topics include:

- Profitability analysis and trends
- Development triangulations
- Reinsurer exposure – including account balance, unearned premium reserve, claims reserve, etc.
- Risk profiles
- Claims profiles

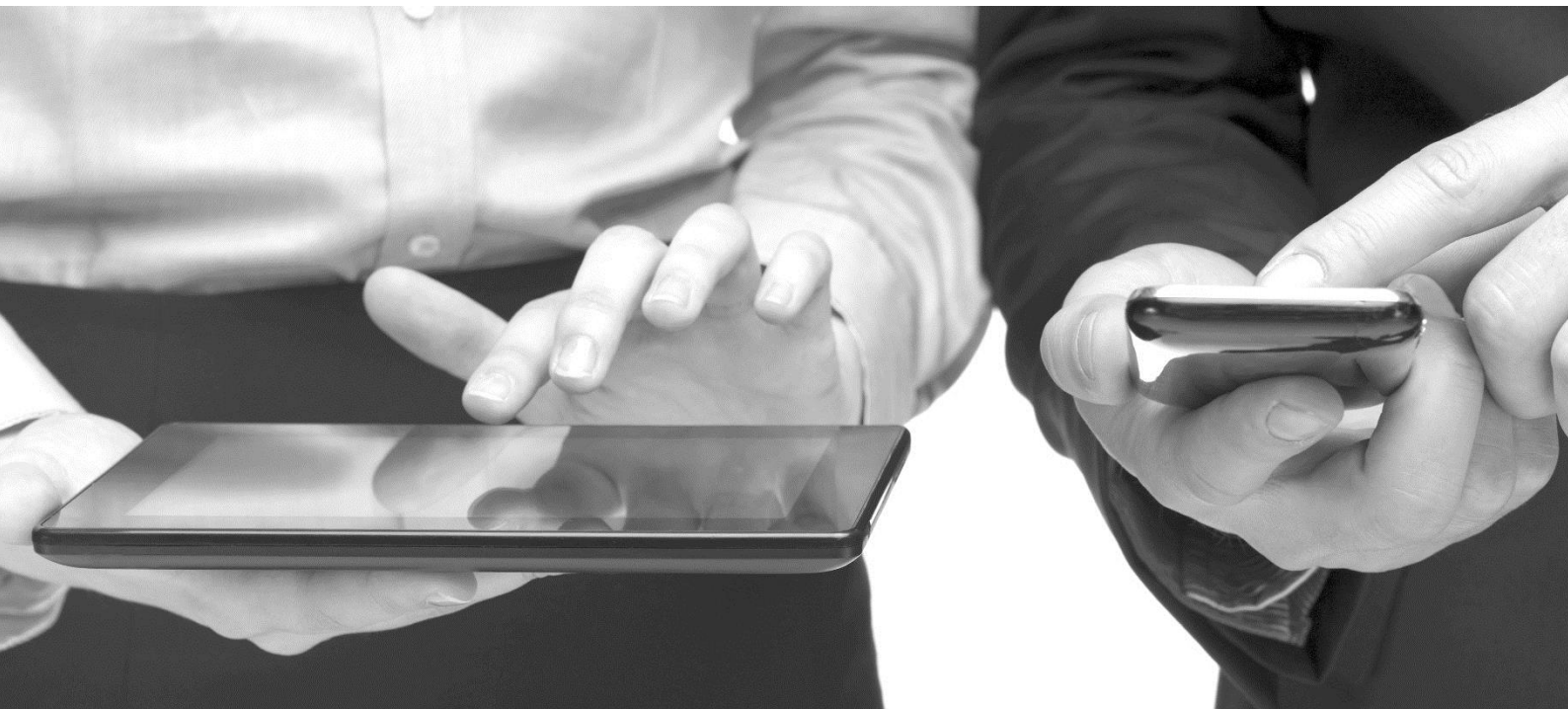
3. Business Intelligence (BI) Information Management – Characteristics need

The models presented above reflect different aspects of the business and are essential for proper analysis of the reinsurance program and decision-support methodology. The information required for setting up these models must be retrieved from the operational systems, and should be consolidated and processed in a separate aggregate module featuring the following characteristics:

- Ease of access – convenience and intuitive access is required, enabling swift response to business needs
- Multiple views of business results – need to provide business selection criteria; examples:
 - Periods – accounting period, underwriting period, loss period
 - Line of business and coverage
 - Territory / Region
 - Reinsurance Treaty
 - Reinsurer
- Table / Chart views – graphic presentations provide convenient identification of business trends
- Ability to export query results to Excel, for further processing, supporting 'what-if' scenarios

4. Conclusion

The need for implementing a BI platform that provides key performance indicators for reinsurance and risk management are apparent. As a pre-requisite, the operational systems must provide reliable and consolidated information – in a single business repository – containing reinsurance contracts, all calculated transactions and allocation to contracts, as well as detailed accounting figures. An insurance carrier will achieve significant benefits by implementing reinsurance systems and repositories, which support both the operational needs as well as the aggregated BI information and query models.

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