Swiss Re
Corporate Solutions

Alternative Risk Transfer Solutions

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I am pleased to present our case studies, which demonstrate our pioneering approach to alternative risk transfer solutions. These examples highlight how we're moving beyond conventional insurance to offer strategies that genuinely enhance resilience for our clients.

I hope you find these insights both valuable and motivating. Let us continue to collaborate and jointly create customized solutions that address your unique risk challenges.

Ivan Gonzalez
CEO Swiss Re Corporate Solutions

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Let´s advance corporate insurance together

Our team has always been dedicated to bringing alternative risk transfer solutions to our clients and helping them improve their resilience. As you will see in this publication and the different case studies, that passion still burns as bright as ever.

Today, our corporate clients face increasingly complex risk management and need a partner that takes a holistic view on risks, combining expertise with smart technology and data-driven analytics to deliver relevant solutions and services.

As your risk partner, Swiss Re Corporate Solutions delivers a customer experience that is rooted in the collective focus of the entire Swiss Re Group. Our "One Swiss Re" approach not only provides access to additional capabilities, risk insights, and capacity, but also empowers you to transfer risk or explore other options. With our data-driven capabilities, supply chain transparency, and other joint value-added solutions, you can leverage everything the Swiss Re Group has to offer.

I hope you enjoy reading the publication and we believe our solutions will confidently help you manage the risk you face today and in the future.

Ole Ohlmeyer
Global Head of Customer & Distribution Management and Alternative Risk Transfer

- Bringing alternative risk transfer solutions to our clients and helping them improve resilience
- Approaching risk holistically and combining expertise with smart technology and data-driven analytics
- One Swiss Re: delivering a customer experience rooted in the collective focus of the entire Swiss Re Group

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Value Proposition

1. We approach complex risk creatively and see it as an opportunity to tailor **insurance, reinsurance or non-traditional risk transfer solutions to fit your risk journey.**

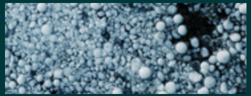
2. **We tailor some of our solutions to your specific needs and develop others for broader markets** that can be used either on a stand-alone basis or as part of an established insurance strategy. Our global reach and local risk expertise respond to your risk transfer challenges.

3. **Innovation is in our core and we have the track record to back it up.** Contact us to discuss your risk challenge.

Successes & Awards

QUAKE
'Best Transaction Award' and 'Award for Excellence'
Hydro Power Plant Nepal - Parametric Earthquake

FLOOD
'AxCo Global Innovation Award'
New York City Flood CNYCN transaction



HAIL
'Underwriting Initiative of the Year'

Virtual Captive with structured parametric multiperil coverage
'Global Program Innovation of the Year'

Risk Transfer Solutions Awards

ESG Business Awards 2023
'Programme Award – Singapore'
Renewable Energy Financing

Parametric Insurance 2022
'Underwriting Initiative of the Year' at Insurance Asia News Awards for Excellence

International Programme 2022
'Global Programme Innovation of the Year' at the European Risk Management Awards

Lead Insurer 2022
Nomination 'Crossrail Elizabeth Line project for Outstanding Contribution to Risk Management'

Swiss Re Corporate Solutions

Alternative Risk Transfer Solutions Snapshot

Contact us

Structured Fronting

Benefits

Central control and compliance:
Structured Fronting Solutions provide the risk manager with the maximum level of central headquarter control over their global program in full compliance with the applicable local and global regulations. Each customer benefits from a dedicated central team with global reach.

Efficiency and Cost:
Designed to facilitate the unbundled servicing of a global program, Structured Fronting solutions substantially mitigate the frictional costs, including collateral and annual administrative burden of global programs and enable you to focus on strategically managing your company's risks in the long-term.

Tailored coverage and desired limits:
Swiss Re will tailor coverage and capacity towards your needs to be met within agreed service KPIs.

Need

A multinational manufacturing company wants to ensure consistency, compliance and transparency with a HQ-controlled master program. The company has also invested in a captive reinsurer to help strategically manage its risks and associated financing costs, as well as to help insulate itself from the cyclical nature of the commercial insurance market, considering its own favorable loss experience and loss prevention efforts.

Our Alternative Risk Transfer Solution

After understanding the customer's long-term objectives, Swiss Re provides a tailored global solution offering the customer's desired policy wording, limits and cash flow requirements to its various subsidiaries around the world. These policies are then fully reinsured, less any applicable mandatory retentions, to the customer's captive reinsurer in a multi-year arrangement for a single annual fronting fee.

The structure ensures the optimal risk allocation between all parties involved and enables the customer to fulfill its long-term risk management and financing objectives in an expedited manner.

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FAQ

What is a Structured Fronting Solution?

A Structured Fronting Solution is a risk financing and service solution, independent of insurance capacity, designed to enable sophisticated customers to manage their own risk retention and transfer strategies in the most flexible, efficient and compliant manner. By separating the fronting services from the annual risk transfer discussions, risk managers and treasurers are freed up to focus on managing strategic risks on a long-term basis and over the course of the underwriting cycle. Structured Fronting Solutions are by design either 100% reinsured to a Captive (Re)Insurer or fully indemnified by the Customer. Coverage and service KPIs are tailored towards the needs of each customer.

How do Structured Fronting Solutions differ from traditional international insurance programs?

Structured Fronting Solutions differ from traditional international insurance programs in that insurance capacity is not required; the focus of the solution is entirely on meeting and servicing the local insurance needs of corporate customers worldwide. These solutions provide cost and servicing certainty on a long-term basis with a dedicated global team and multi-year agreements. Coverage is structured around the customers' specific requirements and provided in a globally compliant manner.

What are the costs involved?

Fronting fees (fees paid to the fronting insurer and local fronting companies to cover the costs of policy issuance and administration) and cost of collateral (depending on fronting company's risk appetite and applicable regulations). A focused and tailored structuring approach ensures that the "frictional" costs associated with fronting are mitigated and truly reflective of the individual fronting transaction. When moving to a long-term Structured Fronting solution, the administrative burden of annually renewing or replacing your global fronted programs is substantially mitigated, allowing your team to focus more on the risk management tasks at hand.

Swiss Re Corporate Solutions

Indemnified Insurance

Benefits

Savings come from the difference between the high cost of traditional insurance in a primary layer and the low cost of the investment grade policyholders' credit risk. Since the Insurer is indemnified for claims paid and expenses incurred, the cost of an Indemnified Insurance arrangement is credit risk plus administration expenses.

Provided that the policyholder has an investment grade credit risk (BBB- by S&P, or Baa3 by Moody's or better), the Insurer may provide the Indemnified program without any collateral (bank LoCs or cash) at inception. However, collateral will be required for claims, loss reserves or for credit risk decline. Credit-based collateral triggers are agreed to in the Indemnity Agreement.

Need

A multinational manufacturing company wants to ensure consistency, compliance and transparency with a HQ-controlled master program. The company has also invested in a captive reinsurer to help strategically manage its risks and associated financing costs, as well as to help insulate itself from the cyclical nature of the commercial insurance market, considering its own favorable loss experience and loss prevention efforts.

Our Alternative Risk Transfer Solution

- An insurer provides a policy for a primary layer and cedes 100% to the policyholder's Captive or the Insured enters into an agreement to indemnify the Insurer for claims and expenses.
- Savings from the reduced cost of the primary Indemnified Insurance layer are often used to purchase excess coverage to protect the policyholder's balance sheet against large losses.
- Coverage term can be annual or up to a three-year programme with three annual policies and is often provided with a master non-admitted policy and with local admitted policies where needed globally. Local admitted policies are provided by Swiss Re/network partners.
- The policy trigger is claims made and reported with a short, extended reporting period ("ERP"). Defense costs are inside policy limits and the Insurer often does not have a duty to defend. Claims are frequently handled by the policyholder with external claims counsel or a TPA. Notice of claims or an occurrence are usually more flexible.

FAQ

What limits can you provide?

Limits required to evidence cover can range from USD 10m to USD 100m+, and contracts often require very low self-insured retentions.

What type of clients is this for?

Tech E&O and Cyber Liability buyers that need to evidence cover to meet contractual requirements. Various industries that include, but are not limited to, technology, healthcare, financial institutions and professional services are often required to evidence these covers to meet customer contractual requirements.

What term can you provide?

Single year annual renewable term or multi-year term.

Swiss Re Corporate Solutions

Structured Multi-Year (MY)

Benefits

Access to capacity:
The structure's primary goal is to give the policyholder access to sufficient capacity at stable costs.

Reduce volatility:
The multi-year, multi-period approach helps to enhance predictability of the claims profile.

Budget certainty:
A fixed cost of risk for the most volatile part of the program provides budget certainty.

Need

Our customer in Asia is a leading electronics corporation with a global manufacturing footprint. Given their corporate structure with multiple local entities, they have a global property insurance program but with a relatively low local business unit deductible relative to the group's combined financial strength. This meant that smaller but more frequent insurance losses were not unexpected. However, this gives rise to volatility in underwriting results for insurers leading to sharply increasing premium rates in the recent years.

Our Alternative Risk Transfer Solution

Based on the historical claims profile, we developed a multi-year structured primary layer with a risk financing component. The goal of the structure is primarily to reduce the volatility of underwriting results for the program that will now attach in excess of a primary layer, so that the policyholder can access sufficient capacity at stable costs. Secondly, whilst there is volatility on an annual basis, the claims profile is more predictable over a multi-year period.

This improved predictability means the customer has more confidence to determine how much risk they want to pre-finance over a 2-5-year term, whilst transferring the risk of claims exceeding the risk finance portion. The result is a fixed cost of risk for the most volatile part of their programme, providing budget certainty and committed risk capacity over the period.

How else can this be applied?

Whilst such solutions are most common for customers with Captives, this is not a limiting factor. Such structured solutions are efficient tools to manage the inherent volatility arising from higher claims activity in the lower layers of large portfolios of assets or risk exposures. The multi-year risk-financing approach can also be used to indirectly build a claims reserve for difficult to insure risks, spreading the cost over time than incurring a one-off significant negative impact to a company's bottom line.

FAQ

Are such deals always written for 100%?

Depending on the complexity of a deal, we prefer to underwrite a significant share of the deal to secure smooth policy management and claims handling experience. In situations with followers, Swiss Re Corporate Solutions prefers to participate as leader.

What is the maximum capacity that you can deploy per deal?

Our maximum capacity depends on risk quality, loss history and occupancy. The capacity required depends on the programme structure and the requirement of the customer.

What is the typical duration of a multi-year deal?

Usually, it is between two to five years.

Can you combine short-tail lines with long-tail business?

Yes, we combine such risk exposures in almost any MYML transaction because experience shows that actual loss patterns are not completely different. However, a final answer depends on the risk profile of the risk exposures to be combined.

How much time do you need to consider from the start of discussions until signing?

We would typically require at least 3 months to cater for a thorough risk analysis, structuring, legal and accounting assessment to required customer stakeholders and finally policy signing and binding.

Swiss Re Corporate Solutions

Aggregate Stop Loss Captive Protection

Benefits

Certainty in a volatile environment: Providing price stability with guaranteed capacity over longer term to avoid annual volatility; no link to loss ratios or performance.

Provides sideways frequency protection for the client´s most volatile layers ceded to the captive, smoothing underwriting results.

Structural elements such as aggregate deductibles reduce costs and can be utilized to custom build effective second event covers.

Need

A conglomerate in Latin America sought to cede larger shares of its property program to its captive, with the goal of building capital over time. It also aimed to protect the most volatile parts of the program on a multi-year basis while incorporating features to adjust coverage for future acquisitions.

Our Alternative Risk Transfer Solution

Swiss Re Corporate Solutions designed an Aggregate Stop Loss solution across various business segments, taking on a large portion of risk in certain volatile layers once an annual aggregate deductible is exhausted, above the business units´ SIR BU deductibles.

How else can this be applied?

Customers who are also motivated to protect various lines of businesses into a non-cancellable multi-year structure should consider such a solution. Swiss Re Corporate Solutions can deploy considerable capacity on a two- to five-year basis, depending on risk quality, geographic exposure accumulation, and loss history. The cover can also be structured for property programs without a captive in place.

FAQ

Are such deals always written for 100%?

Depending on the complexity of a deal, we prefer to underwrite a significant share of the deal to secure smooth policy management and claims handling experience. In situations with followers, Swiss Re Corporate Solutions prefers to participate as leader.

What is the maximum capacity that you can deploy per deal?

Our maximum capacity depends on risk quality, loss history and occupancy. The capacity required depends on the program structure and the requirement of the customer. We have deployed more than USD 100m on deals in the past.

What is the typical duration of a multi-year deal?

Usually, it is between two to five years.

Does a customer need to have a captive?

Those solutions can also be structured for property programs and customers who do not have a captive.

How much time do you need to consider from the start of discussions until signing?

We would typically require at least 3 months to cater for a thorough risk analysis, structuring, legal and accounting assessment to required customer stakeholders and finally policy signing and binding.

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Virtual Captive

Benefits

Become immune to the insurance cycle: By retaining more risk, reduce your dependency on the insurance market.

Share underwriting profits: By retaining risk normally transferred to the insurance market, the insured benefits when losses are less than expected via a Low Claims Bonus (this margin would normally go to the insurance market).

Leverage the benefits of a traditional Captive without any of the hassle.

Need

Our customer is one of the largest financial services networks in APAC. In exchange for a membership fee, the network supports its members with ongoing education programs and support services. Operating in a highly competitive environment, the network has a large and diverse membership base of >300 members generating USD >1bn in sales for the APAC region.

All members within the network are required to buy professional indemnity (PI) cover, to protect against error and omissions in advising their customers.

Getting pricing and capacity for individual members has been a challenge. By pooling the risk, the network can solicit better terms from the insurance market than individual members and then pass these savings onto members who choose to buy into the network's structured PI program. The network believed the open market was pricing their risk too high and decided to take the option to self insure part of their risk.

Our Alternative Risk Transfer Solution

A Virtual Captive was used to emulate the mechanics of a traditional Captive, allowing the network to optimize its self-insured retentions, without the cost and complexities.

Risk Finance: The insured pre-funds the self-financing component at the start of the policy period. Swiss Re Corporate Solutions administrates claims to individual members using the pre-funded amount and returns any surplus at the end of the policy period via a low claims bonus.

Risk Transfer: Once the pre-fund amount is exhausted, the Stop Loss Risk Transfer Solution pays primary-layer claims up to the agreed aggregate limit, preserving the attachment structure of the remaining insurance layers. The self-retention component delivers premium efficiency while maintaining protection against adverse loss development.

Claims payment: A longstanding relationship allows for delegated authority to the insured to settle claims up to a capped amount, resulting in efficient claims handling.

How else can this be applied?

This solution isn't just for associations and cluster groups looking to pool small individual risks together, but for any insured looking to set up a Captive or to retain more risk.

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FAQ

How does it work?

- A Virtual Captive simulates the mechanics of a traditional Captive and is based on a multi-year insurance agreement rather than an actual captive vehicle.
- The risk financing happens over time, as is with a full Captive.
- Premium contribution to the Virtual Captive implicitly finances a larger part of the risk over time.
- If losses are less than original premium, a premium return, sometimes referred to as a "low or no claims bonus" becomes due or is credited at the end of the period of the Master policy. If losses exceed original premium, a loss experience surcharge, sometimes referred to as an "additional premium" may be needed.

What is the difference between a Virtual Captive and a Captive?

Virtual Captive
The insurance agreement is between you and Swiss Re Corporate Solutions:

- Covers a multi-year period; finances risks over time.
- We provide coverage through the agreement and handle all solvency and regulatory aspects through our already efficient and existing infrastructure.
- The agreement considers the risk appetite of the insurer (i.e. the amount of risk transfer capacity provided in the insurance agreement).
- Any remaining funded premium after losses is returned to the insured or credited depending on local law and regulation.

Traditional Captive
The insurance coverage is agreed upon by the insured and the Captive:

- Set up to exist for many years or indefinitely; finances risks over time.
- All regulatory aspects are handled by the Captive management and contracted third parties.
- The Captive's capital is carrying the risk.
- Surplus funds are paid through a dividend to the parent.
- Additional funds: a call for capital injection by parent with the intent to continue operating the Captive.

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Legacy Solutions for Public Entities

Benefits

Reduce your reserve volatility:
Transfer (re)insurance liabilities for older years or portfolios in run-off.

Simplify:
Reduce the operational complexity and claims handling efforts of your captive.

Improve Your Balance Sheet:
Reduce overweight liability positions on balance sheet for the present value of carried reserves.

Need

At certain times, public entities may seek to simplify operations or reduce volatility. Swiss Re's legacy solutions allow public entities to extract itself from the administrative burden of self-insuring and the volatility that impacts its budget process. We enable Public Entities to free up resources, de-risk, and focus on current operations by bringing together Swiss Re's structuring capabilities and strong footprint in the public entity space.

Our Alternative Risk Transfer Solution

1. Retrospective (re)insurance can take the form of a Loss Portfolio Transfer (LPT) and/or an Adverse Development Cover (ADC). An LPT involves the cession of all or part of a company's reserves to a reinsurer, which then assumes financial responsibility for those ceded reserves. An ADC provides (re)insurance protection against adverse development of reserves.
2. Legacy claim portfolios and associated liabilities are legally transferred through country-specific regulatory proceedings. As a result, these liabilities and supporting assets are transferred by operation of law to the assuming insurer.

FAQ

Swiss Re Corporate Solutions has exited Casualty in the United States. Most Legacy Solutions involve a Casualty line of business. How does Swiss Re Corporate Solutions transact on a Legacy Solution for a Casualty line of business?

Swiss Re Corporate Solutions can partner with our Reinsurance colleagues to facilitate Legacy solutions for Corporate Solutions clients

What is Swiss Re's experience with Legacy Solutions?

With dedicated teams across the globe, Swiss Re has covered more than USD 10bn in reserves from over 50 companies via Legacy Solutions over the past 10 years.

What is the timing for executing a Loss Portfolio Transfer, an Adverse Development Cover or a Legacy Claim Portfolio?

It can take 3 to 6 months to execute these transactions, and the timing depends on many factors, including alignment of interest, transparency of data, and proper due diligence to accurately assess the risk.

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Parametric Earthquake – QUAKE

Benefits

Breadth of coverage:
Trigger of the cover is the event itself, which means the funds paid by the policy can be used for a wide range of costs, essentially anything that is an economic loss or cost to the insured due to the event.

Transparency:
The policy has preagreed payouts and no loss investigation and adjudication required. This allows insureds to have a much clearer expectation of what the policy would pay out and is far simpler to explain to stakeholders of the insured.

Customization:
Features to meet specific business needs.

Need

A Hong Kong–based private equity company with significant investments in Japanese real estate had previously purchased standalone PDBI earthquake policies from multiple carriers for each property on an individual basis. Given the high frequency of buying and selling buildings, the client faced a cumbersome administrative process to purchase and cancel policies, often causing delays in transactions as insurance costs had to be factored into acquisition pricing. The client required a more flexible solution that would provide seamless cover on a predetermined basis to better manage its needs.

Our Alternative Risk Transfer Solution

Using an innovative parametric insurance solution linked to the Shindo Scale at Japanese Meteorological Agency (JMA) seismic stations, we have simplified this process and enabled our customer to buy earthquake cover seamlessly.

The premium is predetermined and provided on a per million dollar of capacity basis, which allows for transparent pricing for earthquake cover. Instead of a long renewal cycle, the customer only needs to determine how much cover (capacity) they require. Conversely if the customer sells a building, they can reduce earthquake capacity and will receive a predetermined pro-rata premium reimbursement.

Unlike traditional earthquake PDBI products, the parametric solution provides:

- Access to capacity and consistent coverage prices.
- Better informed decision-making about risk financing strategies.
- Broad cover as the solution is based on an index reading, rather than actual damage to assets.
- A predefined payout sum triggered when the JMA registers an earthquake of 5.5 or above on the Shindo scale.
- A quick and easy claims payout within 30 days.

This approach enables customers to speed up the process of acquiring new assets as the insurance cost is predetermined. In addition, all locations are managed in one single policy.

FAQ

What is Parametric insurance?

Parametric insurance is based on an event occurring where the payout is based on preagreed payout structures and limit. It relies on a measurement of an event or index – such as temperature, wind speed, or precipitation – and unlike traditional indemnity insurance, a broad range of insurable interest can be covered. As such it does not necessarily require physical damage to the underlying asset and allows for a quick formulaic payout once predefined parameters are met or exceeded.

Traditional insurance versus parametric/index-based covers – what's the difference?

Traditional insurance coverage is based on deductibles, sub limits and policy terms and conditions. Claims are paid when losses exceed the retention held by the policyholder, and settlement can take months or years. Parametric insurance is index-based, meaning coverage is triggered if predefined event parameters are met or exceeded. In most countries, there is no claims adjustment process to determine the value of the loss. The parametric trigger is set in a manner that if it is triggered, it is highly likely the insured would sustain actual loss.

What is the difference between intensity and magnitude triggers for earthquake parametric?

The magnitude is a quantitative measure of the size of the earthquake at its source. The Moment Magnitude Scale measures the amount of seismic energy released by an earthquake, as measured with a seismometer. Depending on the depth of the earthquake and the local soil types, same magnitude earthquakes can have a very different impact locally.

The effect of an earthquake on the Earth's surface is called the intensity. One intensity measure is the Spectral Acceleration (expressed in % of Earth's acceleration "g") which can be used as a trigger which has a better correlation between the exposure and the actual loss at a specific location.

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Parametric Windstorm – STORM

Benefits

Speed of Payment:
Our parametric STORM solution pays based on the occurrence and local wind speed of a tropical cyclone. As such, claims can be settled much faster than traditional natural catastrophe insurance. Generally, STORMclaims are paid within 30 days.

Breadth of coverage:
Trigger of the cover is the event itself, which means the funds paid by the policy can be used for a wide range of costs, essentially anything that is an economic loss or cost to the insured due to the event.

Transparency:
The policy has preagreed payouts for preagreed windspeeds. This allows insureds to have a much clearer expectation of what the policy would pay out and is far simpler to explain to stakeholders of the insured.

Need

One of the large telecommunication services providers with operations in Latin America and the Caribbean faced substantial losses caused by damage, particularly to their T&D Network in 2017, following Hurricanes Irma and Maria. Although they were insured in the traditional markets, the claims process was delayed and a significant element of their loss was not reimbursed by insurance. It also took a long time to be settled and caused much frustration to the company. Swiss Re Corporate Solutions proactively approached their incumbent broker and introduced them to our bespoke STORM solution and crafted a parametric windstorm insurance for the customer.

Our Alternative Risk Transfer Solution

Our parametric STORM solution provided a substantial limit on an Excess of Loss basis and was the best fit for the customer to cover their windstorm exposure while considering a significant retention across more than 50 locations in the Caribbean. The solution considers the reported wind speed at predefined locations and provides a payout within 30 days after the event occured once the wind speed levels are reached. This prompt payout enables the company to manage emergency expenses and resume operations quickly. Our back-testing and corresponding as-if-payouts for Hurricane Irma and Maria provide assurance that the solution would have indemnified them in line with their actual losses sustained.

How else can this be applied?

Typically, Transmission and Distribution (T&D) lines are underinsured in traditional insurance policies and BusinessInterruption losses are a key concern for these customers whenever a threatening storm is formed nearby. This solution can be easily replicated for other customers who own, lease or operate this type of assets which are also typically spread over a large territory. Swiss Re Corporate Solutions STORM can be structured for any other uninsured or under insured assets including natural assets such as reefs and beaches and archaeological sites.

FAQ

What's the difference between traditional and parametric insurance?

Traditional property insurance pays based on actual damage sustained, subject to exclusions, sub-limits, and requires physical damages as trigger for payment. STORM pays based on the local wind speeds due to a tropical cyclone with no physical damage trigger. This means that the proceeds from the STORM policy can be used for any costs to the insured, even if the insured only suffered indirect economic cost and no physical damage at all.

Is the claims process different?

The claims process is fast and simple. Once the data is collected from the event, Swiss Re Corporate Solutions can provide a payout in the preagreed, contractual amount. In most jurisdictions there are no claims adjusters and no onsite inspections. The insured is then allowed up to one year to confirm they used the funds for costs or losses related to the event.

What is the risk that the trigger index does not perfectly correlate with the underlying risk exposure?

The risk that an insured's loss does not perfectly align with the parametric payout is known as "basis risk." STORM reduces the basis risk compared with earlier generations of parametric hurricane covers as it uses calculations of local wind speeds. Note, traditional indemnity insurance policies also contain basis risk through exclusions, deductibles, sub-limits, and the requirement of physical damage to recover business interruption and extra expenses.

What is the maximum capacity that you can deploy per deal?

When working with Swiss Re Corporate Solutions you're accessing the expertise and scale of a global insurance, reinsurance, and capital markets company. We regularly develop solutions for customers with limits ranging from USD 5m to USD 50m. We can also scale limits up to and in excess of USD 100m by using our reinsurance and capital markets capabilities.

How do I decide on the structure that suits my company best?

Parametric policies such as STORM are powerful tools to help an organization manage tropical cyclone risk. They are highly customizable, and our team of experts works with customers and brokers to find the right structure and triggers for their particular needs and concerns.

How much time do you need from the start of discussions until signing?

Since the concept is fairly new to many customers and many brokers, familiarisation with the solution is the key component of STORM and getting out well ahead of a renewal increases the chance of success.

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Parametric River Level – FLOW

Benefits

Certainty of insurance payment amount:
When the cover is triggered by a river water level event, payments are fixed, e.g. per day.

Simple claims process:
Payment within days or weeks, no matter what losses are covered throughxthe insurancexpayment.

- Insurance proceeds can be used to cover any losses sustained (including NDBI or other).
- Contract can be an insurance policy or be written in a derivative form.

Need

Our customer operates tourist boats on a river in Europe. If water levels drop below certain thresholds, the boats cannot operate, resulting in lost revenue. At the same time, investors require greater revenue certainty when deciding to invest in the business. The customer therefore chose to purchase insurance covering periods when operations are halted due to drought and low river levels. As traditional indemnity insurance is difficult to obtain, and assessing sustained revenue or profit losses can be cumbersome and time-consuming, the customer opted for FLOW, a parametric insurance solution.

Our Alternative Risk Transfer Solution

The customer receives a daily payment if the water level at a defined gauge drops below a defined level as measured by the gauge. The daily payment is a fixed amount, reflecting the preassumed loss of daily revenue.

How else can this be applied?

The principle can be applied to any situation where low river water levels lead to revenue loss or other negative financial impacts, such as increased transportation costs or production stoppages. The specific loss circumstances are not relevant, as coverage is triggered by the event and its severity rather than the customer's actual loss. As a result, losses that would not typically be covered under traditional indemnity insurance can be addressed, including, for example, NDBI.

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FAQ

Traditional insurance versus parametric/index-based covers – what's the difference?

Traditional insurance pays based on actual damage sustained subject to exclusions, sub limits, and other conditions. FLOW pays based on the locally measured river water level. The proceeds from the FLOW policy can be used for any costs to the policyholder, even if the policyholder only suffered indirect economic cost and no physical damage at all.

What is the difference from traditional insurance in terms of claims payment process?

The claims process is fast and simple. Once the data is collected from the event, Swiss Re Corporate Solutions can provide a payout in the preagreed, contractual amount. There are no claims adjusters and no onsite inspections. The policyholder is then allowed up to one year to confirm they used the funds for costs or losses related to the event.

What is the risk that the trigger index does not perfectly correlate with the underlying risk exposure?

The risk that a policyholder's loss does not perfectly align with the parametric payout is known as "basis risk." The basis risk can be reduced by carefully analysing the correlation between event and expected losses through historical data analysis. Note, traditional indemnity insurance policies also contain basis risk through exclusions, deductibles, sub limits, and the requirement of physical damage to recover business interruption and extra expenses.

What is the maximum capacity that you can deploy per deal?

When working with Swiss Re, customers access the expertise and scale of a global insurance, reinsurance, and capital markets company. We regularly develop solutions for customers with limits ranging from USD 1m to USD 50m. We can also scale limits up to and in excess of USD 100m by using our reinsurance and capital markets capabilities.

What structure best suits my company?

Parametric policies such as FLOW are a powerful tool to help an organization manage risk. They're highly customizable, and our team of experts work with customers and brokers to find the most suitable structure and triggers for their particular needs and concerns.

How much time do you need to consider from the start of discussions until signing?

Since the concept of parametric insurance is fairly new to most customers and many brokers, familiarisation with the product is key and an early start helps to manage expectations early on. Once all interests are aligned, we can provide an indication within days.

Swiss Re Corporate Solutions

Parametric – HAIL

Benefits

Quick Payout:
When affected by a triggering event, our policyholders receive a payout within days of the event to get them back up and running as quickly as possible.

Broad Coverage:
Payout can be used for any loss associated with the event. This allows our insureds to fill in the gaps in their traditional coverage (e.g. deductible, inadequate limits, excluded coverages, etc.).

Customized Structure:
These covers are built specifically for the insured and are highly customizable based on 1) the insured's exposure and 2) the specific problem the insured is trying to solve.

Need

Over the past few years, hail has been an increasingly large contributor to both economic and insured losses. As a result, the insurance market has been forced to significantly increase retentions, decrease limits and reduce coverages. This leaves insureds in a difficult position with considerable gaps in their traditional coverage. This presented a unique opportunity to provide an alternative parametric cover to help supplement the available traditional market. It was against this backdrop that we designed our HAIL parametric insurance cover.

Our Alternative Risk Transfer Solution

We partnered with CoreLogic, a leading data provider in the hail space, to offer cover that triggers based on the maximum hail size at a predefined point. The larger the hail size, the higher the parametric payout. Upon receiving an event notice from the insured, we determine the hail size at the insured's location using CoreLogic data within days, along with the corresponding parametric payout. We then settle the claim quickly, with covers typically paying out within 30 days.

How else can this be applied?

There are many different ways this cover can be used, depending on the nature of the insured's exposure. For example, we have many customers who have large vehicle exposure in hail-prone areas (e.g. auto dealers), and this cover helps to supplement their traditional insurance placements. Our list of customers also includes public entities, who have unique exposure to hail. Another industry group with significant interest in this concept are photovoltaic plant owners and operators and the lenders behind them. As solar becomes more prevalent in the coming years, we will continue to provide alternative solutions such as this to deliver necessary coverage for the significant hail exposure to those sites. We have seen many other industry groups interested in this cover, so the application is very wide.

FAQ

How does HAIL work?

The parametric structure of HAIL delivers the coverage with clear, transparent terms and speedy payout timelines. With the help of data analytics, each policy is tailored to reflect the way the insured experiences the event – from its severity to the potential losses. The benefit of knowing the payout amount in the event of a severe hail event impacting the business before such an event happens is key for our customers. They also appreciate having the flexibility to use the funds in the best way to help the business recover.

Maximum Hail Size (inches)	Payout (% of Limit)
1.25 – 1.49	25%
1.50 – 1.74	50%
1.75 – 2.0	75%
2.0+	100%

What can the payout be used for?

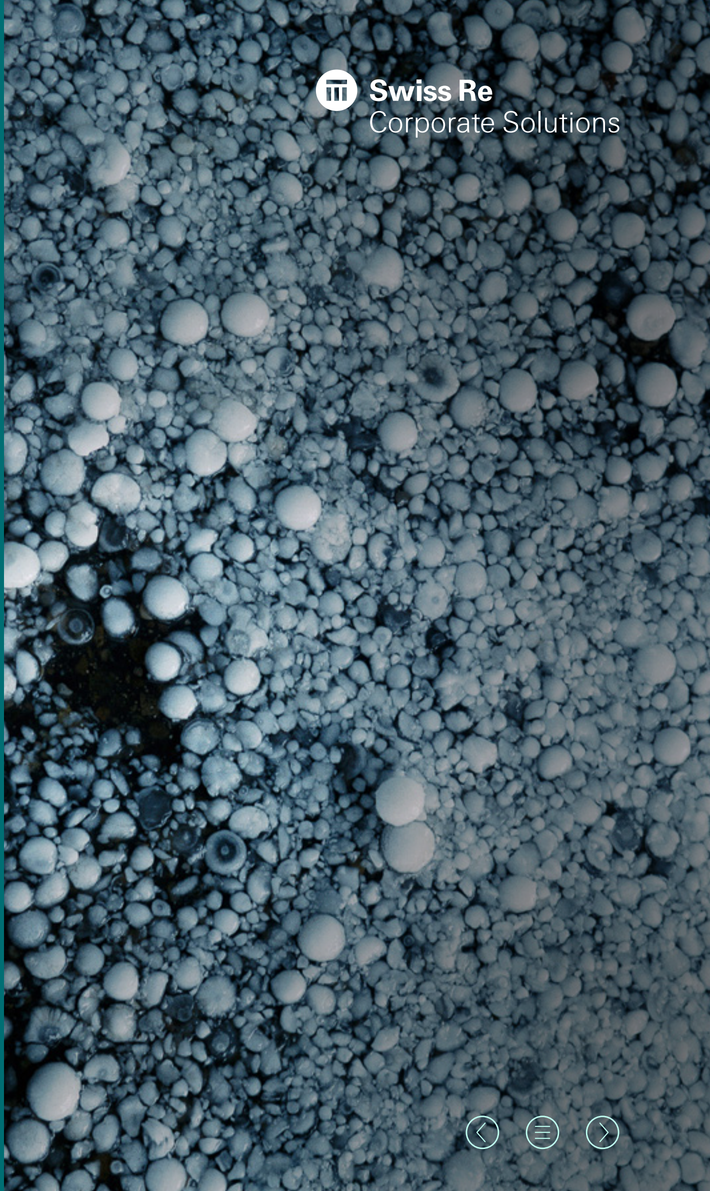
- Fill in the traditional insurance deductible.
- Cover business interruption and other additional expenses following a hail event.
- Fund losses from coverages that are excluded or sub-limited in the traditional insurance program.

Where is HAIL available?

Currently, HAIL is available in the continental United States (excluding Alaska and Hawaii)

What is parametric insurance?

Parametric insurance policies are index-based products that pay out when a specific peril meets or exceeds a certain predetermined intensity (trigger) at a defined location, which is highly correlated with policyholders incurred losses. More information can be found here.



Non-physical Damage Business Interruption (NDBI)

Benefits

No need for a physical damage:
By linking the cover to an index and/or determining an independent trigger event, there is no requirement for an actual physical damage to the affected insured location.

Quick payout:
The tedious process of claim adjustment is skipped thanks to the transparent payout mechanism.

Replicability:
The solution is adjustable to different locations and different perils.

Need

A US hospitality company is exposed to a "Black Swan" event, an unforeseeable event that can result in significant loss of income across many of its properties in North America. Such events (i.e., named perils) include terrorism, acts of civil authority, and widespread travel disruption.

The company seeks to safeguard its earnings, balance sheet, and liquidity in the event of a prolonged market downturn.

Our Alternative Risk Transfer Solution

An independent hotel industry index was selected whereby both parties could evaluate movements in revenue per available room ("RevPar"). This index was preferred over actual business interruption losses to eliminate moral hazard and poor business decisions from the loss calculation, resulting in a prompt payout. Coverage is activated if one of the Named Perils occurs and the industry RevPar index drops by 10% or more from the previous year's monthly RevPar. The hotel company can confidently insure against nonphysical damage caused by Black Swan events that affect earnings. No traditional insurance product was available to cover this risk, but our solution is fully transparent and objective, based on an independent index.

How else can this be applied?

Non-physical damage business interruption (NDBI) covers can be applied across many industries for Black Swan events which include terrorism, acts of civil authority and widespread travel disruption.

FAQ

If the cover is based on an independent index, is this still insurance?

Yes, such covers are commonly structured as insurance solutions but can also be offered on a derivative basis if desired.

What are common information requirements?

Information requirements depend heavily on the specific case but usually the costing is based on fundamental business and financial data, in addition to the more standard experience and exposure data used for traditional P&C business. Quite frequently we also access 3rd party data to establish a benchmark or parameter that reflects the underlying risk.

How long does it take to get a quote?

Depending on the specifics of a case, we quote NDBI covers within three weeks to two-months from the receipt of the required underwriting information. Often, the most time-consuming part is the identification of the insurable interest and the determination of a pay-out that is consistent with the economic loss sustained.

Swiss Re
Corporate Solutions

Growthsurance™

Benefits

No need for a physical damage:
By linking the cover to an index, there is no requirement for physical damage to trigger the cover; proof of financial loss is required.

Quick payout:
The tedious process of claim adjustment is skipped thanks to the transparent payout mechanism.

Transparency:
Policyholders have a clear expectation of what the policy will pay out and is far simpler to explain to stakeholders of the policyholder.

Need

An agri-chemicals manufacturing company wanted to integrate a client loyalty program that benefits their customers, local farmers in China to differentiate in a highly competitive market. If farmers' crops are damaged by a severe typhoon, they benefit from a free-of-charge replacement for their already purchased products.

Our Alternative Risk Transfer Solution

Parametric typhoon coverage is used to cover the additional costs incurred to provide free replacement products under the loyalty scheme. The maximum indemnity limit is based on typhoon track within a certain geographic area (in this case, three provinces). The cost of the typhoon-linked insurance is incorporated into the sales price of the product. The effectiveness of such a program was proven following a recent typhoon whereby the company saw an increase in sales, despite a higher sales price compared to similar products from competitors. Such a loyalty scheme also improves the resilience of their farmer clientele, which ultimately helps to protect revenue streams for the company arising from the impacted location.

FAQ

Are there other Growthsurance™ examples?

A European multinational utility company contacted us to support them with a loyalty scheme they were planning. The idea was to offer a "payment holiday" to customers impacted by a major natural catastrophe (such as an earthquake of a certain magnitude).

What's the difference between traditional and parametric insurance?

Traditional property insurance pays based on actual damage sustained, subject to exclusions, sub limits, and requires a physical damage trigger for payment. In a parametric insurance policy, the loss amount is preagreed. The payment follows when preagreed event parameters are reported and confirmed by an independent third party. The payment from a parametric insurance policy can be used for any costs to the policyholder, even if the policyholder only suffered indirect economic cost and no physical damage at all.

Is the claims process different?

In a parametric insurance policy, the claims process is fast and very simple. Once the data is collected from the event, Swiss Re Corporate Solutions can provide a payout in the preagreed, contractual amount. Swiss Re does not require claims adjusters or onsite inspections. The policyholder is then allowed up to one year to confirm they sustained a loss from the covered event.

How do I decide on the structure that suits my company best?

Parametric covers are very flexible and can be tailored to the specific needs of individual clients, be it in terms of perils or structural features. Our team of experts work with customers and brokers to find the most suitable structure and triggers for their particular needs and concerns.

Digital Ecosystem
Algorithm failure revenue loss

Benefits

The transition to a digital ecosystem that includes Artificial Intelligence, industrial or commercial Internet of Things (IoT) and other intelligent application of IT hardware and software deserves a risk transfer response rooted in innovative thinking and expert knowledge.

Through close collaboration and partnership with our customers, we develop highly tailored "fit for purpose" risk transfer solutions that respond to specific digitalization-driven demands.

We recently **structured an insurance backup for a predictive maintenance software** package for one of the leading household appliance manufacturers.

Need

The digitalisation of our world continues at a rapid pace, promising to make the world more resilient, efficient and transparent. Original equipment manufacturers (OEMs) face new realities for their products and their current business models. Condition-based maintenance (CBM and predictive maintenance) replaces scheduled maintenance cycles, and income streams increasingly come from services rather than product sales. Early adopters of CBM need risk transfer innovators able to develop a truly responsive, "out of the (traditional) box" solution.

Our Alternative Risk Transfer Solution

Identifying and defining what precisely needs to be insured (the "risk transfer problem") is key. We developed a customer-specific algorithm failure coverage on a preagreed loss amount basis. The solution is structured similarly to a parametric product, offering speed and simplicity. Claims handling process is fully automated and API-based. Based on known machinery breakdown, business interruption and reliable data, we predefined the monetary compensation for "false positive" events to model the exposure and agree on the risk transfer premium. The solution was designed to meet customer expectations.

FAQ

What's the difference between "algorithm failure" insurance and a standard Machinery Breakdown insurance?

Algorithm failure cover protects a policyholder against risks typically arising under software quality warranties in software sales, licensing, or maintenance agreements. It compensates customers for algorithm failures up to a preagreed amount, even where the failure results in a machinery breakdown without physical damage.

Note: Conventional Machinery Break-down cover requires a physical damage of the insured machine.

What does a preagreed value mean?

This is the preagreed loss amount that we'll pay a customer upon the reporting of each covered loss event. It may vary, depending on the covered loss events, but common to all these amounts is the fact that the agreed loss amounts are all based on realistic loss (scenario) calculations.

Is this "algorithm failure" insurance the only IOT offering of Swiss Re?

No, by no means. This is simply an illustrative example of a tangible, executed coverage in the context of an increasingly digitalized world. More and different coverages will emerge over the coming years as customer needs become clearer in this evolving environment, and as an agile and adaptive insurer like Swiss Re Corporate Solutions continues to develop solutions based on improved data collection, advanced analytics, and more sophisticated loss modelling techniques.

Let's be clear: a risk is eligible for transfer only if the underlying exposure can be defined, measured, and modelled in terms of frequency and loss severity. That fundamental principle will remain unchanged. However, better data, combined with advances in IT hardware and software, will enable more sophisticated analytics and improved loss models, ultimately driving the development of new and innovative risk transfer solutions.

Swiss Re Corporate Solutions

B2B2 Employee

Benefits

Improve business continuity:
A simple and transparent solution that would allow the company to support their employees following a catastrophic event and help maintain business operations.

Increase employee retention:
Foster risk awareness among the employees and develop a risk-aware culture within the firm.

Elevate corporate branding:
A unique benefit that upgrades the company's offering and differentiates it from market standards.

Need

Earthquake insurance take-up rates in California are approximately 10%, and according to the USGS, there is a 72% probability of a magnitude 6.7 earthquake occurring in the San Francisco Bay Area within the next 30 years. A large technology firm headquartered in California, with a sizeable employee population in the region, sought to provide its employees with an earthquake insurance benefit.

The company aimed to raise awareness of the region's risk, limit business interruption, and ensure both the organization and its employees were well prepared to return to 'business as usual' following an earthquake. The solution also enabled the firm to differentiate its employee benefits offering, supporting talent attraction and retention.

By offering a simple, transparent, and flexible parametric insurance cover, employees would be eligible to receive a rapid cash payout following an earthquake, which could be used to cover any direct or indirect expenses related to the event.

Our Alternative Risk Transfer Solution

With the shift to remote work, there has been an emphasized importance on ensuring employee comprehension of the risks they encounter and support they receive following a natural catastrophe. Our Parametric QUAKE solution is perfectly suited for this type of employee benefit package. QUAKE relies on independent third-party data reported by the US Geological Survey (USGS). Payment is based on the shaking intensity of an earthquake at the policyholder's site. If the shaking intensity meets or exceeds the preagreed threshold, funds are disbursed to the policyholder, often within 30 days. These funds may be used for any direct or indirect expenses arising from the earthquake, such as: infilling traditional homeowner's CA earthquake deductibles, transportation and moving fees, food and supplies, utility disruption, day care and pet costs, medical expenses, and much more. The claims process is very different from a traditional earthquake cover as no lengthy claims assessment is required, resulting in faster payouts, less disruption, and a quicker return to the norm.

How else can this be applied?

This solution can easily be replicated for other companies with a significant workforce in earthquake-exposed regions. For companies in hurricane-exposed states, we have a parametric STORM solution, which follows a similar approach. The STORM solution relies on actual windspeeds at predefined locations reported by Moody'sHWind, a third-party independent data provider. Following a named windstorm event, Moody's HWind produces a granular wind footprint, allowing us to determine the highest one-minute sustained wind speed closest to the policyholder's location(s). There are several ways to structure such a transaction, either B2B or B2B2C. In B2B, Swiss Re Corporate Solutions would insure the corporate entity. In B2B2C, Swiss Re Corporate Solutions would act as a reinsurer behind a licensed personal lines carrier.

FAQ

What is parametric insurance?

Parametric insurance policies are index-based products that pay out when a specific peril meets or exceeds a certain predetermined intensity (trigger) at a defined location, and the insured incurs losses.

What is the difference from traditional insurance in terms of claims payment process?

The claims process is fast and simple. Once the data is collected from the event, Swiss Re Corporate Solutions can provide a payout in the preagreed, contractual amount. Swiss Re does not require claims adjusters or or onsite inspections. The insured is then allowed up to one year to confirm they used the funds for costs or losses related to the event.

What is the maximum capacity that you can deploy per deal?

When working with Swiss Re you're accessing the expertise and scale of a global insurance, reinsurance, and capital markets company. We regularly develop solutions for customers with limits ranging from USD 1m to USD 50m. We can also scale limits up to and in excess of USD 100m by using our reinsurance and capital markets capabilities.

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